Bath & North East
Somerset Council

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Date: 20 September 2016
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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: Tuesday, 27th September, 2016

You are invited to attend a meeting of the **Corporate Audit Committee**, to be held on **Tuesday, 27th September, 2016** at **2.00 pm** in the**. Kaposvar Room - 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

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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 - Tuesday, 27th September, 2016

at 2.00 pm in the Kaposvar Room - 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 7.

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: 24TH MARCH 2016 (Pages 7 - 12)

9. GOVERNANCE REPORTS FOR COUNCIL AND AVON PENSION FUND AND AUDITED STATEMENT OF ACCOUNTS 2015/16 (Pages 13 - 198)

10. TREASURY MANAGEMENT OUTTURN 2015/16 (Pages 199 - 214)

11. PROCUREMENT OPTIONS - EXTERNAL AUDIT (Pages 215 - 218)

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, 24th March, 2016, 2.00 pm

Councillors: Brian Simmons (Chair), Chris Dando, Andrew Furse, Barry Macrae and Christopher Pearce
Independent Member: John Barker
Officers in attendance: Jeff Wring (Head of Audit West), Andy Cox (Audit Manager), Derek Quilter (Divisional Director- Property & Project Management) and Richard Long (Head of Property Services)
Guests in attendance: Kevin Henderson (Grant Thornton)

88 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

89 ELECTION OF VICE-CHAIR

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

90 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

91 DECLARATIONS OF INTEREST

There were none.

92 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Head of Audit West said that after consulting the Chair he was proposing that the meeting of the Committee scheduled for the 10 May 2016 should be cancelled and replaced by a half-day training session towards the end of June. He would contact Members about possible dates.

RESOLVED to cancel the meeting of the Committee scheduled for 10 May 2016.

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

There were none.

94 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

95 MINUTES: 4 FEBRUARY 2016

These were approved as a correct record and signed by the Chair.

96 INTERNAL AUDIT ANNUAL REPORT

The Audit Manager presented the report. He drew attention to the Audit and Risk dashboard on agenda page 12. He reminded Members that a progress report had been presented at the 8 December 2015 meeting of the Committee. The current report forecasted performance for the year ending 31st March 2016. This report showed the 94% of the plan substantially completed, compared with 40% reported in December. This improvement had been achieved by increasing the resources available and more efficient working, as detailed in paragraph 4.6 of the report. Two new staff had been recruited, who had required minimal training to bring them up to speed. 73% of audits had been completed in the assigned days. Customer satisfaction continued to be very good and excellent feedback continued to be received from accounting colleagues. The percentage of recommendations implemented was detailed in paragraph 4.16. The relevant Divisional Directors had been notified of critical/high risk recommendations not implemented, and they would assume responsibility for ensuring implementation. He reminded Members that two police investigation cases had been reported in in December. It was disappointing that the Police had decided not to prosecute after investigation. One further investigation case had arisen since December and was ongoing. The Property Compliance audit had been assigned an assurance rating of 1 ‘Poor Overall Control Framework’. This would be the subject of a presentation by the Property team. Three other audits had been allocated an assurance rating of 2 ‘Weak Control Framework’, as reported in paragraph 4.25.

A Member said he did not think that the use of percentages in the report very helpful, or give him the assurance he would like to have. The Head of Audit West said that presentation of this information would be reviewed.

The Head of Audit West commented on the joint working arrangements. He said that the whole team was now integrated in the new structure. Audit West had been awarded a 5-year contract. Total savings of £200,000 had been achieved and yet the audit plans for both Councils had been achieved. Externally-offered services had been enhanced to generate new income, as detailed in paragraphs 4.40-4.41. He drew attention to his formal opinion on the Internal Control Framework given in paragraphs 4.44-4.48. In response to a question from the Chair he clarified that the £200,000 was a permanent reduction in resources; two thirds of the savings could be attributed to North Somerset. The £300,000 increase in recovered business rates (paragraph 4.42) was annual.

A Member asked how the amount of resources devoted to non-core services (paragraph 4.41) could be justified given the other pressures on Internal Audit, e.g. unplanned work. The Head of Audit West replied that a number of services were being offered externally on a trial basis at present. These provided useful additional income. There was a question as to the extent to which they could be commercialised on a long-term basis. A contingency provision for unplanned work was included in the plan, and the new joint working arrangements allowed staff to be deployed more flexibly.

A Member referred to the audit of Heritage services (paragraph 4.26) and asked whether the recommendations had been implemented. The Audit Manager confirmed that this was now the case. Another Member asked whether there were penalty clauses in the contract relating to the provision of the Heritage IT system. The Head of Audit West said that he did not know the specific details of the contract, but he thought that the implication was that the contract was not sufficiently robust to allow the Council to recover anything at this stage.

Officers from Property Services made a presentation on the findings of the audit of Property Compliance and their response. A copy of their PowerPoint slides is attached as an appendix to these minutes.

In reply to questions from Members the Property officers stated:

- The decision had been taken to gather and verify fresh data for input into the property database.
- There was a rolling program of asset surveys; this would prevent data becoming out of date as was the case previously; all assets would be surveyed every five years.
- Schools would be surveyed during the school holidays.
- The implementation of the audit recommendations would be an ongoing process in which Property Services would continue to work with Internal Audit.
- The database would allow management to check whether staff working on a property had checked the database before commencing work.
- Property Services provided help and advice to Academies; it would be possible to charge them for this.

The Divisional Director - Property & Project Management accepted the Chair’s invitation to attend the September meeting of the Committee to give an update.

RESOLVED to note the Internal Audit Annual Report 2015-16 and formal opinion on the internal control framework.

97 INTERNAL AUDIT ANNUAL PLAN 2016/17

The Head of Audit West presented the report. He reminded Members about the Reasonable Assurance Model, which was presented to the Committee at the meeting of 8 December 2015. The Plan was a longer document than in previous years, because it was thought it would be helpful to show the Committee in greater detail the new approach to the planning process. Agenda pages 42 and 43 listed the 42 audit plan areas selected for this year.

A Member asked why, on page 42, cash collection was categorised as ‘procurement’ and placed under the Place Directorate. The Head of Audit West explained that this was because cash collection had been outsourced under a new contract. The cash concerned was mostly car parking charges and the responsible officer was in the Place Directorate. A lot of these charges were not in fact collected as cash but as online payments.

The Audit Manager explained that two audit areas had not been included in the list on pages 42-43, namely the current contract for Social Care and Council Tax support for those on low incomes.

RESOLVED to approve the Internal Audit Plan for 2016/17.

98 EXTERNAL AUDIT UPDATE REPORT

Mr Henderson presented the report. He said that usually the Interim Audit would be completed before the Audit Plan was issued, so that the results of the Interim Audit could be taken into account in preparing the Plan. However, this had not been possible this time because of the timing of this meeting. An updated version of the Plan would be brought to the next meeting following the completion of the Interim Audit. He reminded Members that in two years' time the Council would be required to publish its accounts by the end of May and the external auditors would be required to give their audit opinion by the end of July, so there would be two months for the preparation of the accounts and a further two months to complete the audit. Though the Council would not be publishing its accounts any earlier this year, the external auditors would endeavour to complete the audit by the end of August. Discussions were taking place with the Council's finance team about publishing the Council's accounts earlier next year, though not necessarily as early as the end of May.

A Member asked whether there was a danger that the audit would be more superficial because of the pressure of the August deadline. Mr Henderson replied that the external auditors would do the same amount of work and the same standards would apply, but they would have to organise resources to enable the deadline to be achieved. It was possible that councils would use more estimates rather than actual figures. He pointed out that the NHS had only three weeks to prepare accounts, which had to be signed off by the end of May.

Mr Henderson drew attention to the information about the value-for-money conclusion on page 51 of the agenda. The National Audit Office had issued new guidance about VfM in November 2015. An initial risk assessment was taking place at the moment and this would be reported to the Committee in the updated Audit Plan in May 2016. One of the main areas to be looked at would be the Council's resilience action plan. Work in relation to the Regional Growth Fund 2 had been completed. Work on Regional Growth Fund 3 would begin in April. The planned date for completion of work on Housing Benefit certification was September-November 2016, but some work on it would be undertaken in April. The external auditors would be providing training to the Housing Benefit team in April on assessments and, with senior staff, on the Housing Benefit workbook. It was hoped that no fee would be charged for this work, but a fee might be charged if issues were encountered. He drew attention to reports issued by Grant Thornton as detailed on agenda pages 54 and 55.

RESOLVED to note the report.

99 EXTERNAL AUDIT PLAN 2015/16

Mr Henderson presented the report. He said this plan was focused on the Council's 2015/2016 accounts, which are likely to be published at the end of June or July. Agenda pages 63-64 set out some of the issues taken into account in the plan. He drew attention to the need to value the Council's highway assets this year and for them to be entered on the opening balance sheet next year. This was a difficult area and a good deal of estimation would be involved in assessing the value of individual roads.

A Member asked what criteria there would be for assessing the relative value of different roads. Would the state of repair be taken into account? Mr Henderson replied that valuing roads did appear to be a strange thing to do, but the information was needed to fill a gap in the whole-of-government accounts. Roads obviously had some value, so the issue was the valuation methodology. He expected that guidance would be issued and would be based on standard figures, e.g. an A road should be valued at so much per metre, and that the software the Council would use for road valuations would have these standard rates built in. The difficulty would be that the valuations would be based on a lot of estimates, yet could add billions of pounds to the Council's assets while the materiality figure would remain £8m. The Head of Audit West said that the Council valued all its other assets and was able to compare the costs of maintenance with the value of the assets. In future it would be possible to see for the first time what percentage the Highways Budget was of the value of the assets, which would give a new perspective. A workshop about this was planned for June. In response a question from another Member, Mr Henderson said that he thought that roads valuation would be based essentially on replacement cost and that that depreciation would be applied.

A Member referred to the risk identified on page 67 "the revenue cycle includes fraudulent transactions", and asked how fraud could be quantified. Mr Henderson said that the external auditors were only concerned with misstatements and fraud that appeared in the accounts and not with possible revenue that had never been entered into the accounts.

A Member asked to what extent the external auditors relied on work done by Internal Audit. Mr Henderson said that the external auditors were no longer allowed to rely on work done by Internal Audit, but they did take it into account and used it to inform their own work.

A Member asked how the audit fees were determined. Mr Henderson explained that rates for fees, which were previously determined by the Audit Commission, were now set by Public Sector Audit Appointments Ltd. Fees had been progressively reduced since the decision to abolish the Audit Commission. The Member asked whether the level of fee restricted the work that the external auditors could do. Mr Henderson explained that this was not an issue in Bath and North East Somerset, but fees were lower for small authorities, and in their case it was sometimes a challenge to do the necessary work within the fee set. The external auditors did not receive the full fee, as they had to pay a certain percentage to Public Sector Audit Appointments. Fees might change again when the market for public sector external auditors was deregulated.

RESOLVED to recommend the plan for approval by the S151 Officer.

The meeting ended at 4.05 pm

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services

Bath & North East Somerset Council	
MEETING:	**Corporate Audit Committee**
MEETING DATE:	**27th September 2016**
TITLE:	**Governance Reports for Council and Avon Pension Fund, and Audited Statement of Accounts 2015/16**
WARD:	All
AN OPEN PUBLIC ITEM	
List of attachments to this report: **Appendix 1** – Audit Findings Report for B&NES Council **Appendix 2** – Audit Findings Report for Avon Pension Fund **Appendix 3** – B&NES Council Audited Statement of Accounts 2015/16 **Appendix 4** – B&NES Council Letter of Representation	

1 THE ISSUE

1.1 The Audit Findings Report summarises the results of Grant Thornton's audit of the 2015/16 Accounts for the Council and Avon Pension Fund. 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 agrees 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 2015/16 is approved.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

3.1 The Council's Statement of Accounts sets out the Income and Expenditure for the 2015/16 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 2015 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 Narrative Report 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 identified that further valuation gains on the Council's Fixed Assets (Investment Properties £13.9m and Other Land and Buildings £8.2m), due to in year index movement since the date of the formal valuation, were omitted from the Draft Accounts. These additional gains led to amendments in the Balance Sheet and Comprehensive Income & Expenditure Statement. This adjustment did not result in any change to either the total net expenditure or to the total usable reserves.

5.3 Grant Thornton are proposing to issue an audit report including an unqualified audit opinion on the Council's 2015/16 Financial Statements and its findings and recommendations will be discussed at the committee. At the time of writing this report the Audit Findings report had not yet been finalised but will be issued as soon as it is available and discussed in full at the meeting.

Avon Pension Fund's Accounts

5.4 There have been no changes to the Avon Pension Fund accounts that were presented to the Pensions Committee in June. The final accounts will be presented to the Pensions Committee on Friday 24th September 2016.

5.5 Grant Thornton are proposing to issue an audit report including an unqualified audit opinion on the Pension Fund's 2015/16 Financial Statements.

Annual Governance Statement

5.6 The Annual Governance Statement forms part of the Annual Accounts and the process for its completion has previously been reported to the Committee. The Council's senior management team have considered the results of the review and recommended that one significant issue should be included around the scale of the financial challenge.

5.7 Whilst no significant governance failures have occurred, the Council acknowledge that the level of grant reductions from central government are a significant issue and represent a real challenge in being able to continue to deliver excellent services to the whole community at all times.

5.8 The Cabinet and Senior Management have been actively engaged in tackling this challenge and the mitigating actions lay out some of the key mechanisms we are using to help us do this. Whilst we are well placed to meet the challenge, we recognise its scale with difficult decisions needed to balance the budget and maintain service delivery. Therefore we will need the support of the whole of the governance framework to deliver on this effectively.

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, this is a statutory process.

8 CONSULATION

8.1 Consultation has been carried out with the Chief Finance Officer and Senior Management Team with respect to the Annual Governance Statement.

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 through regular reports to Council, Executive and Scrutiny functions.

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 2016

27th September 2016

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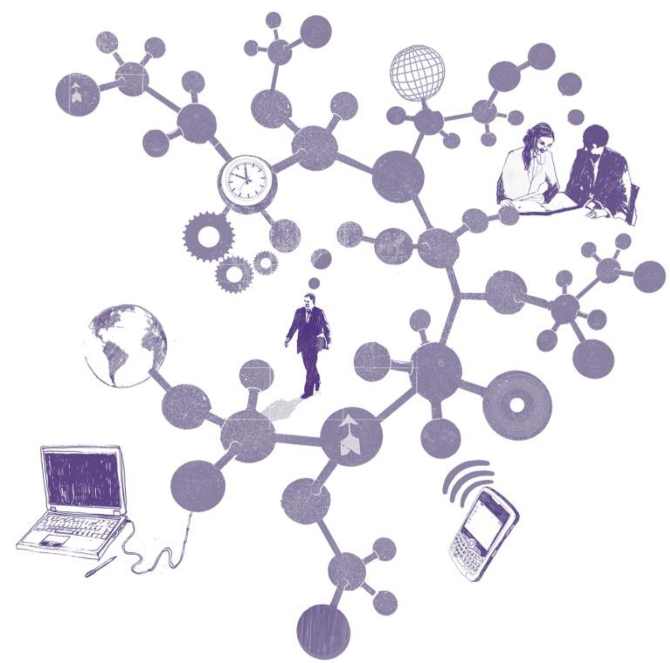

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27 September 2016

Dear Members of the Corporate Audit Committee

Audit Findings for Bath and North East Somerset Council for the year ending 31 March 2016

This Audit Findings report highlights the key 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, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

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 and giving a value for money conclusion. 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

Contents

Section 1: Executive summary

Purpose of this report

This report highlights the key issues affecting the results of Bath and North East Somerset Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. 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 (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure 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 consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 9 March 2016.

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

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

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

Key audit and financial reporting issues

Financial statements opinion

We have not identified any adjustments affecting the Council's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2016 recorded a deficit on provision of services of £31.005m. This has changed to £17.148m as a result of changes made to the values of Investment Property.

We also identified adjustments affecting the reported Other Comprehensive Income and Expenditure. The draft accounts disclosed a figure of £31.868m. This changed to £40.055m as a result of changes made to the values of Property, Plant and Equipment.

Total comprehensive income and expenditure this year has increased from £863,000 to £22.907m.

We have also recommended a number of adjustments to improve the presentation of the financial statements.

The key messages from our audit of the Council's financial statements are that whilst good progress is being made in addressing the need to have the valuation of property, plant and equipment consistent with fair value principles, there have still been significant adjustments arising from our audit. We will continue to liaise with the Council's finance team and valuers to address these issues in future years. Further detail is included later in the report.

We anticipate providing an unqualified audit opinion in respect of the financial statements (see Appendix B).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

We have nothing to report in this respect.

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.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

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

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Corporate Audit Committee which is due in February 2017.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance

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

Acknowledgement

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 2016

Section 2: Audit findings

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £8.1m (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and revised our overall materiality to £7.3m (being 1.8% of gross revenue expenditure), to reflect the increased risk we have assessed in some areas, particularly around fair value valuations.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £364k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5,000
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1,000
Pooled Budgets	We will use the materiality figure applied to the CCG's accounts as it is lower than the Council's materiality figure.	£3,270,000

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.	**The revenue cycle includes fraudulent transactions** Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Bath and North East Somerset Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Bath and North East Somerset Council, mean that all forms of fraud are seen as unacceptable.	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management over-ride of controls** Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	• Testing of journal entries • Review of accounting estimates, judgements and decisions made by management • Review of unusual significant transactions	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.

Page 26

Audit findings against significant risks (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	**Valuation of long term (non-current) assets** **Property, plant and equipment** The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements. **Surplus assets and investment property** The CIPFA Code of Practice has implemented IFRS 13 for the 2015/16 financial statements. The Council is required to include surplus assets within property, plant and equipment in its financial statements at fair value, as defined by IFRS13. The basis on which fair value is defined for investment property is also different to that used in previous years. This represents a significant change in the basis for estimation of these balances in the financial statements. There are also extensive disclosure requirements relating to financial assets and liabilities under IFRS 13 which the Council needs to comply with.	• Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions. • Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they were input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. • Review of the disclosures made by the Council in its financial statements to ensure they were in accordance with the requirements of the CIPFA Code of Practice and IFRS 13.	We have reviewed the valuation of property, plant and equipment. As part of the valuation of land and buildings, the valuer undertakes a review of various indices to ascertain if there has been any significant change in value hat would result in the current value at the year end being significantly different to the carrying value in the accounts. The valuer concluded that the movements were not material was based on the valuer's materiality of +/-10%, which is considerably higher than the materiality used in the accounts audit. Our review of indices suggested that other land and buildings were understated by around £8m and investment property by £13m, which the Council has used to amend its accounts, to reflect the increased values. The valuation on which the figures in the accounts are based was undertaken in accordance with RICS requirements. The use of indices in the financial statements, however, means that the Council has adopted a valuation method which is not consistent with the Code on Local Authority Accounting. It was also noted there were a number of disclosure notes that needed to be added to the financial statements in order to comply with the requirements of the CIPFA Code of Practice. We will continue to work with the Council's finance and valuation teams to identify a sustainable solution to the issue of valuation of its assets at fair value.

Audit findings against significant risks (continued)

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
4.	**Valuation of pension fund net liability** The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	• Documentation and walkthrough of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated. • Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. • Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.	Our audit work has not identified any 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.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	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 a sample of payments back to prime records. • reviewed a reconciliation of payroll costs to the general ledger • undertaken an analytical review of monthly payroll trend	Our audit work has not identified any significant issues in relation to the risk identified
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses 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 • assessed the accruals methodology and testing the accruals and goods received but not invoiced figures. • reviewed after date payments and searched for unrecorded liabilities	Our audit work has not identified any significant issues in relation to the risk identified.
Welfare expenditure	Welfare benefit expenditure improperly computed	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 the calculation of housing benefits to ensure that they were correctly calculated.	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates and 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	• Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. • There is a separate policy for NNDR and Council Tax as well as general revenue.	The Policy is considered to be reasonable and in line with the CIPFA Code.	Green
Judgements and estimates	• Key estimates and judgements include : – Revaluations – Impairments – Accruals – Valuation of pension fund net liability	Our conclusions on the valuation of property, plant and equipment, investment properties and the pension fund net liability are set out on pages 11 - 13. Other estimates and judgements have been considered in the audit process, and no issues have been identified.	Green
Going concern	The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	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

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code 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 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 procedures.
2.	**Matters in relation to related parties**	• From the work we carried out, we have not identified any significant related party transactions which have not been disclosed. However. we did note, from a sample tested that, not all disclosures made by councillors were reflected in Note 36. Given that the register of interests is a live system, we recommend that a print of each councillor's disclosure is taken when the accounts are prepared so that we can ensure that what is reported in the accounts reflects the disclosures observed at the time,
3.	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	**Written representations**	• A standard letter of representation has been requested from the Council. No specific representations were required.
5.	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to NatWest and 24 other bodies . This permission was granted and the requests were sent. 20 of these requests were returned with positive confirmation. However, five requests were not received so we undertook alternative procedures, including reviewing repayments and other evidence.
6.	**Disclosures**	• A number of disclosure changes were identified through the audit process – most were not significant. The most significant relate to the fair value disclosures required for financial instruments and investment properties. This is set out in more detail on page 21.
7.	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a number of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading. We have not identified any issues we would be required to report by exception in those areas.
8.	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold of £350m, we are required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. The deadline for completion of this work is 21 October 2016 and we expect to complete our work by the end of September 2016.

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 Revaluations, IAS 19 Pension Liabilities, Employee Remuneration and Operating Expenses as set out on page 10 onwards above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A. 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.

	Assessment	Finding	Recommendations
1.	● Amber	**IT controls in iTrent system** Following the implementation of iTrent (payroll system) we undertook a review of the system controls. Satisfactory arrangements were in place, but our review identified weaknesses in the following areas: • There are nine active system administrators in the iTrent system and at least one manager with operational responsibility (Payroll Manager) has an administrative account. • Password settings in iTrent are weak having been set at only six character and no required complexity. • A process is in place to ensure that leavers are identified in the iTrent system but the users' access level in the system is not reviewed at the same time. Also, there are no security log reviews enabled to ensure that access to the system is authorised.	Management should: • review the number of administrative staff and ensure that segregation of duties principles are maintained **Management response -** all profiles including system administrators will be reviewed and amended by 31/10/2016 • continue to review password settings to improve password security in-line with the Council's own password policy of a nine character, complex password **Management response -** we are currently working with North Somerset Council to improve password security • ensure that security logs are subject to periodic review **Management response** - processes are currently being reviewed and this will be captured as part of that review by 30/09/2016.

Page 32

Assessment

● Significant deficiency – risk of significant misstatement ● Deficiency – risk of inconsequential misstatement

Internal controls (continued)

	Assessment	Finding	Recommendations
2.	● Amber	**Bank reconciliations** We reviewed a number of bank reconciliations, including school bank account reconciliations, as part of our audit. With one exception, as a school reconciliation didn't balance, all were satisfactory .	Ensure that all school bank reconciliations fully reconcile. **Management response** Agreed - We will contact schools staff to remind them of this requirement, in particular where Academy transfer may take place.
3.	● Amber	**Working papers in support of debtors and creditors** When testing debtors and creditors the working papers provided did not always substantiate the figures that we were testing. This was because relevant working papers did not exist or were not supported by source documents e.g. a spreadsheet was provided as evidence, whereas it was the information underpinning the data in the spreadsheet that was required, There were also some debtors and creditors relating to schools that we were unable to substantiate as the supporting information was held by schools, which were shut for the summer. We also identified that brought forward balances are not fully reviewed to ensure that they remain appropriate to include the figures in the accounts.	Management should ensure that: • all relevant staff are reminded of the need to provide robust working papers; • access to supporting information from schools is available: and • brought forward balances are reviewed to ensure that they remain valid. **Management response** Finance and school staff will be reminded of requirements.

Page 33

Assessment
● Significant deficiency – risk of significant misstatement ● Deficiency – risk of inconsequential misstatement

Review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	• Supporting the going concern assessment – a medium term financial plan was not in place.	• A medium term financial plan is in place for 2016/17 – 2018/19
2.	✓	• Property, plant and equipment; There were a number of issues identified around PPE last year.	• There has been significant progress on the queries raised, including reconciliations being provided and reviewed between the figures included in the valuer's reports and the figures included in the financial statements. • The result has been to highlight the indexation issues reported on page 11 where current value was not in line with the carrying value.
3.	✓	• The revenue recognition policy in the previous year did not include all of the major income streams and how each is accounted for.	• This has been rectified by including specific policies for NNDR and Council Tax.

Page 34

Assessment

✓ Action completed X Not yet addressed

Adjusted misstatements

A number of adjustments to the draft accounts 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 accounts 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 key statements and the reported net expenditure for the year.

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
1	**Property, Plant and Equipment Valuation** Adjustment required to reflect movement in value since valuation undertaken.	8,187	8,187	8,187
2	**Investment Properties Valuation** Adjustment required to reflect movement in value since valuation undertaken.	13,857	13,857	13,857
	Overall impact	**22,044**	**22,044**	**22,044**

Unadjusted misstatements

There are no unadjusted misstatements.

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
1	None	N/A	N/A	N/A
	Overall impact	**N/A**	**N/A**	**N/A**

Misclassifications and 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	Disclosure	N/A	Fair Value Disclosures for Financial Instruments and Investment Properties	The required disclosures were not included in the draft financial statements. The disclosures have now been made to ensure that the financial statements complied with the disclosure requirements of the CIPFA Code of Practice 2015/16.
2	Disclosure	2,460	Pooled funding	The expenditure for children and young people with multiple and complex needs was increased to £2,832,000 as it was incorrectly stated in the draft accounts.
3	Disclosure	N/A	Council Tax Base	The Council Tax base note was amended to ensure that it was more accurate, as a balancing figure had been used.
4	Disclosure	1	Audit Fee – Grants	The audit fee for grant certification was incorrectly disclosed.
5	Misclassification	N/A	Debtors past due amounts	The disclosure of past due amounts as incorrect due to the movement of £60,000 between the less than 3 month and 3-6 month categ0ries. The original figures were: • less than 3 months - £10,336,000 • 3-6 months - £772,000 The revised figures are: • less than 3 months - £10,396,000 • 3-6 months - £712,000
6	Disclosure	Various	Various	There were a number of minor formatting, typing and spelling changes identified through the audit that were amended before the final set of accounts were identified.

Section 3: Value for Money

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

> *In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in March 2016 and identified a risk relating to medium term financial planning, which we communicated to you in our Supplementary Audit Plan dated 21 April 2016.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main consideration was the Council's financial position, including the medium term financial position.

