

# Corporate Audit Committee

**Date: Wednesday, 15th December, 2021**

**Time: 4.00 pm**

**Venue: Council Chamber - Guildhall, Bath**

## **Agenda**

**To: All Members of the Corporate Audit Committee**

Councillors: Mark Elliott (Chair), Andrew Furse, Colin Blackburn, Lucy Hodge and Brian Simmons

Independent Member: John Barker

Chief Executive and other appropriate officers

Press and Public

The agenda is set out overleaf.



**Enfys Hughes**

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## NOTES:

1. **Inspection of Papers:** Papers are available for inspection as follows:

Council's website: <https://democracy.bathnes.gov.uk/ieDocHome.aspx?bcr=1>

Paper copies are available for inspection at the Guildhall - Bath.

2. **Details of decisions taken at this meeting** can be found in the minutes which will be circulated with the agenda for the next meeting. In the meantime, details can be obtained by contacting as above.

3. **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. We request that those filming/recording meetings avoid filming public seating areas, children, vulnerable people etc; however, the Council cannot guarantee this will happen.

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4. **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 Thursdays notice must be received in Democratic Services by 5.00pm the previous Monday.**

Further details of the scheme can be found at:

<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12942>

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

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Additional information and Protocols and procedures relating to meetings

<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=13505>

**Corporate Audit Committee-Wednesday, 15th December, 2021**

**at 4.00 pm in the Council Chamber - Guildhall, Bath**

**A G E N D A**

**1. EMERGENCY EVACUATION PROCEDURE**

The Chair will draw attention to the emergency evacuation procedure as set out under Note 7.

**2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

**3. 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.

**4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

The Chair will announce any items of urgent business.

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

**6. 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.

**7. MINUTES - 23RD SEPTEMBER 2021 (Pages 7 - 12)**

**8. GOVERNANCE REPORTS FOR COUNCIL AND AVON PENSION FUND AND AUDITED STATEMENT OF ACCOUNTS 2020/21 (Pages 13 - 232)**

**9. PROCUREMENT OPTIONS - EXTERNAL AUDIT (Pages 233 - 244)**

**10. TREASURY MANAGEMENT PERFORMANCE REPORT TO 30TH SEPTEMBER 2021 (Pages 245 - 262)**

11. INTERNAL AUDIT - UPDATE REPORT (Pages 263 - 270)

The Committee Administrator for this meeting is Enfys Hughes who can be contacted on 01225 394410.



**CORPORATE AUDIT COMMITTEE**

**Minutes of the Meeting held**

Thursday, 23rd September, 2021, 4.00 pm

**Councillors:** Mark Elliott (Chair), Andrew Furse, Colin Blackburn, Lucy Hodge and Brian Simmons

**Independent Member:** John Barker

**Officers in attendance:** Andy Rothery (Chief Finance Officer (S151)), Gary Adams (Head of Financial Management) and Andy Cox (Head of Audit and Assurance (One West))

**1 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer read out the emergency evacuation procedure.

**2 ELECTION OF VICE-CHAIR**

A Vice-Chair was not needed for the meeting.

**3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

There were none.

**4 DECLARATIONS OF INTEREST**

There were none.

**5 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

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

There were none.

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

There were none.

**8 MINUTES - 29TH APRIL 2021**

On a motion from Councillor Brian Simmons, seconded by Councillor Colin Blackburn it was

**RESOLVED** to note the minutes of the last meeting as a true and correct record.

## 9 EXTERNAL AUDIT - UPDATE

Peter Barber (Grant Thornton) presented the report giving his opinion on VFM and the pension fund. He discussed the materiality figure, the focus on risk, the progress report including fees and charges, the valuation of land and building assets which was significant in BANES and the focus on investments. He explained that the timeline had been influenced by COVID meaning the audit would not be completed by the statutory deadline of end of September. It had been hoped to sign off the accounts in October and now it was planned for early December.

There had been more progress with the pension fund but that was also behind schedule. Peter Barber was confident this was nearer conclusion.

He added that this was a national issue and importantly there had been nothing material found from the work undertaken so far on the accounts.

The following issues were raised during questions:

- There will be no direct consequence of the late sign-off, the auditors are required to provide the Council with the reasons for the delay so it can publish a "Notice of Delay to Audited Accounts" statement on its website, confirming why the audit had not concluded by the 30<sup>th</sup> September deadline.
- BANES property was not like that of a private organisation as there was not the necessity to sell year on year.
- The new VFM Code was bigger and resulted in more work and there was a need to recruit which had been successful in part
- As regards the audit plan there was a timetable and certain things triggered delay. There was a timed budget with the allocation of jobs and the focus was on greatest risk
- Liam Royle, newly appointed as Audit lead, would be focussing on land and buildings
- In relation to the council, the focus was less on the issue about it being a 'going concern' and more about the ability to meet its financial responsibilities and the need to be risk aware

Peter Barber explained that VFM covered three areas – financial sustainability, governance and the 3 Es, economy, efficiency and effectiveness. The following points were raised:

- Each area within the plan had sub-criteria – where the Council was, areas that needed improvement or refinement and significant areas of concern
- To deliver the certification for VFM the external auditors had to report on each item to the National Audit Office
- It was a requirement under the Code of Practice to comment and give details on each area
- If there was a delay with either signing-off or VFM, it would be completed as soon as possible and there was external review by the regulators
- It was important to know how the delay in signing-off the accounts fitted in with the national picture, a large number of Councils would be in the same position due to resourcing pressures being experienced by external audit firms.

- BANES Head of Financial Management confirmed that the delay could add extra pressure on BANES officers, given competing demands as we move into the Council's budget setting period.
- The Section 151 Officer explained that forward planning was vital and ultimately there were deadlines to meet, however officers could bring forward other work to cover the audit later
- It was acknowledged that the Cabinet member needed to be kept aware of the situation
- There was a risk of needing extra resources if it was delayed later
- It was noted that officers were under significant pressure
- A further status update from Grant Thornton to the Chair of the Audit Committee was requested by 31<sup>st</sup> October 2021 covering progress made in meeting the plan to complete the audit in time for the December Audit Committee meeting
- The extra fee charged for VFM was required as a result of more work required by the new code

The Chair explained that the Council had been asked by the Public Sector Audit Appointments (PSAA) whether they wished to opt in or out of the national arrangement for the procurement of external audit. The independent member explained that there were specific requirements for the Councils to procure external audit themselves if Councils moved away from using the PSAA national arrangements, but there was more flexibility with opportunities for new partners with smaller companies. There was also the Redman report (June 2020) which reviewed the arrangements for local authority audits and presented recommendations, including some smaller companies having been assessed and accredited. The independent member's view would be sought and the Section 151 Officer would discuss with other local authorities. He advised the timescale for this was 8-12 weeks.

## **RESOLVED**

- 1) That the update report be noted;
- 2) to identify further related issues that may require resources or additional input for the external audit, to ensure it was completed on time and that the Cabinet member be kept informed of the criticality of resources for the audit and budget in the limited timeframe; and
- 3) that the Committee be kept informed of the situation as regards to opting in or out of the national arrangement for the procurement of external audit.

## **10 TREASURY MANAGEMENT OUTTURN REPORT 2020/21**

The Head of Financial Management Gary Adams presented the report. He explained that the report had already been to Council and Cabinet in July and was being reported to this meeting as the July meeting of Corporate Audit had been cancelled.

The key points of the report were highlighted. The average rate of interest earned on investments was 0.41%, this was 0.43% above the benchmark rate. Interest rates continued to remain low and the Council's return was increased through the 3.7%

earned on its investment in the CCLA Property Fund. The majority of the investment portfolio is held in short term investments to provide liquidity. As regards borrowing, some short-term borrowing was taken at the start of the financial year to cover liquidity risks in light of concerns over the impact of Covid on cashflow prior to the notification of government grant support. There was no further need to borrow for the rest of the year and the level of borrowing at year end was £243.5m. The planned review and due diligence undertaken by the Council's Treasury Advisors into potential ESG (Environmental, Social & Corporate Governance) focussed investments had been completed and a member briefing session was held in August. Investment into two funds is planned for the 3<sup>rd</sup> Quarter of 2021/22. The Council was also working with its advisors reviewing options to make an early repayment of a LOBO (Lender Option, Borrower Option) loan and re-finance at a lower rate. After allowing for the early repayment premium, the restructuring is forecast to make savings of around £100k per annum and remove the LOBO's future refinancing risk. The final decision will be made by the s151 officer in line with the Treasury Management Strategy.

During discussion the following issues were raised:

- Benchmark rates were provided by the Council's Treasury Management advisors using short-term market rates.
- Reasons for differences in performance against benchmark are reported to the Committee and the actual benchmark rate used is kept under review.

**RESOLVED** that

- 1) The Treasury Management Report to 31<sup>st</sup> March 2021 be noted; and
- 2) the Treasury Management indicators to 31<sup>st</sup> March 2021 be noted.

## **11 INTERNAL AUDIT - UPDATE REPORT**

The Head of Audit & Assurance Andy Cox presented the report. He confirmed that all 7 2020/21 audits that had been carried forward into 2021/22 had now been completed. In terms of this work he brought attention to the Property Service Charges audit review which had been assigned a Level 2 'limited' Assurance Level. The key area of concern reported was related to debt management and this was to be considered by a Workstream of the current Property Review. Internal Audit team members will be actively involved in the work stream meetings to help develop systems and the control framework to manage risks.

He explained in addition to the 36 planned audits in the 2021/22 Audit Plan, on which they were making good progress, there was significant work on grant certification, anti-fraud work and audit follow-ups. In terms of the follow-up of audits the work identified that recommendations had been largely implemented.

During discussion the following issues were raised:

- Adult Social Care Grant Funding Management - had been completed and given a good assurance level. It was highlighted that a member of the Internal Audit team had been seconded to help administer the grant allocations. The

report was very positive and the only concern was where money had been allocated to the Council's own care homes and that there was evidence to support the level of funding allocated.

- Clean Air Zone – The audit review had just commenced. Councillor Furse highlighted issues being reported related to residents being incorrectly notified of charges. The accuracy and robustness of the system was under scrutiny and the audit would be important to ensure pay as you go charges, penalty charge notices and exemptions were properly administered. Members agreed this was high profile in the media and important to the public and a good understanding of how it was being administered was vital.
- The Independent Committee Member asked a question about risk management and the recent issue of energy security. An update on the Council position was provided and it was confirmed that most energy usage was fixed contract price until March 2022 except for street lighting. Changes were coming and cost would be increasing significantly.
- There was a Corporate Risk Management Group to look at the robustness of risk management of the Council and there would be reports back to the Committee.

## **RESOLVED**

- 1) That progress in the delivery of the 2021/22 Annual Audit Assurance Plan be noted; and
- 2) that for the Committee's annual report to Council, the Head of Audit & Assurance will liaise with the Chair before the report was submitted to Council.

The meeting ended at 6.05 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**

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<b>Bath &amp; North East Somerset Council</b>	
MEETING:	<b>Corporate Audit Committee</b>
MEETING DATE:	<b>15<sup>th</sup> December 2021</b>
TITLE:	<b>Governance Reports for Council and Avon Pension Fund, and Audited Statement of Accounts 2020/21</b>
WARD:	All
<b>AN OPEN PUBLIC ITEM</b>	
<p><b>List of attachments to this report:</b></p> <p><b>Appendix 1</b> – Audit Findings Report for Bath &amp; North East Somerset Council</p> <p><b>Appendix 2</b> – Audit Findings Report for Avon Pension Fund</p> <p><b>Appendix 3</b> – Bath &amp; North East Somerset Council Audited Statement of Accounts 2020/21</p> <p><b>Appendix 4</b> – Bath &amp; North East Somerset Council Letter of Representation 2020/21</p> <p><b>Appendix 5</b> – Avon Pension Fund Letter of Representation 2020/21</p>	

## 1 THE ISSUE

- 1.1 The Audit Findings Report summarises the results of Grant Thornton's audit of the 2020/21 accounts. It includes the issues arising from the audit of the financial statements, and those issues which they are formally required to report to you under the Audit Commission's Code of Practice and International Standard of Auditing (UK & Ireland) – 'Communication of audit matters with those charged with governance'.
- 1.2 The Annual Governance Statement (AGS) is required by the Accounts and Audit Regulations 2015 to be published with the Council's Statement of Accounts and to be formally approved and signed by the Leader of the Council and the Chief Executive. The AGS for 2020/21 has been completed in accordance with the framework previously agreed by the Corporate Audit Committee. There is one significant issue identified this year.

## 2 RECOMMENDATION

The Corporate Audit Committee is asked to agree 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 Letters of Representation for both Bath & North East Somerset Council and the Avon Pension Fund for 2020/21, are approved.

### 3 THE REPORT

#### Council's Accounts

- 3.1 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.
- 3.2 The work carried out by Grant Thornton as part of the audit of the financial statements has so far resulted in agreed changes relating to the property, plant and equipment valuations, and a number of amendments to the Disclosure Notes accompanying the Financial Statements, none of which adjusted the total usable reserves.
- 3.3 With their work still ongoing, Grant Thornton are currently proposing to issue an audit report including an unqualified audit opinion on the Council's 2020/21 Financial Statements. Grant Thornton have not yet completed all their Value For Money assessment work so are not in a position to issue their Auditor's Annual Report. They expect to issue the Annual Report by 28<sup>th</sup> February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.
- 3.4 Due to delays in the conclusion of external audit work, there is a risk that the Audit findings report may not be finalised prior to the Committee meeting. If the work is not completed by the date of the meeting, Grant Thornton will provide an update on the process for approval of the accounts at the meeting.
- 3.5 Following the publication of the Sir Tony Redmond's Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting, the Accounts and Audit (Amendment) Regulations 2020 extended the deadlines for the publication of the 2020/21 and 2021/22 Draft and Final Statement of Accounts. There was a two month extension to the publication deadline for the Draft Statement of Accounts, and a four month extension to the deadline for the Final Statement of Accounts.
- 3.6 Details of these deadlines are given in the table below, showing that the Council were able to publish & provide Grant Thornton with the Draft 2020/21 Statement of Accounts before the revised statutory deadline of 31<sup>st</sup> July 2021.

	<b>Standard Timescales (previous years)</b>	<b>Revised 2020/21 Requirement Accounts &amp; Audit (Amendment) Regulations 2021</b>	<b>2020/21 Actual Date Achieved</b>
<b>Draft Statement of Accounts Certified &amp; Issued</b>	31 <sup>st</sup> May	31 <sup>st</sup> July 2021	27 <sup>th</sup> July 2021
<b>Final Audited Accounts Certified &amp; Issued</b>	31 <sup>st</sup> July	30 <sup>th</sup> September 2021	tbc



## **Avon Pension Fund's Accounts**

- 3.7 There have been some minor changes to the Avon Pension Fund accounts that were authorised for draft issue. This includes some adjustments between investment asset classification levels, along with some narrative and presentational changes.
- 3.8 The Avon Pension Fund has adequate liquidity to meet all liabilities due in the 12 month period from signing of the accounts. The expected payments due to be paid in the period are £198.3m offset by expected contributions of £171.7m giving a net outflow of £26.6m. This shortfall will be met by investment income and divestment of assets. At 31 March 2021 the Fund has assets of £5.3bn of which £227m are in highly liquid assets that are held to provide liquidity to meet payments if there is an unexpected shortfall in contributions. In addition, the Fund holds a further £1.9bn in listed equity assets which are also highly liquid and can be sold for cash within a short timeframe. (Note: at 30 September 2021 the Fund value had risen to £5.7bn with £162m in highly liquid assets). These liquid assets are more than sufficient to meet the forecast shortfall and also any unexpected reduction in contributions. There are no concerning trends regarding timely receipt of contributions, with 99.79% of contributions received on time for the half year ending 30 September 2021. The Funding level (i.e. the ratio of the Fund's assets to liabilities) was 94% at the last valuation in 2019. By March 2020 the funding level fell due to the fall in equity markets but has fully recovered to 96.9% by 31 March 2021. The strategic asset allocation is set to deliver the investment returns required to achieve full funding over a reasonable period. It is therefore concluded that based on this evidence the Avon Pension Fund is a going concern with no material uncertainties.
- 3.9 Grant Thornton are proposing to issue an audit report including an unqualified audit opinion on the Pension Fund's 2020/21 Financial Statements.

## **Annual Governance Statement**

- 3.10 In accordance with the framework agreed by the Corporate Audit Committee, Audit West has led on the collation and co-ordination of information relating to the preparation of the Annual Governance Statement and gathering of evidence to support the contents of the Statement. The Council's final Annual Governance Statement has been published within the Statement of Accounts and is a declaration of assurance, its aim is to report the extent to which the Council has in place reliable controls that will safeguard its resources and ensure that these are being used to meet priorities and service objectives agreed by Members.
- 3.11 No new significant governance failures or control issues have been identified during this year which satisfy the recommended criteria. However, the impacts of the Covid-19 Pandemic continue to be significant and so this issue has been included recording actions to tackle the impacts on the Council. The Statement sets out in more detail the high-level actions that the Council is taking to manage this significant issue.

## **Informing the Audit Risk Assessment**

3.12 As part of the Audit process the External Auditor asks the organisation a series of questions. These focus on the following areas:

- a) General Enquiries of Management
- b) Fraud,
- c) Laws and Regulations,
- d) Going Concern,
- e) Related Parties, and
- f) Accounting Estimates.

3.13 The Council's responses were circulated to Audit Committee members during October 2021 for consideration and the final document was submitted to the External Auditor.

## **4 STATUTORY CONSIDERATIONS**

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.

4.3 The preparation and publication of an Annual Governance Statement is in accordance with the "Delivering Good Governance in Local Government" framework introduced by CIPFA SOLACE during 2007, and updated in 2016. The Statement explains how Bath & North East Somerset Council has complied with the Local Code of Corporate Governance which arises from the CIPFA framework and also meets the requirements of the Accounts and Audit (England) Regulations 2015, specifically Regulation 4 (2) in respect of the annual review of the effectiveness of its system of internal control and Regulation 4 (3) in respect of the preparation and publication of an Annual Governance Statement.

These regulations require authorities to "conduct a review at least once a year of the effectiveness of its system of internal control" and to prepare a statement on internal control "in accordance with proper practices". Regulation 4 requires the findings of the review of the system of internal control to be considered by a Committee of the relevant body, or by its members of the body meeting as a whole. At Bath & North East Somerset Council, this function is the responsibility of the Corporate Audit Committee.

## **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

5.1 The Council's Statement of Accounts sets out the Income and Expenditure for the 2020/21 financial year, together with the Balance Sheet and all related supporting information.