We have set out more detail on the risk we identified, the results of the work we performed and the conclusions we drew from this work on the following page.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix B.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Medium term financial plan The Council has undertaken a detailed strategic review, from which the medium term financial plan was developed. However, as a result of the financial settlement announced in November 2015, the Council now has to identify a further £10m of savings or additional income over the period covered by the medium term financial plan i.e. four years.	We will review the Council's arrangements for compiling and agreeing its budget and medium term financial plan. We will consider the assumptions made and the extent to which scenario analysis is employed. We will also review the actions being taken to address the shortfall arising from the financial settlement announced in November 2015.	The Council has a good record of delivering its financial plans. For 2015/16, the Council reported an underspend of £659,000. In setting the 2016/17budget, a number of assumptions were made for both income and expenditure. We have assessed the reasonableness of these assumptions, such as inflation, interest rates and grant funding, and consider that they are appropriate given the underlying information. Savings plans have been developed for 2016/17 and beyond. These plans are regularly monitored and updated. We reviewed a number of the savings plans and consider them to be adequately supported by the underlying evidence. However, the report underpinning the increase in commercial property income notes that there is a "*high degree of uncertainty attaching* "to various elements of the plan including the acquisition of income producing investment properties. It is clear that the Council is considering the alternatives available to it to secure the financial position in the medium to long term. A good example of this is the setting up of the property company, Aqeuus. Consideration is also being given to which services may need to be reduced or stopped or where additional income can be derived. In essence, all options are being considered. There are no significant issues arising from the work that we have undertaken to address the risks identified in the risk assessment, although the forecast growth in commercial property income, may need to be revisited to ensure that the assumptions made are still **appropriate**. It is clear that the Council has undertaken a significant amount of work to prepare a robust medium term financial plan. These plans then had to be revisited, due to the worse than expected financial settlement, but the groundwork completed in developing the initial plans positively supported this subsequent review. As a result of the financial settlement, a further £3m of savings has been identified for 2016/17financial year, and a further £20m has had to be identified for 2017/18 onwards. Work is already underway to identify the £20m and the Council is also considering the impact of the vote to leave the European Union.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Fees, non-audit services and independence

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

Fees

	Proposed fee £	Final fee £
Council audit	123,832	123,832
Grant certification (indicative until complete in November)	16,760	TBC
Total audit fees (excluding VAT)	**140,592**	**123,832**

Page 43

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. This won't be finalised until the Housing Benefit work is complete at the end of November 2016 and the fee has been agreed by PSAA. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Service	Fees £
Audit related services:	
• Regional growth fund (reporting accountant's report)	**6,120**
• Teacher's pension return (reporting accountant's report)	**4,200**
Non-audit services	
• Financial modelling for DevCo	**42,000**

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 Auditing Practices Board'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 to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other 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 Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

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 at the time of our appointment. 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 NAO (https://www.nao.org.uk/code-audit-practice/about-code/). 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.

Page 45

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		✓
Non compliance with laws and regulations		✓
Expected modifications to 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

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	**Debtors and Creditors** There were items included in both the debtors and creditors that were rolled forward from the previous years that aren't going to be realised. Such balances should not be included. All debtors and creditors balances should be reviewed before they are included in the financial statements.	Medium	Agreed - Finance staff will be reminded of this requirement	Sept 2016 Corporate Finance Manager
2	**Debtors and Creditors** Remind all relevant staff of the need to provide robust working papers.	Medium	Agreed Finance staff will be reminded of this requirement	Sept 2016 Corporate Finance Manager
3	**Debtors and Creditors** Ensure that access to supporting information from schools is available during the audit.	Medium	Agreed - We will contact schools staff to remind them of this requirement, in particular where Academy transfer may take place	Sept 2016 Finance Manager People and Communities
4	**School Bank Reconciliations** School bank reconciliations should be fully reconciled.	Medium	Agreed - We will contact schools staff to remind them of this requirement, in particular where Academy transfer may take place	Sept 2016 Finance Manager People and Communities

Appendix A: Action plan (continued)

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
5	**Fair Value Disclosures** Ensure that all required disclosures, including fair value disclosures, are included in the draft accounts.	Medium	Agreed - we will address these in the 2016/17 Financial Statements	May 2017 Corporate Finance Manager
6	**Valuations of other land and buildings and investment properties** Ensure that the carrying values adequately reflect movements since formal valuations were last undertaken.	High	Agreed - The proposed mitigations for 2016/17 valuations are :- • A valuation date of 29th September 2016 • In the quinquennial cycle, high value assets have more impact on the indexation and can move overall values beyond material tolerances. These assets will therefore be subject to more frequent valuations. For example, Roman Baths will require annual valuation. • We will revisit indices used to ensure these reflect prevailing local conditions. • An additional requirement for the Head of Property to advise the value of the overall property stock balance sheet date of 31st March 2017.	May 2017 Head of Property Service Corporate Finance Manager
7	**Related party transactions** A print of each councillor's register of interests disclosures should be taken when the accounts are prepared so that we can ensure that what is reported in the accounts reflects the disclosures observed at the time	Medium	Agreed - we will address this in the 2016/17 financial statements.	May 2017 Corporate Finance Manager

Page 48

Appendix A: Action plan (continued)

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
8	**iTrent system controls** • review the number of administrative staff and ensure that segregation of duties principles are maintained • continue to review password settings to improve password security in-line with the Council's own password policy of a nine character, complex password • ensure that security logs are subject to periodic review .	Medium	Agreed • all profiles including system administrators will be reviewed and amended • we are currently working with North Somerset Council to improve password security • processes are currently being reviewed and this will be captured as part of that review.	31 October 2016 Systems Control Team Leader

Appendix B: Audit opinion

We anticipate we will provide the Group/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 (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the 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 Divisional Director of Business Support and Chief Finance Officer and auditor

As explained more fully in the Statement of the Divisional Director of Business Support and Chief Finance Officer 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income 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 2015/16 and applicable law.

Opinion on other matters

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

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and 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 20(1)(c) of the Act to be satisfied that the Authority has made 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 the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2016. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Act and the Code.

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources..

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

Hartwell House
55 – 61 Victoria Street
Bristol
BS1 6FT

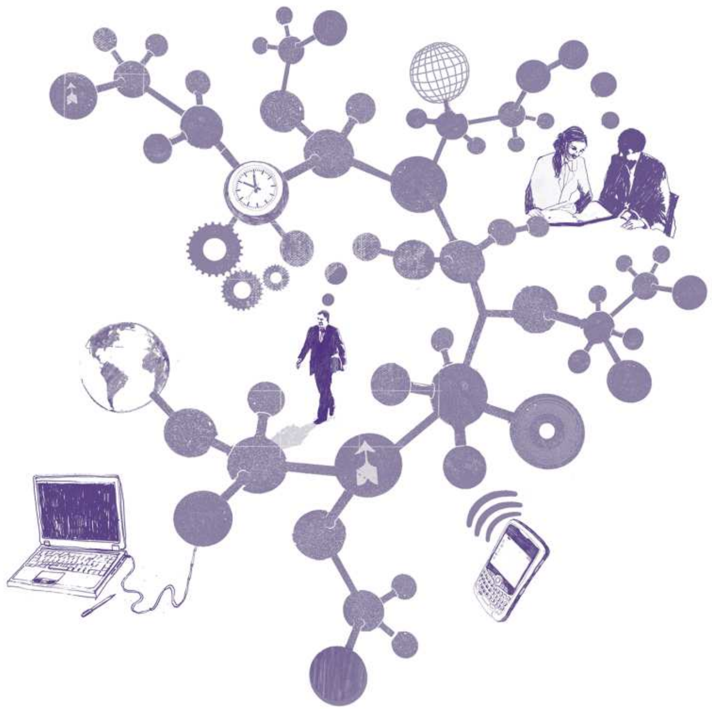
September 2016

grant-thornton.co.uk

The Audit Findings for the Avon Pension Fund

Year ended 31 March 2016

12 September 2016



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12 September 2016

Dear Sirs'

Audit Findings for Avon Pension Fund for the year ending 31 March 2016

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 Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. 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 pensions team and other staff during our audit.

Yours sincerely

Barrie Morris
Engagement Lead

Contents

Section 1: Executive summary

Purpose of this report

This report highlights the key issues affecting the results of the Avon Pension Fund ('the Fund') and the preparation of the fund's financial statements for the year ended 31 March 2016. 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 (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the fund and its income and expenditure 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 consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance. This includes the Pension Fund Annual Report

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 18 February 2016. Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the final version of the financial statements and Pension Fund Annual Report;
- review of cash confirmation letters from Bank of Scotland, Goldman Sachs and Handelsbanken;
- obtaining and reviewing the management letter of representation; and
- updating our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable. Following certification a number of small changes were made to the draft financial statements which were provided to us on 12 August 2016, these were trivial and had no impact upon our planned audit work.

We would like to extend our thanks to the Pension Fund officers who responded to our queries in a timely manner and who made themselves available during our on-site visit.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B). We have also included our anticipated opinion on the Annual Report at Appendix C.

Key audit and financial reporting issues

Financial statements opinion

We anticipate providing an unqualified opinion on the Fund's financial statements. We have identified no adjustments affecting the Fund's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2016 recorded net assets available for benefits during the year of £3.736bn; the audited financial statements show the same figure.

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

- the quality of the working papers and documents supporting the balances within the financial statements were of a reasonable standard;
- we continued to receive good co-operation and support during the course of our audit; and
- we have recommended minor adjustments to improve the presentation of the financial statements that the Fund has corrected in the revised set of financial statements.

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

Controls

Roles and responsibilities

The Fund'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 Fund.

Findings

We draw your attention in particular to a control issue identified in relation to journal controls. It is our understanding that points raised in 2014-15 Audit Findings Report regarding the separation of Bath and North East Somerset Council and Avon Pension Fund journals will be implemented from 1 April 2016. Therefore, for the period covered by our audit work, the previous control weaknesses in relation to the segregation of journals remains relevant, although we recognise that action has now been taken to address the issue for future periods.

Further details are provided within section two of this report.

Other statutory powers and duties

We received one item of correspondence from a member of the public that we were required to consider as part of our audit. We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

The way forward

Matters arising from the financial statements audit have been discussed with the finance team.

We have made one recommendation, which is set out in the action plan at Appendix A. The recommendations has been discussed and agreed with the finance team.

Acknowledgement

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 2016

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

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £38.4m (being 1% of net assets). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £1.9m. This remains the same as reported in our audit plan.

As we reported in our audit plan, we have not identified any items where we decided that separate materiality levels were appropriate.

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
Revenue recognition	**The revenue cycle includes fraudulent transactions** Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including this Council as the administering authority, mean that all forms of fraud are seen as unacceptable.	Our audit work has not identified any material issues in respect of revenue recognition.
Journals	**Management over-ride of controls** Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	• review of entity controls • testing of journal entries • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions	In the 2014-15 audit a controls weakness was identified whereby it was difficult to separate the Avon Pension Fund journals from B&NES journals as some account codes contained entries for both organisations. This made extracting a complete journals listing for the Avon Pension fund problematic. This issue remained for the 2015-16 audit, however it is our understanding that from 1 April 2016 a separate document type has been set-up which is to be used solely for Avon Pension Fund journals to address this issue. A further control issue was identified when performing our journals testing. A pensions officer was able to post into period 14 accounting period. Our discussions confirmed that systems controls should prevent this however, there was an isolated instance where this control failed. We have subsequently verified this was an isolated incident by downloading a complete schedule of journals processed in the year and confirming this was the only inappropriate journal in period 14.

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Level 3 Investments – Valuation is incorrect	**Investments portfolio** Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.	• We have updated our understanding and discussed the cycle with relevant personnel from the team during the interim audit. • We have performed walkthrough tests of controls. • We have performed a triangulation exercise to confirm amounts reported in the financial statements to the custodian and fund manager confirmations. • For further assurance over Level 3 of investments, we have tested valuations by obtaining and reviewing the audited accounts at latest date for individual Level 3 investments and agreed these to the valuations used in the financial statements and used by the custodian. Where audited accounts were for a period ending before 31 March 2016 we have reconciled those values to the values at 31 March with reference to known movements in the intervening period. Where audited accounts were unavailable we have confirmed valuations to an independent external price source. • We have reviewed the service auditor reports for Fund Managers and the custodian to provide assurance over the control environment at the service organisation. .	Our audit work has not identified any material issues in respect of the valuation of Level 3 investments: - Our walkthrough of controls and review of service auditor control reports did not identify any control weaknesses which required additional work. - Our triangulation exercise did not identify any significant differences between the valuations for investments in the financial statements, confirmations received directly from the Fund Managers, and confirmations received from the custodian. - Our independent price verification exercise for pooled investment vehicles did not note any significant differences between prices confirmed to audited financial statements; independent price sources for the investment funds and prices on which the financial statement valuations have been based.

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 this risk: • 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 • Completed a predictive analytical review for different types of investments	Our audit work has not identified any material issues in respect of investment income.
Investment purchases and sales	Investment activity not valid. Investment valuation not correct.	We have undertaken the following work in relation to this risk: • We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding • 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 material issues in respect of investment purchases/ sales.

Page 63

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	We have undertaken the following work in relation to this risk: • We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. . • Tested a sample of level 2 investments to independent information from custodian/manager on units and on unit prices • We have reviewed the latest AAF 01/06 or ISAE 3402 audited reports on internal controls, published by the respective investment managers and Custodian. • Received direct confirmation from the custodian including obtaining a copy of their reconciliation to the respective segregated investment manager at the year end date. • Received direct confirmation from all non-segregated investment managers and reviewed the reconciliation of the units of unitised pooled investment vehicles.	Our audit work has not identified any material issues in respect of Valuation of Level 2 investments.
Contributions	Recorded contributions not correct (Occurrence)	We have undertaken the following work in relation to this risk: • We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence. • Rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners and ensured that any unexpected trends were satisfactorily explained.	Our audit work has not identified any material issues in respect of contributions.

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	We have undertaken the following work in relation to this risk: • We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • Controls testing over, completeness, accuracy and occurrence of benefit payments. • Tested a sample of individual pensions in payment by reference to member files. • Rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year and ensured that any unusual trends were satisfactorily explained.	Our audit work has not identified any material issues in respect of benefits payable.
Member Data	Member data not correct. (Rights and Obligations)	We have undertaken the following work in relation to this risk: • We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • Controls testing over annual/monthly reconciliations and verifications with individual members. • Sample tested changes to member data made during the year to source documentation.	Our audit work has not identified any material issues in respect of member data.

Accounting policies, estimates and 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 Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	The Pension Fund's policy for Contribution and Investment income is set out in Note 3 a-c Fund Account – Revenue Recognition.	• The policy used is appropriate and in line with the accounting framework (CIPFA Code of Practice on Local Authority Accounting) • The accounting policy is adequately disclosed.	● Green
Judgements and estimates	Key estimates and judgements disclosed in the notes to the accounts include: - the actuary's valuation of future promised benefits - Valuation of Level 3 investments	• The key estimates are appropriate. • The accounting policies are adequately disclosed. • From the work undertaken the judgements and estimates made are reasonable.	● Green
Going concern	Officers have a reasonable expectation that the services provided by the Fund will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessments and are satisfied with their assessment that the going concern basis is appropriate for the 2015/16 financial statements.	● Green

Page 66

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

Accounting policies, estimates and judgements continued

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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.	We have reviewed the Pension Fund's policies against the requirements of the CIPFA Code of Practice on Local Authority Accounting. The accounting policies are appropriate and consistent with previous years.	● **Green**

Page 67

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

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code 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 Pensions Committee. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit.
2.	**Matters in relation to related parties**	• From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	**Written representations**	• A standard letter of representation has been requested for the Fund.
5.	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to fund managers, custodian and the bank. This permission was granted and the requests were sent and were returned with positive confirmation.
6.	**Disclosures**	• We reviewed disclosures against the CIPFA Local Government Pension Scheme disclosure checklist. Our review found no material omissions in the financial statements.
7.	**Matters on which we report by exception**	• We are required to report by exception where the Pension Fund Annual Report is inconsistent with the financial statements. We have reviewed a draft of the Pension Fund Annual Report and found it to be consistent with the financial statements.

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 Investment Income, Contributions, Benefits Payable, and Member Data as set out on page 11 to 13 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1	● Amber	As part of our testing of journals it was not possible to extract a journals listing which contained only journals relating to the Pension Fund and did 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.	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. It is our understanding that this recommendation will have been fully implemented for the 2016-17 audit.
2	● Amber	The fund's bank reconciliation is being completed on a regular and accurate basis. However the presentation of the reconciliation is complex. A clearer presentation of the reconciliation would be of benefit to users and reduce the risk of any error or misunderstanding. This matter was also raised in the 2014-15 audit findings report.	It is recommended that the presentation of the year end bank reconciliation is updated to permit an easier understanding of any differences between the Fund's bank balances and the balances on the Agresso general ledger.

Assessment

● Red Significant deficiency – risk of significant misstatement

● Amber 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.

Adjusted misstatements

There are no adjustments to the draft accounts 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 accounts have been adjusted by management.

Unadjusted misstatements

There are no adjustments identified during the audit which we request be processed, but which have not been made within the final set of financial statements.

Misclassifications and 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	**Presentation and disclosure**	N/a	N/a	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.
2	**Presentation and disclosure**	N/a	N/a	We have suggested the inclusion of a non-adjusting post balance sheet event for the consequences of the UK's vote to leave the European Union and the possible effect on the pension fund' assets and liabilities. This has been processed by management.

Section 3: Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Proposed fee per Audit Plan £	Actual fees £
Pension fund scale fee	28,805	28,805
Agreed fee variation – IAS 19 *	-	1,311
Total audit fees (excluding VAT)	**28,805**	**28,805**

Fees for other services

Service	Fees £
Audit related services	**Nil**
Non-audit services	**Nil**

* Fee variation – there has been an agreed variation to the fee to reflect the additional work that we are required to undertake on behalf of other employers that contribute into Avon Pension Fund. This fee variation has been approved by PSAA.

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 Auditing Practices Board'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

Page 74

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other 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 Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. 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 NAO (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the Fund 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 Fund 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		✓
Non compliance with laws and regulations		✓
Expected modifications to 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

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	From prior year - 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.	Medium	This has been implemented from 1 April 2016. A separate document type is now used for all pension fund journals.	April 2016.
2	It is recommended that for increased ease of use the presentation of the year end bank reconciliation between the Agresso general ledger balance and the Fund's bank statements is updated.	Low	We will review the presentation of the Fund's bank reconciliation to make this more user friendly.	October 2016

Appendix B: Audit opinion

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

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 (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the 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 Responsibilities, the Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which 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 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 Chief Finance Officer; and the overall presentation of the pension fund financial statements.

In addition, we read all the financial and non-financial information in the Authority's 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 pension fund financial statements:

- present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition at that date of the fund's assets and liabilities; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts is consistent with the audited pension fund financial statements.

Signature to be added

Barrie Morris
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Hartwell House, 55-61 Victoria Street, Bristol, BS1 6FT

Date to be added

Appendix C: Proposed audit opinion on the annual report

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

Independent auditor's report to the members of Bath and North East Somerset Council on the consistency of the pension fund financial statements included in the pension fund annual report

The accompanying pension fund financial statements of Bath and North East Somerset Council (the "Authority") for the year ended 31 March 2016 which comprise the fund account, the net assets statement and the related notes are derived from the audited pension fund financial statements for the year ended 31 March 2016 included in the Authority's Statement of Accounts. We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated September 2016. The pension fund annual report, and the pension fund financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements is not a substitute for reading the audited Statement of Accounts of the Authority.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Authority 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.

Chief Finance Officer's responsibilities for the pension fund financial statements in the pension fund annual report

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer is responsible for the preparation of the pension fund financial statements, which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Authority Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Auditor's responsibility

Our responsibility is to state to you whether the pension fund financial statements in the pension fund annual report are consistent with the pension fund financial statements in the Authority's Statement of Accounts in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

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In addition we read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements

Opinion

In our opinion, the pension fund financial statements in the pension fund annual report derived from the audited pension fund financial statements in the Authority Statement of Accounts for the year ended 31 March 2016 are consistent, in all material respects, with those financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Barrie Morris
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Hartwell House, 55-61 Victoria Street, Bristol, BS1 6FT

Date to be added

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BATH & NORTH EAST SOMERSET COUNCIL

STATEMENT OF ACCOUNTS 2015/16

CONTENTS

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 (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the 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 Divisional Director of Business Support and Chief Finance Officer and auditor

As explained more fully in the Statement of the Divisional Director of Business Support and Chief Finance Officer 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

* present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income 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 2015/16 and applicable law.

Opinion on other matters

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

Matters on which we are required to report by exception

We are required to report to you if:

* in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
* we issue a report in the public interest under section 24 of the Act; or
* we make a written recommendation to the Authority under section 24 of the Act; or
* we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and 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 20(1)(c) of the Act to be satisfied that the Authority has made 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 the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2016. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Act and the Code.

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

Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

27th September 2016

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

We have audited the pension fund financial statements of Bath and North East Somerset Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the 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 Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which 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 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 Chief Finance Officer; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's 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 financial statements:

* present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and the amount and disposition at that date of the fund's assets and liabilities; and
* have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts is consistent with the audited 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

27th September 2016

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 2015 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 Statement

The Comprehensive Income and Expenditure Statement 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 2016.

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 2015/16, 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.

An Introduction to Bath & North East Somerset

The Population at a Glance

The area of Bath & North East Somerset was formed in 1996 and covers approximately 135.2 square miles.

Bath is the largest urban settlement in the area and forms the main urban conurbation, acting as the commercial and recreational centre of the district. It is home to approximately 50% of the population and is one of the few cities in the world to be named a UNESCO World Heritage Site.

Keynsham lies to the west of Bath. A traditional market town with a population of almost 9% of the total population of Bath and North East Somerset. Midsomer Norton and Radstock are small historic market towns, located in the south of the district with approximately 12% of the total population split between them. They both have a strong heritage of mining and industry stemming from the North Somerset Coalfield.

The rest of the district consists of 69 diverse rural communities of varying sizes and characteristics, including a line of villages along the foothills of the Mendips, the Chew Valley and Cotswolds villages around Bath.

Bath and North East Somerset is less ethnically diverse than the UK as a whole, 90% of local residents define their ethnicity as White British. This is followed by 3.8% defining as White Other and 1.1% defining as Chinese. The local population's age structure is similar to the UK's population as a whole, however there is higher number of people aged between 20-24 highlighting the student population.

In the 2011 Census, 16% of B&NES residents reported that their day to day activities were limited through a long term illness or disability and 10% of the population stated that they spent a substantial portion of their time caring for a friend or relative.

The Office for National Statistics project that the Bath and North East Somerset population will increase by to 199,100 by 2037, an increase of 12% from 2012. The most significant increases expected are in older people, in particular the 85+ population (A 124% increase from 5,000 to 11,200).

A recent study suggested that nearly 85% of the population is satisfied with their local area as a place to live, significantly higher than the national figures.

Despite being an area with generally good health and low crime, there is significant variation within Bath and North East Somerset. Compared to the most affluent communities in the area, the most deprived communities:

- have 45% higher cancer rates,
- are three times as likely to smoke,
- are 22% more likely to think that anti-social behaviour is a problem in their area, and
- 16-17 year olds are nearly 4 times as likely to be not in education, training or employment.

The Local Economy

The local workforce is highly skilled, with 41.8% educated to NVQ4 level or above, compared to 34% regionally and 35% nationally.

House prices are very high; in September 2013 the average house price was £226,465 making the average price of a home over 8 times average earnings of the area.

B&NES has a lower percentage of the working age population claiming key Out of Work Benefits than the South West Region and nationally. In August 2013 there were 10,060 key benefits claimants, making up about 8.8% of the working age population, compared to 13.6% nationally.

Employment is based in the public sector (around 34% in total – The Council is one of the area's biggest employers); followed by construction and banking, and finance and insurance.

Bath has World Heritage Status and international reputation as a tourist destination, attracting about 7 million day visits every year. Hence, tourism plays a key role in Bath and North East Somerset's economy, employing an estimated 11,800 people.

As a result wage levels are lower than the national average, however, in some technology based industries wages have increased. Related industries also attract higher wage levels. Alongside neighbouring authorities of North Somerset Council, South Gloucestershire Council and Bristol City Council, the area is part of the West of England 'Local Economic Partnership' which forms a focus for business growth and government support.

Summary of the Council's financial performance

The 2015/16 budget included the delivery of over £9.7m of savings which have been achieved. The Council underspent its revenue budget by £659k in 2015/16, which after allowing for the proposed carry forwards reduces to an overall outturn position underspend of £270k.

The main areas contributing to the underspend relates to continued returns generated by the Heritage estate being in excess of forecast, with continuing higher visitor numbers, an underspend against the corporate budget provision in respect of the Council's Pensions Deficit Contribution, and lower than budgeted borrowing interest costs as the Council continues to use cash flow funding to offset its capital programme borrowing requirements.

The Next Twelve Months & Medium Term Outlook

The Budget for 2016/17 was the first to be prepared following the announcement by Government of the Comprehensive Spending Review for 2016/17 to 2019/20 and the resulting challenging Local Government Finance settlement for the same period.

The Government Spending Review, announced in December 2016 confirmed that the financial challenge facing local government will continue to 2019/20 at least. This represents a full decade of sustained funding reductions which will fundamentally have changed the way in which the Council is actually funded for providing public services. Indeed by 2019/20 we now anticipate our core Government grant funding to be almost completely wiped out.

Since 2011/12 the reduction in Government grant funding has averaged over 10% per annum resulting in over £30 million of savings and additional income generation over the last three years alone.

The Council had anticipated that local government funding would continue to be squeezed for the next four year period and that 2016/17 would be particularly challenging. This early financial planning identified that further grant funding reductions of up to 10% per year could potentially be expected which, together with anticipated cost and demographic pressures would require up to £38 million in additional savings and income generation over the next four year period.

The Local Government Finance Settlement was far worse than the Council had anticipated with annual cash reductions to grants exceeding the projected 10% per annum reductions. The decreases in funding for 2016/17 and 2017/18 are particularly large and result in an additional £3.6 million of grant reductions for 2016/17 and £9.1 million over the 4 year period.

The key basis of the disappointing settlement was a change made by the Government to the allocation and distribution of the grant reductions across local government, moving from the flat rate reductions applied to all councils over the previous 4 years, to an approach based on a Council's overall funding including Council Tax and New Homes Bonus.

In financial terms, the settlement increased the saving and additional income required to at least £43 million over the four year period covering 2016/17 to 2019/20.

Within the settlement the Government made a number of further provisions and funding changes including:-

• A provision for Adult Social Care (ASC) authorities to make a specific ASC Council Tax increase of up to 2% to be spent specifically on ASC cost pressures.

• There is no continuance of government grant incentives for general council tax freeze funding, and the general council tax referendum limit remains at 2% (this excludes the ASC Council Tax increase).

• The in-year reductions to Public Health Funding in 2015/16 have been made permanent, together with on-going cash reductions of up to 2.6 per annum.

• Education Services Grant is to reduce by 75% over the 4 year period to 2019/20 with a 19% reduction in 2016/17.

• A consultation on future changes to the New Homes Bonus scheme was launched as the Government seeks to significantly reduce this funding stream over the period to 2019/20.

• A future consultation on the introduction of a 100% Local Business Rate Retention scheme was confirmed for the summer of 2016 as the Government confirmed intentions to introduce this by 2019/20.

• An additional £1.5bn of funding across England for the Better Care Fund was announced, starting from 2017/18 over a 3 year period.

• The final settlement included a Transitional Grant for those local authorities with the largest reductions in Revenue Support Grant, the Council will receive £936k in 2016/17 and £930k in 2017/18 .

• The Government has offered local authorities the opportunity to agree a minimum 4 year funding settlement offer subject to the agreement of a local efficiency plan.

The proposed Budget for 2016/17 recognises the very difficult financial challenge facing the whole of the public sector and the increasing need to prioritise resources. The Cabinet have identified three core aims as a focus to ensure the Council,

• Is efficient and well run;

• Invests in the future of the area; and

• Puts the interests of residents first.

In order to present proposals for a balanced budget in 2016/17, the Cabinet examined a range of options as part of its spending review of the council. This included consideration of proposals provided by management, as part of the ongoing Strategic Review to generate additional savings or income to address the budget gap.

The Strategic Review covered the four strategic priorities of the Council as set out in the Corporate Strategy as follows:

• A strong economy and growth

• A focus on prevention

• A new relationship with customers and communities

• An efficient business

The Review considered spending across the Council to ensure efficiency savings and income generation opportunities are maximised ahead of reductions to Council services.

The Budget agreed for 2016/17 included the following key proposals:

- In order to protect frontline adult social care services a specific council tax precept of 2% was included in the budget following Government recognition of the acute financial challenges facing Adult Care Services and the introduction of the specific Adult Social Care precept;

- Whilst significant savings and additional income generation proposals totalling £12.6m were included in the budget, a Council Tax increase of 1.25% was agreed in order to avoid cuts to frontline services.

The future indicative figures provided as part of the settlement through to 2019/20 show a tough set of financial targets that will need to be met in order to deliver balanced budget proposals for future years. It will become increasingly difficult to meet the challenge without significant changes and redesign of Council services over this period.

Total Resources Available for the Capital Programme

The table below summarises the approved resources available for the 2016/17 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.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Total Schemes	**111,460**	**76,047**	**50,932**	**19,458**	**1,739**
Funding Sources					
Grant	27,801	14,714	5,766	4,959	148
Capital Receipts	8,508	10,444	0	2,800	0
Revenue	977	1,113	1,068	1,068	635
Borrowing	71,522	45,924	42,736	10,481	956
3rd Party (incl. s106)	2,652	3,852	1,362	150	0
Total Funding	**111,460**	**76,047**	**50,932**	**19,458**	**1,739**

Revenue outturn and balances - 2015/16

The Council's net revenue budget was set at £119.91 million with a freeze in its part of the 2015/16 Council Tax. Dedicated Schools Grant funding of £79.69m separately supports expenditure on schools.

Total net spending amounted to £125.70 million against a revised budget of £126.36m, with a year end surplus of £0.66 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 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 £1.091m - The overspend mainly relates to an increase in staffing costs in the Children, Young People & Families service which have increased in preparation for Ofsted and to accommodate sickness and vacancies in critical roles. There was also an overspend in the Learning Inclusion service due to Children Centre activity income targets not being achieved and a delay to changes to preventative services commissions. These overspends were partly offset by underspends in the Health, Commissioning & Planning service.

The main favourable variances from budgets incurred are:

Place - underspend of £1.013m - mainly due to a combination of the return generated by the Heritage estate being greater than forecast, with higher visitor numbers and some cost reductions on property maintenance, and underspends on Highways & Traffic Management, Parking service costs and Public & Passenger Transport.

Resources & Support Services (including Corporate & Agency Budgets) - underspend of £735k - The main favourable variances in this area related to lower than budgeted borrowing interest costs as the Council continues to use cashflow funding to offset its capital programme borrowing requirement and an underspend against the corporate budget provision in respect of the Council's Pensions Deficit Contribution. The main unfavourable variance was an overspend in Customer Services which was mainly due to reductions in one-off grant income which had previously offset longer term grant reductions.

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	26,957	25,944	(1,013)
Children's Services	24,155	25,246	1,091
Adult Social Services	59,330	59,328	(2)
Resources & Support Services (Including Corporate & Agency Budgets)	15,919	15,184	(735)
	126,361	**125,702**	**(659)**

The bottom line outturn position in relation to schools is an underspend of £0.139m resulting in an increase in the balances held by schools from £2.9m to £3.0m. The centrally held elements of the Dedicated Schools Grant (DSG) have overspent by £0.885m. The DSG overspend results in a balance to be carried forward through earmarked reserves of £5.039m down from £5.924m in 2014/15. The main reasons for the decrease in the DSG balance is a planned reduction in the DSG carry forward. The Schools Forum allocated £0.879m in one off resources to schools and central budgets as part of setting the DSG budget for 2015/16.

Collection Fund

As part of the 2016/17 budget setting, an estimate was made on the position of the Collection Fund as at 31st March 2016. 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 increasing cost of settling appeals, including for several large supermarket, retail and MoD properties. The difference will be taken into consideration when estimating the closing 2016/17 Collection Fund as part of the 2017/18 budget process.

	Estimated surplus / (deficit)	Actual surplus / (deficit)	Difference
	£'000	£'000	£'000
Council Tax	753	721	(32)
Business Rates	(1,138)	(2,332)	(1,194)
Total	**(385)**	**(1,611)**	**(1,226)**

Income and Expenditure Statement

The Income and Expenditure Statement 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 Statement included within this Statement of Accounts shows the net cost of services for the year of £177.1m. This reconciles to the General Fund spending reported above as follows:

	£m	£m
Total net spending by departments		125,702
Add:		
Charges related to capital assets:		
- depreciation and impairments	19,616	
- revenue expenditure funded from capital under statute	6,602	
- loss on revaluations	30,599	
		56,817
Offset by:		
Grant funded revenue expenditure funded from capital under statute	3,902	
Unapportioned pensions contributions	1,691	
Levy payments	232	
Interest received and paid	(4,526)	
Other movements on funds and balances	7,980	
Net transfers to reserves	(3,908)	
		5,371
Cost of services - continuing operations		**177,148**

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

Capital Expenditure

Capital expenditure in 2015/16 totalled £39.9m. Overall capital spending was 65% 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	£'000	£'000
Place	39,144	26,273	(12,871)
People & Communities	11,445	7,440	(4,005)
Resources & Support Services	10,081	6,286	(3,795)
Corporate Capital Contingency	785	-	(785)
	61,455	39,999	(21,456)

Capital expenditure was financed as:	£'000
Capital receipts	8,000
Capital grants and contributions	19,642
Revenue	1,101
Borrowing	11,256
	39,999

Capital spend of £12.1m was incurred on the highways infrastructure along with £6.0m on improvement and repairs to Schools. Economic development scheme spend was £5.7m including £2.8m on the new Destructor Bridge, which is still under construction. Significant other spend was incurred on Leisure schemes, Bath Transport Package and Disabled Facilities Grants.

Property, Plant & Equipment

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

Transfers of £6.0m from Assets Under Construction reflecting projects becoming operational in the year:-

	£'000
Norton Radstock Infrastructure	1,989
Rossiter Rd	1,705
Gypsy & Travellers Site	1,189
Elements of Bath Package	554
Other projects	558
	5,995

A transfer of £5.7m of former investment properties to Other Land and Buildings to reflect that their purpose is not solely for the purpose of income generation or capital gain, being typically held in support of development and other objectives.

Net Revaluation losses of £23.6m for Other Land and Buildings for the following classes of assets:-

	£'000
Update of general indexation adjustment due to new valuations	7,099
Schools' Valuations	13,845
Resource Centres	4,484
Leisure	3,214
Car Parks	2,828
Gypsy & Travellers Site	1,196
Other	(823)
Gain from Heritage Services (Inc. Pump Room and Roman Baths)	(8,280)
	23,563

Other property assets Values

Investment and Surplus Properties were subject to new valuations in 2015/16 and reflected a valuation basis of "highest and best use". This resulted in £21.3m increase in Investment Property valuations (incl. indexation), alongside the transfers described above.

Non Financial Performance of the Council - 2015/16

In February we launched our 2016-20 corporate strategy, underpinning the 2020 vision. This Strategy highlights the following four priorities below through which we will be achieving our Cabinet's Manifesto priorities.

A Strong Economy & Growth (Manifesto: Improve Transport and Create New Homes and Jobs)

Wages continued to increase as did the number of jobs

We continued to develop and deliver local Transport strategies for the area and initial work on the electrification of the Great Western railway was successfully completed last year, which included works to Bathampton Junction and Sydney Gardens.

We have forged innovative commercial partnerships to ensure our key development sites on the Western Riverside in Bath are on track to deliver significant jobs growth for the area.

2015/16 saw the most number of new houses built since the 1990s, although we narrowly missed our affordable housing targets. House prices continued to rise, now nearly thirteen times the average wage.

A Focus on Prevention (Manifesto: Greater choice and independence for older people, Investing in our young people)

Life expectancy for men and women continues to rise and remains significantly higher than the national average.

Pupil attainment at Key Stage 4 is the highest in the region, whilst the achievement gap between free school meal and non free-school-meal children in early years dropping from 34% in 2014 to 17% in 2015, the largest national improvement.

The number of people aged 65+ admitted to care homes fell by 27% compared to 2011/12. 100% of high risk cases are now managed through local 'cluster teams' with a personal care plan.

Working with Bath and North East Somerset Clinical Commissioning Group, The Your Care, Your Way project has developed a new model for delivering integrated community health and care services. 400 different services delivered by 60 different organisations.

We announced plans for a £8m refurbishment of Bath Leisure Centre and started consultation on Keynsham Leisure Centre with an aim to keep people motivated to get more active more often.

A new relationship with customers and communities (Manifesto: Putting residents first in everything we do)

61% of the population are satisfied with the way the Council runs things a rise of 10% over 2011.

We achieved accreditation of the prestigious Customer Service Excellence standard for all Directorates. This is a government standard which tests areas that research shows is a priority for customers.

30,000 members of the community attended Heritage events and with the introduction of free access to discovery card holders there was a 77% increase in visitors to the Victoria Art Gallery.

The innovative Connecting Communities programme now covers the whole of Bath and North East Somerset. With a City Forum for Bath meeting for the first time.

In a local referendum, 79% of residents chose to retain the existing system of governance for Bath and North East Somerset.

An efficient business (Manifesto: Tackling wasteful spending)

We have met 100% of our targets for planning deadlines, 99% of residential and non-domestic council tax was collected

£16m in income (£70 per council tax payer) was received from our Heritage attractions where there are more visitors than ever: 1.04m at the Roman Baths and 90,000 at the Fashion Museum. The Roman Baths is one of TripAdvisor's top 5 UK attractions, and the Fashion Museum received Certificate of Excellence for the first time.

We agreed to set up a new property development company. The new company will allow the Council to operate as a responsible private rented sector landlord and deliver sustainable developments.

We successfully won 8 awards across council departments showing a commitment to efficiency and were shortlisted for three categories in the annual LGA awards.

Corporate Risk Management

The Council's Risk Management Strategy is reviewed continually 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 assess issues relating to Council's objectives and records actions to manage these risks which are formally monitored on a quarterly basis, however risks are being actively managed on a daily basis to respond to the challenges of delivering services in a complex environment.

Key risks have been kept under review during the year by Senior Officers and will continue to form an ongoing focus for successful delivery of the Council's plans. Work to manage risk in 2015/16 has focussed on –

- How we plan for and meet the Financial Challenge facing the public sector
- Delivering on savings projects by reshaping the Council through its Strategic Review
- Supporting and stimulating Economic Growth and Regeneration such as the Bath Quay's projects
- Safeguarding Children and Vulnerable Adults in our community
- Delivering joined up commissioning of social care through the Better Care Fund
- Supporting Services through an increase in its digital approach to put customers first and deliver an efficient business
- Working across the West of England to stimulate housing needs, skills and employment and support major transport projects
- Managing and Investing in the key infrastructure and assets of the area

As we move into 2016/17 the Council will also have to consider in more depth emerging risks and issues around the West of England regional devolution bid, future of the LEA and Schools/Academies, potential impact of 100% retention of Business Rates and the outcome of the joint commissioning of community health and care services. All of these feature regularly at Cabinet and Senior Management team level and the Council is well placed to meet the challenges ahead.

Pension 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 £222.9m 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 decrease in 2015/16 is mainly due to gains from changes in the actuary's assumptions in valuing the liabilities, as detailed in Note 41.

The Actuary has estimated that the funding level as at 31 March 2016 has risen to 83% from 78% at 31 March 2015 based on the preliminary financial assumptions proposed for the 2016 valuation. Investment returns contributed negatively to the funding position but this was offset by the reduction in the value of the liabilities

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 2015/16 £8.3m 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 Highways Network Asset in 2016/17

The Highways Network Asset (HNA) is the network made up of carriageways, footways and cycle ways, along with bridges and other structures, street lighting and other assets that are associated with them, for which annual expenditure is recovered over several years through continued use of the asset. The Code of Practice on Local Authority Accounting in 2016/17 seeks to improve financial reporting by requiring measurement of Highways Networks at Depreciated Replacement Cost (DRC) instead of historical cost, with the intention to better reflect the true economic value and operational cost of the substantial resources held and maintained. The Net Book value of the HNA at 31st March 2016 will increase from £81m to £2,242m as a result.

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)

Date: 27th September 2016

MOVEMENT IN RESERVES STATEMENT 2015/16

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 2015	8,900	53,635	250	8,472	71,260	183,813	255,072
Surplus or Deficit on Provision of Services (accounting basis)	(17,148)				(17,148)		(17,148)
Other Comprehensive Income & Expenditure						40,055	40,055
Total Comprehensive Income & Expenditure	(17,148)	-	-	-	(17,148)	40,055	22,907
Adjustment between accounting basis and funding basis under regulations	13,386		201	1,217	14,804	(14,804)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(3,762)	-	201	1,217	(2,344)	25,251	22,907
Transfers to/from earmarked reserves	3,908	(3,908)			-	-	-
Increase/Decrease in Year	146	(3,908)	201	1,217	(2,344)	25,251	22,907
Balance at 31 March 2016	9,047	49,727	451	9,689	68,915	209,064	277,979
			See Note 8			**See Note 24**	

	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	(1,571)	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**	

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2015/16

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	2014/15 Gross Exp £'000	2014/15 Gross Inc £'000	2014/15 Net Exp £'000	**Expenditure on Services**	2015/16 Gross Exp £'000	2015/16 Gross Inc £'000	**2015/16 Net Exp £'000**
	3,893	(975)	2,918	Central Services to the Public	3,829	(514)	**3,315**
	16,685	(14,861)	1,824	Cultural & Related Services	18,443	(15,781)	**2,662**
	29,094	(5,518)	23,576	Environmental & Regulatory Services	31,242	(5,376)	**25,866**
	7,913	(2,304)	5,609	Planning Services	7,686	(3,285)	**4,401**
	128,579	(95,156)	33,423	Children's & Education Services	138,083	(95,178)	**42,905**
	29,559	(15,393)	14,166	Highways & Transportation Services	39,911	(15,674)	**24,237**
	62,542	(57,310)	5,232	Housing Services	61,953	(55,435)	**6,518**
	92,816	(39,134)	53,682	Adult Social Care	103,334	(44,069)	**59,265**
	7,377	(7,646)	(269)	Public Health	8,600	(8,332)	**268**
	25,566	(10,774)	14,792	Corporate and Democratic Core	18,883	(11,180)	**7,703**
	665	-	665	Non Distributed Pensions Costs	8		**8**
	404,689	(249,071)	155,618	**Cost of Services - continuing Operations**	**431,972**	**(254,824)**	**177,148**
9			4,435	Other Operating Expenditure			**167**
10			(18,096)	Financing and Investment Income & Expenditure			**(24,186)**
11			(140,323)	Taxation and Non-Specific Grant Income			**(135,981)**
			1,634	**(Surplus) or Deficit on Provision of Services**			**17,148**
12, 13 & 14			(28,335)	(Surplus) or Deficit on Upward Revaluation of Non-current Assets			**(54,409)**
12, 13 & 14			11,063	(Surplus) or Deficit on Downward Revaluation of Non-current Assets			**30,380**
41			51,963	Remeasurement of the net defined benefit liability			**(16,026)**
			34,691	**Other Comprehensive Income & Expenditure**			**(40,055)**
			36,325	**Total Comprehensive Income & Expenditure**			**(22,907)**

BALANCE SHEET as at 31 MARCH 2016

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	31 March 2015 £'000		**31 March 2016 £'000**
12		Property, Plant & Equipment:	
	222,065	Land & Buildings	**217,913**
	1,395	Community Assets	**526**
	73,155	Infrastructure	**80,916**
	13,908	Vehicles, Plant & Equipment	**13,002**
	19,470	Assets under Construction	**20,158**
	2,911	Surplus assets	**2,594**
13	16,719	Heritage Assets	**24,821**
14	257,725	Investment Property	**274,132**
15	1,303	Intangible Assets	**1,643**
	4	Long Term Investments	**-**
19	10,520	Long Term Debtors	**7,289**
	619,175	**Long Term Assets**	**642,994**
16	41,489	Short Term Investments	**29,549**
18	436	Inventories	**509**
19	29,455	Short Term Debtors	**36,741**
20	20,089	Cash and Cash Equivalents	**38,103**
21	-	Assets Held for Sale	**-**
	91,469	**Current Assets**	**104,902**
20	-	Bank Overdraft	**-**
16	(10,024)	Short Term Borrowing	**(28,067)**
22	(94,881)	Short Term Creditors	**(95,265)**
35	(2,274)	Grants Receipts In Advance - Revenue	**(2,604)**
35	(1,767)	Grants Receipts In Advance - Capital	**(2,107)**
	(108,946)	**Current Liabilities**	**(128,043)**
23	(2,796)	Provisions	**(4,332)**
16	(99,790)	Long Term Borrowing	**(91,833)**
41&42	(240,363)	Other Long Term Liabilities	**(236,314)**
35	(3,677)	Grants Receipts In Advance - Capital	**(9,396)**
	(346,626)	**Long Term Liabilities**	**(341,875)**
	255,072	**Net Assets**	**277,978**
8	71,258	Usable reserves	**68,913**
24	183,813	Unusable Reserves	**209,064**
	255,072	**Total Reserves**	**277,978**

The accounts were authorised for issue on 27th September 2016.

Tim Richens **Divisional Director of Business Support & Chief Finance Officer (s.151 officer)**

Date: 27th September 2016

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.

	2014/15	**See Note 25 for further details**	**2015/16**
	£'000		**£'000**
	(1,634)	Net surplus or (deficit) on the provision of services	**(17,148)**
		Adjustment to surplus or deficit on the provision of services	
A	16,631	for non cash movements	**40,767**
		Adjust for items included in the net surplus or deficit on the provision	
A	(31,522)	of services that are investing and financing activities	**(25,901)**
	(16,525)	Operating Activities	**(2,282)**
C	(13,614)	Investing Activities	**7,561**
D	39,143	Financing Activities	**12,735**
	9,004	**Net Increase/(decrease) in cash equivalents**	**18,014**
E	**11,085**	**Cash & cash equivalents at the beginning of the reporting period**	**20,089**
E	**20,089**	**Cash & cash equivalents at the end of the reporting period**	**38,103**

1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts & Audit Regulations 2015, which require the accounts 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 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (SeRCOP), 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.

1.2 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.

1.3 Underlying Assumptions

Accruals Basis

The financial statements, other then the cash flow, are prepared on an accruals basis. Income and expenditure is recognised in the accounts in the period in which it is earned or incurred, not as the cash is received or paid.

Going Concern

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

Primacy of Legislation Requirements

In accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards. The following are examples of legislative accounting requirements which have been applied when completing the accounts:

* Capital receipts from the disposal of property, plant & equipment are treated in accordance with the provisions of the Local Government Act 2003.
* The Local Government Act 2003 requires the Council to set aside a minimum revenue provision.

1.4 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.

1.5 Revenue Recognition

Revenue is defined as the gross inflow of economic benefits or service potential during the reporting period when these inflows result in an increase in net wealth.

Revenue is measured at the fair value of the consideration received or receivable. In most cases, the consideration receivable is in the form of cash and cash equivalents, and the amount of revenue is the amount of cash and cash equivalents receivable. Where the Council is acting as an agent of another organisation, the amounts collected for that organisation are excluded from revenue.

Revenue relating to the sale of goods is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received by the Council, and the risks and rewards of ownership have been passed to the purchaser. Revenue relating to the provision of services is recognised when the amount of revenue can be measured reliably, it is probable that the revenue will be received by the Council, and the stage of completion of the service can be measured.

1.6 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 Taxation and Non-Specific Grant Income. As a billing Authority, the difference between the NDR and Council Tax included in the Comprehensive Income & Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken into the Collection Fund Adjustment Account and reported in the Movement In Reserves Statement. Each major preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.
The income for Non Domestic Rates and Council Tax is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority, and the amount of the revenue can be measured reliably.

1.7 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.

1.8 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 Statement. 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.

1.9 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.

1.10 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 Pension Scheme (Avon Pension Fund). The Fund itself is administered entirely by Bath & North East Somerset Council under arrangements made following the abolition of the former Avon County Council on 31 March 1996. Bath & North East Somerset Council is one of over 200 contributing employers into the Avon Pension Fund.

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 Fund 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 Statement 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 Statement 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.

1.11 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

1.12 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 2015/16 (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 Statement, as part of Net Expenditure on Continuing Services.

1.13 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 - current 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.
* surplus assets - fair value, determined by the measurement of the highest and best use value of the asset.
* all other assets - current value determined as the amount that would be paid for the asset in its existing use.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.
Where non-property assets that have short useful lives or low values, depreciated historical cost basis is used as a proxy for current 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 recurring, 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.

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 Statement 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.

1.14 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.

1.15 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.

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 on a recurring annual basis according to market conditions at year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

1.16 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 need not be all recurring and 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.

1.17 Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows and, in future years, we will track movements between these levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - unobservable inputs for the asset or liability.

1.18 Revenue expenditure funded from capital by statute (REFCUS)

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.

1.19 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.

1.20 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.

1.21 Financial Instruments

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement 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 Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement 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 Statement 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 Statement 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 Statement 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 Statement.

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

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.

1.22 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.

1.23 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.

1.24 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.

1.25 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 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

1.26 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.

1.27 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.

1.28 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.

1.29 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 2016/17 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2016. If these had been adopted for the financial year 2015/16 there would be no material changes.

IAS1 Presentation of Financial Statements - This standard provides guidance on the form of the financial statements. The "Telling the Story" review of the presentation of the Local Authority financial statements, as well as the December 2014 changes to IAS1 under the International Accounting Standards Board (IASB) Disclosure Initiative, will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income & Expenditure Statement and the Movement in Reserves Statement will chance and introduce a new Expenditure and Funding Analysis.

Other minor changes due to Annual Improvements to IFRS cycles, IFRS11 Joint Arrangements, IAS16 Property, Plant & Equipment, IAS38 Intangible Assets and IAS19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

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.

Property Valuations

Our Valuers confirmed the value for Other Land and Buildings to be £210.4m as at the 1st April 2015 and confirmed no specific properties with no material impairments as at the 31st March 2016. An indexation review highlighted further net gain of £8.2m. figure. The Authority is satisfied that its balance sheet figure of £214.9 is not materially different from this amount, the difference being to costs incurred since the last valuations. The valuers also confirmed the valuer of Investment Properties as £259.1m as at 1st April, with indexation to balance sheet date of £13.847m

Fair Value of PWLB Loans

The fair values for loans are based on observable inputs from the financial markets applied to a model developed by our specialist Treasury Advisors, leading to our judgement of level 2 status in the IFRS13 hierarchy for all Financial Instruments. With no history of PWLB loans being transferred we have taken the view that if the PWLB decided to sell its loan assets to other parties, then the market for local authority loans and bonds would be the most similar market. The model uses interest rates as supplied by money market brokers for up to five years from the active market in Local Authority to Local Authority loans. Beyond five years, it uses local authority bonds in issue, mainly from Transport for London. Interest rate swaps are as supplied by Bloomberg, compiled from banks operating in the over the counter swap market. It then subtracts swap rates from observed rates to calculate the margin, which is interpolated to give a smooth curve.”

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 2016 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 2016 is £222.918m.

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 (IPD, BCIS and a residential land index) and also considered other local factors. They have confirmed that there has been no material impairment to property values and consequently no adjustments have been required.

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 2015/16 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 2016. 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 2016 amounted to £3.7m, this has increased by £1.521m 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 £373k.

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 27th September 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this situation.

Aequus Developments Ltd

Bath & North East Somerset Council became 100% shareholder in Aequus Developments Limited (ADL) on 17th May 2016. The purpose of ADL is to develop, deliver, own and manage property as well as new development on a case by case basis.

Academy Schools

These accounts reflect the transfer of assets and liabilities in respect of those schools which became Academies during the 2015/16 financial year. The following schools are expected to convert to academy during the financial year 2016/17, although the timeframe for conversion is not fixed:

Longvernal Primary	St Philip's CofE, Bath Primary
Moorlands Infant	Welton Primary
Moorlands Jnr Junior	Widcombe Infant
Oldfield Park Infant	Widcombe Junior
Oldfield Park Jnr Junior	St Marks Secondary
Saltford Primary	
St Martins Gardens Primary	

European Union (EU) Referendum

The impact of the vote to leave the EU on 24 June 2016 may impact on the value investments and other liabilities held at fair value resulting in them being significantly lower, or possibly higher, than the position reported at 31 March 2016.

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2015/16	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 of Non-Current Assets	19,335			(19,335)
Revaluation gains / Impairments on Property Plant & Equipment	30,599			(30,599)
Movements in the Market Value of Investment Properties	(21,309)			21,309
Amortisation of Intangible Assets	281			(281)
Capital Grants & contributions applied	(3,902)			3,902
Revenue expenditure funded from Capital under Statute	6,602			(6,602)
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	947			(947)
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	(6,095)			6,095
Principal repayment of Avon Loan	(558)			558
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(16,957)		16,957	
Application of grants to capital financing transferred to the Capital Adjustment Account			(15,740)	15,740
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	(5,086)	5,086		
Use of the Capital Receipts Reserve to finance new capital expenditure		(8,000)		8,000
Capital expenditure financed from revenue	(1,101)			1,101
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		3,115		(3,115)
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	(170)			170
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	23,579			(23,579)
Employer's pensions contribution and direct payments to pensioners payable in the year	(15,718)			15,718
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	2,822			(2,822)
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	372			(372)
Other movements	(255)			255
Total Adjustments	**13,386**	**201**	**1,217**	**(14,804)**

2014/15	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	17,217			(17,217)
Revaluation gains 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	(14,032)		14,032	
Comprehensive Income & Expenditure Statement			1,878	(1,878)
Application of grants to capital financing transferred to the Capital	(2,658)			2,658
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)**

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 2015/16.