## 6 RISK MANAGEMENT

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance. The Council's on-going financial position is an identified risk that is regularly monitored.

## 7 CLIMATE CHANGE

- 7.1 The Council's Statement of Accounts is a statutory requirement. This is an information only report about the Council's financial performance for 2020/21, it therefore does not include any decisions that have a direct impact on Climate Change.

## 8 OTHER OPTIONS CONSIDERED

- 8.1 None

## 9 CONSULTATION

- 9.1 Consultation has been carried out with the Chief Finance Officer.

<b>Contact person</b>	<i>Andy Rothery - 01225 477103 ; Jamie Whittard - 01225 477213</i> <a href="mailto:Andy_Rothery@bathnes.gov.uk">Andy_Rothery@bathnes.gov.uk</a> <a href="mailto:Jamie_Whittard@bathnes.gov.uk">Jamie_Whittard@bathnes.gov.uk</a>
<b>Background papers</b>	<i>None</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

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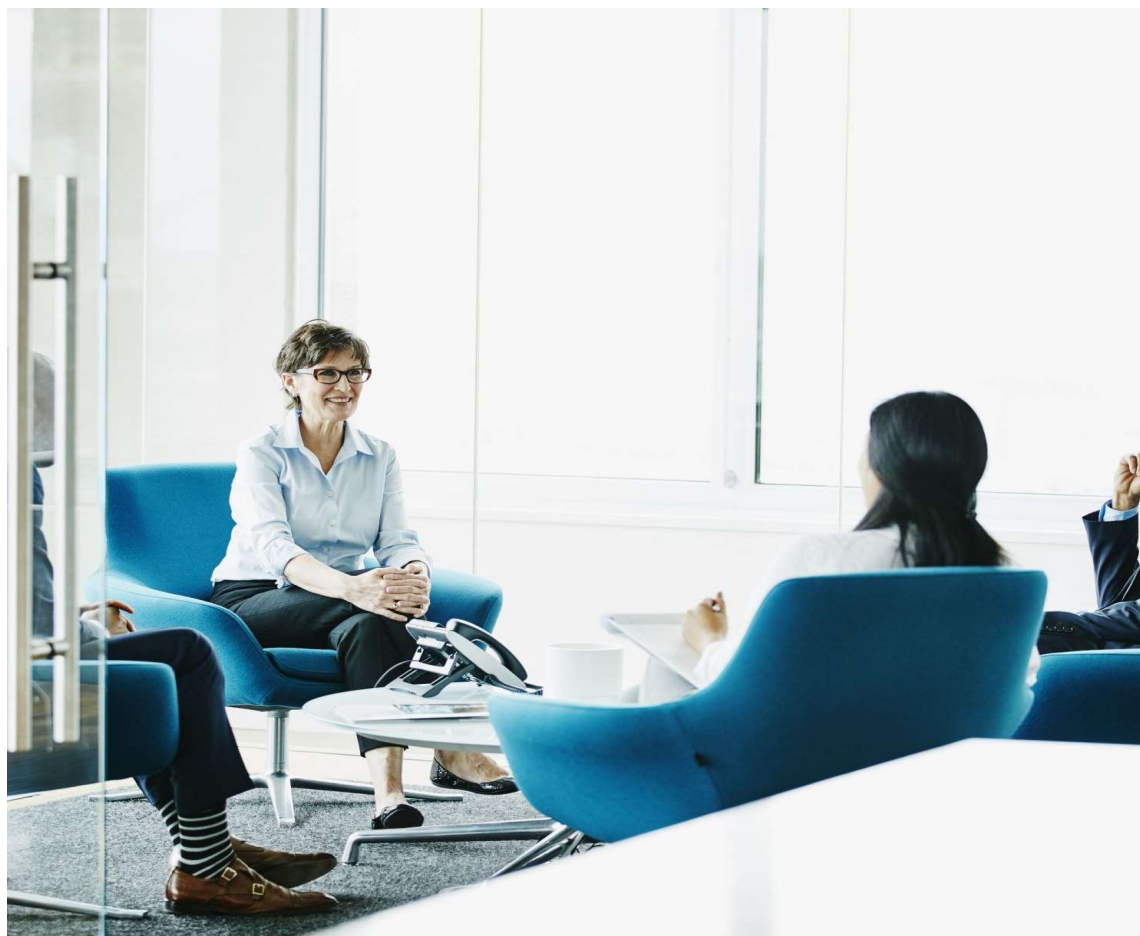
# The Audit Findings for Bath and North East Somerset Council

**Year ended 31 March 2021**

Bath and North East Somerset Council

December 2021

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## Your key Grant Thornton team members are:

### Peter Barber

Engagement Leader

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### Liam Royle

Assistant Manager

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### Suraj Hirani

Assistant Manager

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## The Key Audit Partner for the Authority's Material Subsidiaries are :

### Martin Longmore

Firm : MHA Monahans

## Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and ethics

## Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion
- F. Management Letter of Representation
- G. Audit letter in respect of delayed VFM work

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Corporate Audit Committee.

Name : Peter Barber  
For Grant Thornton UK LLP  
Date : 7 December 2021

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Bath and North East Somerset Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2021 for those charged with governance.

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## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We commenced our post-statements remote audit in August and as at 7 December 2021 our audit is approximately 90% complete, although a number of areas remain in progress that need resolution to enable sign off by the 17 December target date. Our findings to date are summarised on pages 5 to 19.

We have identified no individually material errors or adjustments to the financial statements but have identified errors that cumulatively materially impact on the draft statements presented to audit. Officers have agreed to correct these, the most significant of which are:

- Improper componentisation of seven assets
- Two assets included in the valuation report for which valuations were not performed

There are no matters arising to date that would require modification of our audit opinion. We have also identified non-compliance with the requirement under IFRS 13 to annually value material investment properties held by the Council's wholly owned subsidiary ADL. Our audit procedures in this area are ongoing and we hope to conclude that these investments properties are not materially misstated. We have made a recommendation to address this control weakness next year.

We have made agreed a number of other more minor adjustments to improve the presentation of the financial statements. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

The draft financial statements were presented for audit in accordance with the agreed timetable and were supported by working papers of a similar quality to last year. The work on PPE again this year has identified a number of errors that indicate further scope to improve reporting in this area. In addition, our more challenging judgemental queries are taking longer to respond to. This reflects the continuous raising of the bar and us as auditors providing greater challenge to the Council especially in the areas subject to greatest estimation and uncertainty.

Subject to the resolution of the outstanding queries, we anticipate issuing an unqualified audit opinion by the 17 December following the Corporate Audit Committee meeting on 15 December 2021, as detailed in Appendix D.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 28 February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report by 28 February 2022.

## Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.



## 2. Financial Statements

### Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Corporate Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

### Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that an audit of Aequus Construction Ltd and Aequus Development Ltd was required, which was completed by MHA Monahans.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan in year.

### Conclusion

Our audit is approximately 90% complete, although a number of areas remain in progress that need resolution to enable sign off by the 17 December target date.

These outstanding items include:

- completion of our detailed testing of journals;
- completion of our detailed testing of property, plant, and equipment valuations;
- completion of our detailed testing of debtors' provisions;
- completion of work on the consolidated group financial statements including the ADL investment property valuations;
- testing of the calculation of the Minimum Revenue Provision;
- receipt of management representation letter – see appendix F; and
- review of the final set of financial statements and subsequent review of final audit procedures by the engagement lead.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. The impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as remotely accessing financial systems, video calling, physical verification of assets, verifying the completeness and accuracy of information provided remotely and access to key data from Council staff

## 2. Financial Statements



### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 21 April 2021.

We detail in the table below our determination of materiality for Bath and North East Somerset Council at both the group and Council levels.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£6,775,000	£6,700,000	Materiality has been based on 1.9% of the gross cost of services
Performance materiality	£5,080,000	£5,000,000	Low level of deficiencies in control environment and quality of financial statements in prior years.
Trivial matters	£338,000	£335,000	Based on a percentage of headline materiality
Materiality for remuneration of senior officers	£20,000	£20,000	Based on the value of remuneration in year



## 2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence</li> <li>evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>Subject to completion of our final checks on our journals sample, we have identified no issues in relation to management override of controls.</p>
<p><b>Income from Other Fees and Charges and Investment Estate</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>For Bath and North East Somerset Council, we have concluded that the greatest risk of material misstatement relates to 'Other Fees and Charges Income' and 'Income from Investment Estate'. We have therefore identified the occurrence and accuracy of 'Other Fees and Charges and Investment Estate' income as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p> <p>We have rebutted this presumed risk for the other revenue streams of the group and Authority because:</p> <ul style="list-style-type: none"> <li>Other income streams are primarily derived from grants or formula based income from central government and tax payers; and</li> <li>opportunities to manipulate revenue recognition are very limited.</li> </ul>	<p>For 'Other Fees and Charges Income, and Income from Investment Estate' we have:</p> <ul style="list-style-type: none"> <li>evaluated the group's accounting policy for recognition of income from Other Fees and Charges and Investment Income for appropriateness;</li> <li>gained an understanding of the Authority's system for accounting for income from Other Fees and Charges and Investment Income and evaluated the design of the associated controls;</li> <li>agreed, on a sample basis, amounts recognised as income from Other Fees and Charges, and Investment Income in the financial statements to supporting documents.</li> </ul> <p>For all other revenue streams, having considered the risk factors set out in ISA240, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>there is little incentive to manipulate revenue recognition</li> <li>opportunities to manipulate revenue recognition are very limited</li> <li>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.</li> </ul> <p>Our audit work has not identified any issues in respect of revenue recognition.</p>

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of land and buildings and Investment Properties

The group revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£227 million in the group's balance sheet at 31/03/21) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. The Authority also has material investment properties (£269 million in the group's balance sheet at 31/03/21) which must be valued annually at 31 March.

We therefore identified valuation of land and buildings and investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the internal and external valuers to confirm the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested revaluations made during the year to see if they had been input correctly into the group's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end

As outlined on page 3, our testing has identified errors in relation to the valuation of land and buildings, for which there have been material adjustments to the Statement of Accounts. Specifically:

- Accounting for the componentisation of seven assets had double-counted the plant & machinery components, overstating the value of the assets by £4.8m
- Two assets had been included in the valuation report as if they had been revalued, but no valuation had been performed. Note 12 to the statements includes a table detailing the timings of the valuations by year which has been updated to reflect this.

Additional immaterial adjustments were made due to errors found in valuations, including a miscalculation of one asset's value and three assets where audit queries identified that incorrect source data had been used.

In addition we have identified a control issue in relation to the valuation of investment properties in the consolidated group financial statements and are yet to complete our testing to quantify the impact of this error. More details are provided on page 11 and 14.

We have detailed all adjustments and the reasoning behind them in Appendix C.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of the Pension Fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£362 million in the Authority's balance sheet at 31/03/2021) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed additional procedures suggested within the report;
- agreed the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures; and
- obtained assurances from the auditor of Avon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our audit work has not identified any issues in relation to the valuation of the pension fund net liability. We have specifically commented on the reasonableness of the assumptions used on page 15.



# Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Bath and North East Somerset Council	Yes	Full scope UK statutory audit performed by Grant Thornton UK LLP	See the risks identified on pages 7 to 9	Full scope UK statutory audit performed by Grant Thornton UK LLP
Aequus Developments Ltd and Aequus Construction Ltd	Yes	Audit of one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements	<ul style="list-style-type: none"> <li>Management override of controls</li> <li>Valuation of investment property</li> </ul>	<p>Audit of one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements</p> <p>The nature, time and extent of our involvement in the work of the component auditor will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the component auditor's audit documentation and meeting with appropriate members of management.</p>
Bath Tourism Plus Ltd	No	Analytical procedures at group level	No significant risks identified.	Analytical procedures at group level
Adoption West	No	Analytical procedures at group level	No significant risks identified.	Analytical procedures at group level

## Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

## 2. Financial Statements – Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Aequus Construction Ltd	MHA Monahans	An unqualified audit opinion of Aequus Construction Ltd was issued by MHA Monahans on 23 September 2021. No significant issues were identified.	No impact on the group audit.
Aequus Development Ltd	MHA Monahans	<p>An unqualified audit opinion of Aequus Construction Ltd was issued by MHA Monahans on 23 September 2021. No significant issues were identified</p> <p>Our review of the consolidation identified that the material investment properties (£7.8m) held by Aequus Development Ltd (ADL) had not been revalued in line with the requirements of the CIPFA Code of Practice. The valuations performed were appropriate under the reporting standards for the company (FRS 102), but the group accounts are prepared under the CIPFA Code of Practice which requires these properties to be revalued at fair value in line with IFRS 13, and for this to be performed annually by a qualified valuer.</p> <p>We have made a recommendation to this effect in Appendix A, and are performing additional procedures to gain assurance that the consolidated investment properties balance is not materially misstated.</p>	We have included a recommendation in relation to this issue in Appendix A.

## 2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p><b>Recognition and Presentation of Grant Income</b></p> <ul style="list-style-type: none"> <li>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</li> </ul>	<p>As part of our work, we have considered:</p> <ul style="list-style-type: none"> <li>whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all;</li> <li>the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income;</li> <li>the impact of grants received, whether the grant is specific or non-specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the Comprehensive Income and Expenditure Statement (CIES); and</li> <li>the adequacy of disclosure of judgements in the financial statements.</li> </ul>	<p>We are reviewing the Council's assessment of whether it was acting as a principal or agent and will provide a verbal update to the Corporate Audit Committee as to whether the Council's assessment and judgements were reasonable.</p>



## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings valuation - £227m	<p>Other land and buildings comprises £44.877m of specialised assets such as schools, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£182.378m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged their internal valuer as well as three external valuers to complete valuations at either 31 December 2020 or 31 March 2021, depending on the nature and value of the asset.</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2020 applying indices to determine whether there has been a material change in the total value of these properties. Management's assessment of these assets has identified no material change to the properties value.</p> <p>The total year end valuation of land and buildings was £227.255m, a net increase of £0.070m from 2019/20 (£227.185m).</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> <li>reviewed the revised ISA540 requirements in guidance note;</li> <li>assessed management's expert to ensure suitably qualified and independent;</li> <li>assessed the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>assessed the appropriateness of any alternative site assumptions;</li> <li>confirmed there were no changes to valuation method; and</li> <li>assessed the consistency of the estimate using the Gerald Eve report.</li> </ul> <p>We identified no material issues to date, in relation to the methods and assumptions used in the calculation of the estimate. However, we noted three instances where valuations included in our testing were immaterially adjusted due to incorrect source data being used. In addition, we made recommendations in regards to accounting for the valuation adjustments as detailed in Appendix A and C.</p>	Light Purple

### Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment property valuation - £269m	<p>Investment property comprises £268.774m of assets held for the purpose of capital appreciation and/or income generation, which are required to be valued at fair value at the year end. The Council has engaged their internal valuer as well as two external valuers to complete valuations at 31 March 2021.</p> <p>All properties held by the Council have been valued in year, giving a year end value of £260.915m which is a £49.847m decrease from 2019/20 (£310.762m).</p> <p>An additional £7.859m of investment properties are held by Aequus Development Ltd (ADL), which are consolidated into the group financial statements at year end.</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> <li>reviewed the revised ISA540 requirements in guidance note;</li> <li>assessed management's expert to ensure suitably qualified and independent;</li> <li>assessed the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>confirmed there were no changes to valuation method; and</li> <li>assessed the consistency of the estimate using the Gerald Eve report.</li> </ul> <p>We identified no issues in relation to the valuation of the Council's investment property in year.</p> <p>However, the material balance of investment properties held by ADL have not been revalued in year in line with the requirements of the CIPFA Code of Practice. We have raised a recommendation in relation to this in Appendix A.</p>	Grey

### Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Valuation of defined benefit pension net liability – £360m	<p>The Council's total net pension liability at 31 March 2021 is £359.929m (PY £326.153m) comprising the Avon Pension Fund Local Government Pension Scheme obligation and unfunded defined pension scheme obligations in relation to the Teachers Pension Scheme. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019/20. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £29.134m net actuarial loss during 2020/21.</p>	<ul style="list-style-type: none"> <li>We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. This included gaining assurances over the data provided to the actuary to ensure it was robust and consistent with our understanding. No issues were identified from our review of the controls in place.</li> <li>We also evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made:</li> </ul> <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>2.1%</td><td>2.1-2.2%</td><td>✓</td></tr> <tr> <td>Pension increase rate</td><td>2.7%</td><td>2.7%</td><td>✓</td></tr> <tr> <td>Salary growth</td><td>4.2%</td><td>4.2%</td><td>✓</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>24.8 / 23.3</td><td>22.5 - 24.7 / 20.9 - 23.2</td><td>✓</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>27.4 / 25.4</td><td>25.9 – 27.7 / 24.0 – 25.8</td><td>✓</td></tr> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.1%	2.1-2.2%	✓	Pension increase rate	2.7%	2.7%	✓	Salary growth	4.2%	4.2%	✓	Life expectancy – Males currently aged 45 / 65	24.8 / 23.3	22.5 - 24.7 / 20.9 - 23.2	✓	Life expectancy – Females currently aged 45 / 65	27.4 / 25.4	25.9 – 27.7 / 24.0 – 25.8	✓	Light Purple
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.1%	2.1-2.2%	✓																								
Pension increase rate	2.7%	2.7%	✓																								
Salary growth	4.2%	4.2%	✓																								
Life expectancy – Males currently aged 45 / 65	24.8 / 23.3	22.5 - 24.7 / 20.9 - 23.2	✓																								
Life expectancy – Females currently aged 45 / 65	27.4 / 25.4	25.9 – 27.7 / 24.0 – 25.8	✓																								
Assessment	<ul style="list-style-type: none"> <li>[Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated</li> <li>[Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic</li> <li>[Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious</li> <li>[Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious</li> </ul>																										
	<ul style="list-style-type: none"> <li>We checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports and did not identify inconsistencies.</li> <li>Gained assurance over the reasonableness of the Council's share of the LGPS pension assets; and</li> <li>Reviewed the adequacy of the disclosure of estimate in the financial statements.</li> </ul> <p>Our work identified no issues in relation to the estimation of the defined benefit pension net liability.</p>																										

## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £12.8m	The Council are responsible for repaying a proportion of successful rateable value appeals. Management calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates.	We have reviewed the Council's calculation of the estimate and concluded that it is reasonable in respect of the outstanding appeals. We have considered the assumptions made by the Council and reviewed the detail of appeals outstanding and have assessed the Council's estimation of possible NNDR appeals is reasonable.	Light Purple
Minimum Revenue Provision - £6.9m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £6,894k, a net increase of £749k from 2019/20 (£6,145k).</p>	<p>Based on our review of the Council's MRP policy, we have identified the following key findings:</p> <ul style="list-style-type: none"> <li>the Council's policy on MRP complies with statutory guidance.</li> <li>the MRP has been calculated in line with the statutory guidance</li> <li>there have been no changes to the Council's policy on MRP</li> <li>the increase in the in-year MRP charge is reasonable</li> </ul>	Light Purple

### Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - 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.