Unearmarked Reserves	31 March 2015 £'000	transfers to £'000	transfers from £'000	**31 March 2016 £'000**
General Fund Balances unearmarked	8,900	5,395	(5,248)	**9,047**

Earmarked Reserves	31 March 2015 £'000	transfers to £'000	transfers from £'000	**31 March 2016 £'000**
LMS Schools Balances	2,899	141	(2)	**3,038**
Corporate Earmarked Reserves	43,513	12,011	(16,331)	**39,193**
Service Specific Reserves	260	615	(217)	**658**
General Service Earmarked Reserves	6,963	4,049	(4,174)	**6,838**
	53,635	16,816	(20,724)	**49,727**
Total General Fund Balances and Reserves	**62,535**	**22,211**	**(25,972)**	**58,774**
Other Usable Reserves				
Capital Receipts Reserve	250	8,201	(8,000)	**451**
Capital Grants Unapplied Reserve	8,472	20,073	(18,856)	**9,689**
Total Usable Reserves	**71,260**	**50,485**	**(52,828)**	**68,915**

LMS Schools balances will be used by individual schools

Corporate Earmarked Reserves	31 March 2015 £'000	transfers to £'000	transfers from £'000	**31 March 2016 £'000**
Insurance Fund	1,620	603	(445)	**1,778**
Capital Financing Reserve	6,013	1,754		**7,767**
Revenue Funding of capital	454	1,647	(1,108)	**993**
Financial Planning Reserve	6,783	740	(1,506)	**6,017**
Affordable Housing & Capital Development	3,000			**3,000**
Revenue Budget Contingency Reserve	2,070	54	(610)	**1,514**
Revenue Grants Unapplied	2,376	675	(1,399)	**1,652**
Transformation Investment Reserve	3,587		(1,184)	**2,403**
Restructuring & Severance Reserve	5,418	575	(1,080)	**4,913**
Dedicated Schools Grant Reserve	5,924	5,039	(5,924)	**5,039**
Business Rates Reserve	1,705	556	(80)	**2,181**
Other	4,563	368	(2,995)	**1,936**
	43,513	12,011	(16,331)	**39,193**

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 2015 £'000	transfers to £'000	transfers from £'000	**31 March 2016 £'000**
Information Technology Reserve	1,874		(4)	**1,870**
Finance VAT Advice Reserve	271	150	(50)	**371**
Leisure Reserves	542	35	(79)	**498**
CDSM Interpretation Centre Reserve	172			**172**
Care & Health Reserve	4,040	2,159	(4,040)	**2,159**
Care Act Reserve	-	1,705		**1,705**
Other Service Reserves	64		(1)	**63**
	6,963	4,049	(4,174)	**6,838**

The Information Technology Reserve is used to fund investment in the IT service including the refresh of IT assets as part of a managed replacement programme

The Care & Health Reserve is a retained reserve to enable the protection of social care in meeting demographic demand and transformation projects

The Care Act Reserve retained reserve to enable the protection of social care in meeting demographic demand and transformation projects.

9 OTHER OPERATING EXPENDITURE

	2015/16 £'000	2014/15 £'000
(Gain)/Loss on disposal of non-current assets	(2,295)	2,050
Parish Precepts	2,230	2,159
Levy payments to joint bodies	232	226
Contribution to Housing Pooled Receipts	-	-
	167	4,435

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2015/16 £'000	2014/15 £'000
Interest Payable & Premiums	4,725	4,380
Interest & Investment Income	(199)	(23)
Net Deficit/(Surplus) on Trading Services	516	293
Income & expenditure in relation to Investment properties and changes in fair value	(36,261)	(29,746)
Net Interest on the Net Defined Benefit Liability (Asset)	7,033	7,000
	(24,186)	(18,096)

11 TAXATION AND NON-SPECIFIC GRANT INCOME

	2015/16 £'000	2014/15 £'000
Council Tax Income	(78,448)	(76,381)
Non -Domestic Rates Income & Expenditure	(20,317)	(19,822)
Non ring fenced government grants	(21,476)	(27,430)
Capital grants and contributions	(15,740)	(16,690)
	(135,981)	(140,323)

12 PROPERTY, PLANT & EQUIPMENT

Movement in 2015/16:

	Other Land & Buildings	Community Assets	Infrastructure Assets	Veh'cls,Plant & Equipment	Assets Under Construction	Surplus Assets	Heritage Assets	**Total Property Plant & Equipment**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Cost or valuation as at 1 April 2015	234,602	2,230	116,777	30,161	19,470	3,030	16,719	**422,989**
Adjustment to opening balance	-	-	-	-	-	-	-	**-**
Additions	5,461	647	12,974	2,460	9,269	1	0	**30,812**
Revaluations increases/decreases recognised in the Revaluation Reserve	7,350	(442)	3			920	8,102	**15,933**
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(30,913)	(1,946)	293	(223)	(2,587)	(1,135)		**(36,511)**
De-recognition - Disposals	(538)	-		(3)	-	-		**(541)**
Assets reclassified to/from Held for sale	-				-			**-**
Reclassifications - other	7,150	37	4,602	110	(5,994)	(222)	-	**5,683**
Valuation as at 31 March 2016	**223,112**	**526**	**134,649**	**32,505**	**20,158**	**2,594**	**24,821**	**438,365**
Accumulated Depreciation and Impairment								
Accumulated depreciation as at 1 April 2015	(12,537)	(835)	(43,622)	(16,253)	-	(119)	-	**(73,366)**
Adjustment to opening balance	(11)	-				-		**(11)**
Depreciation charge in year	(5,804)	(148)	(10,111)	(3,253)	-	(19)		**(19,335)**
Depreciation written out to the Revaluation Reserve	7,781	302				13		**8,096**
Depreciation written out to the Surplus/Deficit on Provision of Services	5,369	417				125		**5,911**
Impairment losses/(reversals) recognised in the Revaluation Reserve	-							**-**
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services*	-					-		**-**
De-recognition - disposals				3				**3**
Other Movements in Depreciation & Impairment	3	264						**267**
Accumulated depreciation at 31 March 2016	**(5,199)**	**-**	**(53,733)**	**(19,503)**	**-**	**-**	**-**	**(78,435)**
Balance sheet amount 31 March 2016	**217,913**	**526**	**80,916**	**13,002**	**20,158**	**2,594**	**24,821**	**359,930**
Revaluations (GBV)								
Carried at Historic Cost @ 31 March 2016 and Indexation	12,752	526	134,649	32,505	20,158	10		**200,600**
Heritage Valuations @ 31 March 2016 (Insurance or Curatorial)							24,821	**24,821**
Surplus Properties at Fair Value @ 1 April 2015						2,584		**2,584**
Valued at Current value as at:								
31/03/2016	12,355							**12,355**
01/04/2015	129,857							**129,857**
01/04/2014	43,301							**43,301**
01/04/2013	2,249							**2,249**
01/04/2012	11,761							**11,761**
01/04/2011	10,837							**10,837**
Total Cost or Valuation	**223,112**	**526**	**134,649**	**32,505**	**20,158**	**2,594**	**24,821**	**438,365**

Comparative Movements 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**

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

Revaluations

The Council carries out a recurrent rolling programme that ensures all PPE required to be measured out at least every five years, along with other revaluations as required. New valuations undertaken in 2015/16 were carried out to the value of £136.201m. Along with existing valid valuations, acquisitions and disposals this gives a total valuation of £213.186m. An indexation exercise to identified a further impact of potential change in value of £8.186m from the dates valuations to the balance sheet date of 31st March 2016. All 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 general assumptions applied in estimating the values are as follows:

· Properties classified as occupied by the council for the purpose of its business have been valued on the basis of Fair Value (Existing Use Value), assuming vacant possession on all parts occupied by the Council.

- Surplus Properties have been valued with their "highest and best use" and are deemed to be level 2 Valuations from the hierarchy outlined in policy 1.17.

· 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 2016 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years estimated to cost £8.741m.

The major commitments are:

	2015/16	2014/15
	£'000	£'000
Bath Quays	**4,116**	350
Education & Children's Services	**1,778**	1,322
Bath Transport Package	**1,063**	-
Resources (Property) Schemes	**795**	527
Adult Services	**598**	790
River Corridor	**124**	-
NRR Infrastructure	**87**	123
Neighbourhoods projects	**73**	331
London Road Regeneration	**59**	470
Customer Services System	**-**	167
BWR Project - Infrastructure	**-**	2,733
BWR Project - Affordable Housing	**-**	1,230
Highways & Bridge Strengthening	**-**	1,656
Odd Down Leisure Pavilion etc.	**-**	512
Highways Maintenance Block	**-**	2,011
Rossiter Road	**-**	730
LTSF Globe roundabout scheme	**-**	139
Kelston Road	**-**	150
Other	**48**	183
Total	**8,741**	13,424

13 HERITAGE ASSETS

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

	Victoria Art	Roman	Fashion		Records		
2015/16	Gallery	Baths	Museum	Chandeliers	Office	Library	**Total**
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
1st April	**10,558**	**1,458**	**1,528**	**1,000**	**936**	**1,239**	**16,719**
Additions							**-**
Disposals							**-**
Revaluations	4,298	1,620		800		1,384	**8,102**
Impairment Losses/(reversals)							**-**
recognised in the Reval Reserve							**-**
Impairment Losses/(reversals)							**-**
recognised in the Surplus or							**-**
Deficit on Provision of Service							**-**
31st March	**14,856**	**3,078**	**1,528**	**1,800**	**936**	**2,623**	**24,821**

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

	Victoria Art	Roman	Fashion		Records		
2014/15	Gallery	Baths	Museum	Chandeliers	Office	Library	**Total**
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
1st April	12,213	1,458	1,053	1,000	936	1,239	17,899
Additions							-
Revaluations	(1,655)		475				(1,180)
31st March	**10,558**	**1,458**	**1,528**	**1,000**	**936**	**1,239**	**16,719**

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.

	2015/16	2014/15
	£'000	£'000
Rental Income from Investment Property	15,853	15,355
Direct operating expenses arising from Investment Property	(901)	(1,132)
Net gain/(loss)	14,952	14,223

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.

	2015/16	2014/15
	£'000	£'000
Balance at start of year	257,725	231,077
Adjustment to opening balance		
Additions of expenditure	1,246	9,076
Disposals	(409)	(221)
Net gains/losses from fair value adjustments	21,309	15,569
Transfer to/from Property, Plant & Equipment	(5,739)	2,224
Balance at end of the year	274,132	257,725

The Council carries out recurring annual valuations of all investment properties. Within the valuation instruction there is a requirement to review that these properties are held "solely of the purpose for income generation or capital gain." Properties valued at £5.6m were identified as held for other purposes from this and transferred to Other Land & Buildings. The valuer's report identified a total valuation of £259.1m, being all level 2 in the hierarchy outlined in policy 1.17 before in year capital expenditure was applied. Valuations 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. An indexation exercise identified a potential increase in value £13.857m between valuations undertaken at 1st April 2015 and the balance sheet date of 31st March 2016, reflecting an exceptional annual gain in the index. This is included in our asset values and will be fully verified for local conditions in the new year programme.

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.

	2015/16	2014/15
	£'000	£'000
Cost or valuation as at 1 April	3,136	2,689
Purchases	565	244
Transfers	56	203
Cost or valuation as at 31 March	3,757	3,136
Accumulated depreciation as at 1 April	1,833	1,780
Depreciation for the period	281	53
Accumulated depreciation at 31 March	2,114	1,833
Net Carrying amount at 31 March	1,643	1,303

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 2015 £'000	**31 March 2016 £'000**	31 March 2015 £'000	**31 March 2016 £'000**
Financial liabilities at amortised cost - loans	98,773	**90,768**	10,000	**28,000**
Accrued Interest (1)			1,041	**1,132**
Financial liabilities at amortised cost trade creditors			18,659	**15,104**
Total borrowings	98,773	**90,768**	29,700	**44,236**

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

	31 March 2015 £'000	**31 March 2016 £'000**	31 March 2015 £'000	**31 March 2016 £'000**
Loans & receivables	-	**-**	57,926	**68,203**
Accrued Interest (1)			92	**64**
Cash			3,560	**(615)**
Loans & receivables - trade debtors			14,893	**14,718**
Total Investments	-	**-**	76,471	**82,370**

(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 2015 Liabilities measured at amortised cost £'000	Financial Assets 31 March 2015 Loans & Receivables £'000	Total £'000	**Financial Liabilities 31 March 2016** Liabilities measured at amortised cost **£'000**	**Financial Assets 31 March 2016** Loans & Receivables **£'000**	**Total £'000**
Interest Expense *	(3,621)	-	(3,621)	**(3,994)**	**-**	**(3,994)**
Premium on Early Repayment of Debt	-		-	**-**		**-**
Interest payable & similar charges	(3,621)	-	(3,621)	**(3,994)**	**-**	**(3,994)**
Interest Income	-	23	23	**-**	**199**	**199**
Interest & investment Income	-	23	23	**-**	**199**	**199**
Net gain/(loss) for the Year	(3,621)	23	(3,598)	**(3,994)**	**199**	**(3,795)**

*The Authority also paid £1.29m (of which £0.56m related to principle), in respect of its share of debt relating to the former Avon County Council which is managed by Bristol City Council.

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. IFRS 13 reporting has required fair values to be disclosed, defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the balance sheet date.

Our valuations of assets and liabilities are deemed to be Level 2 in terms of hierarchy set out in Policy 1.17, with all inputs being observable but not quoted prices. These represent present value of the cash flows that will take place over the remaining term of the instruments. Valuations also have the following specific features:

+ cash flows arising from Public Works Loan Board loans have been discounted at the market rate for loans of the same term. This is a new basis for 2015/16, with a consequence that this debt held at 31st March 2015 previously reported in 2014/15 Statement of Accounts has been restated from £90,215K to £80,447K in figures below, the previous figure reflecting early repayment rates.

+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 2015		**31 March 2016**	
	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
	£'000	£'000	**£'000**	**£'000**
		Restated		
Financial Liabilities - PWLB Loans (Long Term Borrowing)	60,804	80,447	**60,892**	**78,499**
Financial Liabilities - Local & Police Authority Loans (Long Term Borrowing)	18,106	18,297	**10,065**	**10,508**
Financial Liabilities - Market Loans (Long Term Borrowing)	20,880	31,147	**20,876**	**30,980**
Total Long Term Borrowing	99,790	129,891	**91,833**	**119,987**
Financial Liabilities - Local & Police Authority Loans (Short Term Borrowing)	10,024	10,034	**28,067**	**28,176**
Financial Liabilities - trade creditors (see Note 22)	18,659	18,659	**15,104**	**15,104**
	128,473	158,584	**135,004**	**163,267**

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 2016 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 2015		**31 March 2016**	
	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
	£'000	£'000	**£'000**	**£'000**
Loans & Receivables - investments*	58,018	58,031	**68,267**	**68,378**
Cash	3,560	3,560	**(615)**	**(615)**
Loans & Receivables - trade debtors (see Note 19)	14,893	14,893	**14,718**	**14,718**

* The "Loans & Receivables - investments" figures above include those short-term investments classed as Cash Equivalents, as detailed in Note 20. This equated to **£38.718m** as at 31st March 2016, with the remaining **£29.549m** being short term investments. (£16.529m Cash Equivalents as at 31st March 2015, with £41.489m being short term investments).

The fair value of loans and receivables is slightly higher than the carrying amount as at 31st March 2016 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 2015/16 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 £10m restricted to UK banks and foreign banks.
For operational reasons, the Treasury Management Strategy for 2015/16 permitted 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 2016	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	**46,358**	0.24	**113**
Banks/Financial Institutions with lowest equivalent rating of AAA	**1**	0.37	**0**
Banks/Financial Institutions with lowest equivalent rating of AA	**16,908**	0.24	**41**
Banks/Financial Institutions with lowest equivalent rating of A	**5,000**	0.68	**34**
Banks/Financial Institutions with lowest equivalent rating of BBB	**0**	1.79	**0**
Total deposits with Banks & Financial Institutions	**68,267**	-	**188**

	2016	2015
	£'000	£'000
Trade Debtors	**14,718**	14,893
Total debtors at 31st March including trade debtors	**36,741**	29,455

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 £14.7m outstanding at 31st March 2016 is all past its due date for payment.
The past due but not impaired amount can be analysed by age as follows:

	2015/16	2014/15
	£'000's	£'000's
Less than three months	**10,396**	11,376
Three to six months	**712**	623
Six months to one year	**1,041**	543
More than one year	**2,569**	2,351
	14,718	14,893

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 2016 £'000's	**%**	Amount at 31 March 2015 £'000's	%
Loans & Receivables (Cash on Deposit) by Country Analysis				
UK Debt Management Office	**6,403**	**9.4%**	526	0.9%
UK Local Authorities	**39,955**	**58.5%**	41,489	71.5%
UK - Other Financial Institutions	**5,001**	**7.3%**	10,001	17.2%
Singapore	**10,007**	**14.7%**	-	0.0%
Sweden	**6,901**	**10.1%**	6,002	10.3%
Total	**68,267**	**100%**	58,018	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 2015 £'000	**31 March 2016 £'000**
Borrowing due for repayment:		
Under 1 year *	30,473	**48,468**
Between 1 and 2 years	8,000	
Between 2 and 5 years	10,000	**10,000**
Between 10 and 15 years	10,000	**15,000**
Between 15 and 20 years	20,300	**20,300**
Between 20 and 25 years	5,000	
Between 40 and 45 years	5,000	**25,000**
Between 45 and 50 years	20,000	
	108,773	**118,768**

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).

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 Statement 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 Statement 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 Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Statement 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 2016, 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	(173)
Impact on Income and Expenditure Statement	**(173)**
Decrease in fair value of fixed rate investment assets (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	**190**
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	**15,037**

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

None that are significant in 2015/16

18 INVENTORIES

	Balance 2014/15	Purchases	Recognised as expense in year	Written off Balances	**Balance 2015/16**
	£'000	£'000	£'000	£'000	**£'000**
Consumable Stores	436	115	(42)		**509**
Total Inventories	**436**	**115**	**(42)**	**-**	**509**

19 DEBTORS

Amounts falling due in one year:	2015/16 £'000	2014/15 £'000
Central Government bodies	**7,327**	5,816
Other local authorities	**4,245**	1,417
NHS bodies	**1,267**	1,920
Other entities and individuals (Trade Debtors)	**14,718**	14,893
Other entities and individuals (Non-Trade Debtors)	**5,647**	1,328
Prepayments	**3,537**	4,081
Total - Current Assets	**36,741**	29,455

Amounts falling after one year:	£'000	£'000
Other entities and individuals	**7,289**	10,520
Total - Long Term Assets	**7,289**	10,520

20 CASH AND CASH EQUIVALENTS

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

	2015/16 £'000	2014/15 £'000
Cash held by the Authority	**100**	83
Bank current accounts	**(715)**	3,477
Short-term deposits	**38,718**	16,529
Total cash and cash equivalents	**38,103**	20,089

21 ASSETS HELD FOR SALE

There are currently no assets held for sale.

22 CREDITORS

	2015/16 £'000	2014/15 £'000
Central government bodies	**41,193**	47,942
Other local authorities	**8,533**	4,589
NHS bodies	**265**	717
Public corporations and trading funds	**316**	1
Other entities and individuals (Trade Creditors)	**15,104**	18,659
Other entities and individuals (Non-Trade Creditors)	**17,207**	17,285
Income Received in Advance	**6,326**	2,461
Pensions Fund	**6,321**	3,227
	95,265	94,881

Included in Central Government Bodies is £32m 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 (£42m in 2014/15).

23 PROVISIONS FOR LIABILITIES

Provisions comprise:	31 March 2015 £'000	New Provisions £'000	Utilised in Year £'000	Written Back £'000	**31 March 2016 £'000**
Spa Right of Lights Provision	35		(5)		**30**
Provision for Child Care Costs	11				**11**
Children's Services Provision	32				**32**
Social Services Pension Provision	327				**327**
Planning Provision	154				**154**
NNDR Appeals Provision	2,206	2,097	(575)		**3,728**
Land Charge Fee Provision	31	50	(31)		**50**
	2,796	2,147	(611)	-	**4,332**

* 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.
* The Children's Services Provision is for an employee claim.
* 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

	2015/16 £'000	2014/15 £'000
Revaluation Reserve	**112,415**	89,701
Capital Adjustment Account	**330,038**	329,527
Deferred Capital Receipts Reserve	**4,043**	7,158
Financial Instruments Adjustment Account	**(6,510)**	(6,680)
Accumulated Absences Account	**(1,426)**	(1,054)
Pensions Reserve	**(227,653)**	(235,818)
Collection Fund Adjustment Account	**(1,843)**	979
Total Unusable Reserves	**209,064**	183,813

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.

	2015/16 £'000	2014/15 £'000
Balance at 1 April	**89,701**	80,167
Adjustment to opening balance	**(521)**	
Upwards revaluation of assets	**54,409**	28,335
Downwards revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	**(30,380)**	(11,063)
Impairment losses not charged to the Surplus/Deficit on on the Provision of Services	**-**	-
Transfer of depreciation on re-valued assets	**(592)**	
Written Back on asset disposal and transfer	**(201)**	(7,738)
Impairment of fixed assets - transfer		
Balance at 31 March	**112,415**	89,701

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set a side by the Authority as finance for the cost of acquisition, construction and enhancement.
The account contains accumulated gains and losses on Investment Properties.
The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.
Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2015/16	**2015/16**	2014/15	2014/15
	£'000	**£'000**	£'000	£'000
Balance at 1 April		329,527		327,657
Adjustment to opening balance		510		
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	(19,335)		(17,217)	
Revaluation losses on Property, Plant & Equipment	(30,599)		(21,694)	
Amortisation of intangible assets	(281)		(53)	
Revenue expenditure funded from capital under statute	(6,602)		(4,631)	
Grant funding of revenue expenditure funded from capital under statute	3,902		1,908	
		(52,915)		(41,687)
Adjusting amounts written out of the Revaluation Reserve				
Transfer of depreciation on re-valued assets		592		-
Transfer of revaluation reserve balance on asset disposal		201		7,738
Net written out amount of the cost of non-current assets consumed in the year		(52,122)		(33,949)
Capital financing applied in the year:				
Use of capital receipts reserve to finance new capital expenditure	8,000		9,024	
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	15,740		21,341	
Capital expenditure financed from revenue	1,101		1,005	
Minimum Revenue Provision	6,095		4,923	
		30,936		36,293
Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		21,309		15,568
Deferred liability - Repayment of Avon Loan Debt		558		582
Carrying value of fixed assets disposed of		(947)		(17,368)
Other movements		267		744
Balance at 31 March		330,038		329,527

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.

	2015/16	**2015/16**	2014/15	2014/15
	£'000	**£'000**	£'000	£'000
Balance at 1 April		(6,680)		(6,850)
Premiums incurred in year and charged to the Comprehensive Income & Expenditure Statement				
Proportions of Premiums incurred to be charged against General Fund Balance in accordance with statutory requirements	170		170	
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		170
Balance at 31 March		(6,510)		(6,680)

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.

	2015/16	2014/15
	£'000	£'000
Balance at 1 April	**(235,818)**	(178,995)
Remeasurements of the net defined benefit liability / (asset)	**16,026**	**(51,963)**
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	(23,579)	(20,205)
Employer's pensions contributions and direct payments to pensioners payable in the year	15,718	15,345
Balance at 31 March	**(227,653)**	(235,818)

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.

	2015/16	2014/15
	£'000	£'000
Balance at 1 April	7,158	454
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	(3,115)	(8)
Balance at 31 March	**4,043**	7,158

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.

	2015/16	2014/15
	£'000	£'000
Balance at 1 April	**979**	1,685
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	**(2,822)**	**(706)**
Balance at 31 March	**(1,843)**	979

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.

	2015/16	**2015/16**	2014/15
	£'000	**£'000**	£'000
Balance at 1 April		(1,054)	(1,436)
Settlement or cancellation of accrual made at the end of the preceding year	1,054		1,436
Amounts accrued at the end of the current year	(1,426)		(1,054)
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		(372)	382
Balance at 31 March		**(1,426)**	(1,054)

25 CASH FLOW STATEMENT

Note A to the cashflow statement	2015/16	2014/15
	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services	(17,148)	(1,634)
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	19,335	17,217
Impairment and downward valuations	30,599	21,694
Amortisation	281	53
Adjustment for internal interest charged	-	-
Adjustments for effective interest rates	(5)	1
Increase/Decrease in Interest Creditors	90	-
Increase/Decrease in Creditors	276	(7,859)
Increase/Decrease in Interest and Dividend Debtors	(3)	27
Increase/Decrease in Debtors	(6,827)	(10,190)
Increase/Decrease in Inventories	(73)	77
Pension Liability	16,026	(7,000)
Pension Fund Gains on Past Service Costs		
Contributions to/(from) Provisions	1,536	390
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	947	17,368
Movement in investment property values	(21,309)	(15,570)
Other movements	(106)	423
Total adjustments on the provision of services for non cash movements	40,767	16,631
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	(20,859)	(15,910)
Net adjustment from the sale of short and long term investments	54	(0)
Proceeds from the sale of property plant and equipment, investment property and	-	-
intangible assets	(5,096)	(15,612)
Total adjustments on the provision of services that are investing or financing activities	(25,901)	(31,522)
Net Cash Flows from Operating Activities	(2,282)	(16,525)

Note B to the Cash Flow Statement - Operating Activities (Interest)	2015/16	2014/15
	£'000	£'000
Operating activities within the cashflow statement include the following cash flows relating to interest		
Ordinary interest received	199	23
Other adjustments for differences between Effective Interest Rates and actual interest receivable-Long Ter	(1)	-
Opening Debtor	12	39
Closing Debtor	(15)	(12)
Interest Received	195	50
Interest charge for year	(4,725)	(4,380)
Adjustment for difference between effective interest rates and actual interest payable	(4)	
Adjustment for internal interest charged to balance sheet funds		
Opening Creditor	-	-
Closing Creditor	90	
Interest Paid	(4,639)	(4,380)

Note C to the Cash Flow Statement - Cash Flows from Investing Activities

	2015/16	2014/15
	£'000	£'000
Property, Plant and Equipment Purchased	(30,812)	(56,714)
Purchase of Investment Properties	(1,246)	
Other Capital Payments	(565)	
Opening Capital Creditors	(7,913)	(7,928)
Closing Capital Creditors	6,163	7,913
Purchase of Property, Plant and Equipment, investment property and intangible assets	(34,373)	(56,729)
Purchase of short term investments	(124,692)	(84,654)
Long term loans granted	(124)	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	7,149	7,732
Proceeds from short term investments	136,632	101,851
Proceeds from long term investments	(50)	
Other capital cash receipts	1,388	1,968
Capital Grants Received	21,631	16,218
Other Receipts from Investing Activities	23,019	18,186
Total Cash Flows from Investing Activities	7,561	(13,614)

Note D to the Cash Flow Statement - Cash Flows from Financing Activities

	2015/16	2014/15
	£'000	£'000
Cash receipts of long term borrowing	28,000	38,474
Billing Authorities - Council Tax and NNDR adjustments	471	566
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	2,822	685
Repayment of Short-Term and Long-Term Borrowing	(18,558)	(582)
Payments for the reduction of a finance lease liability	-	-
Total Cash Flows from Financing Activities	12,735	39,143

Note E - Makeup of Cash and Cash Equivalents

	2015/16	2014/15
	£'000	£'000
Cash and Bank Balances	(615)	3,560
Cash Investments - regarded as cash equivalents	38,718	16,529
Bank Overdraft	-	-
	38,103	20,089

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 2015/16	Transport	Children's Services	Adult Social Care & Health	Leader
	£'000	£'000	£'000	£'000
Fees, charges & other income	(23,267)	(16,704)	(52,389)	(645)
Government grants	(1,007)	(84,820)	(9,998)	(496)
Total Income	(24,274)	(101,524)	(62,387)	(1,141)
Employee expenses	7,212	68,573	4,642	4,370
Other service expenses	20,873	48,732	107,742	2,774
Support service recharges	1,908	9,465	9,331	60
Total Expenditure	29,993	126,770	121,715	7,204
Net Expenditure	**5,719**	**25,246**	**59,328**	**6,063**

	Community Services	Economic Development	Finance & Efficiency	Homes & Planning	**Total**
	£'000	£'000	£'000	£'000	**£'000**
Fees, charges & other income	(10,977)	(19,242)	(42,957)	(3,913)	**(170,094)**
Government grants	(433)	(264)	(59,555)	(169)	**(156,742)**
Total Income	(11,410)	(19,506)	(102,512)	(4,082)	**(326,836)**
Employee expenses	12,101	5,185	23,711	4,905	**130,699**
Other service expenses	18,606	6,694	79,716	2,181	**287,318**
Support service recharges	2,400	4,350	6,402	605	**34,521**
Total Expenditure	33,107	16,229	109,829	7,691	**452,538**
Net Expenditure	**21,697**	**(3,277)**	**7,317**	**3,609**	**125,702**

Portfolio Income & Expenditure 2014/15 (Restated into new Portfolios*)	Transport	Children's Services	Adult Social Care & Health	Leader
	£'000	£'000	£'000	£'000
Fees, charges & other income	(22,428)	(15,150)	(44,915)	(2,262)
Government grants	(1,101)	(84,616)	(8,394)	(1,497)
Total Income	(23,529)	(99,766)	(53,309)	(3,759)
Employee expenses	7,524	67,170	4,153	4,126
Other service expenses	20,092	45,808	98,927	2,861
Support service recharges	2,068	10,194	5,918	472
Total Expenditure	29,684	123,172	108,998	7,459
Net Expenditure	**6,155**	**23,406**	**55,689**	**3,700**

	Community Services	Economic Development	Finance & Efficiency	Homes & Planning	**Total**
	£'000	£'000	£'000	£'000	**£'000**
Fees, charges & other income	(9,561)	(18,053)	(42,677)	(3,221)	**(158,267)**
Government grants	(1,250)	(191)	(60,382)	(10)	**(157,441)**
Total Income	(10,811)	(18,244)	(103,059)	(3,231)	**(315,708)**
Employee expenses	12,184	4,979	21,625	4,720	**126,481**
Other service expenses	17,057	6,477	78,492	1,387	**271,101**
Support service recharges	3,096	4,353	11,563	1,096	**38,760**
Total Expenditure	32,337	15,809	111,680	7,203	**436,342**
Net Expenditure	**21,526**	**(2,435)**	**8,621**	**3,972**	**120,634**

* Following the change of administration following the May 2015 Local Elections, the new Cabinet restructured the Portfolios, with some being renamed, and some having responsibilities transferred between them.

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.

	2015/16	2014/15
	£'000	£'000
Net expenditure in the portfolio analysis	125,702	120,634
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	51,321	36,326
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	- 125	(1,342)
Cost of Services in Comprehensive Income and Expenditure Statement	**177,148**	155,618

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.

2015/16	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	(170,094)		-		55,132	(114,962)	-	(114,962)
Interest & Investment				199		199	(199)	-
income				15,853		15,853	(36,261)	(20,408)
Income from council Tax			-			-	-	-
Government grants &	(156,742)			828		(155,914)	(135,981)	(291,895)
contributions						-		-
Total Income	(326,836)	-	-	16,880	55,132	(254,824)	(172,441)	**(427,265)**
Employee expenses	130,699		1,106	(1,683)		130,122	7,033	137,155
Other service expenses	287,318			(3,292)		284,026	516	284,542
Support service	34,521				(55,132)	(20,611)		(20,611)
recharges						-		-
Depreciation,			19,616			19,616		19,616
amortisation &			30,599			30,599		30,599
impairment						-		-
Interest payments				(11,548)		(11,548)	4,725	(6,823)
Precepts & levies		-		(232)		(232)	2,462	2,230
Payments to housing						-		-
Capital Receipts Pool						-	-	-
Gain or loss on disposal						-	(2,295)	(2,295)
of Fixed Assets						-	-	-
Total Expenditure	452,538	-	51,321	(16,755)	(55,132)	431,972	12,441	**444,413**
Surplus or deficit on the provision of services	**125,702**	**-**	**51,321**	**125**	**-**	**177,148**	**(160,000)**	**17,148**

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	271,101			(6,245)		264,856	2,678	267,534
Support service	38,760				(50,139)	(11,379)		(11,379)
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)		(226)
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**

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.

	2015/16 Income £'000	**2015/16 Expenditure £'000**	**Deficit/ (Surplus) £'000**	2014/15 £'000
School and Other Catering	4,281	4,480	**199**	307
Cleaning Services	780	897	**117**	(203)
Fleet Management	2,257	2,485	**228**	296
Passenger Transport Services	5,540	5,916	**376**	355
Trade Refuse Collection	836	755	**(81)**	(129)
Print Services	457	456	**(1)**	(11)
Bath Museum Shops	2,378	2,056	**(322)**	(322)
Surplus for Year	16,529	17,045	**516**	293

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.

	2015/16 £'000	2014/15 £'000
Net surplus on trading operations	516	293
Services to the public included in Expenditure of Continuing Operations	(27)	(96)
Support services recharged to Expenditure of Continuing Operations	543	389
Net Surplus credited to Other Operating Expenditure	516	293

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 five Pooled Budgets :-

Adult Learning Difficulties

	2015/16 £'000	2014/15 £'000
Gross Funding		
Bath & North East Somerset Council	21,249	18,557
Bath & North East Somerset Clinical Commissioning Group	3,554	5,401
Income from Client Contributions	1,746	1,468
Interest on External Funding Balances	20	18
Total Funding	26,569	25,444
Total Expenditure	26,372	25,444
Net (Underspend) / Overspend	(197)	-

Community Equipment

	2015/16 £'000	2014/15 £'000
Gross Funding		
Bath & North East Somerset Council	203	232
Bath & North East Somerset Clinical Commissioning Group	473	473
Total Funding	676	705
Spend on community equipment	676	705
Total Expenditure	676	705

Better Care Fund

	2015/16 £'000	2014/15 £'000
Gross Funding		
Bath & North East Somerset Council	1,148	-
Bath & North East Somerset Clinical Commissioning Group	8,475	-
Total Funding	9,623	-
Spend on community equipment	9,623	-
Total Expenditure	9,623	-

Mental Health

	2015/16 £'000	2014/15 £'000
Gross Funding		
Bath & North East Somerset Council	3,527	-
Bath & North East Somerset Clinical Commissioning Group	2,898	-
Total Funding	6,425	-
Spend on community equipment	6,425	-
Total Expenditure	6,425	-

Children and Young People with Multiple and Complex Needs

	2015/16 £'000	2014/15 £'000
Gross Funding		
Bath & North East Somerset Council	2,571	2,487
Bath & North East Somerset Primary Care Trust	392	392
Total Funding	2,963	2,879
Total Expenditure	2,832	2,460
Net (Underspend) / Overspend	(131)	(419)

29 MEMBERS' ALLOWANCES

The total cost of Members Allowances for 2015/16 including employers national insurance, pensions contributions and expenses was £861,549 (£906,263 in 2014/15).

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

		Basic & Special Allowance	Expenses	Total
		£	£	£
ALLEN	S	3,044	-	**3,044**
ANKETELL-JONES	PM	24,624	47	**24,670**
APPLEYARD	R	14,557	27	**14,584**
BALL	S	880	-	**880**
BALL	TM	10,700	-	**10,700**
BARRETT	CV	7,981	155	**8,135**
BEATH	CE	11,428	171	**11,599**
BECKER	J	7,123	-	**7,123**
BELLOTTI	DF	3,044	-	**3,044**
BEVAN	SF	15,778	443	**16,221**
BLACKBURN	C	7,123	-	**7,123**
BLANKLEY	MP	880	-	**880**
BRETT	LJ	15,390	456	**15,846**
BRINKHURST	L	880	-	**880**
BULL	JA	15,791	-	**15,791**
BUTTERS	TN	7,981	-	**7,981**
CARR	J	8,059	6	**8,065**
CHALKER	BA	880	-	**880**
CLARKE	AK	24,091	-	**24,091**
COCHRANE	M	9,069	138	**9,206**
COOMBES	NJ	880	-	**880**
CROSSLEY	PN	12,508	140	**12,648**
CURRAN	GF	2,531	-	**2,531**
DANDO	C	7,123	-	**7,123**
DAREY	F	7,123	-	**7,123**
DAVIES	M	7,123	-	**7,123**
DAVIS	S	20,927	-	**20,927**
DEACON	DE	7,981	86	**8,067**
DIXON	D	3,044	-	**3,044**
DIXON	E	9,069	204	**9,273**
EDWARDS	PM	880	11	**891**
EVANS	M	24,091	1,181	**25,272**
FOX	PJ	1,410	-	**1,410**
FURSE	AJ	7,981	34	**8,015**
GAZZARD	T	880	-	**880**
GERRISH	CD	24,633	172	**24,806**
GILCHRIST	IA	20,229	-	**20,229**
GOODMAN	R	9,069	-	**9,069**
HAEBERLING	F	13,334	-	**13,334**
HALE	AD	9,981	435	**10,416**
HALL	KF	1,112	1,176	**2,288**
HARDMAN	EJ	8,136	219	**8,355**
HARTLEY	N	1,115	-	**1,115**
HASSETT	D	7,123	-	**7,123**
HEDGES	SP	13,140	-	**13,140**
HORSTMANN	D	7,123	116	**7,239**
JACKSON	EM	9,091	160	**9,251**
JEFFRIES	S	7,123	25	**7,148**
KEW	LJ	6,758	1,345	**8,103**
LAMING	DW	1,044	-	**1,044**
LEES	MJH	880	-	**880**
LONGSTAFF	M	14,953	-	**14,953**
MACRAE	BJ	7,981	-	**7,981**
MARTIN	DJ	918	-	**918**
MAY	P	9,069	1,406	**10,475**
McGALL	S	10,280	228	**10,508**
MILLAR	A	7,123	279	**7,402**
MOSS	R	13,946	408	**14,354**
MYERS	P	15,315	-	**15,315**
NICOL	D	880	31	**911**
NORTON	M	7,123	-	**7,123**
O'BRIEN	B	9,069	-	**9,069**
ORGAN	BS	7,981	-	**7,981**
PATTERSON	L	7,123	-	**7,123**
PEARCE	C	12,226	-	**12,226**
PLAYER	J	7,981	-	**7,981**

		Basic & Special Allowance	Expenses	Total
		£	£	£
PRITCHARD	VL	25,201	2,795	**27,996**
RAYMENT	J	7,123	-	**7,123**
RICHARDSON	EA	15,784	291	**16,075**
RIGBY	A	1,498	-	**1,498**
ROBERTS	CM	10,700	96	**10,795**
ROBERTS	N	7,981	-	**7,981**
ROMERO	UM	16,222	-	**16,222**
SANDRY	WA	7,981	-	**7,981**
SHELFORD	M	9,069	155	**9,224**
SIMMONS	B	7,981	-	**7,981**
SIMMONS	KS	880	-	**880**
SPARKS	J	880	-	**880**
STEVENS	BCD	3,044	-	**3,044**
SYMONDS	RA	1,112	242	**1,354**
TURNER	P	7,123	194	**7,317**
VEAL	M	25,422	-	**25,422**
VEALE	DJ	12,158	669	**12,827**
WALKER	K	7,123	279	**7,402**
WARD	G	7,981	-	**7,981**
WARREN	T	36,422	1,352	**37,774**
WARRINGTON	K	6,689	-	**6,689**
WATT	C	7,981	-	**7,981**
Total		**801,059**	**15,171**	**816,230**

30 OFFICER REMUNERATION

Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2016

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	**Total**
	£	£	£	£	**£**
Chief Executive - Jo Farrar	150,000	995		31,500	**182,495**

Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2016

Post Holder	Salary (incl. Honorarium)	Expenses	Benefits in Kind e.g. Car Allowance	Compensation for Loss of Office	Employer Pension Contrib'ns	**Total**
	£	£	£	£	£	**£**
Strategic Director - People & Communities	130,000	2,186	-	-	27,300	**159,486**
Strategic Director - Resources	120,000	1,660	345	-	25,200	**147,205**
Strategic Director - Place	120,000	446	-	-	25,200	**145,646**
Director of Public Health	122,654	1,176	-	-	17,478	**141,308**
Head of Legal & Democratic Services (to 31/05/15)	23,386	14	-	49,611	7,591	**80,602**
Head of Legal & Democratic Services (from 01/06/15)	71,197	726	-	-	14,952	**86,875**
Divisional Director - Business Support	111,999	8	211	-	23,520	**135,738**

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 (incl. Honorarium)	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 - Business Support	106,761	21	205	22,420	129,407

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	**2015/16 Teachers**	**2015/16 Others**	**2015/16 Total**	2014/15 Teachers	2014/15 Others	2014/15 Total
£50,000 - £54,999	21	18	**39**	23	37	60
£55,000 - £59,999	12	21	**33**	8	8	16
£60,000 - £64,999	4	7	**11**	9	4	13
£65,000 - £69,999	6	4	**10**	5	2	7
£70,000 - £74,999	2	7	**9**	1	6	7
£75,000 - £79,999	-	11	**11**	-	9	9
£80,000 - £84,999	1	8	**9**	1	5	6
£85,000 - £89,999	-	1	**1**	-	3	3
£90,000 - £94,999	5	2	**7**	1	2	3
£95,000 - £99,999	1	3	**4**	-	5	5
£100,000 - £104,999	-	-	**-**	-	1	1
£105,000 - £109,999	-	-	**-**	-	1	1
£110,000 - £114,999	-	2	**2**	-	1	1
£115,000 - £119,999	-	-	**-**	-	-	-
£120,000 - £124,999	-	3	**3**	-	3	3
£125,000 - £129,999	-	1	**1**	-	2	2
£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	-	-	**-**	-	-	-
£175,000 - £179,999	-	-	**-**	-	-	-
£180,000 - £184,999	-	-	**-**	-	1	1
£185,000 - £189,999	-	-	**-**	-	-	-
	52	**89**	**141**	48	91	139

The above totals include 15 staff who would not have been included in the note if it were not for one-off severance payments (14 staff in 2014/15). This included 0 in the Teacher category (nil in 2014/15) and 15 in the Others category (14 in 2014/15).

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 2015/16, incurring liabilities of £1.235m (£0.9m in 2014/15). 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)	**2015/16 Number of Compulsory Redund'cies**	**2015/16 Number of Other Exits Agreed**	**2015/16 Total Cost £**	2014/15 Number of Compulsory Redund'cies	2014/15 Number of Other Exits Agreed	2014/15 Total Cost £
£0 - £20,000	**4**	**39**	**208,011**	-	22	153,577
£20,001 - £40,000	**1**	**12**	**344,167**	-	7	214,292
£40,001 - £60,000	**2**	**8**	**472,243**	-	7	349,234
£60,001 - £80,000	**-**	**2**	**125,447**	-	1	71,984
£80,001 - £100,000	**1**	**-**	**85,299**	-	-	0
£100,001 - £150,000	**-**	**-**	**0**	-	1	100,101
£150,001 - £200,000	**-**	**-**	**0**	-	-	0
£200,001 - £250,000	**-**	**-**	**0**	-	-	0
	8	**61**	**1,235,167**	0	38	889,188

33 EXTERNAL AUDIT COSTS

The Council has incurred the following fees payable to its auditors, Grant Thornton UK LLP	**2015/16 £'000**	2014/15 £'000
Fees payable with regard to external audit services	**124**	164
Fees payable for the certification of grant claims and returns	**17**	18
Fees payable for other services during the year	**5**	8
	146	190

34 DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2014. 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 2015/16 are as follows:

	2015/16 Central Expenditure	**2015/16** Individual Schools Budget	**2015/16 Total**	2014/15 Total
	£'000	**£'000**	**£'000**	£'000
Final DSG for before Academy recoupment			**120,310**	118,341
Academy figure recouped			**46,540**	44,463
Total DSG after Academy recoupment			**73,770**	73,878
plus Brought forward from previous year			**5,924**	4,459
less Carry forward into future year agreed in advance				
Final budget distribution	29,009	50,685	**79,694**	78,337
In-Year Adjustment*			**-**	41
less Actual central expenditure	24,409		**24,409**	21,781
less Actual ISB deployed to schools	-	50,246	**50,246**	50,673
plus Local Authority contribution for year			**-**	-
Carry forward	4,600	439	**5,039**	5,924

35 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

	2015/16	2014/15
Credited to Taxation and Non Specific Grant Income	**£'000**	£'000
Council Tax Income	**78,448**	76,381
Revenue Support grant	**20,504**	26,469
Contribution from the Non-Domestic Rate Pool	**20,317**	19,822
Local Services Support Grant	**159**	163
Council Tax Freeze Grant	**813**	798
Department for Education	**4,229**	3,362
Department of Transport	**5,576**	7,402
Department of Health	**644**	400
Other	**4,300**	1,481
Third party contributions	**322**	1,387
Section 106 Developer Contributions	**669**	2,658
	135,981	140,323

Credited to Services		
Education Services Grant	**1,570**	1,922
Education Funding Agency (incl. Universal Infant Free School Meals)	**4,025**	2,525
Pupil Premium Grant	**3,198**	3,331
Mandatory rent allowances	**51,318**	54,030
Public Health Grant	**8,246**	7,384
Department of Health	**1,836**	911
Department of Transport	**1,406**	1,056
DCLG	**3,289**	3,723
New Homes Bonus Grant	**3,709**	2,665
Other	**7,403**	7,224
Third party contributions	**597**	507
Section 106 Developer Contributions	**116**	30
	86,713	85,308

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

	2015/16	2014/15
	£'000	£'000
Grants Receipts In Advance (Capital Grants)		
Section 106 Developer Contributions	**2,107**	1,130
Various Capital Grants	**-**	637
Total	**2,107**	1,767
Grants Receipts In Advance (Revenue Grants)		
Various Service Grants	**2,604**	2,274
Total	**2,604**	2,274

Long-Term Liabilities

	2015/16	2014/15
	£'000	£'000
Grants Receipts In Advance (Capital Grants)		
Section 106 Developer Contributions	**9,396**	3,677
Total	**9,396**	3,677

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 £1,422,911 (£1,451,146 14/15) and support services costs of £402,248 (£407,155 14/15). 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 & Rescue Service.
Two Members of the Council are members of the Police and Crime Panel
Twelve 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 £377,546 (£223,154 14/15) 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:	2015/16	2014/15
	£'000	£'000
School Improvements	4,547	4,745
Highways / Road Safety & Bridge Strengthening	11,079	15,381
Keynsham Redevelopment Project	1,817	10,221
Capitalised Buildings Maintenance	2,252	1,764
Western Riverside Project	1,182	48
Bath Transport Package - Main Scheme	2,759	4,750
Odd Down Playing Fields Development	743	2,049
Acquisitions - Sawclose Seven Dials	1	8,651
Gypsy & Traveller Site	7	1,125
Other	8,236	9,195
	32,623	57,929

(excludes Revenue expenditure funded from capital under statute)

Capital Expenditure was categorised as follows:

	2015/16	2014/15
	£'000	£'000
Property, plant and equipment	21,543	41,259
Investment properties	1,246	9,076
Intangible assets	565	244
Heritage Assets	-	-
Assets under construction	9,269	6,135
Non Current Assets held for sale	-	-
Capital Loans	774	1,215
Revenue expenditure funded from capital under statute	6,602	4,631
Total expenditure	39,999	62,560

Sources of finance:		
Capital Receipts	8,000	9,024
Grants	17,937	19,009
Borrowing	11,256	29,282
3rd Party Contributions	919	1,551
Revenue	1,101	1,005
S.106 contributions	786	2,689
Total financing	39,999	62,560

Capital Financing Requirement

	2015/16	2014/15
	£'000	£'000
		Restated*
Opening Capital Financing Requirement	177,334	152,975
Capital Investment	39,999	62,560
Sources of Finance:		
Capital Receipts	(8,020)	(9,024)
Government grants & other contributions	(19,642)	(23,249)
Sums set aside from revenue (including MRP)	(7,196)	(5,928)
Closing Capital Financing Requirement	182,475	177,334
Increase in underlying need to borrow unsupported by Government financial assistance	11,256	29,282
Repayments received in respect of Capital Expenditure Loans	(20)	-
Less minimum revenue provision repayment	(6,095)	(4,923)
Increase / (decrease) in Capital Financing Requirement	5,141	24,359

* Opening Capital Financing Requirement adjusted by £50k following Balance Sheet reconciliation

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:

	2015/16	2014/15
	£'000	£'000
Other Land & Buildings	2,380	2,446
Vehicles, Plant & Equipment	-	-
	2,380	2,446

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 2015/16 were £3,897,232 (£197,931 in 2014/15).

The future payments required under these leases are £6,759,734, comprising the following elements:

	2015/16	2014/15
	£'000	£'000
Not later than one year	3,423	125
Later than one year and not later than five years	3,220	1,269
Later than five years	116	-
	6,759	1,394

The Council holds property leases which are operating leases. The amount paid in rent for 2015/16 was £344,804 (2014/15 was £692,350).

The future commitments required under these leases in 2015/16 are £89,250, comprising the following elements:

	2015/16	2014/15
	£'000	£'000
Not later than one year	51	322
Later than one year and not later than five years	38	89
Later than five years	-	-
	89	411

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 £15,698,210 (£14,233,622 in 2014/15).
The net book value of these properties is £260,275,000 (£257,725,133 in 2014/15).

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

	2015/16	2014/15
	£'000	£'000
Not later than one year	**3,188**	4,553
Later than one year and not later than five years	**5,274**	2,341
Later than five years	**7,236**	7,340
	15,698	14,234

39 EXCEPTIONAL ITEMS

There were no exceptional items in 2015/16.

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 2015/16 the council paid £4.212m to Teachers' Pensions in respect of teachers' retirement benefits, representing 15.5% of pensionable pay. The figures for 2014/15 were £3.889m 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 was reduced by the total £14.042m payment, and the full amount was reflected in the actuarial valuation as at 31st March 2015. The £4.633m relating to 2014/15 was charged to the General Fund in the 2014/15 Statement of Accounts, and £4.674m was charged in 2015/16, with the 2016/17 to be credited to the Pension Reserve and charged to the General Fund in 2016/17 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 2015/16	2014/15	Unfunded Liabilities (Teachers) Discretionary Benefits 2015/16	2014/15
Comprehensive Income and Expenditure Statement	**£'000**	£'000	**£'000**	£'000
Cost of Services:				
Current Service Costs	**16,305**	12,323		
Past Service Cost	**-**	-	**-**	-
Settlement and Curtailment (Gain) / Loss	**(1)**	650	**-**	-
Administration Expenses	**242**	232		
Financing and Investment Income & Expenditure:				
Net Interest Expense	**6,302**	6,042	**731**	958
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**22,848**	19,247	**731**	958
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)	**-**	-	**-**	-
Actuarial (gains) and losses arising on changes in demographic assumptions	**-**	-	**-**	-
Actuarial (gains) and losses arising on changes in financial assumptions	**(35,923)**	89,650	**(724)**	1,951
Total Remeasurements	**(35,923)**	89,650	**(724)**	1,951
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(13,075)**	108,897	**7**	2,909
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	**22,848**	19,247	**731**	958
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	**9,447**	23,153		
less upfront deficit payment for 2015/16 & 2016/17		(9,409)		
add upfront deficit payment recognised for 2015/16	**4,674**			
	734	(2,257)	**-**	-
Retirement benefits payable to pensioners			**22,793**	24,383

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	
	2015/16	2014/15	**2015/16**	2014/15
	£'000	£'000	**£'000**	£'000
Present value of defined benefit obligation	**664,807**	**683,245**	**22,793**	24,383
Fair value of plan assets	**(464,682)**	**(481,219)**	**-**	-
Net liability arising from defined benefits obligation	**200,125**	**202,026**	**22,793**	**24,383**

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities (Teachers) Discretionary Benefits	
	2015/16	2014/15	**2015/16**	2014/15
	£'000	£'000	**£'000**	£'000
Opening Balance at 1 April	**683,245**	573,606	**24,383**	23,075
Current service cost	**16,305**	12,323		
Interest cost	**21,499**	24,846	**731**	958
Contributions from scheme participants	**4,089**	3,904		
Actuarial gains and losses	**(35,923)**	89,650	**(724)**	1,951
Benefits paid	**(22,287)**	(21,734)	**(1,597)**	(1,601)
Past service costs	**405**	650	**-**	-
Past service gain	(2,526)	-	**-**	-
Closing Balance at 31 March	**664,807**	683,245	**22,793**	24,383

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

	Local Government Pension Scheme	
	2015/16	2014/15
	£'000	£'000
Opening Fair Value of scheme assets at 1 April	**481,219**	417,686
Interest on Plan Assets	**15,197**	18,804
Remeasurement Gain (Loss)	**(20,621)**	39,638
Administration Expenses	**(242)**	(232)
Settlements	**(2,120)**	
Contributions from employer	**9,447**	23,153
Contributions from employees into the scheme	**4,089**	3,904
Benefits paid	**(22,287)**	(21,734)
Closing Balance at 31 March	**464,682**	481,219

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 £5.424m (2014/15 £58.442m).

Scheme History

	2010/11	2011/12	2012/13	2013/14	2014/15	**2015/16**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Present value of liabilities:						
Local Government Pension Scheme	(489,340)	(524,107)	(600,996)	(573,606)	(683,245)	**(664,807)**
Discretionary Benefits	(22,079)	(23,625)	(25,922)	(23,075)	(24,383)	**(22,793)**
Fair value of assets in the Local Government Pension Scheme	357,115	362,458	406,443	417,686	481,219	**464,682**
Surplus/(deficit) in the scheme:						
Local Government Pension Scheme	(132,225)	(161,649)	(194,553)	(155,920)	(202,026)	**(200,125)**
Discretionary Benefits	(22,079)	(23,625)	(25,922)	(23,075)	(24,383)	**(22,793)**
Long Term Liability in Balance Sheet	(154,304)	(185,274)	(220,475)	(178,995)	(226,409)	**(222,918)**

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £222m 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 2016/17 are estimated to be £9.7m. 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	
	2015/16	2014/15	**2015/16**	2014/15
Mortality assumptions :				
Longevity at 65 for current pensioners:				
Men	**23.5**	23.4	**23.5**	23.4
Women	**26.0**	25.9	**26.0**	25.9
Longevity at 65 for future pensioners:				
Men	**25.9**	25.8		
Women	**28.9**	28.8		
Rate of inflation	**2.0%**	2.0%	**2.0%**	2.0%
Rate of increase in salaries	**3.5%**	3.5%		
Rate of increase in pensions	**2.0%**	2.0%	**2.0%**	2.0%
Rate for discounting scheme liabilities	**3.5%**	3.2%	**3.4%**	3.1%

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)	12,859	(12,859)
Rate of Inflation (increase or decrease by 1%)	11,698	(11,698)
Rate of increase in salaries (increase or decrease by 1%)	2,212	(2,212)
Rate of discounting scheme liabilities (increase or decrease by 1%)	(11,494)	11,494

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 2016**		Assets at 31 March 2015	
	£'000	**%**	£'000	%
Equity investments	**250,000**	**53.8%**	282,617	58.7%
Government Bonds	**51,579**	**11.1%**	67,253	14.0%
Other Bonds	**43,215**	**9.3%**	42,311	8.8%
Other	**119,888**	**25.8%**	89,038	18.5%
Total	**464,682**	**100%**	481,219	100.0%

History of experience gains and losses

Actuarial losses identified as movements on the Pensions Reserve in 2015/16 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2016.