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Issue	Commentary
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 incidents in the period and no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
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.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Corporate Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banker and those institutions with which the Council hold investments and borrowing. This permission was granted, and the requests were sent. These requests were returned with positive confirmations.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. We made one recommendation in relation to the major sources of estimation uncertainty, as detailed in Appendix C.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided.

## 2. Financial Statements - other communication requirements



### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

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Issue	Commentary
Going concern	<p data-bbox="871 464 2051 603">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="871 619 2013 671">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="871 687 2074 983" style="list-style-type: none"> <li>• the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p data-bbox="871 999 2051 1137">Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="871 1153 1973 1297" style="list-style-type: none"> <li>• the nature of the Council and the environment in which it operates</li> <li>• the Council's financial reporting framework</li> <li>• the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>• management's going concern assessment.</li> </ul> <p data-bbox="871 1313 2051 1335">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1351 2051 1445" style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. As part of reviewing the AGS and the Narrative Report we suggested some areas for improvement which management have addressed in the final version of the document. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness.</li> </ul> <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA audit instructions. Note that work is not yet completed as we are awaiting guidance from the NAO.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020/21 audit of Bath and North East Somerset Council in the audit report, as referred to in Appendix E, due to ongoing VFM work and the submission of the WGA Assurance Statement.</p>





# 3. Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements



# 3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 28 February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. At the planning stage we identified no significant risks but highlighted the following areas of focus as set out in the table below. Our work in this area is underway and an update is set out below.

Areas of focus	Work performed to date
<p><b>Financial Sustainability</b></p> <p>In our audit plan issued in April 2021 we commented that the Council's medium term financial planning has been significantly impacted by the Covid-19 pandemic. We had not identified any risks of significant weaknesses from our initial planning work to date, however, agreed to continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.</p> <p>We indicated our Value for Money work would primarily focus on the aspects listed below but may increase in scope as further work is performed:</p> <ul style="list-style-type: none"> <li>• Medium term financial planning, and impacts of Covid-19 on financial planning;</li> <li>• Review of governance arrangements in working with partners</li> <li>• Covid-19 recovery and renewal arrangements</li> </ul>	<p>The Council reported a large underspend against original budget for 2020/21. At the start of 2020/21 during the early stages of the pandemic officers were predicting the full year impact of Covid-19 to be a cost pressure of £42.1m before mitigations and government support. The financial recovery plan approved by Cabinet in July 2020 approved £20.7m of cost saving measures which combined with an estimated £10m (actual as at July £13.2m) of government support would result in a £11.4m deficit, if fully implement. This shortfall was to be funded from a combination of earmarked reserves and balances.</p> <p>The implementation of some of these measures, combined with the refinements to the 2020/21 forecast as further grant allocations to mitigate income loss have been made by central government resulted in continued improvements in the in year forecast, with the Council first projecting a return to on budget position and then following further government support late in the year an underspend. The final outturn report to Cabinet in July 2021 reporting a £5.7m underspend against budget.</p> <p>For 2021/22 as at month 6 the Council was projecting the revenue budget outturn forecast to be on budget. This includes the use of £1.5m Covid contingency funding.</p> <p>Our work on VFM is ongoing.</p>

## 4. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, and managers). We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

In this context, we disclose the following to you: a member of our wider public sector assurance team is related to a member of staff within the Council's subsidiaries Aequus Developments Ltd and Aequus Construction Ltd. She does not work on this audit engagement so we consider that this fact has had no bearing on our audit judgement or independence. The member of staff is an audit trainee and we have safeguarded the perceived threat to independence by ensuring the member of staff is not involved with the audit, with IT controls around the audit file and other documentation to ensure the individual cannot access them.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

### Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

# 4. Independence and ethics

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group and/or Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Indicative Fees £	Threats identified	Safeguards
Audit related			
Certification of Teacher's Pension	5,010	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,010 in comparison to the total fee for the audit of £154,201 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit	28,830	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £28,830 in comparison to the total fee for the audit of £154,201 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Council and group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Corporate Audit Committee. None of the services provided are subject to contingent fees.

# Appendices

# A. Action plan –Audit of Financial Statements

We have identified two new recommendations for the group as a result of issues identified during the course of our audit. In addition we have continued our recommendation from the 2019/20 audit in relation to source data used for valuations of land and buildings. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. 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	Issue and risk	Recommendations
<div>Medium</div> <div>Page 41</div>	<p>In our work on the consolidation of the group accounts, we identified that the investment properties (a material balance of £7.8m) held by Aequus Development Ltd. are not revalued annually in line with the requirements of the CIPFA Code of Practice and IFRS 13. We were therefore required to perform additional work to gain assurance that this balance was not materially misstated once it was consolidated into the group financial statements.</p>	<p>We recommend that in future, the investment properties should be included in the annual revaluations programme, to ensure that the consolidated balance in the group accounts is in line with the requirements of the Code in this area.</p> <p><b>Management response</b></p> <p>The Council will work with Aequus to ensure that the investment properties held by Aequus Development Ltd will be valued annually in line with the CIPFA Code of Practice and IFRS13 requirements for the group accounts consolidation.</p>
	<p>We identified errors in the valuations of land and buildings in year, which were adjusted as per Appendix C. A disclosure requirement was required for two assets which had been included in the valuation report as if they had been revalued when no valuation was completed, and an adjustment to the Balance Sheet was required due to double-counting of componentised assets. Additionally, immaterial errors were identified three assets where the inaccurate source data had been used, and we continue to recommend that processes to improve the integrity of this data be improved as in the prior year.</p> <p><b>Key</b></p> <ul style="list-style-type: none"> <li>● High – Significant effect on financial statements</li> <li>● Medium – Limited Effect on financial statements</li> <li>● Low – Best practice</li> </ul>	<p>We recommend that officers implement processes to ensure that all assets included in the valuation report have had valuations performed in year, and to ensure that double-counting of components does not occur. In addition, we continue to recommend that processes to ensure the integrity of source data used in valuations be improved.</p> <p><b>Management response</b></p> <p>The Council will review its processes and expand its validation checks to ensure that only those assets that require revaluation will be included on Schedules included in the Valuation Report. The two sample assets were included due to an administrative error and this should ensure this does not happen again.</p> <p>In respect of the componentisation of assets, the Council will implement a check so that each value input in the Valuation Schedule[s] is counter checked prior to compilation of the final Valuation Report. This should ensure there will be no double counting of components which was identified in the seven isolated cases reported.</p> <p>Checks on source data will also be introduced to ensure data relevant to the appropriate valuation date is used each year and if there are changes that have taken place at or around the valuation date (which may yet be recorded on the Council's systems) a comment can be placed on the relevant valuation schedule for the possible need to review data later in the year.</p>

# B. Follow up of prior year recommendations

We identified the following issues in the audit of Bath and North East Somerset Council's 2019/20 financial statements, which resulted in two recommendations being reported in our 2019/20 Audit findings report. We have followed up on the implementation of our recommendations in relation to valuations of investment property and land and buildings, and will follow up on our further recommendation in relation to Medium Term Financial Strategy as part of our VFM work.

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<b>Medium Term Financial Strategy</b> We recommended that continued close in year monitoring and timely corrective action is undertaken for the Medium Term Financial Strategy.	We will review the progress in relation to this recommendation during our VFM work.
X	<b>Valuation of Investment Property and Land and Buildings</b> Our in-depth review and challenge of the basis and source data used by your Valuers to arrive at the carrying value of land and buildings highlighted the scope for increased review by Officers for some valuations.	We identified improved processes in year in relation to the understanding of valuations performed by external valuers, and the timely and accurate provision of information to auditors during the course of the audit. However, we have once again noted errors in the calculation of valuations due to inaccurate source data, and we continue to recommend that processes to ensure the integrity of this data be improved.

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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## 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 ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Componentisation on seven assets had been accounted for incorrectly, and as such part of the value of each asset was double-counted.	2,637	(2,434)	2,637
Two assets had been included in the schedule of valuations for the year, but had not actually been revalued. For one of these assets valuation adjustments with an impact on the CIES and SOFP had been processed.			
Three asset valuations had used incorrect source data and one asset's valuation had been miscalculated.			
The impact of these misstatements was collectively material (£5.1m) leading to adjustments to the CIES (£2.6m) and Statement of Financial Position (£2.4m)			
Overall impact	£2,637	(£2,434)	£2,637

# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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## Misclassification 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.

Disclosure omission	Auditor comment	Adjusted?
The NNDR appeals provision was included as a major source of estimation uncertainty, but the probable impact of any uncertainty was immaterial.	The financial statements have been updated to reflect auditor proposed presentation changes.	✓
Note 12 was amended in order to accurately reflect the balance of revaluations performed at each accounting date.	The financial statements have been updated to reflect auditor proposed presentation changes.	✓
A small number of minor disclosure updates and typographical changes were identified within the Statement of Accounts	The financial statements have been updated to reflect auditor proposed presentation changes.	✓



# C. Audit Adjustments



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## Impact of unadjusted misstatements

There are no unadjusted misstatements in year.

## Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
As part of our testing of Property, Plant and Equipment, we identified an error in relation to non-enhancing expenditure, whereby of total non-enhancing expenditure of £2.675m in 2019/20, for a proportion of these assets, a property valuation was also undertaken. As a result of this error, revaluations are overstated by £0.888m and should have been reported as an "other adjustment", although Gross Book Value would remain unchanged. Further identified was £0.502m of written-back depreciation also resulting from this incorrect treatment.	1,390	1,390	1,390	The adjustment was not material to the statement of accounts.
Overall impact	1,390	1,390	1,390	

# D. Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	£154,201	TBC
Total audit fees (excluding VAT)	£154,201	TBC
Non-audit fees for other services	Indicative fee	Final fee
Audit Related Services		
Certification of Housing Benefit	28,830	TBC
Certification of Teacher's Pension	5,010	TBC
Total non-audit fees (excluding VAT)	£33,840	£TBC

Once all work has been completed on the audit including the VFM work, we will assess the need for any changes to the proposed fees. This will be discussed with management and then be submitted to PSAA for final approval.

The proposed fee reconciles to the External Audit Fee note in the financial statements for 2020-21.

# E. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the group with an unmodified audit report.

Independent auditor's report to the members of Bath and North East Somerset Council  
Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Bath and North East Somerset Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

# E. Audit opinion

## Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Annual Financial Report and Statement of Accounts, other than the financial statements, and our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Annual Financial Report and Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities (set out on page X), the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Annual Financial Report and 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Corporate Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

# E. Audit opinion

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, Local Government Act 2003 and the Local Government Act 1972.
- We enquired of senior officers and the Corporate Audit committee, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, internal audit and the Corporate Audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

Journals processed by senior finance officers, as we would not expect them to be involved in the normal day to day operations of the general ledger

Journals with a blank descriptions, as this could indicated that there is not a legitimate reason for posting a journal.

- Our audit procedures involved:

evaluation of the design effectiveness of controls that the Director of Finance has in place to prevent and detect fraud;

journal entry testing, with a focus on any journals posted by senior finance officers and those with a blank description;

challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment properties and defined benefit pensions liability valuations;

assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting on resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and defined benefit pensions liability valuations, and did not identify an areas of non-compliance



# E. Audit opinion

- Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's and component auditor's.

understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

knowledge of the local government sector

understanding of the legal and regulatory requirements specific to the Authority and group including:

the provisions of the applicable legislation

guidance issued by CIPFA, LASAAC and SOLACE

the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:

the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

# E. Audit opinion

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Bath and North East Somerset Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the;

- Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report, and
- Whole of Government Accounts.

## Use of our report

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

## Signature:

Peter Barber, Key Audit Partner

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

Bristol

Date: xx December 2021

# F. Management Letter of Representation

Grant Thornton UK LLP

2 Glass Wharf,

Bristol BS2 0EL

15 December 2021

Dear Sirs

Bath and North East Somerset Council

Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Bath and North East Somerset Council and its subsidiary undertakings, Aequus Construction Ltd. and Aequus Development Ltd., for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and 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 group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any 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. Such accounting estimates include the valuations of land and buildings and investment properties assets, the valuation of the defined benefit pension net liability, the provision for NNDR appeals, and the minimum revenue provision. 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. We understand our responsibilities includes identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for the valuation of car park assets within our land and buildings, for which a change in valuation basis was made for the majority of these assets, valuing these on a depreciated replacement cost basis instead of an existing use value basis. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. 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.

vii. Except as disclosed in the group and Council financial statements:

- a. there are no unrecorded liabilities, actual or contingent
- b. none of the assets of the group and 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.



# F. Management Letter of Representation

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

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 have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and 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 group and Council's 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. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. 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, except in those cases where the Council was acting as an agent in relation to Covid-19 Business Support Grants, for which disclosure has been included in the Narrative Report.

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 information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

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 information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, 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 the group and 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.

# F. Management Letter of Representation

xxi. We have disclosed to you the identity of the group and 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 Report

xxiv. The disclosures within the Narrative Report fairly reflect our understanding of the group and 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 15 December 2021.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

# G. Audit letter in respect of delayed VFM work

Councillor Mark Elliott  
Chair of Corporate Audit Committee  
Bath and North East Somerset Council  
Guildhall  
Bath  
BA1 5AW

12 November 2021

Dear Mark

Delivery of the 2020/21 Annual Accounts and Audit

**Grant Thornton UK LLP**  
2 Glass Wharf  
Temple Quay  
Bristol  
BS2 0EL  
T +44 (0)117 305 7600  
F +44 (0)117 955 4934

At the meeting of the Corporate Audit Committee on the 23 September 2022 the Committee requested periodical updates on the status of our audit work for 2020/21 and delivery against the targets outlined in our audit plan for 2020/21.

As you will recall from the September meeting, the Council agreed to move the next meeting of the Corporate Audit Committee back to the 15 December 2021 to allow as much time as possible to complete our audit testing.

My team continue to work with Council finance officers to progress the audit. We have made steady progress since our discussion in September. I remain optimistic that we will complete the work in sufficient time to enable us to issue our substantively complete Audit Findings Report to the Committee and then subsequently issue our opinion on the financial statements in December 2022.

As highlighted at previous meetings this is subject to our remaining work progressing as planned and no significant delays or issues arising in the intervening period. Should any such issues arise I will ensure you are briefed at the earliest opportunity.

For completeness, the VFM element of our responsibilities, has a target date of 3 months after the opinion sign off date, so currently the end of March 2022. Work is underway in this area and we hope to issue the results of our work in this area in February 2022, ahead of the deadline.

I hope this is helpful in setting out some context for the coming weeks. Should you require any more information please do not hesitate to get back in touch.

Yours sincerely,

Peter Barber

Engagement Lead and Key Audit Partner

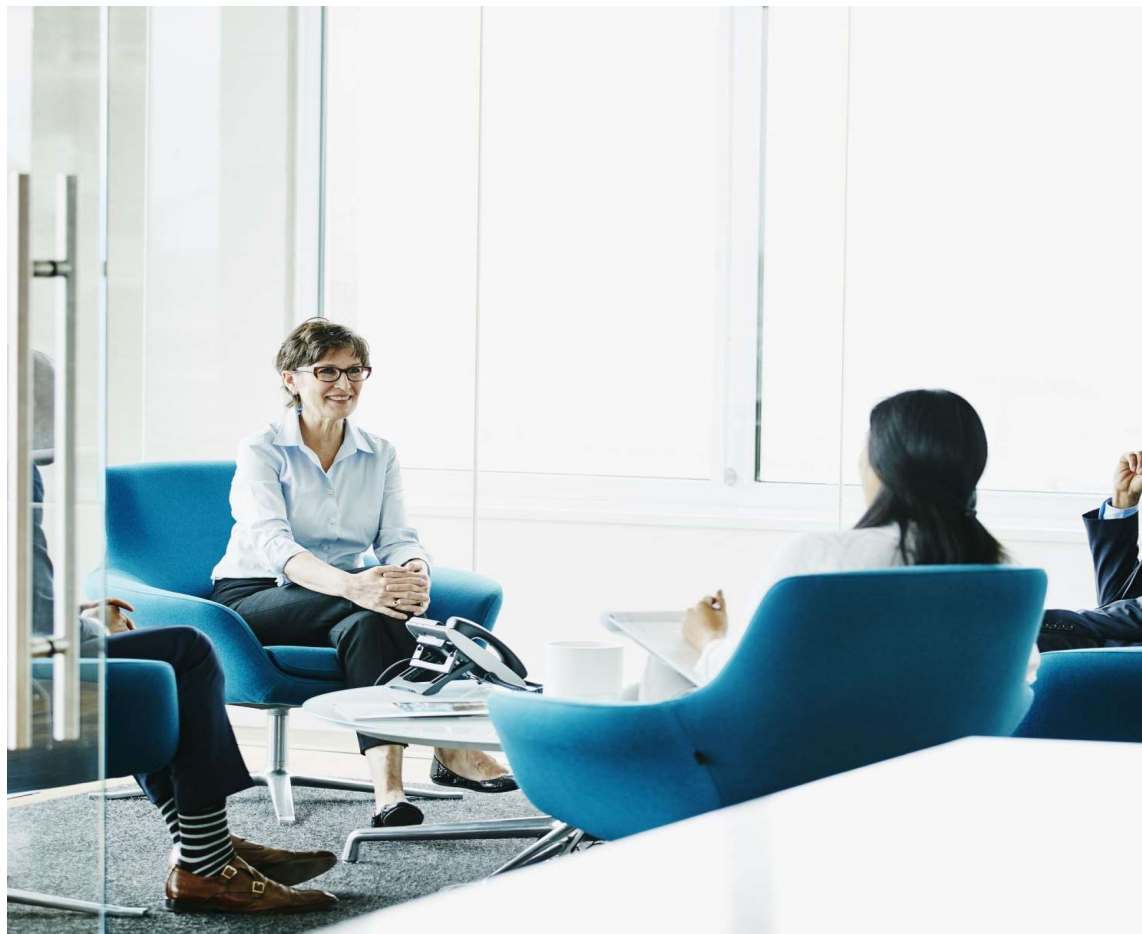
For and on behalf of Grant Thornton UK LLP



# The Audit Findings for Avon Pension Fund

**Year ended 31 March 2021**

Avon Pension Fund  
5 December 2021  
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## Your key Grant Thornton team members are:

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Key Audit Partner

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Manager

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## Section

1. Headlines
2. Financial statements
3. Independence and ethics

## Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion
- F. Management Letter of Representation

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Avon Pension Fund (‘the Pension Fund’) and the preparation of the Pension Fund's financial statements for the year ended 31 March 2021 for those charged with governance.

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Financial Statements	
<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (‘the Code’), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the Pension Fund’s financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and</li><li>have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li></ul>	<p>We commenced our post-statements remote audit in June and as at 7 December 2021 our audit is substantially complete. Our findings are summarised on pages 4 to 15.</p> <p>We have identified no material errors or adjustments to the financial statements and there are no matters arising to date that would require modification of our audit opinion. We have recommended a small number of other adjustments to improve the presentation of the financial statements. Audit adjustments are detailed in Appendix C. We have also raised one recommendation for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year’s audit are detailed in Appendix B.</p> <p>The draft financial statements were presented for audit in accordance with the agreed timetable and was supported by good quality working papers and we received prompt responses to our queries.</p> <p>Subject to a small number of audit procedures being completed, we anticipate issuing an unqualified audit opinion following the completion of the Bath and North East Somerset Council audit, as detailed in Appendix E.</p> <p>We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion will be unmodified.</p>

## 2. Financial Statements

### Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

### Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as previously communicated to you.

### Conclusion

We have substantially completed our audit of your financial statements and subject to a small number of outstanding audit procedures being completed, we anticipate issuing an unqualified audit opinion following the completion of the Bath and North East Somerset Council audit, as detailed in Appendix E.

These outstanding items include:

- receipt of management representation letter {– see appendix F};
- review of the Annual report; and
- review of the final set of financial statements.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. The audit of the pension fund has again been completed remotely, with good use made of video calling and screen sharing. We have also successfully introduced a new software package to share files and manage requests for information, which has helped track queries and improve the efficiency on the audit. We will seek to develop this further in future years.



## 2. Financial Statements

### Pension Fund Amount (£) Qualitative factors considered

Materiality for the financial statements	£51.7m	We considered the proportion of net assets to the Fund to be an appropriate benchmark for the financial year. In the prior year we used the same benchmark. Our materiality equates to approximately 1% of your net assets for the year ended 31 March 2021
Performance materiality	£38.8m	We have determined this using 75% of materiality. This is considered an appropriate benchmark as we have not identified a history of significant deficiencies in the control environment or a large number of significant misstatements in prior year audits. In addition, the management and finance team remain stable.
Trivial matters	£2.6m	This is based on 5% of materiality, which we consider to be an appropriate threshold to use in terms of our reporting to the Corporate Audit Committee as 'Those Charged with Governance'.



#### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan dated 21 April 2021. We detail in the table to the right our determination of materiality for Avon Pension Fund.

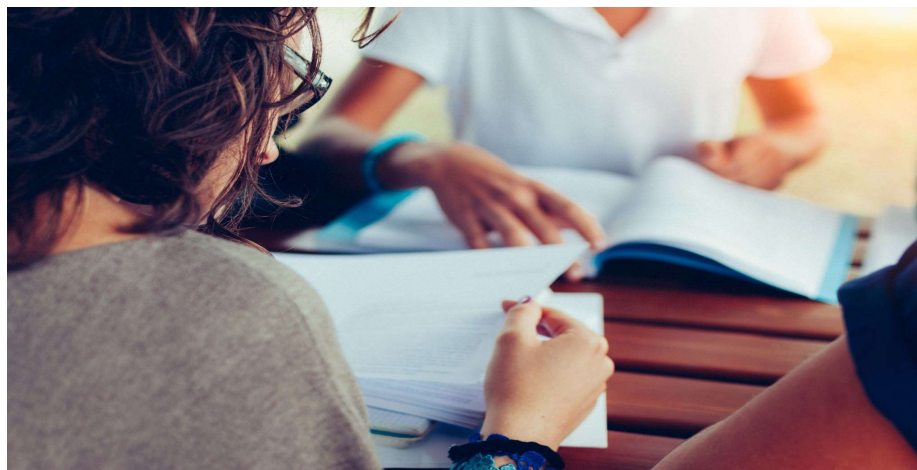


## 2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals;</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li> <li>tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence; and</li> <li>evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>Our testing of estimates, judgements and journals has not identified any evidence of management override of controls.</p>



## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### The revenue cycle includes fraudulent transactions (rebutted)

Under ISA (UK) 240 there is a rebuttable 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
- the culture and ethical frameworks of local authorities, including BANES Council as the administering body for Avon Pension Fund mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for Avon Pension Fund.

We have reconsidered this as part of our audit work on the financial statements and have not changed our assessment and therefore we confirm that we do not consider this to be a significant risk for Avon Pension Fund.

Our audit work has not identified any issues in respect of improper revenue recognition.

#### The expenditure cycle includes fraudulent transactions (rebutted)

Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:

"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.

We have rebutted this presumed risk for BANES Council as the administering body for Avon Pension Fund because:

- expenditure is well controlled and the Fund has a strong control environment; and
- the Fund has clear and transparent reporting of its financial plans and financial position to those charged with governance.

We therefore do not consider this to be a significant risk for Avon Pension Fund.

We have reconsidered this as part of our audit work on the financial statements and have not changed our assessment and therefore we confirm that we do not consider this to be a significant risk for Avon Pension Fund.

Our audit work has not identified any issues in respect of improper expenditure recognition.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of level 3 investments

The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.

By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£881 million) and the sensitivity of this estimate to changes in key assumptions

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.

Management utilise the services of investment managers and custodians as valuation experts to estimate the fair value as at 31 March 2020.

We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated management's processes for valuing Level 3 investments
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met
- independently requested year-end confirmations from investment managers and custodians
- for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2021 with reference to known movements in the intervening period
- in the absence of available audited accounts, we have evaluated the competence, capabilities and objectivity of the valuation expert
- tested revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register
- where available reviewed investment manager service auditor report on design effectiveness of internal controls.

Our audit work has not identified any significant issues in relation to the risk identified.

As highlighted above, our audit focuses on looking at external confirmations from both investments managers and the custodian, and as a result there will always be differences in when information is received compared to the information available when management are estimating the values for the accounts. For this year, none of the individual differences identified were above our trivial threshold. The total aggregate difference identified for Level 3 investments was £5.7m.

## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £1,154m	<p>The Pension Fund has investments in pooled property funds, pooled infrastructure funds, a long term investment and hedge funds that in total are valued on the balance sheet as at 31 March 2021 at £1,154m. These investments are not traded on an open exchange/market and the valuation of the investments is highly subjective due to a lack of observable inputs. In order to determine the value, management has employed expert fund managers who have the necessary experience and technical expertise to ensure the correct valuation of these investments in the year end accounts. The fund are also supported by investment advisors who are independent from the fund managers who can advice on the performance of this type of investments. The performance of these investments are scrutinised by the pension fund investment board. The value of the investment has increased by £273m in year, and level 3 investments and now account for 21.7% of the fund.</p> <p>The Fund have discussed with their fund managers the impact of Covid 19 on the year end valuations. Given the nature of the funds, the fund managers have concluded that they have sufficient information on market conditions to be able to value without the need for any material estimation uncertainty to surround the valuations at year end, as was the case in the prior year. Officers of the fund have confirmed that they are comfortable with the assertion and it is in line with their experience gained from investment advisors and others in the sector.</p>	<p>As outlined in our testing of the valuation of level 3 investments we have;</p> <p>Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate,</p> <p>Considered the valuation techniques used against industry practice, and</p> <p>Reviewed the adequacy of disclosures of estimate in the financial statements.</p> <p>The accounts include some disclosure on the level of estimation uncertainty relating to level 3 investments. As noted in Appendix C, we challenged management on these disclosures and management have amended the note as a result.</p> <p>Our findings in relation to the testing of Level 3 investments identified small estimation differences. None of the individual differences identified were above our trivial threshold. The total aggregate difference identified for Level 3 investments was £5.7m.</p> <p>We concur with the Pension Fund's view that there is no longer a material estimation uncertainty surrounding the valuations at year end of level 3 investments due to Covid 19.</p>	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

### Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious



## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £3,920m	The Pension Fund investments in level 2 on the balance sheet as at 31 March 2021 total £3,920m. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management has employed expert fund managers who have the necessary experience and technical expertise to ensure the correct valuation of these investments in the year end accounts. The fund are also supported by investment advisors who are independent from the fund managers who can advise on the performance of this type of investments. The performance of these investments are scrutinised by the pension fund investment board. The value of the investments has increased by £637m compared to the prior year.	<p>Similar to our approach for level 3 investments, we have; Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate,</p> <p>Considered the valuation techniques used against industry practice, and Reviewed the adequacy of disclosures of estimate in the financial statements.</p> <p>The accounts include some disclosure on the level of estimation uncertainty relating to level 3 investments. As noted in Appendix C, and <a href="#">page 12</a> we challenged management on these disclosures and management have amended the note as a result.</p> <p>Our findings in relation to the testing of Level 2 investments identified some estimation differences. Most of the individual differences identified were not above our trivial threshold. The total aggregate difference identified for Level 2 investments was £10.2m.</p> <p>The largest two differences identified were:</p> <p>A difference of £2.7m in the Blackrock QIF when compared to the latest available audited accounts of the fund.</p> <p>A difference of £8.7m across the Schroder Pooled property funds.</p>	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

### Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation of Pension Fund Liability	The fund has elected to take 'option B' from IAS 26 when considering the actuarial present value of promised retirement benefits, and as such presents this as a note to the accounts. Management have obtained this information from the actuary for the fund. The actuary has been provided with all of the necessary information using the annual returns required, which results in the actuary producing the valuation and required reporting paragraphs. The principal assumptions used by the actuary are in respect of mortality (longevity at 65 for current and future pensioners) and financial assumptions: rate of CPI inflation, rate of increase in salaries, rate of increase in pensions and rate for discounting scheme liabilities. The Council's Pension & Investments Manager communicates with the externally appointed actuary throughout the year and the year-end report is considered by management prior to inclusion in the financial statements.	<p>We have;</p> <p>Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate,</p> <p>Considered the data upon which the valuation has been based</p> <p>Considered the reasonableness of the assumptions used, and</p> <p>Reviewed the adequacy of disclosures of estimate in the financial statements.</p>	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.
Measurement of Financial Instruments	The Fund values its financial instruments at fair value, as informed by the advice of external and independent Management advisors and Investment Fund Managers. Fair values are estimated by calculating the present value of cash flows that take place over the remaining term of the instruments, as provided by management experts. Management consider the exposure of each of its categories of financial instruments to credit, liquidity and market risks. Risks to accounting estimates used in our measurement of financial instruments are managed through our Pensions Investment Strategy Statement and the Funds overall risk management procedures which focus on the unpredictability of financial markets to minimise potential adverse effects on the resources available to fund sources.	<p>We have;</p> <p>Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate,</p> <p>Considered the valuation techniques used against industry practice, and</p> <p>Reviewed the adequacy of disclosures of estimate in the financial statements.</p>	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

### Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Critical Judgements	<p>The fund's draft accounts included a number of critical judgements over the following areas:</p> <ul style="list-style-type: none"> <li>• Going concern;</li> <li>• Treatment of the investment in Brunel Pensions Partnership;</li> <li>• The net pension fund liability; and</li> <li>• IFRS 16.</li> </ul>	<p>The expectation of the FRC as described in its thematic review of this area, was such that these disclosures should be limited to the judgements management make when applying it's significant accounting policies, and the judgement made must clearly distinguish the material affect on the reported numbers.</p> <p>On review of these disclosures, we were satisfied that the Brunel disclosure amounted to a critical judgement and appropriately met the requirements of the CIPFA code, however the remaining judgements we did not agree were critical.</p> <p>We challenged management on this and they agreed to adjust note 1.32, leaving only the Brunel Pension Partnership judgement disclosed.</p>	We consider that after adjustment the disclosures are appropriate
Estimation Uncertainty Disclosures	<p>The Fund's original disclosure of Estimation Uncertainty referred to three key areas:</p> <ul style="list-style-type: none"> <li>• The Market value of Investments</li> <li>• Unlisted Assets (i.e. Level 3 Investments)</li> <li>• The actuarial present value of promised retirement benefits.</li> </ul>	<p>Our review of the original disclosures identified that, while the areas of estimation uncertainty were appropriate, the disclosures needed tailoring to ensure they met the requirements of the code.</p> <p>A number of amendments were made to the disclosures after we challenged management. These were:</p> <ul style="list-style-type: none"> <li>• The removal of Level 1 assets from the disclosure as these were deemed not to have material estimation uncertainty;</li> <li>• The inclusion of values that relate to the assets where estimation uncertainty is being disclosed;</li> <li>• Amendment of some of the sensitivity values to ensure they relate only to the assets or liabilities for which the uncertainty is being disclosed; and</li> <li>• Additional clarity was added around the uncertainty of the actuarial present value of promised liabilities being in relation to the gross liabilities (as the assets are covered by the remaining disclosures).</li> </ul>	We consider that after adjustment the disclosures are appropriate

### Assessment

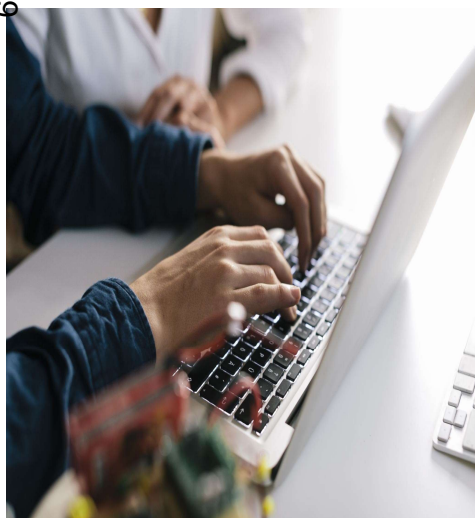
- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious



## 2. Financial Statements - 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.

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Issue	Commentary
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.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
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.
Written representations	A letter of representation has been requested from the Pension Fund, which is appended.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to all of the fund managers that work with the Fund and all banking institutions that management. This permission was granted and the requests were sent, of these requests all were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

## 2. Financial Statements - other communication requirements



### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

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Issue	Commentary
Going concern	<p data-bbox="871 464 2051 603">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="871 619 2013 671">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="871 687 2074 927" style="list-style-type: none"> <li>• the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.</li> </ul> <p data-bbox="871 943 2040 1082">Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="871 1098 2029 1241" style="list-style-type: none"> <li>• the nature of the Pension Fund and the environment in which it operates</li> <li>• the Pension Fund's financial reporting framework</li> <li>• the Pension Fund's system of internal control for identifying events or conditions relevant to going concern</li> <li>• management's going concern assessment.</li> </ul> <p data-bbox="871 1257 2051 1279">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1295 2051 1385" style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	Our review of disclosures identified some errors. We have highlighted these for officers and members, and where appropriate amendments to the draft financial statements have been made. We plan to issue an unmodified opinion in this respect – refer to appendix D
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until December 2021 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.

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# 3. Independence and ethics

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020](https://www.grantthornton.co.uk/transparency-report-2020) ([grantthornton.co.uk](https://www.grantthornton.co.uk))

# 3. Independence and ethics

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Audit of Brunel Pension Partnership Limited (BPP)	40,000	None	<p>We do not consider the audit of BPP as a threat to our independence as Avon Pension fund cannot exercise control over BPP.</p> <p>The audit of BPP is carried out by a specialist team, authorised by the Financial Standards Authority.</p> <p>The fee of £40,000 is not significant compared to the audit fees of the ten participating pension funds.</p> <p>Please note this fee is not included in the financial statement of Avon Pension Fund as is payable by BPP.</p>
Non-audit Related			
Provision of IAS 19 Assurances to Scheme Employer auditors	7,000 (Estimated)	Self review  Management  Self interest	<p>This is not considered a significant threat as we are not reviewing any information that we have prepared. As this is an audit related service, it is acceptable for the audit team to carry out this work. In addition, we have not prepared the financial information on which our assurances will be used by the requested auditors to form an opinion on as part of their opinion on the financial statements of the admitted body.</p> <p>This is not considered a significant threat as the scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will not be making any recommendations as part of this work.</p> <p>This is not considered a significant threat as the fee is recurring but not significant to the audit of the financial statements; further, it is fixed based on the number of admitted bodies.</p>

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Corporate Audit Committee. None of the services provided are subject to contingent fees.

# Appendices

# A. Action plan – Audit of Financial Statements

We have identified one recommendation for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. 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	Issue and risk	Recommendations
	At the time of concluding our audit of the Fund for 2019-20, we were alerted to a breach of the Fund's requirement to submit pension savings statements.	<p>Whilst this was not reported in 2019-20, we recommended that management ensure there were no further breaches through late submissions of statements. We have confirmed that there were no breaches during 2020-21.</p> <p><b>Management response</b></p> <p>There was a two week delay in issuing Pensions Savings Statements for 2019/20. This was due to the impact of COVID 19 causing restricted office access at that time which delayed progress on finalising statements and communication to affected members. TPR were informed of the breach and deemed no further action necessary. The Fund is reviewing its business continuity plan to ensure PSS process can be completed digitally going forward if required.</p>

## Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# B. Follow up of prior year recommendations

We identified the following issues in the audit of [insert client name] Pension Fund's 2019/20 financial statements, which resulted in 2 recommendations being reported in our 2019/20 Audit findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>From the work performed it was noted that the controls report for Jupiter Asset Management offered a qualified opinion. All other opinions were unqualified. We have reviewed the exceptions and considered their impact.</p> <p>The first qualification related to a control over segregated mandate investment management fee invoicing which did not operate effectively over the period. The second relates to a control over non-standard client reporting which was not designed suitably. In both cases, the controls failed to achieve their respective control objectives.</p>	Jupiter subsequently enhanced their controls to ensure the control objectives were met so no further action was taken by the Fund. In September 2020 the Fund terminated its mandate with Jupiter as part of its transition of assets to Brunel Pension Partnership.
✓	<p>From the work performed on Benefits Payable it was noted that one member's pension records had not been transferred to Avon Pension Fund and therefore their benefits payable could not be recalculated. This was identified as an isolated incident in relation to any pensioners transferred from one employer in one specific transfer. The total number of pensioners where Avon Pension Fund do not have access to their records is 140 and the total annual benefits payable is £344k which is below triviality. Therefore there is no material impact on the benefits payable figure</p>	Where a transfer of administration responsibility takes place with an LGPS administrator operating a mutual software provider, checks are now in place to ensure both member data and supporting documents are transferred between Fund administrators at the time of the transfer.