	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Difference between the expected and actual return on scheme assets:						
amount (£'000)	**(20,621)**	39,638	(2,697)	30,725	(13,953)	(872)
percentage	**4.4**	8.2	0.6	7.6	3.8	0.2
Experience gains and losses on liabilities						
amount (£'000)	**-**	-	-	-	-	16,835
percentage	**0.0**	0.0	0.0	0.0	3.4	3.4
	(20,621)	**39,638**	**(2,697)**	**30,725**	**(13,953)**	**15,963**
Cumulative gains / losses recognised	**49,055**	**69,676**	**30,038**	**32,735**	**2,010**	**15,963**

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 2016 apportioned to this Council is £13.40m (£13.95m in 2014/15). 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 2015	Principal Repaid	**31 March 2016**
	£000	£000	**£000**
Ex- Avon loan debt principal repayment	13,954	(558)	**13,396**

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 £6.095m calculated as follows:

	2015/16	2014/15
	£000	£000
4% of Capital Financing Requirement (CFR)	3,425	3,503
Adjustment allowed under Capital Finance Regulations	(1,551)	(1,551)
Provision based on estimated useful life of new assets since 2008	4,221	2,971
Statutory Minimum Revenue Provision (MRP)	6,095	4,923

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:	2015/16 Exp. £'s	2015/16 Income £'s	2015/16 Assets £'s	2015/16 Liabilities £'s
Alice Park Trust	51,603	(63,828)	154,091 *	
Total	**51,603**	**(63,828)**	**154,091**	**0**

* Includes external investments valued at £6,453.

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

* Includes external investments valued at £17,232.

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

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:

	2015/16 Exp. £'s	2015/16 Income £'s	2015/16 Assets £'s	2015/16 Liabilities £'s
Educational Funds	300	(523)	46,621	
Graves/memorial maintenance	2,737	(69)	12,407	
Client accounts	0	0	94,000	
Twinning Fund	130	(130)	26,130	
Bequests	2,400	(182)	35,500	
Total	**5,567**	**(904)**	**214,658**	**0**

	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**

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 Company's un-audited accounts to 31st March 2016 show a turnover of £2,750,673, a net profit of £16,101 and net current assets of £264,813 (turnover of £2,747,876, a net profit of £114,082 and net current assets of £287,118 in 2014/15). 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 2015-16

Expenditure	**£'000**	**Acting As**
LEP Management & Co-ordination	426	
LEP Places & Infrastructure	1,081	
LEP Skills & Economy	173	
LEP Funds Management	491	
Growth Hub	400	
Other Spend	93	
Total Expenditure	2,664	
Funding		
Local Authority Contributions Core	426	Agent
Local Authority Contributions Projects	628	Agent
Higher/Further Education Contributions	136	Agent
Govt. Grant - Core & Strategic Economic Plan	500	Principal
Govt. Grant - RIF Admin	165	Principal
Govt. Grant - Growth Fund Admin	226	Principal
Govt. Grant - Growth Hub	400	Principal
Govt. Grant - Other	183	Principal
Total Income	2,664	

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	691	0	1	558	134
Department of Communities and Local Government (DCLG) - Growing Places Fund for “revolving investment fund”	7,409	0	36	1,649	5,796
Department of Business, Innovation and Skills (BIS) - Regional Growth Fund 2 for “revolving investment fund”	32,226	0	163	6,646	25,743
"Revolving investment fund” - returned Funds from Completed schemes	650	250	3	0	903
Department of Business, Innovation and Skills (BIS) - Regional Growth Fund 3 – “Growth Fund ”	4,535	6,418	0	9,258	1,695
Department of Communities and Local Government (DCLG) - Local Growth Fund	0	16,600	0	16,600	0
	45,511	23,268	203	34,711	34,271

47 CONTINGENT LIABILITIES

The Council's Senior Management Team have identified / reviewed the potential liabilities arising from appeals or objections to the Council's actions for which there is only a small number of such cases and are not considered material.

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 includes 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 an external source, with the latest valuation carried out in 2015/16 by Bonham's for insurance purposes.

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.

Fashion Museum

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. The latest complete valuation was carried out externally in 2015/16 by Bonhams for insurance purpose.

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.

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 valuations were carried out in 2015/16 by Bonhams for insurance purpose.

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 Business Rates Pool (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 are reflected under 'Cash Transactions' in the table below. Expenditure and Revenue recognised in the Council's CIES is also disclosed:

	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 2015	(3,540)	(559)	0	0
Receipts into the Pool in-year:				
- Growth sums payable by Councils to BRP in-year	(16,621)	(383)	383	0
Distributions out of the Pool BRP in-year:				
- Tier 1 no worse off	7,635	132	0	(132)
- BRP Management Fee	44	11	0	0
- EDF Management Fee	55	14	0	(55)
- Tier 2 EDF funding	1,000	61	0	0
- Tier 3 Demographic and service pressures	1,974	125	0	(139)
Funds held by the BRP at 31 March 2016	**(9,453)**	**(599)**		
Analysed between:				
Uncommitted cash (Tier 2 inc. Contingency)	(9,453)	(599)	(129)	n/a
Committed cash (Tier 3)	0	0	n/a	n/a
	(9,453)	**(599)**		
Expenditure / (Revenue) recognised			**254**	**(326)**

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 (£599,000) has been recognised in the accounts and is held in an 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 one payment of £1m to Bristol City Council on behalf of the EDF in 2015/16.

The council itself has recognised revenue income of £326,000 (2014/15: £427,00) from the BRP and expenditure of £254,000 (2014/15: £423,000) to the BRP for the year.

50 SOMERSET BUSINESS RATES POOL

As part of the Business Rates Retention system the Government introduced a system of Levies and Safety Nets. Growth is limited by a Levy, which pays for a national Safety Net for authorities whose Business Rates base declines by more than 7.5%.

The Levy rate can be reduced by being part of a Business Rates Pool. The Somerset Business Rates Pool was established with effect from 1st April 2015 with B&NES operating as the lead Authority. The Pool consists of five other Districts and Somerset County Council and has resulted in a Pool Levy rate of 7.5% (opposed to 31.4%) enabling the council to retain more of the proceeds from growth.

The retained levy is allocated across the pool members in accordance with the Pooling Agreement. The allocations of the retained levy for 2015/16 are shown below.

Somerset Business Rates Pool	**2015/16 £'000**
Pooling Distribution of Retained Levy	
North Somerset Council	135
Somerset County Council	268
Mendip District Council	244
Sedgemoor District Council	342
South Somerset District Council	15
Taunton Deane Borough Council	315
Bath & North East Somerset Council	144
Bath & North East Somerset Council – Lead Authority Role	34
Total	**1,497**

COLLECTION FUND 2015/16

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	2015/16 £'000	2014/15 £'000
INCOME				
Council Tax	2	**(92,148)**		(91,155)
Income collectable from business ratepayers	3	**(67,057)**		(64,803)
			(159,205)	(155,958)
EXPENDITURE				
Council Tax - Precepts and demands				
Bath & North East Somerset		**76,685**		74,790
Avon & Somerset Police	1	**10,828**		10,357
Avon Fire	1	**4,126**		3,946
			91,639	89,093
National Non-Domestic Rates (NNDR)				
Central share payment to Government		**32,226**		31,232
Local share payment to Bath & North East Somerset		**31,581**		30,607
Local share payment to Avon Fire Authority		**645**		625
Transfer of City Deal Growth Disregard to General Fund	6	**534**		742
Transfer of Renewable Energy Growth Disregard to General Fund		**1**		-
Cost of Collection Allowance		**260**		261
			65,247	63,467
Impairments of debts	4			
Write off of uncollectable amounts			**967**	468
Increases / (decreases) in allowance for impairment			**271**	50
Provision for NNDR Appeals	5		**3,680**	3,293
Contributions				
Contribution towards previous year's estimated Collection Fund (Surplus)/Deficit			**1,723**	699
			163,527	157,070
(Surplus)/Deficit for the Year			**4,322**	1,112
(Surplus)/Deficit Brought Forward as at 1 April			**(425)**	(1,537)
(Surplus)/Deficit as at 31 March	7		**3,897**	(425)
Council Tax Surplus to be refunded to Police & Fire Authorities			**141**	430
NNDR Deficit to be charged to Government & Fire Authority			**(2,427)**	(1,134)
Bath & North East Somerset (Surplus)/Deficit			**1,611**	(1,129)

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 2015/16 £'000	**Surplus 2015/16 £'000**	Precept 2014/15 £'000	Surplus 2014/15 £'000
The Avon & Somerset Police Authority	**10,828**	**244**	10,357	217
The Avon Fire Authority	**4,126**	**93**	3,946	83

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 61,950.6 (60,433.3 for 2014/15). This amount of Council Tax for a Band D property £1,479.22 (£1,474.24 - 2014/15) 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	11	5/9	6
Band A	6,158	6/9	4,105
Band B	15,899	7/9	12,366
Band C	16,730	8/9	14,871
Band D	11,882	9/9	11,882
Band E	8,235	11/9	10,065
Band F	4,778	13/9	6,901
Band G	4,237	15/9	7,062
Band H	342	18/9	683
			67,941
Overall Adjustment for Council Tax Support and Technical Changes			(5,990)
Council Tax Base			**61,951**

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 2015/16 is receivable from the following sources:-

	2015/16 £'000	2014/15 £'000
Billed to Council Tax payers	**(92,142)**	(91,143)
Localism Act Discounts funded from General Fund	**(6)**	(8)
s31 Family Annexes Grant	**-**	(4)
	(92,148)	(91,155)

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 2015/16 were 48.0 pence for qualifying small businesses and 49.3 pence for all other businesses, subject to transitional arrangements. The NNDR income after reliefs of £67.057 million for 2015/16 (£64.803 million in 2014/15) resulted from a total rateable value at 31 March 2016 of £168.183 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 third year of operation, the business rates retention scheme has resulted in a deficit of £4.759m against the amounts allocated to the Council, Central Government and the Fire Authority throughout 2015/16 (£2.225m deficit in 2014/15). This is due to the level of provision required to meet the probable costs of appeals, which have increased significantly in 2015/16.

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:

	2015/16	2014/15
	£'000	£'000
Council Tax		
Balance at 1 April 2014	**417**	397
Write-offs during the year	**(153)**	(144)
Contributions to provisions during the year	**197**	164
Net Increase/(Decrease) in Provision	**44**	20
Balance at 31 March 2015	**461**	417
NNDR		
Balance at 1 April 2014	**507**	477
Write-offs during the year	**(814)**	(324)
Contributions to provisions during the year	**1,041**	354
Net Increase/(Decrease) in Provision	**227**	30
Balance at 31 March 2015	**734**	507
Total		
Balance at 1 April 2014	**924**	874
Write-offs during the year	**(967)**	(468)
Contributions to provisions during the year	**1,238**	518
Net Increase/(Decrease) in Provision	**271**	50
Balance at 31 March 2015	**1,195**	924

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

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 2015.

	2015/16	2014/15
	£'000	£'000
Balance at 1 April 2015	**4,503**	3,182
Cost of Appeals settled during the year	**(576)**	(1,972)
Contributions to provisions during the year	**3,680**	3,293
Net Increase/(Decrease) in Provision	**3,104**	1,321
Balance at 31 March 2015	**7,607**	4,503

The increase in the provision for appeals reflects the increasing cost of settling appeals, including for several supermarket, retail and MoD properties.

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 2016, the balance on the Collection Fund stood at an overall deficit of £3.897m.

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	-	2,379	**2,379**
Bath & North East Somerset	(721)	2,332	**1,611**
Avon & Somerset Police	(102)	-	**(102)**
Avon Fire	(39)	48	**9**
	(862)	**4,759**	**3,897**

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 2015 to 31 March 2016.

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 2015/16 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 2.7. 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 In compliance with CIPFA guidance the presentation of the accounts includes the following changes from previous years:-

For greater clarity The Fund Account is split between "Dealings with members, employers and others directly involved in the fund" and "Returns on investments". For the same reason Management expenses, Other Income, and Investment Expenses are included under the single heading "Management Expenses".

Management expenses, Other Income, and Investment Expenses are shown in a single note (note 7) analysed between Administration Costs, Investment Management Expenses and Oversight and Governance Costs. This note also includes a more detailed analysis following previous practice.

Investment transaction costs have been included in the Investment Management Expenses. These do not include underlying transaction costs incurred within pooled investments.

Agency Services (note 17) in respect of benefits recharged to other employers now includes a note of payments made on behalf of the Fire Service and Teachers pensions schemes.

Financial Instruments (note 22) are analysed between those carried at Fair Value, Loans & Receivables and Financial Liabilities at Amortised Cost. There is no longer a requirement to analyse Financial Instruments according to their carrying value and the fair value since it is recognised that for most of the Fund's assets and liabilities these are the same.

1.5 **Actuarial Valuations**
As required by the Local Government Pension Scheme (Administration) Regulations 2008 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.

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

1.7 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

1.8 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.

1.9 The Actuary has estimated that the funding level as at 31 March 2016 has risen to 83% from 78% at 31 March 2015 based on the preliminary financial assumptions proposed for the 2016 valuation. Investment returns contributed negatively to the funding position but this was offset by the reduction in the value of the liabilities. Preliminary discussions with the Scheme Actuary about the 2016 valuation indicate a discount rate based on CPI and a real investment return of 2.2% better reflects the prudent expected return from the long term investment strategy than using the unadjusted gilts basis below.

The funding level using the gilts basis fell to 72% on a consistent basis with the 2013 valuation. This reduction has come mainly from the fall in gilt yields which increase the present value of the liabilities over the period.

1.10 Note 15 to the accounts shows the actuarial present value of promised retirement benefits for the purposes of IAS26 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.

1.11 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

1.12

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 2016 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 2016.

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 2016.

v) Open futures contracts are included in the net asset statement at their fair market value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract. The amounts included in the change in market value are the realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.

vi) Forward foreign exchange contracts outstanding at the year- end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. Foreign currency transactions are recorded at the prevailing rate at the date of transaction.

vii) Acquisition costs of investments (e.g. stamp duty and commissions) are treated as part of the investment cost.

viii) Investment debtors and creditors at the year- end are included in investment assets in accordance with the CIPFA code of practice on local authority accounting.

ix)

The Fund's surplus cash is managed separately from the surplus cash of B&NES Council and is treated as an investment asset.

Contributions

2.3 Contributions represent those amounts receivable from the employing bodies in respect of their own and their pensionable employees' contributions. Employers' contributions are determined by the Actuary on the basis of triennial valuations of the Fund's assets and liabilities and take into account the Funding Strategy Statement set by the administering authority. 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 2016.

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. 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 15) 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 23d.

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 2016

	Notes	2015/16 £'000	2014/15 £'000
Contributions and Benefits			
Contributions Receivable	4	**143,578**	202,100
Transfers In	16	**4,170**	4,794
		147,748	206,894
Benefits Payable	5	**155,310**	157,156
Payments to and on account of Leavers	6	**7,861**	5,001
		163,171	162,157
Net additions / (withdrawals) from dealings with member		**(15,423)**	44,737
Management Expenses	7	**21,334**	21,810
		(36,757)	22,927
Net additions / (withdrawals) from dealings with members			
Returns on Investments			
Investment Income	8	**24,399**	28,104
Profits and losses on disposal of investments and change in value of investments	9	**(85,504)**	437,550
Net Returns on Investments		**(61,105)**	465,654
Net Increase in the net assets available for benefits during the year		**(97,862)**	488,581
Opening Net Assets of the Fund		**3,834,792**	3,346,211
Closing Net Assets of the Fund		**3,736,930**	3,834,792

The comparator figures for 2014/15 were re-stated to comply with CIPFA's Accounting for Local Government Pension Scheme Costs. The re-statement reflects the grossing up of investment transaction costs previously netted off the "Profits and losses on disposal of investments and change in the value of investments". They are now included in "Management Expenses" together with Other Income, Administrative Expenses, Investment Management Expenses and Fund Management Performance Fees. A full analysis is shown in note 7.

Net Assets Statement at 31 March 2016

	Notes	31 March 2016 £'000	%	31 March 2015 £'000	%
INVESTMENT ASSETS					
Fixed interest securities : Public Sector			**-**	111,675	2.9
Equities		**598,343**	**16.0**	603,222	15.7
Diversified Growth Funds		**360,928**	**9.7**	368,177	9.6
Index Linked securities : Public Sector		**433,798**	**11.6**	238,962	6.2
Pooled Investment vehicles:					
- Property : Unit Trusts		**132,549**	**3.6**	111,753	2.9
: Unitised Insurance Policies		**62,554**	**1.7**	57,075	1.5
: Other Managed Funds		**171,811**	**4.6**	146,839	3.8
Property Pooled Investment vehicles		**366,914**		315,667	
- Non Property : Unitised Insurance Policies		**710,765**	**19.0**	903,760	23.5
: Other Managed Funds		**1,099,271**	**29.4**	1,202,443	31.3
Non Property Pooled Investment Vehicles		**1,810,036**		2,106,203	
Cash Deposits		**209,518**	**5.6**	94,416	2.4
Other Investment balances		**3,748**	**0.1**	4,805	0.1
INVESTMENT LIABILITIES					
Derivative contracts (Foreign Exchange hedge)		**(40,415)**	**(1.1)**	1,874	0.1
Derivative Contracts: FTSE Futures		**(44)**	**-**	152	-
Other Investment balances		**(394)**	**-**	(5,281)	(0.1)
TOTAL INVESTMENT ASSETS	10	**3,742,432**		3,839,872	
Net Current Assets					
Current Assets	12	**7,679**	**0.2**	10,592	0.3
Current Liabilities	12	**(13,181)**	**(0.4)**	(15,672)	(0.2)
Net assets of the scheme available to fund benefits at the period end		**3,736,930**	**100.0**	3,834,792	100.0

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2016.

Notes to Accounts - Year Ended 31 March 2016

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 24.

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 2016	31 March 2015
Employed Members	**37,899**	34,765
Pensioners	**28,079**	26,006
Members entitled to Deferred Benefits	**40,711**	35,714
TOTAL	**106,689**	96,485

A further estimated 770 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:-

		2015/16		2014/15
		£'000		£'000
Employers' normal contributions				
Scheduled Bodies	**63,792**		58,507	
Administering Authority	**8,008**		7,704	
Admission Bodies	**7,508**	**79,308**	7,784	73,995
Employers' deficit Funding				
Scheduled Bodies	**12,336**		67,052	
Administering Authority	**0**		14,042	
Admission Bodies	**11,406**	**23,742**	3,496	84,590
Total Employer's normal & deficit funding		**103,050**		158,585
Employers' contributions - Augmentation				
Scheduled Bodies	**2,071**		5,446	
Administering Authority	**319**		489	
Admission Bodies	**178**	**2,568**	138	6,073
Members' normal contributions				
Scheduled Bodies	**30,374**		29,491	
Administering Authority	**3,981**		3,798	
Admission Bodies	**2,984**	**37,339**	3,313	36,602
Members' contributions toward additional benefits				
Scheduled Bodies	**463**		685	
Administering Authority	**82**		123	
Admission Bodies	**76**	**621**	32	840
Total		**143,578**		202,100

Deficit funding contributions have been paid by employers in respect of the recovery of their deficit relating to past service. In 2014/15 the deficit funding contributions included £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 18.

5 BENEFITS PAYABLE

Analysis of Gross Benefits Payable by Type:-

	2015/16	2014/15
	£'000	£'000
Retirement Pensions	**126,126**	121,095
Commutation of Pensions and Lump Sum Retirement Benefits	**26,158**	32,246
Lump Sum Death Benefits	**3,026**	3,815
	155,310	157,156

Analysis of Gross Benefits Payable by Employing Body:-

	2015/16	2014/15
	£'000	£'000
Scheduled & Designating Bodies	**127,949**	132,416
Administering Authority	**15,026**	14,342
Admission Bodies	**12,335**	10,398
	155,310	157,156

6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

Leavers	2015/16 £'000	2014/15 £'000
Refunds to members leaving service	672	543
Individual Cash Transfer Values to other schemes	4,628	4,458
Group Transfers	2,561	0
	7,861	5,001

7 ADMINISTRATION EXPENSES

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

	2014/15 £'000	2013/14 £'000
Administrative Costs	1,540	1,609
Investment Management Expenses	18,779	19,157
Oversight & Governance Costs	1,015	1,044
	21,334	21,810

Further Analysis of Management Expenses:-

Administrative Costs		
Management Costs	959	1,010
Administration and Processing	502	415
Service from Administrating Body	352	383
Fees and Income	(273)	(200)
	1,540	1,608
Investment Management Expenses		
Fund Manager Base Fees	15,017	15,384
Fund Manager Performance Fees	1,964	1,802
Investment Transaction Costs	1,690	1,905
Global custody	108	66
	18,779	19,157
Oversight & Governance Costs		
Management costs	469	473
Specialist advice and Governance	713	831
Actuarial recharges	(204)	(296)
Audit Fees	37	37
	1,015	1,045
	21,334	21,810

The table above replaces previous years' notes 5,8 &9 for Other Income, Administration Expenses & Investment Expenses.

The comparator figures for 2014/15 were re-stated to comply with CIPFA's Accounting for Local Government Pension Scheme Costs. The re-statement reflects the grossing up of investment transaction costs previously netted off the "Profits and losses on disposal of investments and change in the value of investments" in the Fund Account.

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. 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.

Investment transaction costs do not include the underlying transaction costs within pooled funds.

Management costs in Oversight & Governance Costs include actuarial and accounting staff.

8 INVESTMENT INCOME

	2015/16 £'000	2014/15 £'000
Interest from fixed interest securities	**1,754**	3,482
Dividends from equities	**15,890**	16,628
Income from Index Linked securities	**2,461**	3,019
Income from pooled investment vehicles	**3,822**	4,521
Interest on cash deposits	**330**	405
Other - stock lending	**142**	49
TOTAL	**24,399**	28,104

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 2016 was £7.3 million (31 March 2015 £14.57m), comprising of equities and sovereign debt. This was secured by collateral worth £7.8 million comprising equities and sovereign debt. The Fund does not sell collateral unless there is a default by the owner of the collateral.

9 CHANGE IN TOTAL NET ASSETS

Change in Market Value of Investments	Value at 01/04/15 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	**Value at 31/03/16 £'000**
Fixed Interest Securities	111,675	10,408	(120,275)	(1,808)	**-**
Equities	603,222	360,901	(353,625)	(12,154)	**598,344**
Index Linked Securities	238,961	222,236	(29,813)	2,414	**433,798**
Pooled Investments-					
- Property	315,668	100,975	(83,810)	34,081	**366,914**
- Non Property	2,474,380	421,380	(682,111)	(42,686)	**2,170,963**
Derivatives	2,026	188,758	(157,550)	(73,693)	**(40,459)**
	3,745,932	1,304,658	(1,427,184)	(93,846)	**3,529,560**
Cash Deposits	94,416	559,331	(441,664)	(2,565)	**209,518**
Net Purchases & Sales		1,863,989	(1,868,848)	(4,859)	
Investment Debtors & Creditors	(476)			3,830	**3,354**
Total Investment Assets	3,839,872				**3,742,432**
Current Assets	(5,080)			(422)	**(5,502)**
Less Net Revenue of Fund				12,358	
Total Net Assets	**3,834,792**			**(85,504)**	**3,736,930**

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 2014/15

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 comparator figures for 2014/15 were re-stated to comply with CIPFA's Accounting for Local Government Pension Scheme Costs. The re-statement reflects the grossing up of investment transaction costs previously netted off the "Profits and losses on disposal of investments and change in the value of investments" in the Fund Account and now included in the Net Revenue of Fund as specified below:

Investment Transaction Costs

	2015/16				2014/15			
	Purchases £'000	**Sales £'000**	**Other £'000**	Total **£'000**	Purchases £'000	Sales £'000	Other £'000	Total **£'000**
Fees and Taxes	**1,020**	**5**	**-**	**1,025**	1,069	4	-	**1,073**
Commission	**328**	**329**	**8**	**665**	408	416	8	**832**
Total	**328**	**334**	**8**	**1,690**	1,477	420	8	**1,905**

10 INVESTMENT ASSETS

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

		31 March 2016 £'000		31 March 2015 £'000
UK Equities				
Quoted	**313,922**		320,758	
Pooled Investments	**171,812**		232,321	
FTSE Futures	**(44)**	**485,690**	152	553,231
Diversified Growth Funds				
Pooled Investments	**360,928**	**360,928**	368,177	368,177
Overseas Equities				
Quoted	**284,421**		282,464	
Pooled Investments	**1,087,924**	**1,372,345**	1,265,573	1,548,037
UK Fixed Interest Gilts				
Quoted	**-**		111,675	
Pooled Investments	**-**	**-**	-	111,675
UK Index Linked Gilts				
Quoted	**433,798**	**433,798**	238,961	238,961
Sterling Bonds (excluding Gilts)				
Pooled Investments	**358,029**	**358,029**	332,615	332,615
Non-Sterling Bonds				
Pooled Investments	**-**	**-**	113,325	113,325
Hedge Funds				
Pooled Investments	**192,271**	**192,271**	162,368	162,368
Property				
Pooled Investments	**366,914**	**366,914**	315,668	315,668
Cash Deposits				
Sterling	**66,961**		81,503	
Foreign Currencies	**142,557**	**209,518**	12,913	94,416
Investment Debtors/Creditors				
Investment Income	**3,558**		3,807	
Sales of Investments	**190**		998	
Foreign Exchange Hedge	**(40,415)**		1,874	
Purchases of Investments	**(394)**	**(37,061)**	(5,280)	1,399
TOTAL INVESTMENT ASSETS		**3,742,432**		3,839,872

DERIVATIVES ANALYSIS

Open Forward Currency Contracts

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £'000	Liability Value £'000
Up to one month	GBP	80,198	EUR	(110,233)	**(7,253)**	
Up to one month	EUR	101,295	GBP	(76,880)		**3,484**
Up to one month	JPY	8,205,200	GBP	(46,237)		**4,591**
Up to one month	USD	157,695	GBP	(108,103)		**1,606**
Up to one month	GBP	44,290	JPY	(8,205,200)	**(6,538)**	
Up to one month	EUR	92	USD	(105)		**1**
Up to one month	GBP	104,014	USD	(157,695)	**(5,695)**	
One to six months	GBP	359,908	EUR	(492,263)	**(31,503)**	
One to six months	EUR	253,988	GBP	(184,992)		**16,888**
One to six months	JPY	19,434,300	GBP	(104,576)		**15,996**
One to six months	USD	257,694	GBP	(167,850)		**11,357**
One to six months	GBP	151,123	JPY	(27,756,300)	**(21,129)**	
One to six months	GBP	564,827	USD	(843,924)	**(22,027)**	
Six to twelve months	GBP	37,834	EUR	(47,655)	**(171)**	
Six to twelve months	GBP	10,362	JPY	(1,664,400)	**(3)**	
Six to twelve months	GBP	81,451	USD	(117,246)	**(19)**	
Total					**(94,338)**	**53,923**
	Net forward currency contracts at 31st March 2016					**(40,415)**
	Open forward currency contracts at 31 March 2015				(29,488)	31,362
	Net forward currency contracts at 31st March 2015					**1,874**

Exchange Traded Derivatives held at 31 March 2016:-

Contract Type	Expiration	Book Cost £'000	Unrealised Gain £'000
FTSE equity futures	June 2016	11,309	(44)

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

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 2016 £'000	%	31 March 2015 £'000	%
Blackrock	1,024,650	27.4	1,216,272	31.7
Standard Life	233,981	6.3	243,477	6.3
Record	(29,095)	(0.8)	20,651	0.5
Jupiter Asset Management	173,863	4.6	175,662	4.6
Genesis Investment Management	149,257	4.0	160,247	4.2
Invesco Perpetual	289,696	7.7	291,423	7.6
State Street Global Advisors	119,803	3.2	124,517	3.2
Partners Group	175,511	4.7	154,212	4.0
Royal London Asset Management	291,222	7.8	310,439	8.1
TT International	201,993	5.4	195,021	5.1
Gottex Asset Management	3,483	0.1	59,188	1.5
Stenham Asset Management	-	-	39,645	1.0
Signet Capital Management	1,057	0.0	63,535	1.7
IFM Investors	135,671	3.6	-	-
Pyrford International	126,947	3.4	124,700	3.2
Unigestion UK Ltd	178,118	4.8	191,725	5.0
Schroder Investment Management	449,901	12.0	434,251	11.3
JP Morgan	187,732	5.0	-	-
Bank of New York Mellon	17,603	0.5	23,362	0.6
Treasury Management	11,039	0.3	11,545	0.3
TOTAL INVESTMENT ASSETS	3,742,432	100.0	3,839,872	100.0

11 SINGLE INVESTMENTS OVER 5%OF THE FUND

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

Investments	Value at 31st March 2016 £'000	% of Net Asset	Value at 31st March 2015 £'000	% of Net Asset
RLPPC UK Corporate Bond Fund (Royal London)	291,222	7.80%	310,439	8.11%
Invesco Perpetual Global ex UK Enhanced Index Fund	289,696	7.76%	291,423	7.61%
Standard Global Absolute	233,980	6.27%	243,477	6.36%
Blackrock Advisors UK Ltd (Aquila Life UK Equity Index Fund)	167,793	4.50%	227,789	5.95%
MSCI Equity Index Fund B-US (BlackRock)	165,701	4.44%	219,389	5.73%
Unigestion Uni-Global – Equity Emerging Mkt SAC GBP	178,118	4.77%	191,725	5.01%

12 CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2016.

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

		31 March 2016 £'000		31 March 2015 £'000
CURRENT ASSETS				
Contributions Receivable				
- Employers	**4,636**		6,431	
- Members	**2,010**		2,968	
Transfer Values Receivable	**-**		-	
Discretionary Early Retirement Costs	**308**		351	
Other Debtors	**725**	**7,679**	842	10,592
CURRENT LIABILITIES				
Management Fees	**(1,249)**		(1,639)	
Provision for Performance Fees	**(8,422)**		(5,510)	
Transfer Values Payable	**-**		(1)	
Lump Sum Retirement Benefits	**(1,692)**		(1,447)	
Other Creditors	**(1,818)**	**(13,181)**	(7,075)	(15,672)
NET CURRENT ASSETS		**(5,502)**		(5,080)

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 2016**		31 March 2015	
	£'000	**£'000**	£'000	£'000
Local Authorities	**3,007**		6,920	
NHS Bodies	**1**		11	
Other Public Bodies	**2,117**		2,794	
Non Public Sector	**2,554**		867	
		7,679		10,592
CURRENT LIABILITIES				
Local Authorities	**(10)**		(5,313)	
Other Public Bodies	**(1,569)**		(1,512)	
Non Public Sector	**(11,602)**	**(13,181)**	(8,847)	(15,672)
NET CURRENT ASSETS		**(5,502)**		(5,080)

13 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2016. (March 2015 = NIL)

14 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2016 that require any adjustment to these accounts.
Since 31 March 2016 a particular non-adjusting post balance sheet event i.e. not requiring values to be altered in the accounts, is the impact of the vote to leave the EU on 24 June 2016. This may affect the value of the Pension Fund's balances held in investments and other liabilities held at fair value resulting in them being significantly lower, or possibly higher, than the position reported at 31 March 2016. However the long term impact of this decision is not yet clear.