## Assessment

- ✓ Action completed
- x Not yet addressed



# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

We did not identify any adjusted misstatements

## Impact of unadjusted misstatements

We did not identify any unadjusted misstatements.

## Misclassification 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.

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Disclosure omission	Auditor recommendations	Adjusted?
In note 22 (Financial Instruments) the Cash held in money market funds was disclosed in the Amortised Cost classification. We challenged management on the classification, who agreed that the MMF was more appropriate disclosed as FVTPL and adjusted the £22.34m within Note 22.	We challenged management on the classification, who agreed that the MMF was more appropriate disclosed as FVTPL and adjusted the £22.34m within Note 22.	✓
As documented on page 12, the critical judgements note has been adjusted to ensure it complied with the disclosure requirements of the CIPFA Code.	We recommended that management adjust their disclosures. Management agreed.	✓
As documented on page 12, the estimation uncertainty note has been adjusted to ensure it complied with the disclosure requirements of the CIPFA Code.	We recommended that management adjust their disclosures. Management agreed.	✓
Management included additional detail in the Fair Value Hierarchy table to describe the valuation methodologies of assets.	As the original detail described similar valuation methodologies to Level 2 investments, we challenged management as to whether the descriptions were appropriate. Management agreed that there were additional inputs to document and amended the disclosure.	✓
General amendments to presentation, grammar, rounding and typographical errors were made in various areas of the accounts.	We brought these to the attention of management, who adjusted most of these errors.	✓

# C. Audit Adjustments



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## Impact of estimation differenced

The table below provides details of estimation differences identified during the 2020/21 audit which have not been adjusted within the final set of financial statements.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Testing of Level 2 investments identified a potential understatement of the estimate	10,252	10,252	10,252	Amount is not an error, but estimation difference
Testing of Level 3 investments identified a potential understatement of the estimate	5,698	5,698	5,698	Amount is not an error, but estimation difference
Overall impact	£15,950	£15,950	£15,950	

## Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
From the work performed where we have independently requested year-end confirmations from investment managers and custodians, it was noted that for non-property pooled investment vehicles, management and the custodian have used the fund manager valuation as at 28 February 2020 to provide their year-end valuation leaving a difference of £6.8m between the accounts and value as at 31 March 2020. This is because the fund manager does not produce the report until after the accounts deadline.	£6,793	£(6,793)	£(6,793)	£6.8m is not material.
Overall impact	£6,793	£(6,793)	£(6,793)	

# D. Fees

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

Audit fees	Proposed fee	Final fee
Pension Fund Audit Scale Fee	22,180	22,180
Additional Proposed audit fees	14,250	14,250
Total audit fees (excluding VAT)	£36,430	£36,430

The fees detailed above differ to the fund's financial statements due to the below reconciling items:

Fee for the Fund's financial statements - £57,000

Made up of:

- External Audit Scale Fee - £22,180
- Additional proposed fees - £14,250
- IAS 19 assurance fee - £7,000
- 2019/20 IAS 19 assurance fee - £7,000
- Internal audit costs (not payable to Grant Thornton) - £20,000

The remaining difference relates to rounding.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Provision of IAS 19 Assurance Letters to other auditors	7,000	7,000
Total non-audit fees (excluding VAT)	£7,000	£7,000

# E. Audit opinion

Our audit opinion is included below.

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

## Independent auditor's report to the members of Bath & North East Somerset Council on the pension fund financial statements of Avon Pension Fund

### Opinion

We have audited the financial statements of Avon Pension Fund (the 'Pension Fund') administered by Bath & North East Somerset Council (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Financial Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Chief Financial Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements' section of this report.

# E. Audit opinion

## Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General [the Code of Audit Practice]

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

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

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

## Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities [set out on page(s) x to x], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Chief Financial Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit & Governance Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



# E. Audit opinion

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Audit & Governance Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit & Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and revenue and expenditure recognition. We determined that the principal risks were in relation to:
  - The valuation of Level 3 Investments.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Chief Financial Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on those that were large and unusual;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of investment assets and IAS 26 pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector

# E. Audit opinion

- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA, LASAAC and SOLACE
  - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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## Use of our report

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

Peter Barber, Key Audit Partner

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

Bristol

# F. Management Letter of Representation

Dear Sirs

Avon Pension Fund

Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Avon Pension Fund for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Fund 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 any 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. Such accounting estimates include the valuation of investments and the valuation of the IAS 26 net pension liability. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for investments and no changes to methodologies were made. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. Except as disclosed in the financial statements:
  - a) there are no unrecorded liabilities, actual or contingent
  - b) none of the assets of the Fund 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.
- vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- ix. 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.
- x. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.



# F. Management Letter of Representation

- xii. The prior period adjustments disclosed in Note 1.35 to the financial statements are accurate and complete. There are no other prior period adjustments to bring to your attention.
- xiii. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that:
  - a) the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b) the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c) the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund'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) access to persons within the Fund via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. 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 information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
  - 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 information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, 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. There has been one communications with The Pensions Regulator during the year concerning a matter of non-compliance from 2019-20. We have drawn to your attention all correspondence with regulators.
- xxii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- xxiii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## Approval

The approval of this letter of representation was minuted by the Fund's Corporate Audit Committee at its meeting on 15 December 2021.



## **BATH & NORTH EAST SOMERSET COUNCIL**

### **STATEMENT OF ACCOUNTS 2020/21**

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## 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 are 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:

### 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.

### Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in the year of different reserves held by the Authority.

### Balance Sheet

The Balance Sheet shows the assets and liabilities of the Council as a whole as at the 31 March 2021.

### 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 2019/20, 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.

# NARRATIVE REPORT

## Bath & North East Somerset in Context

As a local authority area Bath and North East Somerset (B&NES) was formed in 1996 and covers approximately 135.2 square miles. In mid-2019 there were 193,282 residents.

### Topography and features

Bath is the largest urban settlement in the area and forms the main urban centre, acting as the commercial and recreational centre of the district. It is home to just over 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 just over 9% of the total population of B&NES. Midsomer Norton and Radstock are small historic market towns, located in the south of the district with approximately 6% 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.

### Population and Demography

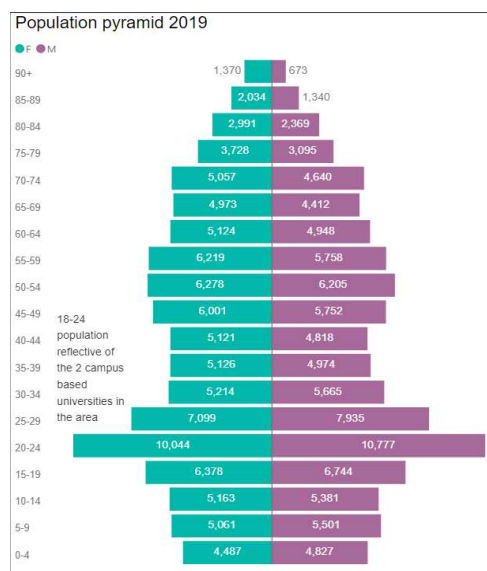
The local population's age structure is similar to the UK's population as a whole, however there is higher number of people aged between 20-24 highlighting the areas notable student population. Between 2001 and 2019, the growth in the 20-24 age range accounted for nearly 40% of the area's population growth.

The claimant count (those claiming Jobseekers Allowance (JSA), NI credits and Universal Credit (UC) who are out of work) was 5,065 (4.1%) in B&NES in March 2021, lower than the South West and England figures (5.1% and 6.5% respectively). Rates locally remained fairly static between 2016 -20, but as with the national and regional figures, there has been an upward trend since restriction associated with Covid-19 came into force in March 2020 when the B&NES claimant count was 2,145 (1.7%). It should be noted that B&NES is a pilot area for Universal Credit

B&NES is less ethnically diverse than the UK as a whole, 91% of local residents define their ethnicity as White British. This is followed by 4.2% defining as White Other and 1.6% defining as Asian.

In 2020, 87% of the population were either very or fairly satisfied with their local area as a place to live, which is a 3% increase from 2019.

The Office for National Statistics (ONS) project that the Bath and North East Somerset population will increase to 202,821 by 2030, an increase of nearly 5% from 2020.



### Economy

Workplace wages are higher in B&NES at £439 median weekly gross pay compared to £434 for the South West region, but lower than £482 for England.

Economic activity in B&NES remains just higher than the national average, at 85% compared to 79% nationally.

There are an estimated 7,400 workless households in B&NES (12.9%) compared to 13.9% nationally.

Overall levels of resident qualifications are also high in B&NES with 53% educated to NVQ4 and above compared to 41% regionally and 43% nationally.

### Wellbeing

In the 2011 Census, 16% of 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.

Health outcomes for B&NES are generally good. However, inequalities in outcomes do exist, as well as some concerning emerging trends that possibly point to an overall worsening level of health and wellbeing across the population.

Previous improvements in life expectancy in B&NES appears to have slowed (life expectancy at birth is 85 years for females and 81 years for males during the period 2017-2019). Furthermore, healthy life expectancy for females is lower during the period 2017-2019 compared to the period 2010-2012 – 66 years and 68 years respectively.

At the time of writing this summary, the world, including B&NES, was experiencing its first significant pandemic since the 1918 flu pandemic. Increases in mortality and morbidity, both direct and indirect, have the potential to cause further stagnations or declines in life expectancy and healthy life expectancy.

# NARRATIVE REPORT

## The Next Twelve Months & Medium Term Outlook

The Medium-Term Financial Strategy (MTFS) was approved in October 2020 and outlined how the budget would be delivered over the medium to long-term. This incorporates the short to medium term impact of the COVID pandemic on Council finances. The MTFS for B&NES spans two years with a further three added to show the likely longer-term picture.

The Council needs to deliver a balanced budget over the term of the plan. A balanced budget means that balances or reserves are not used to meet on-going expenditure commitments. The updated plan shows a balanced budget for 2021/22 and a current projected budget gap for 2022/23 and beyond although this is expected to reduce once the impacts of returning income and further efficiencies are factored in to budget planning. The figures include all estimates for pay awards, pension costs, Council Tax, business rates, Government grant, and inflation. The revenue budget contingency has been increased by £0.65m to £1.65m and a one off COVID risk reserve of £5m has been added for 2021/22

The budget has been developed considering how to manage the financial impact of the COVID pandemic whilst delivering the Corporate Strategy to meet our key principles and commitments. After taking account of ongoing service cost pressures and the specific impact of the COVID pandemic, the starting point for the 2021/22 budget was a funding gap of c£20m. The approved budget meets the funding gap in two ways:

- 1) A savings package of £8.48m, and
- 2) a one-off use of reserves of £11.31m (£8.5m revenue and £2.81m business rates), full repayment of the revenue reserves has been built into the five year budget planning period.

The impact of COVID on the Council has created a material imbalance in how the Council funds its services, Council tax and Business rates alone do not fully fund the Council's services – they are also funded by external income. A significant sum of £15.24m has been applied to the 2021/22 budget to take account of the pressures that the COVID pandemic has had on Council services, specifically its income budgets which have been rebased in line with recovery business plan projections. This pressure is broken down as follows:

- Commercial Estate £5m
- Parking £4m
- Heritage Services £4.24m
- Other pressures £2m

The other pressures are a rebasing of prior years' efficiency savings that have been thoroughly reviewed and assessed as not deliverable in 2020/21 or 2021/22. These are primarily cross Council efficiency programmes requiring staffing savings, the deliverability of these savings have been impacted by the COVID pandemic and the new demands on the organisation.

This represents an unprecedented level of budget rebasing and highlights that there has been a reliance on external commercial income to fund the Council's base budget. To manage this over the short and medium term there will need to be a re-balance found between appropriate Council tax increases alongside ensuring sustainable commercial income.

Savings plans total £9.79m over the next two years with plans to deliver £8.48m in 2021/22 and a balanced budget, with a further £1.30m planned for 2022/23 leaving a gap of £12.54m. This will be reviewed early in the 2021/22 financial year to enable budget planning to develop robust and deliverable proposals for the 2022/23 budget. The MTFS also currently estimates further savings requirements of £6.65m covering the three year period from 2023/24 to 2025/26.

An updated Efficiency Strategy was approved in February 2021, which outlined the use of Government's capital receipts flexibility. This enables the utilisation of capital receipts for revenue spend which results in ongoing savings. This is a key part of the strategy for funding the one-off costs, such as severance, in reducing on-going salary and other service costs. The Council utilised £1.3m of capital receipts to fund one-off costs of delivering savings in 2020/21 and has budgeted to utilise up to £3.2m in 2021/22.

The Local Government Finance Settlement for 2021/22 provided updates on future funding changes and further funding provisions including:-

- The continuation of the West of England Devolution Authorities 100% Business Rate Retention pilot in 2021/22. This provides a significant financial benefit to the Council with estimated benefits of c.£3.8 million factored into the Council's budget in 2021/22.
- A further delay in the Fairer Funding Review and Business Rate Retention changes until 2022/23 at the earliest.
- Confirmation of a further £300m Social Care grant funding (£0.33m) which will be combined with the continuation of the existing Social Care Support grant (£3.93m). This funding is assumed as recurrent in the base budget.
- Confirmation that the existing Improved Better Care Fund social grant incorporating the Winter pressures Grant will continue with the same distribution as 2020/21. For B&NES this will mean a continuation of £4.76m protecting the Better Care Fund schemes that have committed this funding on an annual basis.
- In recognising the continued pressures facing Adult Social Care (ASC) authorities, a further 3% allowance for the Adult Social Care Council Tax increase was announced for 2021/22.
- A general council tax increase cap of 2% for 2021/22 (this excludes the Adult Social Care Council Tax increase).

### The Budget agreed for 2021/22 included the following key proposals:

- An increase of 3% to Council Tax for the Adult Social Care Precept in recognition of the current demands and financial pressures on this service.
- An increase in general Council Tax of 1.99% in 2021/22.
- The Band D Council Tax for Bath and North East Somerset Council next year, including the Adult Social Care Precept increase, is £1,529.57 (£1,456.88 in 2020/21) an overall increase of 4.99% and £72.69 per Band D (£1.40 per week).
- A General Fund net revenue budget of £130.07m for 2021/22 and an approved Capital Programme for 2021/22 of £69.51m.

### Corporate Strategy

The 2021/22 budget focusses on delivery of the Corporate Strategy which is set within the following framework:

ONE: We have one overriding purpose – to improve people's lives. This brings together everything we do, from cleaning the streets to caring for our older people. It is the foundation for our strategy, and we will ensure that it drives our commitments, spending and service delivery.

TWO: We have two core policies – **tackling the climate and ecological emergency** and **giving people a bigger say**. These will shape **everything** we do.

THREE: To translate our purpose into commitments, we have identified **three** principles. We want to **prepare for the future, deliver for local residents and focus on prevention**.

## NARRATIVE REPORT

### The Next Twelve Months & Medium Term Outlook (Continued)

This is all set out clearly in the diagram below:



This is the "golden thread" which drives what we do ensuring that setting budgets and managing our people - our most valuable resource - are guided by the council's priorities. It also means that our commitments are realistic and achievable.

Areas of strategic priority and focus over the next two years will include:

- Ongoing investment to deliver more effective transport schemes across the council area, with a particular focus on creating low traffic neighbourhoods and more opportunity to prioritise walking and cycling and the introduction of financial incentives to reduce inward commuting through the extension of resident parking zones.
- Continued investment to support the most vulnerable people in our communities.
- Continued commitment to secure action to address the climate and ecological emergency.
- Focus on supporting the local economy to recover from the impact of the pandemic with a particular priority to work with partners to rebalance the economy to reduce the dependence on retail, hospitality and tourism.
- Support the "Preparing for the Future" programme to modernise the council with a focus on improved asset management and flexible working.

### Total Resources Available for the Capital Programme

The table below summarises the approved resources available for the 2021/22 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.

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Total Schemes</b>	<b>195,851</b>	<b>46,413</b>	<b>27,223</b>	<b>16,680</b>	<b>10,480</b>
<b>Funding Sources</b>					
Grant	70,774	10,796	8,976	7,258	4,829
Capital Receipts	4,150	1,865	5,700	0	0
Revenue	202	0	0	0	0
Borrowing	110,694	30,347	11,621	9,308	5,651
3rd Party (incl. s106 & CIL)	10,031	3,405	923	114	0
<b>Total Funding</b>	<b>195,851</b>	<b>46,413</b>	<b>27,220</b>	<b>16,680</b>	<b>10,480</b>

### Revenue Outturn and Balances 2020/21

The Council's net revenue budget was set at £118.251m with an increase of 3.98% in its part of the 2020/21 Council Tax (split 1.99% for the Adult Social Care precept and a 1.99% general increase). Dedicated Schools Grant funding of £45.626m separately supports expenditure on schools.

The 2020/21 budget was set prior to the emergence of the Covid-19 pandemic in the United Kingdom. It became clear at an early stage that the Council would face an unprecedented financial challenge due to the impacts on Council services and the revenue budget. The Council took immediate action to manage the 2020/21 associated financial pressures arising from income reductions and spend pressures. A report was taken to the Council's Cabinet meeting on 2nd July 2020 setting out actions to address the in-year budget impact and financial recovery measures.

The report set out the financial impacts of Covid-19 on the Council's revenue budgets based on an estimated £42m pressure before any government grant support and the proposed financial recovery measures. The most significant forecast pressures were the impact on the Council's key service income streams as follows:

- Heritage Income - £16.6m forecast deficit in turnover due to the closure of the Roman Baths, Fashion Museum and Victoria Art Gallery which under normal circumstances would generate a net annual profit of £9.7m. With Reopening of the service needing to take into account social distancing measures and anticipated reductions in demand from international visitors.

- Parking Income - £7.2m adversely impacted from the Covid-19 restrictions with a period of non-charging during the lockdown and ongoing reduced demand due to the material usage drop from the impacts on the visitor economy alongside fewer regular users as people worked from home or were not able to work.

- Commercial Estate Rental Income - £6.1m deficit was projected to the end of the year and built on the assumption that there would be new voids in the Commercial Estate due to the impact on business viability following the Covid-19 restrictions and changes in consumer behaviour.

At the time of developing the required mitigating financial recovery measures, the confirmed government revenue grant allocation to B&NES was £10m from the national funding to local government for dealing with Covid-19 related pressures. Based on this level of government support, a set of financial recovery measures totalling £20.7m was agreed with reserves earmarked to fund the remaining balance of just over £11m.

## NARRATIVE REPORT

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During the year, the government announced further financial support measures to help Councils with the impacts of the pandemic, details of the grants are set out in the Covid-19 Grants section below. The final un-ringfenced COVID support grant to B&NES for dealing with the on-going pandemic increased from £10m to £11.94m. The government also introduced a Sales, Fees and Charges income loss compensation scheme under which the Council received grant funding of £17.72m towards the non commercial income losses the Council incurred.

The government funding to compensate for sales, fees and charges income losses removed the need for reserve usage in 2020/21 to produce a balanced outturn position and allowed for some flexibility in delivering the full £20.7m financial recovery plans agreed by Cabinet.

Of the £20.7m Financial Recovery Plans agreed by Cabinet in July 2020, approximately £14.8m were delivered in full. The remaining £5.9m were corporate initiatives, including the use of contingency budgets, reserves and salary budget savings, which were not required to support the revenue position following the announcement of the government's Sales, Fees and Charges Compensation Scheme as well as the additional COVID support grant funding. As a result, the overall revenue outturn position has been managed within budget and the organisation has maintained resource to respond to the challenges of the pandemic.

Total net spending amounted to £105.462m against a revised budget of £111.189m, giving a year end under budget position of £5.727m on the general fund before transfers to reserves. After allowing for carry forwards of £0.312m, and proposed transfers to reserves of £5.415m, the final outturn position is balanced. The Cabinet Outturn report proposes to transfer the £5.415m to corporate earmarked reserves to support the Council in dealing with the budgetary impact of COVID in 2021/22. These transfers and carry forwards will be reflected in the 2021/22 accounts. The uncommitted General Fund balance (unearmarked reserves) after allowing for the transfers and carry forwards is £13.5m, which is in accordance with the current risk assessed target range approved by the Council in February 2020.

Schools balances have increased by £0.645m to £1.230m at the year-end, this is partly due to schools with deficits converting to academies and taking their deficit out of the Local Authority held schools balances.

The Council followed well established procedures for monitoring its finances and reporting the position to Senior Management and the Cabinet throughout the year. There has been improvement against the Quarter 3 forecast from an under budget position in Adult Social Care, together with the proactive Financial Recovery measures and COVID grant funding that has mitigated all other pressures. As referenced above the one-off benefits are proposed to be transferred to reserves to support the Council in dealing with the budgetary impact of COVID in 2021/22.

### The main adverse variances from budget incurred, at Cabinet Portfolio level, are:

**Community Services** - over budget by £4.083m - This portfolio has been significantly affected by the Covid-19 pandemic, as many of the services are income generating for the Council. The largest of which is Heritage Services, which experienced a shortfall in income of £19.7m against budget. This was partially mitigated through both government Sales, Fees and Charges compensation and internal recovery plans. However, the service could not avoid falling £3.5m short of their budgeted profit target. Other services impacted by loss of income have also been part compensated through the government compensation scheme, which include Parks, Building Control and Land Charges, Registrars and Events. In addition, the Council has incurred additional costs supporting its Leisure provider during the year.

**Children's Services** - over budget by £1.878m - The main drivers of the over budget position of £1.88m are considerable ongoing pressures due to Joint Agency Pooled (JAP) and Residential placement spend, totalling £2.65m. This is primarily due to an exceptionally complex placement that is not typical of historical costs. The JAP expenditure increase year on year and subsequent financial pressure, is as a result of support packages needed to keep children safe and for the complex packages of care required for the children with highest need. The Residential pressure included increased expenditure from additional placements in relation to contextual safeguarding.

The £2.65m pressure from JAP and Residential spend was offset by under budget positions across other demand driven budget areas totalling £0.6m. This was a result of lower spend than budget on Foster Carers, due to COVID affecting the recruitment of new Foster Carers in the initial lockdown and reduced spend on Parent and Baby placements. The reduced Parent and Baby spend was a result of ongoing development and implementation of the practice framework.

The JAP and Residential pressure was further offset by £0.15m reduced spend versus budget across the Early Years area. This was due to COVID reducing the ability to provide services as normal.

### The main favourable variances from budgets incurred, at Cabinet Portfolio level are:

**Resources** - under budget by £6.602m - The Council's Commercial Estate has been significantly impacted by the pandemic, which has resulted in difficulties in letting units and achieving pre-pandemic market rent levels. This will likely continue into 2021/22 and levels of outstanding rent arrears are being closely monitored. The variance to budget at year end for 2020/21 is an adverse position of £8.11m, of this variance c£5m is due to the downturn in realisable income during 2020/21. This is made up of rising voids, reductions in current market rent and also outstanding debt that is now at risk. The remaining c£3m is due to a one-off adjustment at year end that aligns the billing period and financial year as this needed aligning in the Councils accounts. The 2021/22 budget has been rebased, with the income budget reduced by £5m to reflect the pressure on rental income.

The ICT service has experienced additional pressures placed upon it throughout the year as a result of large sections of the organisation working remotely and as a result was over budget by £0.47m.

Corporately held savings targets relating to Digital £0.75m, Improving How We Work £0.3m and Procurement £0.3m were thoroughly reviewed and assessed as not deliverable in 2020/21 or 2021/22. These are primarily cross Council efficiency programmes requiring staff savings and the deliverability of the savings have been impacted by the COVID pandemic and the diversion of resource to focus on the new demands being placed on the organisation. The on-going pressure has been addressed in the 21/22 approved budget.

Reduced borrowing costs resulting from both higher cash balances and a reprofiled capital programme (£3.3m), combined with £12.4m benefit of corporately held Covid-19 support grants have offset the aforementioned pressures, creating an overall favourable position for the portfolio.

The un-ringfenced COVID support grants were held corporately within the Resources portfolio and have also contributed to the mitigation of COVID service pressures highlighted across other portfolios.

**Adult Services** - under budget by £4.676m - Adult Services have been greatly affected by the Covid-19 Pandemic which has resulted in favourable variances in commissioned purchasing budgets. This was partially due to placements resulting from a hospital discharge being funded via the NHS funded hospital discharge pathway from March 2020 until November 2020 and for the first 6 weeks from November to the end of the 2020-21 year. This resulted in lower social care placements in both number and value.

The community services, in particular day care and respite care were required to close in line with lockdown requirements, so were unavailable for most of the year, and where they were available, delivered a reduced service to ensure compliance with Covid-19 precautions. This resulted in reduced direct spend on these services and is reflected in the underspend budget position.

Throughout the year, financial support was given to care providers in the form of supplier relief, to ensure that providers were able to continue to deliver services by retaining their resources and working with commissioners to deliver services in alternative ways to ensure people were supported in their needs. These costs were covered by the underspend position within budgets.

The service supported the Council's adverse financial position by delivering £3.6m of in year recovery savings, reflected in the final underspend budget position. Further actions have taken place to drive change and achieve the in-year recovery savings, including targeted reviews and use of panels to ensure that the care approved is the correct care. The service has been successful in delivering this value, mainly through one-off savings.



## NARRATIVE REPORT

**Housing, Planning & Economic Development** - under budget by £1.172m - All four services within the portfolio (Housing, Business and Skills, Regeneration, and Planning) ended the year in an under-budget position, achieving their recovery plans through salary savings and delaying project spend.

### Schools Outturn & Balances

The overall Dedicated Schools Grant for 2020/21 was £149.642m, however of this sum £104.016m was returned to the DFE to be allocated to academies, £13.693m was allocated to schools through funding formula, with the remaining £30.683m (after the prior year overspend of £1.249m) retained by the LA to support Special Educational Needs, central expenditure and Early Years.

The centrally held elements of the Dedicated Schools Grant (DSG) were over budget by £4.174m, due to significant increases in numbers and cost of placements for children with SEND which is funded from the high needs block within the Dedicated Schools Grant. This Overspend will be carried forward along with the accumulated deficit on the DSG of £1.249m giving a total overspend to be carried forward of £5.424m. In line with Government guidance any overspend is carried forward for recovery against future DSG funding. Therefore, the Council cannot fund this pressure from its own non DSG funding (unless permission is given by the Secretary of State to disregard the requirement to fund from the DSG). Year-end budgets have been adjusted to reflect the transfer of the £5.424m overspend into a specific unusable reserve for recovery against future DSG funding. This treatment is in line with recently announced government guidance stating that DSG in-year and cumulative deficits should no longer be held as a negative earmarked reserve and should instead be held in an unusable reserve called the Dedicated Schools Grant Adjustment Account. This accounting treatment has the effect of separating schools budget deficits from the Councils' general fund and covers the period of three financial years from 1st April 2020 to 31st March 2023.

Schools balances increased by £644k to £1.23m at the year-end. This increase is partly due to schools with deficits converting to academies and taking their deficit out of the LA schools balances. These balances are closely monitored by Schools Forum which has adopted an excessive balances policy in line with continued DFE best practise guidance. All schools with balances deemed to be excessive are challenged to explain their position. Most large balances are retained as part of plans for capital projects in schools.

The revenue outturn position compared to the budget is as follows:

Service (based on 2020/21 Cabinet Portfolios)	Budget	Actual	(Under)/ Over
	£'000	£'000	Budget £'000
Leader	(633)	(8)	625
Resources	8,635	2,033	(6,602)
Adult Services	54,946	50,270	(4,676)
Children's Services	30,957	32,835	1,878
Climate Emergency & Neighbourhood Services	17,003	16,840	(163)
Housing, Planning & Economic Development	4,001	2,829	(1,172)
Community Services	(3,359)	724	4,083
Transport Services	(361)	(61)	300
<b>Total (before carry forwards and t/f to reserves )</b>	<b>111,189</b>	<b>105,462</b>	<b>(5,727)</b>
Carry Forward Requests			312
Proposed Transfers to Reserves			5,415
<b>Total (Including Carry Forwards and Transfers to Reserves)</b>			<b>-</b>

The Leader Portfolio is made up of Visit Bath and the Council's Housing Delivery Company.

The Resources Portfolio is made up of Finance, Information Technology, Audit & Procurement, Human Resources, Legal & Democratic Services, Property Services, Traded Services, and Corporate & Agency budgets.

Adult Services Portfolio is made of Adult Care, Health & Housing Strategy & Commissioning (including Mental Health, Learning Difficulties, Adult Social Care & Adult Safeguarding), and Public Health (including Health Improvement, Health Intelligence and support to NHS Commissioning).

Children's Services is made up of Children & Young People Strategy & Commissioning (including Education, Safeguarding & Commissioning) and Children & Young People Specialist Services (including Children In Care, Safeguarding, Early Years, Assessment & Intervention and Youth Services).

The Climate Emergency & Neighbourhoods Portfolio is made up of Waste & Fleet Services, Environmental Monitoring & Sustainability.

Housing, Planning & Economic Development Portfolio is made up Housing, Regeneration, Development Management and Business & Skills

The Community Services Portfolio is made up of Building Control & Public Protection, Parks & Open Spaces, Customer Services & Libraries, Community Safety, World Heritage, Heritage Services, Registrars, Leisure and Events & Active Lifestyles.

Transport Services is made up of Highways, Parking and Public & Passenger Transport and Emergency Planning.

## NARRATIVE REPORT

### COVID-19 Grants

The Council received a range of grants from Central Government in 2020/21 to support the overall response to the COVID-19 pandemic. The financial impact of these grants is included within the outturn and Statement of Accounts. The Council support grants and Business support grants were administered by the Council in line within the guidance received from Central Government. Following the receipt of a grant the Council had to determine whether in administering the grant it was acting as an agent or principal.

Where the Council was acting as agent the following conditions applied:

- It was acting as an intermediary between the recipient and the Government Department;
- It did not have "control" of the grant conditions and there was no flexibility in determining the level of grant payable.

Where the Council acted as principal, it was able to use its own discretion when allocating the amount of grant payable.

#### Council COVID Grant Support

The following table provides a summary of the Government grant funding received during 2020/21 in respect of the COVID 19 pandemic. The majority of the funding has been utilised in the 2020/21 revenue outturn position. The unutilised balance on some grants has been transferred to earmarked reserves so they are available to fund costs arising in 2021/22.

COVID Grant Support 2020/21	Grant Rec'd £m	Utilised in 2020/21 £m	Balance trf to Reserves £m
COVID 19 - Local Government Support Grant	11.94	11.94	0.00
Sales, Fees and Charges Compensation Scheme	17.72	17.72	0.00
COVID Winter Grant Scheme	0.50	0.50	0.00
Test & Trace Support Scheme	0.26	0.14	0.12
Contain Outbreak Management Fund	4.46	1.02	3.44
LA Test & Trace Support Grant (LOMP)	0.85	0.06	0.79
Council Tax Hardship Grant	1.29	1.00	0.28
COVID Rapid Testing Fund	0.56	0.56	0.00
COVID Infection Control Grant	4.06	4.06	0.00
Business Support Grants New Burdens Grant	0.25	0.03	0.21
Coronavirus Job Retention Scheme Grant	0.56	0.56	0.00
Other Grants	1.25	1.25	0.00
<b>Total</b>	<b>43.69</b>	<b>38.84</b>	<b>4.85</b>

#### Business Support Grants

The Council has been responsible for the administration and processing of Business Grants to support local businesses on behalf of the Government. The series of grants were split into two lockdown periods and the tables below outline the type, value of the grants which the Council has administered and paid up to the 31st March 2021, and whether the Council was acting as Principal or Agent.

	Total Grant Allocation £'000	Council acting as Agent £'000	Council acting as Principal £'000	Total Distributed as at 31/03/21 £'000	Repaid to Govt. before 31/03/21 £'000	Balance as at 31/03/21 £'000
<b><u>Grants Covering May 2020 to September 2020</u></b>						
Small Business Grants Fund /Retail, Leisure and Hospitality Grant Fund	43,986	43,986	-	40,780	3,206	-
Local Authority Discretionary Fund Grant	2,120	-	2,120	2,110		10
<b><u>Grants Covering November 2020 to March 2021</u></b>						
<b><u>Local Restrictions Support Grants (LRSg)</u></b>						
LRSg Closed Lockdown	4,240	4,240	-	2,892		1,348
LRSg Additional Restrictions	5,583	-	5,583	4,537		1,046
LRSg Open	1,247	-	1,247	1,027		220
LRSg Closed Tier 2	458	458	-	554		(96)
LRSg Closed (Addendum): 5 January Onwards	13,022	13,022	-	8,628		4,394
LRSg Closed Business Lockdown Payment	12,717	12,717	-	8,457		4,260
<b>Total</b>	<b>83,373</b>	<b>74,423</b>	<b>8,950</b>	<b>68,985</b>	<b>3,206</b>	<b>11,182</b>

## NARRATIVE REPORT

### Collection Fund

As part of the 2021/22 budget setting, an estimate was made on the position of the Collection Fund as at 31st March 2021. 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. At an overall level, the outturn position on the Collection Fund position improved by £4.024m over the estimated position. The difference will be taken into consideration when estimating the closing 2021/22 Collection Fund as part of the 2022/23 budget process.

The year end deficit balance of £39.392m is largely due to the additional reliefs which were awarded to business ratepayers during 2020/21 due to the COVID Pandemic, primarily the extended Retail Relief. The Council's share of the deficit that relates to the extended retail relief was £39.0m. The impact of the loss of Business Rate income from granting the relief was compensated for by government through the award of a s31 revenue grant which was received in 2020/21. Due to the technical accounting requirements and timing of funding the Collection Fund deficit, the s31 compensation grant of £39.0m has been transferred to a new earmarked reserve (S31 Business Rate Relief Compensation Grant Reserve) in 2020/21 so it is available in 2021/22 to offset the recovery of this element of the deficit.

This technical accounting treatment has led to a significant temporary increase in the level of the Council's earmarked revenue reserves that are reported as at 31st March 2021. The Council's reserves position is detailed at Note 23 to these accounts.

	Estimated surplus / (deficit)	Actual surplus / (deficit)	Difference
	£'000	£'000	£'000
Council Tax	(1,165)	132	1,297
Business Rates	(42,251)	(39,524)	2,727
<b>Total</b>	<b>(43,416)</b>	<b>(39,392)</b>	<b>4,024</b>

### Comprehensive Income and Expenditure Statement

The Comprehensive 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 Comprehensive Income and Expenditure Statement included within this Statement of Accounts shows the net cost of services for the year of £144.5m.

This reconciles to the General Fund spending reported above as follows:

	£'000	£'000
Total net spending by departments		105,462
Add:		
Charges related to capital assets:		
- depreciation and impairments	23,892	
- revenue expenditure funded from capital under statute	5,468	
- loss on revaluations	7,105	
		36,465
Offset by:		
Grant funded revenue expenditure funded from capital under statute	5,041	
Unapportioned pensions contributions	(3,438)	
Levy payments	5,076	
Interest received and paid	(7,338)	
Non-Ringfenced Government Grants	54,665	
Other movements on funds and balances	(1,739)	
Net transfers to reserves	(54,868)	
		(2,601)
Cost of services - continuing operations		<b>144,528</b>

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

## NARRATIVE REPORT

### Capital Expenditure

Capital expenditure in 2020/21 totalled £62.2m. Overall capital spending was 63% of the revised capital budget, primarily reflecting the delivery time to complete projects moving into future financial periods. Details are:

Cabinet Portfolios

	Planned Spend	Actual Spend	Variation on planned spend
	£'000	£'000	£'000
Adult Services	336	202	(134)
Children's Services	8,791	4,399	(4,392)
Climate Emergency & N'Hood Services	15,965	7,778	(8,187)
Community Services	6,659	4,886	(1,773)
Housing, Planning & Economic Development	40,280	27,862	(12,418)
Resources & Deputy Leader	14,394	7,869	(6,525)
Transport Services	11,806	9,206	(2,600)
	<u>98,231</u>	<u>62,202</u>	<u>(36,029)</u>

Capital expenditure was financed by:

	£'000
Capital Receipts	644
Grants	40,487
Borrowing	17,652
3rd Party Contributions	484
Revenue	503
S.106 / CIL contributions	2,432
	<u>62,202</u>

Capital spend on developments for the Bath Quays North Site, South Site and Bridge was £16.4m, £3.2m on the Bath Western Riverside and £5.7m North Keynsham Land Acquisition. Capital spend of £9.0m was on Highways infrastructure with £5.2m on introduction of the Clean Air Zone, £2.8m of spend was incurred on improvement and repairs to schools and Council Buildings, and £3.3m on new Archway Centre upgrade to the Roman Baths Museum.