15 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 2016 (the 31 March 2015 assumptions are included for comparison):

	31st March 2016	31st March 2015
Rate of return on investments (discount rate)	**3.6% per annum**	3.3% per annum
Rate of pay increases	**3.5% per annum**	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	**2.0% per annum**	2.0% 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 rose, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.6% per annum versus 3.3% per annum). There was no change in the expected long-term rate of CPI inflation during the year, resulting in the same assumption for pension increases at the year end than at the beginning of the year (2.0% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2015 was estimated as £5,315 million.

The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2016 as described above is to decrease the liabilities by c£366 million. Adding interest over the year increases the liabilities by c£176 million, and allowing for net benefits accrued/paid over the period increases the liabilities by a further c£34 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 2016 is £5,159 million.

16 TRANSFERS IN

During the year ending 31 March 2016 there were no group transfers in to the fund.

17 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 2016	31 March 2015
	£'000	£'000
Benefits Paid and Recharged	**6,193**	6,312

The Fund also administers £23.4m (£22.4m in 2014/15) pension payments on behalf of the Fire Service and the Teacher's pension schemes. These are not funded by the Fund and are recharged in full. They are not included in the Fund Account. The Fire Service and Teacher's employers also pay for the cost of providing this service.

18 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 2015/16 were £131 (2014/15 - £274). Additional Voluntary Contributions received from employees and paid to Friends Life during 2015/16 were £308,237 (2014/15 - £371,799).

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

	31 March 2016 £'000	31 March 2015 £'000
Equitable Life		
With Profits Retirement Benefits	**384**	417
Unit Linked Retirement Benefits	**171**	271
Building Society Benefits	**171**	195
	726	883
Death in Service Benefit	**82**	82
Friends Life		
With Profits Retirement Benefits	**115**	123
Unit Linked Retirement Benefits	**4,349**	3,762
Cash Fund	**385**	315
	4,849	4,200

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.

19 RELATED PARTIES

Committee Member Related:-

In 2015/16 £34,176 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£37,516 in 2014/15). Four voting members and one non- voting member of the Avon Pension Fund Committee (including two B&NES Councillor Members) were members of the Local Government Pension Scheme during the financial year 2015/2016. (Eight voting members and no non-voting member in 2014/2015, including five B&NES Councillor Members)

Independent Member Related:-

Two Independent Members were paid allowances of £9,631 and £12,074 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 2015/16 the Fund paid B&NES Council £287,848 for administrative services (£309,649 in 2014/15) and B&NES Council paid the Fund £28,266 for administrative services (£25,341 in 2014/15). Various Employers paid the fund a total of £222,662 for pension related services including pension's payroll and compiling data for submission to the actuary (£166,848 in 2014/15).

Pension Board Related:-

The Pension Board came in to operation in July 2015. In 2015/16 £5,446 was charged to the Fund in respect of Allowances and expenses paid to the Members of the Pension Board. Five members of the Pension Board were members of the Local Government Pension Scheme during the financial year 2015/2016.

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.

20 OUTSTANDING COMMITMENTS

As at the 31 March 2016 the Fund had outstanding commitments relating to investments in property that will be drawn down in tranches by the Investment Managers totalling £149,355,935 (31st March 2015 £151,284,981).

A further outstanding commitment of $US105,000,000 (31st March 2015 $US300,000,000) relating to investments in a pooled fund of underlying infrastructure assets will be drawn down in tranches by the Investment Managers.

21 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 Head of Business Finance and Pensions salary, fees and allowances £50,167 (2014/15 £16,948) and their employer's pension contributions £9,498 (2014/15 £3,552).
- part of the Divisional Director Business Support's salary, fees and allowances £9,763 (2014/15 £33,523) and their employer's pension contributions £1,835 (2014/15 £7,017).

22 FINANCIAL INSTRUMENTS

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

2015/16	Designated as fair value	Loans & receivables	Financial liabilities at amortised cost
	£'000	£'000	£'000
Financial Assets			
Index Linked securities	433,799		
Equities	598,344		
Diversified Growth Funds	360,928		
Pooled Investments	2,176,949		
Cash		209,518	
Other investment balances	3,748		
Debtors		7,679	
Total Financial Assets	3,573,768	217,197	-
Financial Liabilities			
Derivative contracts	(40,460)		
Other investment balances	(394)		
Creditors			(13,181)
Total Financial Liabilities	(40,854)	-	(13,181)
Total Net Assets	**3,532,914**	**217,197**	**(13,181)**

2014/15	Designated as fair value	Loans & receivables	Financial liabilities at amortised cost
	£'000	£'000	£'000
Financial Assets			
Fixed Interest securities	111,675		
Index Linked securities	238,962		
Equities	603,222		
Diversified Growth Funds	368,177		
Pooled Investments	2,421,870		
Derivative Contracts	2,026		
Cash		94,416	
Other investment balances	4,805		
Debtors		10,592	
Total Financial Assets	3,750,737	105,008	-
Financial Liabilities			
Other investment balances	(5,281)		
Creditors			(15,672)
Total Financial Liabilities	(5,281)	-	(15,672)
Total Net Assets	**3,745,456**	**105,008**	**(15,672)**

23 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 set 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 2016. These movements in market prices have been judged as possible for the 2015/16 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 2016:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	485,690	10.3%	536,007	435,373
Overseas Equities	1,150,636	9.7%	1,262,133	1,039,139
Global inc UK	221,710	10.4%	244,857	198,563
UK Bonds	358,029	7.2%	383,700	332,358
Index Linked Gilts	433,798	9.3%	474,228	393,368
Pooled Multi Assets	360,928	4.2%	376,015	345,841
Property	366,914	1.6%	372,711	361,117
Alternatives	192,271	3.4%	198,731	185,811
Cash	209,518	0.0%	209,539	209,497
Total Assets	**3,779,494**	**6.1%**	**4,019,114**	**3,539,874**

The analysis for the year ending 31 March 2015 is shown below:

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**

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.

	31/03/2016 £'000	31/03/2015 £'000
Cash and Cash Equivalents	**209,518**	94,416
Fixed Interest Assets	**791,827**	796,576
Total	**1,001,345**	890,992

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 Bonds as at 31 March 2016 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 2016		**Change in net assets**	
	Value £'000	**+100 BPS £'000**	**-100 BPS £'000**
Cash and Cash Equivalents	209,518	-	-
Fixed Interest Assets	791,827	(114,472)	114,472
Total	**1,001,345**	**(114,472)**	**114,472**

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 2015 is 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**

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, overseas property and hedge funds (where the shares are denominated in US dollars). 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 passive 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 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 2016 £'000	Asset value as at 31st March 2015 £'000
Overseas Equities	**1,372,345**	1,548,037
Overseas Fixed Income	**-**	113,325
Overseas Property	**171,811**	154,212
Alternatives	**192,271**	-

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 passive hedging strategy.

A strengthening of Sterling against the various currencies by one standard deviation (expressed as a percentage) at 31 March 2016 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	1,372,345	3.8%	1,424,583	1,320,107
Overseas Properties	171,811	3.8%	178,351	165,271
Alternatives	192,271	3.8%	199,590	184,952

The same analysis for the year ending 31 March 2015 is shown below:

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 Interest	113,325	3.8%	117,616	109,034
Overseas Property	154,212	3.8%	160,051	148,373

(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 2016 was £28.6m. This was held with the following institutions:

	31st March 2016		31st March 2015	
	Rating	Balance £'000	Rating	Balance £'000
Custodian's Liquidity Fund				
Bank of New York Mellon	AAA	17,591	AAA	23,361
Bank Call Accounts				
Handelsbanken	AA-	5,090	AA-	-
Bank of Scotland Corporate Deposit Account	A+	500	A	2,950
Goldman Sachs Global Treasury Fund	AAA	4,710	AAA	8,230
NatWest Special Interest Bearing Account	BBB+	710	BBB+	300
Bank Current Account				
NatWest	BBB+	8	BBB+	6

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 2016 the value of the illiquid assets was £793.2m, which represented 21% of the total Fund assets (31 March 2015: £722m 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 2016.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities - Quoted	598,344			**598,344**
Bonds - Quoted	433,798			**433,798**
Pooled Investment Vehicles		1,617,764		**1,617,764**
Fund of Hedge Funds			192,271	**192,271**
Diversified Growth Funds		126,947	233,981	**360,928**
Property			366,914	**366,914**
Cash	209,518			**209,518**
Derivatives: Forward FX	(40,415)			**(40,415)**
Derivatives: Futures	(44)			**(44)**
Investment Debtors/Creditors	3,354			**3,354**
	1,204,555	**1,744,711**	**793,166**	**3,742,432**

The fair value hierarchy as at 31 March 2015 was:

	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**

24 EMPLOYING BODIES

As at 31 March 2016 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
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 Academy
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 Free School Trust
Bristol Futures Trust
Bristol Technology & Engineering Academy
Broadlands Academy
Broadoak Mathematics & Computing College
Cabot Learning Federation
Callicroft Primary Academy
Castle School Education Trust
Cathedral School Trust
Charlborough Road Primary School
Charfield Primary School
Chew Stoke Church School
Christ Church C of E Primary School
Churchill Academy
City Academy
Clevedon School Academy
Clutton Primary School Academy
Colston Girl's School Trust
Colston’s Primary School Academy
Cotham School Academy
Court de Wyck
Digitech Studio School
Diocese of Bristol Academies Trust
Downend School
Dundrey C of E Primary
Easton C of E Academy
Elmlea Junior School Academy
Fairfield School
Fairlawn School
Filton Avenue Primary School Academy
Fishponds Church of England Academy
Four Acres Primary School
Fosseway School
Frome Vale Academy
Gordano School Academy
Greenfield Primary School Academy
Hanham Woods 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
IKB Studio School
Illminster Avenue E–ACT Academy
Kingshill Academy
Kings Oak Academy
Little Mead Primary School
Mangotsfield 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 Brislington Enterprise College
Oasis Academy Connaught
Oasis Academy John Williams
Oasis Academy Long Cross
Oasis Academy Marksbury Road
Oasis Academy New Oak
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. John's CEVC Primary School
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
Trinity Primary
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
Woodlands Academy
Writhlington School Academy
Yeo Moor Primary School

Designating Bodies

Almondsbury Parish Council
Backwell Parish Council
Bath Tourism Plus
Bristol Waste Company
Bradley Stoke Town Council
Charter Trustees of the City of Bath
Clevedon Town Council
Congresbury Parish 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
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

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

Transferees Admitted Bodies

Action For Children
Active Community Engagement Ltd
Agilisys
Agilisys 2015
ARAMARK
Aspens (CLF - Begbrook)
Aspens (CLF - Frome Vale)
Aspens (CLF - Hanham Woods)
Aspens (CLF - Kings Oak)
Aspens (CLF - Minerva)
Aspens (CLF - Summerhill)
BAM Construct UK Ltd
Caterlink
Churchill Contract Services Ltd (BCC)
Churchill Contract Services Ltd (Milton Park)
Churchill Contract Services Ltd (South Gloucestershire & Stroud College)
Churchill Contract Services Ltd (Westhaven)
Circadian Trust
Circadian Trust No. 2
Creative Youth Networks (Lot 4)
Eden Food Services
Fit For Sport (Trinity School)
Fit For Sport NCS (St Peter's Primary)
Greenwich Leisure Ltd
HCT Group
ISS Mediclean (CLF)
ISS Mediclean (Bristol)
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 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 2015 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 2016 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 cabinet portfolios (recorded below) were agreed at full Council on 21st May 2015 and this was amended at the next Annual and Ordinary Meeting of Full Council on 21st May 2016 when the leader announced that he was appointing a new Cabinet portfolio of Policy, Localism & Partnerships.

Leader of the Council
Finance & Efficiency
Adult Social Care & Health
Children's Services
Homes & Planning
Economic Development
Community Services
Transport
Policy, Localism & Partnerships (new w.e.f. 24th May 2016)

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 (65 Councillors) 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 Panels monitor the activity of the Cabinet and also assist them in developing policy. The following Policy Development and Scrutiny Panels were in place for the year commencing 1st April 2015:

* Early Years, Children and Youth
* Economic and Community Development
* Housing and Major Projects
* Planning, Transport and Environment
* Resources

At the Council Meeting on the 12th May 2016 the number of Panels reduced to 4 as follows:

* Children & Young People
* Planning, Housing & Economic Development
* Communities, Transport & Environment
* Resources
* Health & Wellbeing Select Committee

b) Partnership Boards

* **Health & Wellbeing Board** – The Purpose of the Board is to reduce health inequalities and improve health and wellbeing in Bath and North East Somerset. Membership includes B&NES Councillors, and representatives from the Clinical Commissioning Group, Healthwatch B&NES & NHS England.
* **Joint Health Scrutiny Committee** – The Purpose is to work across Local Authority Boundaries. Membership will be dependent on the review being undertaken. This Committee has not convened to date.
* **West of England Local Enterprise Partnership Joint Scrutiny Committee** – Each of the 4 Councils making up the LEP have nominated representatives. This Committee has not convened during 2015/16.

c) Regulatory

Standards Committee - 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 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.

Corporate Audit Committee - 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

Development Management Committee - The Committee will act in accordance with the Local Plan and Local Development Framework elements of the Council's Policy Framework.

Employment Committee - To exercise all powers and duties of the Council under section 112 of the Local Government Act, 1972 relating to its role as an employer, except those reserved to the Restructuring Implementation Committee.

Restructuring Implementation Committee - To determine all necessary arrangements for implementing a senior management structure, including deciding on numbers of 1st and 2nd Tier officers and the span of work responsibility allocations for those officers.

Regulatory Access Committee - The Committee is granted delegated authority to exercise all the Council's powers and duties in respect of:
(1) Modification Orders, Reclassification Orders and Public Path Orders where the matters are contentious.
(2) Commons Registration (including Town and Village Greens).

Charitable Trust Board – The purpose of the Charitable Trust Board is to facilitate the management of the charitable Trust for which the Council is the sole trustee; independently, in accordance with their governing documents and in the best interests of the charity.

Licensing Committee - The purpose is to discharge the local authority's licensing functions.

Pension Fund – The Council is the Administering Body for the Avon Pension Fund and administer the following: 1) Avon Pension Fund Committee, 2) Avon Pension Fund Investment Panel and 3) Avon Pension Fund Board.

d) Education School Appeal Panels

To hear and to determine appeals under the School Standards and Framework Act 1998, School Admissions (Appeal Arrangements) (England) regulations 2012, School Admissions Code 2012, Education Act 2002 as amended by Education Act 2011,School Discipline (Pupil Exclusions and Reviews) (England) Regulations 2012 and Education and Inspections Act 2006 relating to school admission, exclusion and reinstatement matters as applicable, within the general framework contained in the Code of Practice on Procedure produced by the local authority associations.

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 for the period commencing 1st April 2015 was led by a Chief Executive and three Strategic Directors with each Director having their own management structure to deliver their functions. With effect from August 2016 the Chief Executive role is to be carried out by the Strategic Director People & Communities.

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 / he 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 / he 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

The Divisional Director Finance is designated as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

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 a partnership service – Audit West – hosted by Bath & North East Somerset which 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 was updated in 2015/16 and is a component of the Anti-Fraud & Corruption Policy.

4) Planning & Policy Framework

a) Corporate Strategy

The Corporate Strategy 2016 – 2020 represents the Council's vision and priorities for its administration.

The 2020 Vision is:
'Bath and North East Somerset will be internationally renowned as a beautifully inventive and entrepreneurial 21st century place with a strong social purpose and a spirit of wellbeing, where everyone is invited to think big – a 'connected' area ready to create an extraordinary legacy for future generations.'

To deliver this Vision the Council will focus on four priorities:

* A strong economy and growth.
* A focus on prevention.
* A new relationship with customers and communities.
* An efficient business.

It records the action being taken by Directorates to achieve the four priorities and a four year financial strategy.

b) Strategic Review

The strategic review process is being used to identify a range of options to deliver savings and generate additional income covering over the full spending review period. These pick up on the four key priorities of the Corporate Strategy

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. It is designed to help tell the story about delivery of the Council's Corporate Strategy and our Cabinet's manifesto priorities.

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 at a directorate level on a quarterly basis alongside financial, risk and organisational health information. From April 2016 performance data is integrated with service planning information to provide a single package of performance and activity taking place.

This is formally reported to the Council's Senior Management Team, whilst Cabinet Members receive updates on remedial actions linked to any areas previously reported as requiring improvement The Council is in the process of reviewing its performance management process to ensure integration with an holistic understanding of population need and a forward looking plan of research designed to understand more about the challenges faced by the organisation and to ensure that our strategies are grounded in good quality evidence.

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 preparation and approval of the Budget it has a number of other key elements –

* Creation and adoption of Financial Regulations and a Budget Management Scheme (revised versions were adopted at the Council meeting on the 17th December 2015 as amendments to the Constitution);
* 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

The 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 high level strategic vision for the area. The Board has articulated a strong and ambitious 2020 vision for the area:
"Bath and North East Somerset will be internationally renowned as a beautifully inventive and entrepreneurial 21st century place with a strong social purpose and a spirit of wellbeing, where everyone is invited to think big – a 'connected' area ready to create an extraordinary legacy for future generations."

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.

During 2015/16 the board received reports and updates including:

- i Health Protection Board Annual Report
- ii Sexual Health Board Annual Report
- iii LSCB Annual Report & Business Plan
- iv LSAB Annual Report
- v B&NES Economic Strategy Review
- vi Updates on 'Your Care Your Way'
- vii Better Care Fund Update
- viii Primary Care Co-Commissioning Update
- ix Annual Commissioning Intentions (Council, CCG, NHS England)
- x Foxhill Housing Zone and its impact on Priority 4 of the Health and Wellbeing Strategy to create healthy and sustainable places.
- xi The development of the Better Care Fund and the integration agenda between the NHS and Local Government.

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 'e-connect' 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 use of Social Media** – In addition to the Facebook & Twitter Accounts to provide instant access to on-going events and incidents, the Council also uses You Tube, Instagram, Linked-In, Google+, Pinterest and Flickr.

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; Legal; Information Governance; Human Resources; Health & Safety; 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.
* C**orporate Audit Committee** – A report was presented to the Committee on 4th February 2016 to update the Committee on the Annual Governance Review Process and a further meeting on the 28th June 2016 enabled the Committee to contribute to the review.
* **Leader of the Council & Chief Executive** – The Annual Governance Statement 2015/16 is signed by the Leader of the Council and the Chief Executive.

6. SIGNIFICANT GOVERNANCE ISSUES 2015/16

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.

Issue in 2015/16	Commentary & Mitigating actions for 16/17
Financial Challenge The unprecedented financial challenge continues into its fifth year, with public sector austerity likely to last until at least 2020. The Council has responded positively with over £30M of savings already delivered, however at least £43M of additional savings still need to be identified over the remaining period. Therefore the Council has been actively planning to meet this challenge with over £28M of new savings initiatives already being worked on for future years. Whilst no significant governance failures have occurred, the Council acknowledge that the level of grant reductions from central government are a significant issue and represent a real challenge in being able to continue to deliver excellent services to the whole community at all times. Whilst all areas of the Council are under scrutiny this is especially important in the area of Health and Social Care where we are not only dealing with our most vulnerable members of the community but we are reliant on working with partners across different sectors, some of whom are also facing severe financial pressures, such as our colleagues in NHS bodies. This puts additional strain on being able to meet the challenge and entails making difficult choices. We therefore need robust governance and sensible plans to enable services to deliver against all of these challenges. The Council is however well placed to do this but will need the support of the whole of its governance framework to deliver on this effectively	The Council has already set out many of its plans to deliver services into the future against the backdrop of these significant financial reductions. Robust governance and sound risk management will continue to be required to ensure that all aspects of delivery are supported and scrutinised to enable the challenge to be met. Actions will include – - Using the Corporate Plan to help focus services on doing the right things for the Bath & North East Somerset Community; - Using the Medium Term Financial Plan to enable sensible prioritisation of resources in the right areas and transparency on savings to be achieved; - Regularly monitoring of delivery against the annual revenue budget, alongside sensible utilisation and management of its reserves; - Working effectively with Key Partners, especially those in the West of England and in Health to support the most vulnerable in the community; - Adopting a range of innovative tools such as the use of council owned companies, more commercialisation, increases in digital provision, asset rationalisation, shared and devolved services and invest to save initiatives; - Enabling its key governance mechanisms to both support key change projects and monitor delivery of significant savings programmes; - Ensuring that any Strategic Review projects of its key support and governance services such as Finance and Audit enable the strengthening and prioritisation of the right skills and expertise within those functions to support sound financial control. Overseeing delivery against this agenda is a key role for the Cabinet and Senior Management and they will continue to be pro-active in working to ensure that significant risks to the organisation are appropriately mitigated and controlled to ensure that the Council is able to meet these future challenges.

7. DECLARATION & CERTIFICATION

We have been advised on the results of the review of the effectiveness of the governance framework and certify the Annual Governance statement on behalf of the organisation.

SIGNED:

Leader of the Council **Tim Warren**
DATE: 19th September 2016

SIGNED:

Chief Executive **Ashley Ayre**
DATE: 19th September 2016

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 2016.

SIGNED:

Divisional Director of Business Support & Chief Finance Officer (s.151 officer) **Tim Richens**
DATE: 27 September 2016

SIGNED:

Chair, Corporate Audit Committee **Councillor Brian Simmons**
DATE: 27 September 2016

The Statement of Accounts were Authorised for Issue on 27th September 2016.

GLOSSARY OF TERMS

Accounting Policies

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

Accruals

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

Actuary

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

Actuarial Valuation

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

Appropriation

The assignment of revenue for a specific purpose.

Balance Sheet

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

Capital Charges

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

Capital Expenditure

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

Capital Receipts

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

Collection Fund

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

Contingent Liabilities

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

Council Tax

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

Creditors

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

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.

Bath & North East Somerset Council

Chief Finance Officer and Divisional Director (Business Support)
Lewis House
Manvers Street
Bath BA1 1JG
Telephone: 01225 477468
E mail: tim_richens@bathnes.gov.uk
www.bathnes.gov.uk

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

Date: 27 September 2016
Our ref:
Your ref:

Dear Sirs

Bath and North East Somerset Council
Financial Statements for the year ended 31 March 2016

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 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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 2015/16 ("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 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 assets and 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.

All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

x Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

xi 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.

xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii 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.

Information Provided

xiv 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.

xv We have communicated to you all deficiencies in internal control of which management is aware.

xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvii 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.

xviii 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.

xix 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.

xx 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.

xxi 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.

xxii 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

xxiii 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.

Narrative Statement

xxiv The disclosures within the Narrative Statement fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Corporate Audit Committee at its meeting on 27th September 2016.

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:	**27th September 2016**	
TITLE:	**Treasury Management Outturn Report 2015/16**	:
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 2016
Appendix 3 – Average monthly rate of return for 2015/16
Appendix 4 – The Council's External Borrowing Position at 31st March 2016
Appendix 5 – Counterparty Update
Appendix 6 – Arlingclose's Economic & Market Review of 2015/16
Appendix 7 – Interest & Capital Financing Budget Monitoring 2015/16
Appendix 8 – Summary Guide to Credit Ratings

1 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 2015/16.

2 RECOMMENDATION

The Corporate Audit Committee agrees that:

2.1 the 2015/16 Treasury Management Report to 31st March 2016, prepared in accordance with the CIPFA Treasury Code of Practice, is noted.

2.2 the 2015/16 Treasury Management Indicators are noted.

3 RESOURCE IMPLICATIONS

3.1 The financial implications are contained within the body of the report.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

4.1 This report is for information only.

5 THE REPORT

Summary

5.1 The average rate of investment return for the 2015/16 financial year is 0.47%, which is 0.06% above the benchmark rate.

5.2 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 2015 as shown in **Appendix 1**, as well as the CIPFA Code of Practice and the relevant legislative provisions.

Summary of Returns

5.3 The Council's investment position as at 31st March 2016 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.

5.4 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 2015/16 was £32.6 million.

5.5 Gross interest earned on investments for 2015/16 totalled £361k. Net interest, after deduction of amounts due to Schools, the West of England Growth Points, CHC and other internal balances, is £199k. **Appendix 3** details the investment performance, showing the average rate of interest earned over this period was 0.47%, which was 0.06% above the benchmark rate of average 7 day LIBID + 0.05% (0.41%).

Summary of Borrowings

5.6 The Council's external borrowing as at 31st March 2016 totalled £118.3 million and is detailed in Appendix 4. £10m of annual borrowing matured during the third quarter of 2015/16 and these funds were re-borrowed for a further 12 months at a more beneficial interest rate. A further £10m of borrowing, split £5m for 3 months and £5m for 6 months, was required in the fourth quarter to maintain appropriate working cash balances. The borrowing was arranged with different Local Authorities at an average rate of 0.57%.

5.7 The Council's Capital Financing Requirement (CFR) as at 31st March 2016 was £182.5 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.

5.8 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.

5.9 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.

5.10 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 2016 apportioned to Bath & North East Somerset Council is £13.40m. 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

5.11 **Appendix 5** provides further information on issues impacting on investment counterparties.

5.12 To increase diversification, throughout 2015/16 the Council invested in AAA rated Money Market funds, UK Banks and very highly rated Foreign Bank counterparties (AA-).

5.13 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.

Future Strategic & Tactical Issues

5.14 Our treasury management advisors economic and market review for 2015/16 is included in **Appendix 6**.

5.15 The Bank of England base rate has remained constant at 0.50% since March 2009.

5.16 The Council's treasury advisors current view is that, based on the lack of inflationary pressures in 2016 and a lower growth profile than previously expected, any rise in UK Bank Rate will be pushed back to Q2 2018. Their theme remains 'low for longer'; a slow rise in rates (when they do occur) to a new 'normal' between 2 and 3%. They continue to project gilt yields on a shallow upward path in the medium term, albeit with increased volatility around the EU referendum.

5.17 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.

5.18 The borrowing that has taken place in 2015/16 is therefore driven by a need to maintain an appropriate working cash balance rather than any immediate changes to interest rates.

Budget Implications

5.19 A breakdown of the revenue budget for interest and capital financing and the actual year end position is included in **Appendix 7**. This shows an overall underspend of £532k in 2015/16, resulting from the debt charges and interest relating to new borrowing being less than forecast.

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.

6 RATIONALE

6.1 The Prudential Code and CIPFA's Code of Practice on Treasury Management requires regular monitoring and reporting of Treasury Management activities.

7 OTHER OPTIONS CONSIDERED

7.1 None.

8 CONSULTATION

8.1 Consultation has been carried out with the Cabinet Member for Finance and Efficiency, Section 151 Finance Officer and Monitoring Officer..

8.2 This report was also presented to July 2016 Cabinet and Council

9 RISK MANAGEMENT

9.1 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.

9.2 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.

9.3 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 ; Giles Oliver - 01225 477022* *Tim_Richens@bathnes.gov.uk* Giles_Oliver@bathnes.gov.uk
Background papers	*2015/16 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.

	2015/16 Prudential Indicator	2015/16 Actual as at 31st Mar. 2016
	£'000	£'000
Borrowing	219,000	118,300
Other long term liabilities	2,000	0
Cumulative Total	**221,000**	**118,300**

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.

	2015/16 Prudential Indicator	2015/16 Actual as at 31st Mar. 2016
	£'000	£'000
Borrowing	182,000	118,300
Other long term liabilities	2,000	0
Cumulative Total	**184,000**	**118,300**

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.

	2015/16 Prudential Indicator	2015/16 Actual as at 31st Mar. 2016
	£'000	£'000
Fixed interest rate exposure	**182,000**	**98,300**

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.

	2015/16 Prudential Indicator	2015/16 Actual as at 31st Mar. 2016
	£'000	£'000
Variable interest rate exposure	**104,000**	**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.

	2015/16 Prudential Indicator	2015/16 Actual as at 31st Mar. 2016
	£'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	2015/16 Actual as at 31st Mar. 2016
	%	%	%
Under 12 months	50	Nil	25*
12 months and within 24 months	50	Nil	15
24 months and within 5 years	75	Nil	9
5 years and within 10 years	100	Nil	0
10 years and above	100	Nil	51

* 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**.

	2015/16 Prudential Indicator	2015/16 Actual as at 31st Mar. 2016
	Rating	Rating
Minimum Portfolio Average Credit Rating	**A-**	**AA**

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.

	2015/16 Prudential Indicator	2015/16 Actual as at 31st Mar. 2016
Total cash available within 3 months	**£15m**	**£35.6m**

APPENDIX 2

The Council's Investment position at 31st March 2016
The term of investments, from the original date of the deal, are as follows:

	Balance at 31st Mar. 2016
	£'000's
Notice (instant access funds)	6,900
Up to 1 month	15,665
1 month to 3 months	13,000
Over 3 months	0
Total	**35,565**

The investment figure of £35.56 million is made up as follows:

	Balance at 31st Mar. 2016
	£'000's
B&NES Council	8,394
B&NES CHC	8,256
LGF	12,250
West Of England Growth Points	134
Schools	6,531
Total	**35,565**

The following fixed term investments were undertaken during 2015/16 with a maturity date in the following financial year:

Institution	**Amount**	**Rate**	**Start Date**	**Maturity Date**	**Long Term Credit Rating**
Development Bank of Singapore	£5.000m	0.60%	04/01/16	04/04/16	AA-
Barnsley Council	£3.000m	0.40%	15/01/16	15/04/16	-
Stirling Council	£2.400m	0.45%	05/02/16	29/04/16	-
DMO	£0.266m	0.25%	05/02/16	29/04/16	AAA
Development Bank of Singapore	£5.000m	0.55%	31/03/16	30/06/16	AA-
Lloyds	£5.000m	0.57%	31/03/16	30/06/16	A+
DMO	£5.000m	0.25%	31/03/16	08/04/16	AAA
Glasgow City Council	£3.000m	0.45%	31/03/16	30/06/16	-
Total	**£28.666m**		**-**	**-**	

The balance of £6.9m was held in call accounts as at 31st March 2016.

Chart 1: Council Investments as at 31st March 2016 (£35.6m)

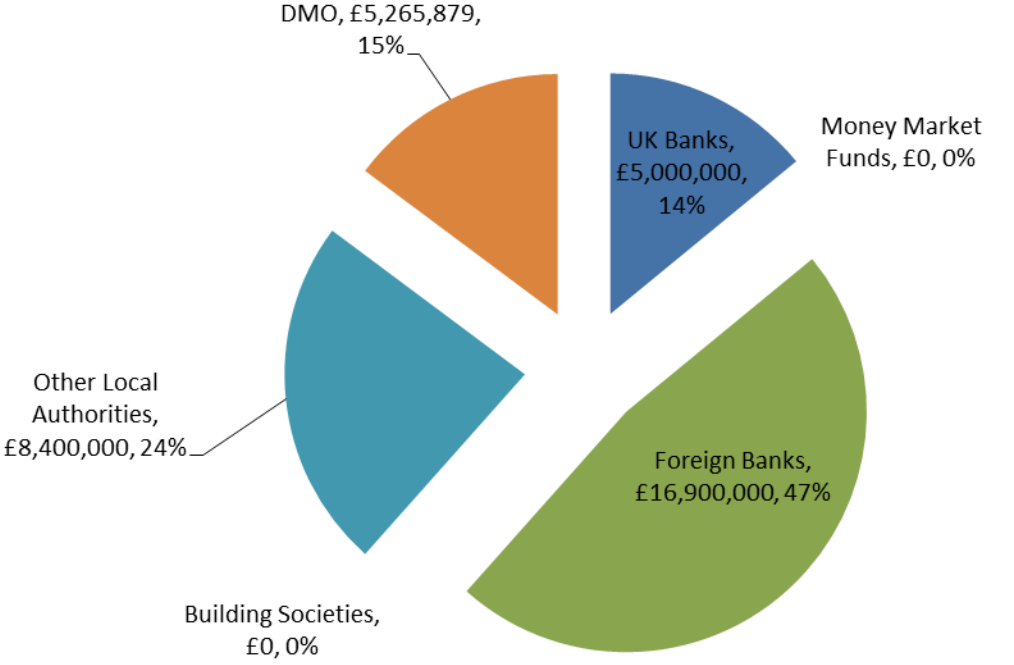
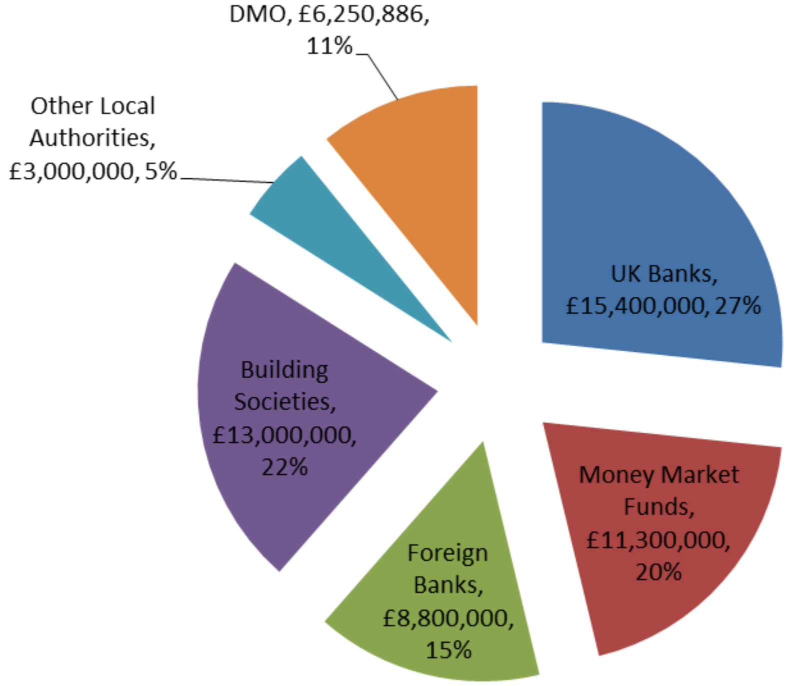


Chart 2: Council Investments as at 31st December 2015 (£57.7m)



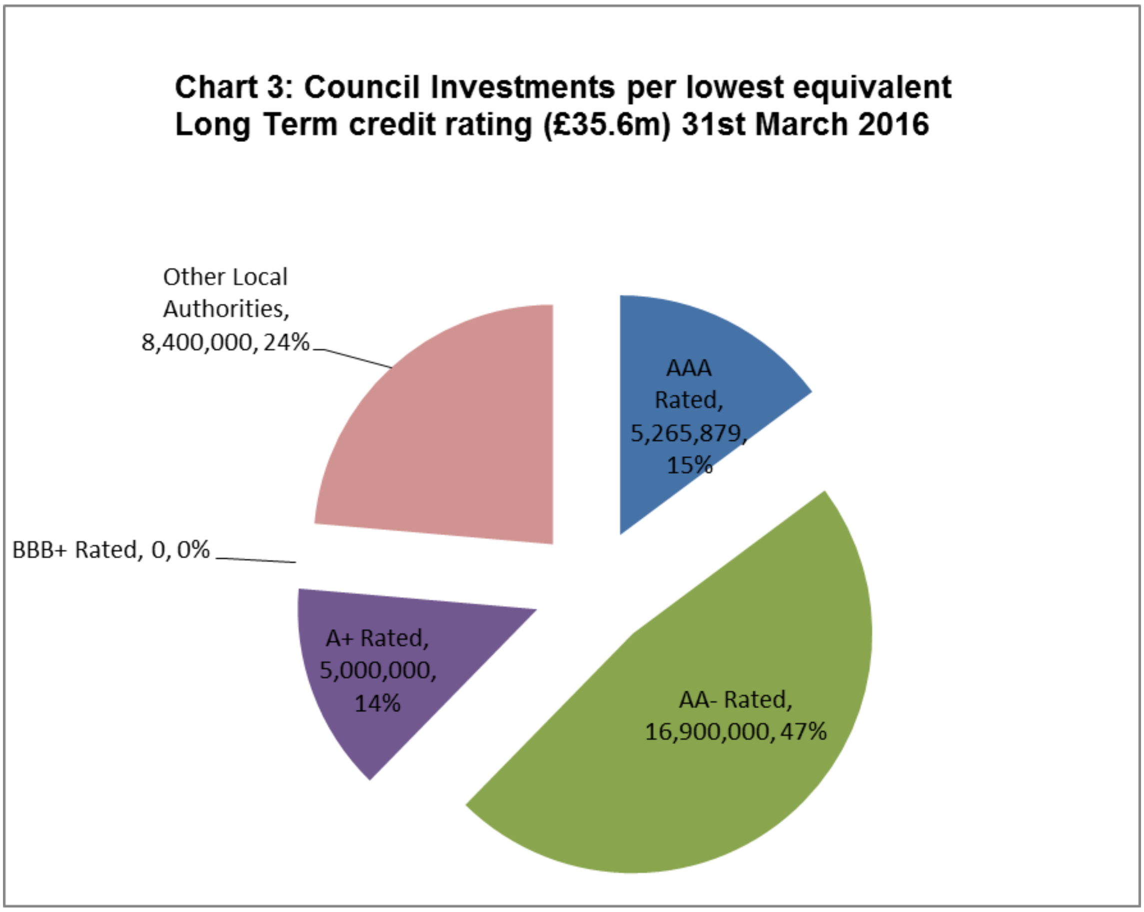


Chart 3: Council Investments per lowest equivalent Long Term credit rating (£35.6m) 31st March 2016
Other Local Authorities, 8,400,000, 24%
AAA Rated, 5,265,879, 15%
BBB+ Rated, 0, 0%
A+ Rated, 5,000,000, 14%
AA- Rated, 16,900,000, 47%

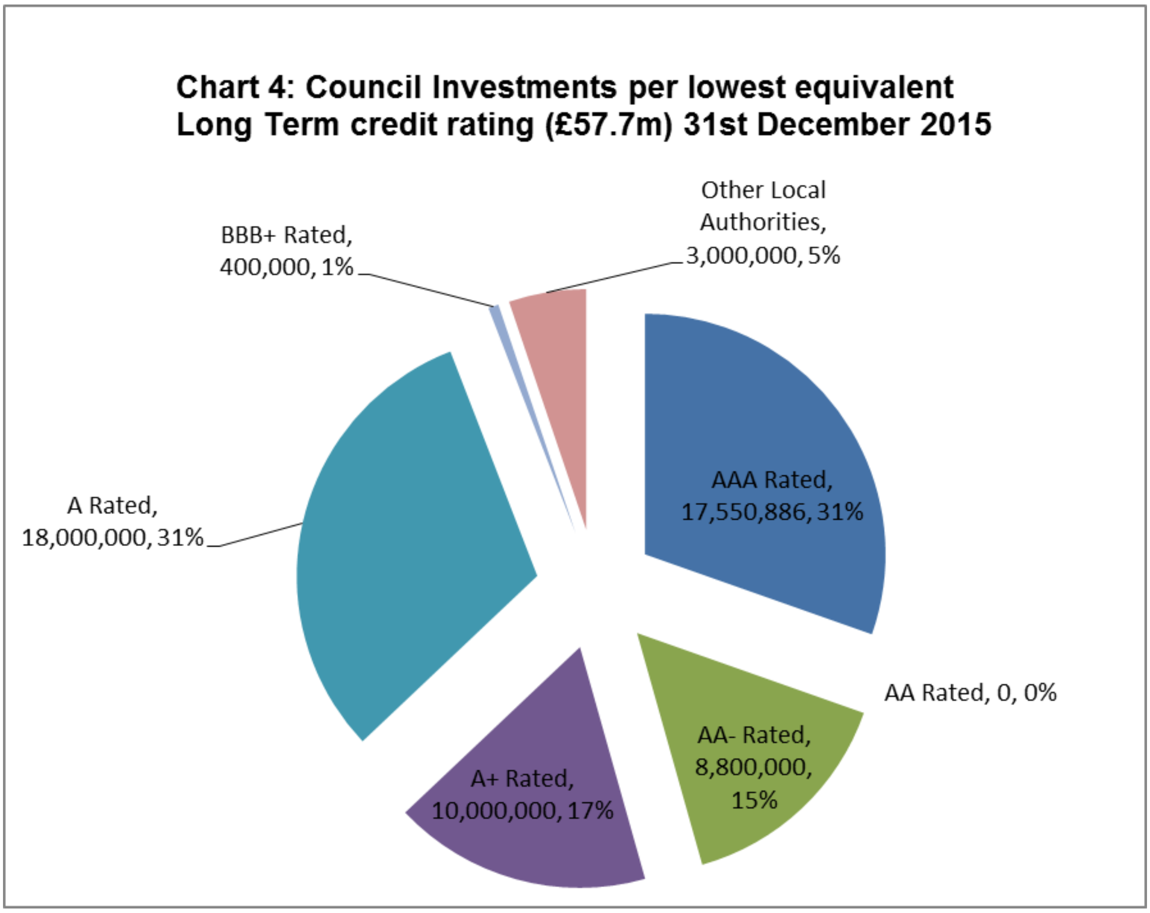


Chart 4: Council Investments per lowest equivalent Long Term credit rating (£57.7m) 31st December 2015
Other Local Authorities, 3,000,000, 5%
BBB+ Rated, 400,000, 1%
A Rated, 18,000,000, 31%
AAA Rated, 17,550,886, 31%
AA Rated, 0, 0%
AA- Rated, 8,800,000, 15%
A+ Rated, 10,000,000, 17%

APPENDIX 3

Average rate of return on investments for 2015/16

	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Ave. for Period
Average rate of interest earned	0.45%	0.46%	0.48%	0.48%	0.47%	0.48%	0.46%	0.48%	0.49%	0.45%	0.46%	0.49%	0.47%
Benchmark = 7 Day LIBID + 0.05% (LIBID Source - Arlingclose)	0.40%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%
Performance against Benchmark %	0.05%	0.05%	0.07%	0.07%	0.06%	0.07%	0.05%	0.07%	0.08%	0.04%	0.05%	0.08%	0.06%

APPENDIX 4

Councils External Borrowing at 31st March 2016

Lender	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%
PWLB	5,300,000	29/01/15	08/04/34	2.62%
PWLB	5,000,000	29/01/15	08/10/64	2.92%
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%
Gloucestershire County Council	5,000,000	25/11/14	25/11/19	2.05%
Gloucestershire County Council	5,000,000	19/12/14	19/12/19	2.05%
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%
London Borough of Ealing	5,000,000	21/10/15	19/10/16	0.60%
West Midland Police Authority	5,000,000	27/11/15	25/11/16	0.62%
London Borough of Brent	5,000,000	16/3/2016	14/6/2016	0.55%
Royal Borough of Kensington & Chelsea	5,000,000	21/3/2016	20/09/2016	0.52%
TOTAL	**118,300,000**			**3.37%**

*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 (Provided by Arlingclose)

The transposition of two European Union directives into UK legislation placed the burden of rescuing failing EU banks disproportionately onto unsecured institutional investors which include local authorities and pension funds. During the year, all three credit ratings agencies reviewed their ratings to reflect the loss of government support for most financial institutions and the potential for loss given default as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions saw upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS), Deutsche Bank, Bank Nederlandse Gemeeten and ING. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.

Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thuringen.

S&P reviewed UK and German banks in June, downgrading the long-term ratings of Barclays, RBS and Deutsche Bank. S&P also revised the outlook of the UK as a whole to negative from stable, citing concerns around the referendum on EU membership and its effect on the economy.

At the end of July 2015, Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis. A similar extension was advised for some non-European banks in September, with the Danish Danske Bank being added as a new recommended counterparty and certain non-rated UK building societies also being extended.

In December the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies which showed that the Royal Bank of Scotland and Standard Chartered Bank were the weakest performers. However, the regulator did not require either bank to submit revised capital plans, since both firms had already improved their ratios over the year.

In January 2016, Arlingclose supplemented its existing investment advice with a counterparty list of high quality bond issuers, including recommended cash and duration limits. As part of this, Bank Nederlandse Gemeeten was moved to the list of bond issuers from the unsecured bank lending list and assigned an increased recommended duration limit of 5 years. Interest rates are likely to stay low for longer making long-term bonds an increasingly attractive option. The Council did not make use of these long-term investment options during 2015/16.

The first quarter of 2016 was characterised by financial market volatility and a weakening outlook for global economic growth. In March 2016, following the publication of many banks' 2015 full-year results, Arlingclose advised the suspension of Deutsche Bank and Standard Chartered Bank from the counterparty list for unsecured investments. Both banks recorded large losses and despite improving capital adequacy this will call 2016 performance into question, especially if market volatility continues. Standard Chartered had seen various rating actions taken against it by the rating agencies and a rising CDS level throughout the year. Arlingclose will continue to monitor both banks.

The end of bank bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits continues to be elevated relative to other investment options. The Authority therefore exploring secured investment options or diversified alternatives such as covered bonds, non-bank investments and pooled funds over unsecured bank and building society deposits.

In addition the Council has invested £50k in shares in the Local Capital Finance Company created to enable local authority bond issues to take place in the future, but has not used this option during 2015/16.

APPENDIX 6

Annual Economic Review 2015/16 (Provided by Arlingclose)

Growth, Inflation, Employment: The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from $67 a barrel in May 2015 to just under $28 a barrel in January 2016, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year/year in February, but this was still well below the Bank of England's 2% inflation target. The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.

Global influences: The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly on economies with a large trade dependency on China and also to prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to high market volatility as a consequence. There were falls in prices of equities and risky assets and a widening in corporate credit spreads. As the global economy entered 2016 there was high uncertainty about growth, the outcome of the US presidential election and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.

UK Monetary Policy: The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its Inflation Reports and monthly monetary policy meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

Improvement in household spending, business fixed investment, a strong housing sector and solid employment gains in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. Despite signalling four further rate hikes in 2016, the Fed chose not to increase rates further in Q1 and markets pared back expectations to no more than two further hikes this year.

However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).

Market reaction: From June 2015 gilt yields were driven lower by the a weakening in Chinese growth, the knock-on effects of the fall in its stock market, the continuing fall in the price of oil and commodities and acceptance of diminishing effectiveness of central bankers' unconventional policy actions. Added to this was the heightened uncertainty surrounding the outcome of the UK referendum on its continued membership of the EU as well as the US presidential elections which culminated in a significant volatility and in equities and corporate bond yields.

10-year gilt yields moved from 1.58% on 31/03/2015 to a high of 2.19% in June before falling back and ending the financial year at 1.42%. The pattern for 20-year gilts was similar, the yield rose from 2.15% in March 2015 to a high of 2.71% in June before falling back to 2.14% in March 2016. The FTSE All Share Index fell 7.3% from 3664 to 3395 and the MSCI World Index fell 5.3% from 1741 to 1648 over the 12 months to 31 March 2016.

APPENDIX 7

Interest & Capital Financing Costs – Budget Monitoring 2015/16 (Outturn)

April 2015 to March 2016	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	4,589	4,120	(469)	FAV
- Internal Repayment of Loan Charges	(9,281)	(8,828)	453	ADV
- Ex Avon Debt Costs	1,340	1,288	(52)	FAV
- Minimum Revenue Provision (MRP)	6,559	6,095	(464)	FAV
- Interest on Balances	(199)	(199)	0	
Sub Total - Capital Financing	**3,008**	**2,476**	**(532)**	**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.

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Bath & North East Somerset Council		
MEETING:	**Corporate Audit Committee**	
MEETING DATE:	**27th September 2016**	**AGENDA ITEM NUMBER**
TITLE:	**Procurement Options – External Audit**	EXECUTIVE FORWARD PLAN REFERENCE: E
AN OPEN PUBLIC ITEM		
List of attachments to this report: None		

1 THE ISSUE

1.1 The report sets out the legislative background and options for the future provision and procurement options for the External Auditors to the Council. The report notes the current preferred option that we use a national sector led-approach to maximise value for money and associated benefits on quality of service.

2 RECOMMENDATION

2.1 That the Audit Committee supports the recommended option for the future procurement of External Auditors to the Council by Public Sector Audit Appointments Limited.

3 FINANCIAL IMPLICATIONS

3.1 The detailed financial implications are not yet available as PSAA are still assessing the scale of the required procurement exercise and its associated costs, however it will be significantly more cost effective than carrying out the exercise ourselves. Previously this service was provided as part of the role and responsibilities of the Audit Commission and there was no direct cost.

4 THE REPORT

4.1 **Background –**

4.2 The Local Audit & Accountability Act 2014 put in place the framework which will allow local authorities to appoint their own external auditors. Prior to 2010, the Audit Commission was responsible for appointments with the work either being undertaken by their in-house auditors or by a limited number of private firms. The Audit Commission was also responsible for standard setting and overseeing the National Fraud Initiative.

4.3 In August 2010, the then Secretary of State for Communities and Local Government announced that the Audit Commission would be abolished. His stated aims were to reduce costs and improve local democratic accountability by allowing local authorities to appoint their own external auditors from a more competitive market.

4.4 As part of the transitional arrangements, the Audit Commission undertook a competitive exercise which resulted in a series of regional contracts being awarded to Grant Thornton, KPMG, Ernst & Young and Mazars. The new contracts commenced in 2012 and saved over £25M nationally in audit fees each year.

4.5 The Audit Commission itself closed in March 2015 with responsibility for the existing appointments transferring to Public Sector Audit Appointments Limited (PSAA) an independent company established by the Local Government Association.

4.6 **Current Position -**

4.7 Following substantial lobbying from the LGA and other bodies the government recently announced that the contract & transitional arrangements for principal authorities would be extended for a further year until April 2018.

4.8 Health bodies and smaller local government bodies will however still need to appoint their own external auditors from April 2017.

4.9 The one year extension has been welcomed by the LGA along with the government's decision to allow councils to come together to continue to procure audit services through a sector led organisation (PSAA).

4.10 **Options -**

4.11 Whilst the Act allows councils to appoint their own auditor or to make a joint appointment with neighbouring councils, this change in approach by the government is likely to mean the majority of councils avoid the need to establish an auditor panel and undertake their own procurement exercise.

4.12 Some bodies will however see advantages in making their own arrangements. These include full control and ownership over the process and the ability to reflect local circumstances. Larger councils may also feel they will be able to secure a better price if they can attract a high level of interest although there is no evidence to support this.

4.13 Those councils who wish to make their own appointment whether jointly or on their own will need to start planning within the next few months as any appointment must be confirmed by December 2017 and the procurement exercise will take time and significant cost.

4.14 Within the local government sector the vast majority of Councils have already expressed a preference to join a sector led procurement exercise from PSAA and it is the recommendation of the S151 Officer that Bath & North East Somerset Council should also follow this option. A provisional expression of interest has already been made to PSAA to indicate our inclusion in the national exercise.

4.15 There are no resources available to carry this exercise out on our own and there are very clear financial and quality benefits by following the recommended option which should also help the major firms to also plan their resources and bids more effectively.

4.16 The Audit Committee is asked to support this recommendation so that arrangements can be finalised in the next few months to confirm our approach to securing our involvements in the sector led exercise by PSAA.

5 RISK MANAGEMENT

5.1 An effective External Auditor demonstrates one aspect of good governance on behalf of the Council and the wider Community. This helps to ensure that the Council is delivering good value to its residents from its services and is managing its key risks appropriately.

6. EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

7 CONSULTATION

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

Contact person	Jeff Wring (01225 47323)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

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