### Property, Plant & Equipment

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

Transfers of £10.770m from Assets Under Construction reflecting projects becoming operational in the year:-

	£'000
Keynsham Sport Centre	9,481
Clean Air Zone	874
Queen's Square Improvements	388
Other	27
	<u>10,770</u>

Transfers from £1.895m from Investment Properties to reflect their purpose is not longer income generation or capital gain

	£'000
162 Bloomfield Road	130
23 Grosvenor Place	663
Victoria Hall Radstock	310
64-76 Dartmouth Avenue	265
Other	527
	<u>1,895</u>

Net Revaluation loss of £17.438m for Other Land and Buildings for the following classes of assets:-

	£'000
Leisure Centres	(9,485)
Car Parks	(9,278)
Heritage	(4,200)
Adult Services (Community Resource Centres / Homes)	(1,803)
Land	3,250
Education	1,072
Schools Primary	499
Offices	462
Depots	853
Housing	543
Other	649
	<u>(17,438)</u>

### Investment Property Assets Values

Investment Properties were subject to new valuations in 2020/21 and reflected a valuation basis of market value.

The valuer reported an £48.3 reduction in Investment Property values since the last full valuation was undertaken (31st March 2019), arising from reduction in Commercial Estate Income arising from the impact on business viability following the Covid-19 restrictions and changes in consumer behaviour.

# NARRATIVE REPORT

## Non Financial Performance of the Council

### New Priorities

A new council framework was developed during 2020. The core purpose of this new framework is to improve people's lives and it is based on three principles:

- Delivering for local residents
- Focusing on prevention
- Preparing for the future

The following is a brief narrative overview of metrics associated with these priorities. This is for the financial year 2020/21 with available data. Please note that the Covid-19 pandemic created significant disruption to both service delivery and availability of data.

### 'Delivering for local residents'

#### Covid-19 Support

The Council has managed and coordinated a Community Hub in response to the COVID pandemic the Hub has played a crucial role. The following is a summary of the outcomes achieved since it opened on 23rd March 2020 until the end of March this year:

- 12,387 calls from residents requiring support
- 3,070 food, 537 emergency medication and 149 other pick-ups
- 666 food parcels delivered, supporting 829 individuals
- 42,000 frozen meals delivered
- 2,500 surgical masks delivered, 40 pharmacies supported with PPE

The Council has also been responsible for the administration of the Business Support Grants to local business.

- In the first period between May and September 2020, we processed and administered grants to 3,470 grants to businesses totalling £42.8m, and in the second period from November 2020 to end of the financial year, we processed grants to 2,519 to businesses totalling £27.6m.

#### Education

- As of 2019, the large majority of pupils in Bath and North East Somerset are taught in Good or Outstanding schools and educational outcomes are broadly in line with or above the national average at most key stages. In some cases attainment in B&NES is the best or amongst the best in the South West, for example the proportion of pupils reaching both the expected and higher standards at the end of Key Stage 2 is the highest in the South West. Attainment at Key Stage 5 remains high.
- However, the achievement of pupils eligible for Free School Meals is much lower than similar pupils nationally at all key stages, and reducing this gap remains a priority.
- The Covid-19 pandemic caused disruption to the national education system and the authority prioritised the risk assessment of vulnerable children in B&NES to ensure that appropriate care and support was provided.
- Data collection for academic achievement suspended for both the 19/20 and 20/21 academic years, however early national research suggests that the impacts of this disruption are having a significant impact on overall levels of attainment, particularly for the most vulnerable and lower-income families.

#### People who might experience barriers to employment

- In 2020/21 13.2% of adults with Learning Disabilities who are known to the Council were in paid employment, increasing by 1.2% compared to the previous year. This is significantly above the latest national average of 5.6% (2019/20).
- At the end of March 2021, 11.2% of adults in contact with secondary mental health services were in paid employment, which is better than the 2019/20 national average of 9% and in line with the South West rate of 11%.

#### Housing benefit and Council tax

- As of March 2021, the total caseload for Housing Benefit locally was 5,145. This continues a downward trend and is the lowest level in the past 8 years. The reduction is likely to be a result of the gradual transition to Universal Credit.
- As of March 2021, the total caseload for Council Tax Support was 10,493. A gradual year-on-year downward trend ended in March 2020 (at 9,831). Caseload then increased rapidly, peaking in July 2020 at 10,606. The likely cause of this significant increase is the Covid-19 pandemic. Specifically, the impact of national lockdowns on employment and household earnings and the subsequent increase in claims for Universal Credit.

#### Homelessness

- As a consequence of government requirements during the Covid-19 response, the number of households in temporary accommodation rose from 27 in Mar 20 to 61 in June 20. There were 55 households in temporary accommodation in Mar 21.

### 'Focusing on prevention'

#### Child Protection

- The volume and rates of children in care has remained largely stable, following a historic period of increase, with 180 children in care by March 2021.
- Alongside this, the number of children on a child protection plan has reduced to 102 in Q4 20/21 from 134 in Q4 19/20.
- Contacts to Children's social care remain largely consistent over time. A reduction in demand was however observed during the period of first Lockdown.

#### Adult Social Care

- The impact of COVID-19 on Adult Social Care performance has been significant, as the drive to preserve hospital capacity, the related changes to hospital discharge arrangements and the requirements to deliver services safely in the community during a pandemic – for both service users and staff – completely changed the way that services operated. Some services couldn't operate as normal in the early months of the pandemic response, as face-to-face visits were often declined where people were shielding, which affected the number of assessments and reviews of a person's needs undertaken.
- These changes also impacted on performance reporting as people temporarily funded by the NHS under revised hospital discharge arrangements were not counted as social care services users for key measures of Adult Social Care performance. For example, the number of new admissions to care homes per 100,000 adults (65+) in 2019/20 for B&NES was 607.9 against a regional average of 518.9 and peer-group (of demographically-similar councils) average of 584.6. However, the projected annual result for 2020/21 for B&NES is 509.8, as the number of social-care funded service users has reduced while people are funded under revised hospital discharge arrangements. The rates for other councils are likely to reduce as well, so B&NES may continue at a higher rate than comparators when benchmarking data is available.
- A key focus of activity in 2020/21 was increasing the rate of annual reviews carried out within a year of the previous review or assessment. While the rate remains lower than the 80% target, at 59% at the end of April 2021, it is on an improving trajectory. The list of outstanding reviews was triaged and prioritised to ensure that those with the greatest level of need were seen first.
- There was an overall increase of 13% in the number of reviews carried out in 2020/21 compared to 2019/20, with a significant increase in the number of planned reviews carried out and a reduction in the number of unscheduled reviews brought about by a change in the person's needs (e.g. admission to hospital).

## NARRATIVE REPORT

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### Non Financial Performance of the Council (cont.)

#### Health and Wellbeing inequalities

- As with many outcomes, there is an inequality gap in life expectancy at birth, especially for men - with those living in the least deprived areas of B&NES living 7 years longer than men in the most deprived areas of B&NES (2017-2019).
- It is widely recognised that the pandemic has not only highlighted inequalities that already existed but has likely exacerbated these inequalities. Many analyses have shown that older age, ethnicity, male sex and geographical area, for example, are associated with the risk of getting the infection, experiencing more severe symptoms and higher rates of death. The indirect impacts – for example, access to healthcare and education having been restricted or adapted – are likely to have long-term effects.

#### Special Education Needs

- As at January 2021 there were 1,559 B&NES Council maintained Education, Health and Care (EHC) Plans for children and young people with Special Educational Needs and/or Disabilities (SEND). There were also a further 3,027 lower need SEND Support pupils in local state-funded mainstream primary and secondary schools. This number has increased on a year-on-year basis for the last 5 years.

#### Waste & Recycling

- By December 2020 94.7% of domestic waste was reused, recycled or composted, against an 80% target. Overall rates have remained consistent over time but this is a slight increase on previous years.

### 'Preparing for the future'

#### Local Renewable Energy

- In 2019, the installed renewable energy installed capacity in the district was 21.7 MW, the majority of which is photovoltaic (PV) installations (2,401). In 2018, the installed capacity was 21.4MW (2,338 PV installations) (Department of Business Energy and Industrial Strategy, Renewable electricity by local authority, 24 September 2020).

#### Carbon neutral development and energy efficiency retrofitting

- 3,720 ECO measures (retrofitting) have been installed in B&NES up to the end March 2021 (Department of Business Energy and Industrial Strategy, Household energy efficiency Statistics, 18 March 2021).

#### Housing Growth and Development

- There were 1163 net additional homes built in 2019/20, with 20/21 figures not available at time of publication, however both a lowered forecast trajectory and potential impacts of Covid-19 are likely to create a reduction in delivery.
- Statutory planning development targets all remain significantly above target for 2020/21, with 80% of major planning decisions made within timescale.

### Corporate Risk Management

The Council's Risk Management Strategy was last reviewed and updated in 2019 and sets out the framework to manage risk. The Council's Corporate Strategy (2020 to 2024) and priorities were approved by Council in February 2020. The overriding purpose of the Strategy is to improve people's lives and the two core policies of tackling the climate and ecological emergency and giving people a bigger say was to be the focus of the Council's work. Despite the significant resources being reallocated to respond to the COVID-19 pandemic, work has continued to deliver new schemes and projects linked to delivery of the Strategy as outline in the report presented to Cabinet on 20th May 2021.

Senior Management continue to assess key risks at a strategic level and actively manage risk daily to respond to the challenges of delivering services.

A new corporate Risk Management group has been established and will have overall responsibility for the co-ordination of both departmental and corporate risks reporting up to the Strategic Leadership Team

Work to manage risk in 2020/21 has continued to focus on –

- How we plan for and meet the ongoing Financial Challenge facing the public sector
- Supporting and stimulating Economic Growth and Regeneration
- Safeguarding children and vulnerable adults in our community
- Delivering joined up commissioning of social care with the CCG and partners
- 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 and tackling major transport issues

The Council's Corporate Risk Register is being maintained and is included in the Corporate Intelligence Section of the Council's Integrated Reporting Framework bringing together finance, performance and risk into one corporate reporting portal.

# NARRATIVE REPORT

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## Pension Fund

As required by the Local Government Pension Scheme (LGPS) Regulations 2013, an actuarial valuation of the Avon Pension Fund was carried out as at 31 March 2019. The market value of the Fund's assets at the valuation date was £4,818m. The Actuary estimated that the value of the Fund was sufficient to meet 94% of its expected future liabilities of £5,102m in respect of service completed to 31 March 2019, with a deficit of £284m. This triennial valuation set the employer contribution rates from 1 April 2020. The next triennial valuation will be as at 31st March 2022.

The Actuary has estimated that the funding level has increased to 96.9% from 84% a year earlier based on the 2019 valuation financial assumptions. The improvement in the funding level is due to the recovery in asset values over the same period.

## Pension Liabilities

The Council itself has a liability of £359.9m 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 increase in 2020/21 is mainly due to gains and losses from changes in the Actuary's assumptions in valuing the assets and liabilities, as detailed in Note 41.

In 2020/21, the Council made an up-front payment of the LGPS deficit contributions for the three years 2020/21 - 2022/23 totalling £7.082m. 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 £0.499m, reducing total payments from £7.531m to £7.082m. 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.

## Group Accounts

There is now a requirement to consider a consolidation of group accounts under the Local Authority Statement of Recommended Practice (SORP) 2010. The Council has group relationships with Visit Bath (Tourism Information & Marketing Services), Aequus Developments Ltd (ADL) (develop, deliver, own & manage property) and Aequus Construction Ltd. (ACL) (building construction & development). All three entities are ultimately 100% subsidiaries of the Council, with ACL being a 100% subsidiary of ADL.

The turnover and assets held by Aequus Developments Ltd (ADL) and Aequus Construction Ltd. (ACL), as detailed in Note 45, is considered significant enough to produce Group Accounts. These Group Financial Statements are included in these Statement of 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.

Once again the accounts have been produced promptly and to an exceptionally high standard against the challenging background of the pressures arising due to the pandemic. This has resulted in increased demand across all services, including finance, together with the team having to adapt to the new ways of working introduced in response to the pandemic. During 2020/21 the Council's finance function have demonstrated effective financial stewardship that has enabled the Council to respond to the pandemic, taking appropriate action to mitigate the impact on its income levels whilst maintaining a wide range of services for B&NES residents. The publication of the draft set of accounts reflects the exceptional commitment and hard work undertaken by Finance staff and other service teams across the Council. My thanks go to all Finance staff and Council Officers for their assistance in the preparation of these accounts and for their support throughout the year.



**Andy Rothery**

Chief Finance Officer (Section 151 Officer)

**Date: 15th December 2021**

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2020/21

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

Notes	2019/20 Gross Exp £'000	2019/20 Gross Inc £'000	2019/20 Net Exp £'000		2020/21 Gross Exp £'000	2020/21 Gross Inc £'000	2020/21 Net Exp £'000
				<b>Expenditure on Services</b>			
	663	(528)	135	Leader	881	(889)	(8)
	69,421	(57,868)	11,553	Resources	72,468	(59,161)	13,307
	106,301	(41,253)	65,048	Adult Services	107,049	(53,857)	53,192
	93,597	(60,931)	32,666	Children's Services	100,707	(65,612)	35,095
	19,328	(2,568)	16,760	Climate Emergency & Neighb'hood Serv.	20,534	(2,680)	17,854
	9,371	(5,651)	3,720	Housing, Planning & Economic Developm't	9,509	(5,914)	3,595
	24,466	(25,116)	(650)	Community Services	23,019	(20,622)	2,397
	30,159	(15,085)	15,074	Transport Services	33,329	(14,233)	19,096
	353,306	(209,000)	144,306	<b>Cost of Services - continuing Operations</b>	367,496	(222,968)	144,528
9			12,969	Other Operating Expenditure			12,351
10			5,228	Financing and Investment Income & Expenditure			53,545
11		(143,298)		Taxation and Non-Specific Grant Income			(177,026)
			19,205	<b>(Surplus) or Deficit on Provision of Services</b>			33,398
12, 13 & 14		(43,600)		<b>(Surplus) or Deficit on Upward Revaluation of Non-current Assets</b>			(15,078)
12, 13 & 14			13,573	<b>(Surplus) or Deficit on Downward Revaluation of Non-current Assets</b>			19,841
41		(2,253)		Remeasurement of the net defined benefit liability			30,467
		(32,280)		<b>Other Comprehensive Income &amp; Expenditure</b>			35,230
		(13,075)		<b>Total Comprehensive Income &amp; Expenditure</b>			68,628



## MOVEMENT IN RESERVES STATEMENT 2020/21

This Statement shows the movement from the start of the year to the end of 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 'unusable' reserves. The statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices, and the statutory adjustments required to return the amounts chargeable to Council Tax for the year. The Net Increase / Decrease line shows the statutory General Fund Balance movements in the year, following those adjustments.

<b>Current Year</b>	Unearmarked General Fund Balance £'000	Earmarked General Fund Balance £'000	<b>Total General Fund Balance £'000</b>	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves (Note 23) £'000</b>	Unusable Reserves (Note 24) £'000	<b>Total Authority Reserves £'000</b>
<b>Balance at 31 March 2020</b>	12,667	44,801	<b>57,468</b>	4,997	14	<b>62,479</b>	83,754	<b>146,233</b>
Adjustment to Opening Balance: DSG Reserve (See Note 24)		1,250	<b>1,250</b>			<b>1,250</b>	(1,250)	-
Movements During 2020/21:								
Total Comprehensive Income & Expenditure	(33,398)		<b>(33,398)</b>	-	-	<b>(33,398)</b>	(35,230)	<b>(68,629)</b>
Adjustments between accounting basis and funding basis under statutory provisions	94,846		<b>94,846</b>	1,648	8	<b>96,502</b>	(96,502)	-
<b>Increase / (Decrease) during year</b>	61,447	-	<b>61,447</b>	1,648	8	<b>63,103</b>	(131,732)	<b>(68,629)</b>
Transfers to / (from) earmarked reserves	(54,868)	54,868	-					
<b>Balance at 31 March 2021</b>	<b>19,244</b>	<b>100,919</b>	<b>120,163</b>	<b>6,645</b>	<b>23</b>	<b>126,831</b>	<b>(49,228)</b>	<b>77,603</b>

<b>Comparative Year</b>	Unearmarked General Fund Balance £'000	Earmarked General Fund Balance £'000	<b>Total General Fund Balance £'000</b>	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves (Note 23) £'000</b>	Unusable Reserves (Note 24) £'000	<b>Total Authority Reserves £'000</b>
<b>Balance at 31 March 2019</b>	12,318	36,568	<b>48,886</b>	3,474	222	<b>52,582</b>	80,576	<b>133,158</b>
Movements During 2019/20:								
Total Comprehensive Income & Expenditure	(19,205)		<b>(19,205)</b>	-	-	<b>(19,205)</b>	32,280	<b>13,075</b>
Adjustments between accounting basis and funding basis under statutory provisions	27,786		<b>27,786</b>	1,523	(208)	<b>29,101</b>	(29,101)	-
<b>Increase / (Decrease) during year</b>	<b>8,581</b>		<b>8,581</b>	<b>1,523</b>	<b>(208)</b>	<b>9,896</b>	<b>3,179</b>	<b>13,075</b>
Transfers to / (from) earmarked reserves	(8,233)	8,233	-					
<b>Balance at 31 March 2020</b>	<b>12,667</b>	<b>44,801</b>	<b>57,468</b>	<b>4,997</b>	<b>14</b>	<b>62,479</b>	<b>83,754</b>	<b>146,233</b>

## BALANCE SHEET as at 31 MARCH 2021

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 2020 £'000		31 March 2021 £'000
<b>12</b>		Property, Plant & Equipment:	
	227,185	Land & Buildings	222,183
	1,337	Community Assets	1,395
	93,504	Infrastructure	90,920
	18,893	Vehicles, Plant & Equipment	21,978
	40,000	Assets under Construction	53,339
	2,138	Surplus assets	2,624
<b>13</b>	38,997	Heritage Assets	39,002
<b>14</b>	310,762	Investment Property	260,915
<b>15</b>	823	Intangible Assets	952
<b>19</b>	16,994	Long Term Debtors	10,443
	750,633	<b>Long Term Assets</b>	<b>703,752</b>
<b>16</b>	29,634	Short Term Investments	19,480
<b>18</b>	615	Inventories	571
<b>19</b>	34,620	Short Term Debtors	64,181
<b>20</b>	27,419	Cash and Cash Equivalents	53,243
<b>17</b>	98	Assets Held for Sale	68
	92,386	<b>Current Assets</b>	<b>137,543</b>
<b>16</b>	-	Short Term Borrowing	(20,251)
<b>21</b>	(46,412)	Short Term Creditors	(63,989)
<b>35</b>	(9,544)	Grants Receipts In Advance - Revenue	(4,509)
<b>35</b>	(26,766)	Grants Receipts In Advance - Capital	(36,144)
	(82,723)	<b>Current Liabilities</b>	<b>(124,893)</b>
<b>22</b>	(12,214)	Provisions	(13,135)
<b>16</b>	(234,867)	Long Term Borrowing	(225,836)
<b>41&amp;42</b>	(337,531)	Other Long Term Liabilities	(370,415)
<b>35</b>	(29,451)	Grants Receipts In Advance - Capital	(29,414)
	(614,063)	<b>Long Term Liabilities</b>	<b>(638,800)</b>
	<b>146,233</b>	<b>Net Assets</b>	<b>77,602</b>
<b>23</b>	62,479	Usable reserves	126,830
<b>24</b>	83,754	Unusable Reserves	(49,228)
	<b>146,233</b>	<b>Total Reserves</b>	<b>77,602</b>

The accounts were authorised for issue on 15th December 2021.



**Andy Rothery** Chief Finance Officer (s.151 Officer)

Date: 15th December 2021

## 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.

	2019/20	See Note 25 for further details	2020/21
	£'000		£'000
	(19,205)	Net surplus or (deficit) on the provision of services	(33,398)
		Adjustment to surplus or deficit on the provision of services	
A	52,147	for non cash movements	69,362
		Adjust for items included in the net surplus or deficit on the provision	
A	(33,206)	of services that are investing and financing activities	(45,681)
	(264)	Operating Activities	(9,717)
C	(4,085)	Investing Activities	26,929
D	6,285	Financing Activities	8,611
	<u>1,936</u>	<b>Net Increase/(decrease) in cash equivalents</b>	<u>25,823</u>
E	25,482	<b>Cash &amp; cash equivalents at the beginning of the reporting period</b>	27,419
E	27,419	<b>Cash &amp; cash equivalents at the end of the reporting period</b>	53,243

# NOTES TO MAIN FINANCIAL STATEMENTS

## 1 ACCOUNTING POLICIES

### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end 31 March 2021. 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 2019/20 (the Code), 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.

**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 than 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.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 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 that 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.

In order to comply with IFRS 15, a review of the Council's sources of revenue from contracts with external customers has been completed, with the conclusion that there was no material income streams that require a change in disclosure.

### 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 do not represent useable resources for the Council - these reserves are explained in the relevant policies below. Capital reserves are not available for revenue purposes.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 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 but 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 Education (DfE).
  - \* 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 Contribution 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.

## NOTES TO MAIN FINANCIAL STATEMENTS

### The Local Government Pension Scheme

The Local Government Scheme is accounted for as a Defined Benefit 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 projected earnings for current employees.
- \* Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (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
  - Unlisted 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 which 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 2020/21, the Council made an up-front payment of the LGPS deficit contributions for the three years 2020/21 - 2022/23 totalling £7.082m. 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 £0.499m, reducing total payments from £7.531m to £7.082m. 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.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 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 service segments in accordance with the Authority's arrangements for accountability and financial performance.

### 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 guidance published by the Royal Institution 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 on 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.



## NOTES TO MAIN FINANCIAL STATEMENTS

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**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 of the asset as a whole), with different estimated useful lives, these are depreciated separately. Assets with a value of less than £500,000 are not subject to the Componentisation Policy.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

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

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

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

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

### Charges to Revenue for Property, Plant & Equipment

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

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

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement 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.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 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 museum, 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 Museum's 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.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 1.18 Revenue Expenditure Funded from Capital Under 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.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 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

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets, measured at:

- \* amortised cost
- \* fair value through profit or loss (FVPL), and
- \* fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised costs, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

#### Financial Assets Measured at Amortised Costs

Financial assets measured at amortised costs are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income & Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

#### Expected Credit Loss Model

The Council recognises material expected credit losses on its financial assets held at amortised costs, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing these losses. Where risk has increased significantly since the instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis on 12-month expected losses.

## NOTES TO MAIN FINANCIAL STATEMENTS

### Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurement of the financial assets are based on the following techniques:

- \* instruments with quoted market prices
- \* other instruments with fixed and determinable payments - discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in section 1.17 Fair Value Measurement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

IFRS9 Financial Instruments sets out that investments in equity should be classified at fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of the instruments held at fair value through profit or loss will be recognised in the net cost of services in the CIES and will have a General Fund impact.

### 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 1.24.

### 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

During 2020/21 the Authority had three controlled companies - Aequus Construction Limited, Aequus Developments Limited and Visit Bath. The turnover and assets held by Aequus Developments Ltd (ADL) and Aequus Construction Ltd. (ACL) is considered significant enough to produce Group Accounts, with further details in Note 45 below.

### 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 as 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.

## NOTES TO MAIN FINANCIAL STATEMENTS

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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 the turnover and assets held by Aequus Developments Ltd (ADL) and Aequus Construction Ltd. (ACL) is considered significant enough to produce Group Accounts, and have therefore been consolidated with the accounts of Bath & North East Somerset Council in the group accounts section of the Statement of 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 Pooled Budget Arrangements

Under the Section 75 Pooled Funding Arrangement where the Council is lead commissioner and responsible for making contract payments, the Council and CCG have adopted a Net Accounting Policy resulting in costs and income attributable to CCG funded Health and Care services being offset to ensure there is no risks of reporting this expenditure in the Council's statement of accounts. Where the CCG is lead commissioner, costs which they fund and pay together with the payment to the Council as lead, are reported in the CCG Statement of Accounts in line with NHS accounting guidance. An example of this is the Better Care Fund.

### 1.29 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.

### 1.30 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 to fund Economic Development Fund (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.

#### Expenditure

Expenditure is recognised by the Council on payments being made to the BRP. 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 by the BRP.

## NOTES TO MAIN FINANCIAL STATEMENTS

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2021. If these had been adopted for the financial year 2020/21 there would be no material changes. These changes are:

**Amendments to IFRS3 Business Combinations** - Definition of a business

**Amendments to IFRS9, IAS39 and IFRS7** - Interest Rate Benchmark Reform.

**Amendments to IFRS9, IAS39, IFRS7, IFRS4 & IFRS16** - Phase 2: Interest Rate Benchmark Reform

These changes 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 above, 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:

#### **Fair Value of Public Works Loan Board (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.

#### **Pooled Budgets**

Under the Section 75 Pooled Funding Arrangement where the Council is lead commissioner and responsible for making contract payments, the Council and CCG have adopted a Net Accounting Policy resulting in costs and income attributable to CCG funded Health and Care services being offset to ensure there is no risks of reporting this expenditure in the Council's statement of accounts. Where the CCG is lead commissioner, costs which they fund and pay together with the payment to the Council as lead, are reported in the CCG Statement of Accounts in line with NHS accounting guidance. An example of this is the Better Care Fund.

#### **Group Accounts**

The Council has reviewed its group activities for the 2020/21 financial year and based on the estimates of group financials for our 100% owned companies, the turnover and assets held by Aequus Developments Ltd (ADL) and Aequus Construction Ltd. (ACL) is now considered significant enough to produce Group Accounts, with further details in Note 45 below.

### 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 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### **Pensions Liability**

An 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 2021 is £359.9m.

## NOTES TO MAIN FINANCIAL STATEMENTS

### Investment Property / 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 (Investment Property Database (IPD), Building and Construction Industry Standard (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.

The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, with the exception of the properties below, valuations are not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

However, in respect of the Council's operational car parks valued on the basis of their trading potential, as at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements. The valuations of Charlotte Street, Avon Street and Rossiter Road car parks (total of £8.3m) are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations, there is less certainty and a higher degree of caution should be attached to our valuation than would normally be the case.

The effect of 1% change in valuations would represent £2.6m change for Investment Properties (Note14), and £2.3m change for Surplus Properties and Other Land and Buildings (Note 12).

## 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 Chief Finance Officer (Section 151 Officer) on 15th December 2021. 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 31st March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this situation.

### Academy Schools

These accounts reflect the transfer of assets and liabilities in respect of those schools which became Academies during the 2020/21 financial year. The following schools have converted to Academy status, or are due to convert.

St Nicholas Primary - 01/04/2021

St Mary Bath Catholic Primary - 2022/23

St Johns Bath Catholic Primary - 2022/23



## NOTES TO MAIN FINANCIAL STATEMENTS

### 7 EXPENDITURE AND FUNDING ANALYSIS

The Expenditure & Funding Analysis shows how the annual expenditure is used and funded from resources (Government grants, rents, Council Tax and Business Rates) by Local Authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates / Services / Departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income & Expenditure Statement.

	As reported for Resource Management	Adjustment to arrive at the new amount chargeable to the General Fund Balance (Note 7a)	Net Expenditure charged to the General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
2020/21	£'000	£'000	£'000	£'000	£'000
Leader	(8)	-	(8)	-	(8)
Resources	2,033	9,586	11,619	1,733	13,352
Adult Services	50,270	-	50,270	2,922	53,192
Children's Services	32,835	52	32,887	2,163	35,050
Climate Emergency & Neighbourhood Services	16,840	(1,975)	14,865	2,989	17,854
Housing, Planning & Economic Development	2,829	128	2,957	638	3,595
Community Services	724	(2,660)	(1,936)	4,333	2,397
Transport Services	(61)	(399)	(460)	19,556	19,096
<b>Net Cost Of Services</b>	<b>105,462</b>	<b>4,732</b>	<b>110,194</b>	<b>34,334</b>	<b>144,528</b>
Other Income & Expenditure	(122,869)	(48,771)	(171,640)	60,511	(111,129)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(17,407)</b>	<b>(44,039)</b>	<b>(61,446)</b>	<b>94,845</b>	<b>33,398</b>
Opening General Fund Balance at 31 March 2020*			58,717		
<b>Closing General Fund Balance at 31 March 2021</b>			<b>120,163</b>		

\* After DSG opening balance adjustment (See Note 24)

	As reported for Resource Management	Adjustment to arrive at the new amount chargeable to the General Fund Balance (Note 7a)	Net Expenditure charged to the General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
2019/20	£'000	£'000	£'000	£'000	£'000
Leader	71	(2)	69	66	135
Resources	64	10,487	10,551	1,003	11,554
Adult Services	61,555	-	61,555	3,494	65,049
Children's Services	30,396	(64)	30,332	2,334	32,666
Climate Emergency & Neighbourhood Services	16,426	(1,750)	14,676	2,084	16,760
Housing, Planning & Economic Development	2,685	-	2,685	1,035	3,720
Community Services	(3,483)	(1,380)	(4,863)	4,213	(650)
Transport Services	(220)	(432)	(652)	15,726	15,074
<b>Net Cost Of Services</b>	<b>107,492</b>	<b>6,859</b>	<b>114,351</b>	<b>29,955</b>	<b>144,306</b>
Other Income & Expenditure	(115,023)	(7,909)	(122,932)	(2,169)	(125,101)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(7,531)</b>	<b>(1,050)</b>	<b>(8,581)</b>	<b>27,786</b>	<b>19,205</b>
Opening General Fund Balance at 31 March 2019			48,886		
<b>Closing General Fund Balance at 31 March 2020</b>			<b>57,467</b>		

## NOTES TO MAIN FINANCIAL STATEMENTS

### 7a NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

	Rental Income reported at Portfolio Level (a)	Other Income reported at Portfolio Level (a)	Interest Payments reported at Portfolio Level (a)	Other Payments reported at Portfolio Level (a)	Adjustments to the net amount chargeable to the General Fund £'000
2020/21	£'000	£'000	£'000	£'000	£'000
Leader				-	-
Resources	11,165	55,163	(15,185)	(41,557)	9,586
Adult Services				-	-
Children's Services				52	52
Climate Emergency & Neighbourhood Services				(1,975)	(1,975)
Housing, Planning & Economic Development				128	128
Community Services				(2,660)	(2,660)
Transport Services				(399)	(399)
<b>Net Cost of Services</b>	11,165	55,163	(15,185)	(46,411)	4,732
Other Income & Expenditure	(11,165)	(55,163)	7,836	9,721	(48,771)
<b>Surplus or Deficit</b>	-	-	(7,349)	(36,690)	(44,039)

	Adjustment for capital purposes (b)	Net charges for Pension Fund adjustment (c)	Other Adjustments (d)	Total Adjustments Between Funding & Accounting Basis £'000
	£'000	£'000	£'000	£'000
Leader	-	-	-	-
Resources	(4,489)	(362)	6,584	1,733
Adult Services	2,772	150	-	2,922
Children's Services	2,001	184	(22)	2,163
Climate Emergency & Neighbourhood Services	2,871	118	-	2,989
Housing, Planning & Economic Development	468	170	-	638
Community Services	4,202	131	-	4,333
Transport Services	19,466	90	-	19,556
<b>Net Cost of Services</b>	27,291	481	6,562	34,334
Other Income & Expenditure	13,572	7,388	39,552	60,512
<b>Surplus or Deficit</b>	40,863	7,869	46,114	94,846

## NOTES TO MAIN FINANCIAL STATEMENTS

	Rental Income reported at Portfolio Level (a) £'000	Other Income reported at Portfolio Level (a) £'000	Interest Payments reported at Portfolio Level (a) £'000	Other Payments reported at Portfolio Level (a) £'000	Adjustments to the net amount chargeable to the General Fund £'000
<b>2019/20</b>					
Leader				(2)	(2)
Resources	19,580	771	(8,220)	(1,644)	10,487
Adult Services					-
Children's Services				(64)	(64)
Climate Emergency & Neighbourhood Services				(1,750)	(1,750)
Housing, Planning & Economic Development					-
Community Services				(1,380)	(1,380)
Transport Services				(432)	(432)
<b>Net Cost of Services</b>	19,580	771	(8,220)	(5,272)	6,859
Other Income & Expenditure	(19,580)	(771)	7,746	4,696	(7,909)
<b>Surplus or Deficit</b>	-	-	(474)	(576)	(1,050)

	Adjustment for capital purposes (b) £'000	Net charges for Pension Fund adjustment (c) £'000	Other Adjustments (d) £'000	Total Adjustments Between Funding & Accounting Basis £'000
Leader	66	-		66
Resources	(438)	2,319	(878)	1,003
Adult Services	2,983	511		3,494
Children's Services	1,454	969	(89)	2,334
Climate Emergency & Neighbourhood Services	1,504	580		2,084
Housing, Planning & Economic Development	30	905	100	1,035
Community Services	3,455	698	60	4,213
Transport Services	15,258	468		15,726
<b>Net Cost of Services</b>	24,312	6,450	(807)	29,955
Other Income & Expenditure	(9,653)	7,293	191	(2,169)
<b>Surplus or Deficit</b>	14,659	13,743	(616)	27,786

(a) For Management Reporting, the Authority includes rental income from investment properties and interest income in the Resources Portfolio. Also, expenditure relating to borrowing, Investment Estate Management and Traded Operations are also reported within the Portfolios. However, these items are reported in the Financial Statements below the Cost of Service line, and are therefore reallocated within this note. Transfers to balances & revenue funding of capital which are shown as expenditure within the Portfolio reporting have also been removed, in order to show the net expenditure chargeable to the General Fund balance.

(b) This column adds depreciation, impairments and revaluation gains and losses. It also adjusts for the capital disposals with a transfer of the income on the disposal and the amounts written off, and adjusts for the recognition of Capital Grant income.

(c) This column shows which lines have been affected by the removal of pension contributions and replacement with IAS19 debits and credits.

(d) These adjustments are the timing differences for debits relating to premiums, variations in the amount chargeable for NDR & Council Tax under statute and the Code, and accumulated absence adjustments.

## NOTES TO MAIN FINANCIAL STATEMENTS

### 8 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2020/21	Usable Reserves			
	General Fund	Capital Receipts	Capital Grants	Movement
	Balance	Reserve	Unapplied	in Unusable Reserves
	£'000's	£'000's	£'000's	£'000's
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Charges for depreciation of Non-Current Assets	23,732			(23,732)
Revaluation gains / Impairments on Property Plant & Equipment	7,105			(7,105)
Movements in the Market Value of Investment Properties	48,332			(48,332)
Amortisation of Intangible Assets	160			(160)
Capital Grants & contributions applied	(5,041)			5,041
Revenue expenditure funded from Capital under Statute	5,468			(5,468)
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	5,878			(5,878)
Impairment allowance for capital expenditure loans	95			(95)
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Statutory provision for the financing of capital investment expenditure charged against the General Fund	(6,894)			6,894
Principal repayment of Avon Loan	(455)			455
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(38,369)		38,369	
Application of grants to capital financing transferred to the Capital Adjustment Account			(38,361)	38,361
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,269)	2,269		
Use of the Capital Receipts Reserve to finance new capital expenditure		(644)		644
Capital expenditure financed from revenue	(503)			503
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		23		(23)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-			-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	(170)			170
<b>Adjustments primarily involving the Dedicated Schools Grant Adjustment Account:</b>				
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	4,174			(4,174)
<b>Adjustments primarily involving the Pooled Fund Adjustment Account:</b>				
Amount by which the change in fair value of pooled funds charged to the Comprehensive Income & Expenditure Statement is different from that calculated for the year in accordance with statutory requirements.	31			(31)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	22,862			(22,862)
Employer's pensions contribution and direct payments to pensioners payable in the year	(14,993)			14,993
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	42,102			(42,102)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
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	(22)			22
Other movements	3,623			(3,623)
<b>Total Adjustments</b>	<b>94,846</b>	<b>1,648</b>	<b>8</b>	<b>(96,502)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

2019/20

		Usable Reserves			
	General	Capital	Capital		Movement
	Fund	Receipts	Grants		in Unusable
	Balance	Reserve	Unapplied		Reserves
	£'000's	£'000's	£'000's		£'000's
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>					
Charges for depreciation of Non-Current Assets	23,718				(23,718)
Revaluation gains / Impairments on Property Plant & Equipment	3,483				(3,483)
Movements in the Market Value of Investment Properties	9,024				(9,024)
Amortisation of Intangible Assets	264				(264)
Capital Grants & Contributions Applied	(5,634)				5,634
Revenue expenditure funded from Capital under Statute	8,681				(8,681)
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	78	8,944			(8,944)
Impairment allowance for capital expenditure loans		44			(44)
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>					
Statutory provision for the financing of capital investment expenditure charged against the General Fund		(6,145)			6,145
Principal repayment of Avon Loan		(474)			474
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement		(24,425)		24,425	
Application of grants to capital financing transferred to the Capital Adjustment Account			(24,633)		24,633
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(3,196)	3,196		
Use of the Capital Receipts Reserve to finance new capital expenditure			(1,631)		1,631
Capital expenditure financed from revenue		(24)			24
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			7		(7)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		-			-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements		(170)			170
<b>Adjustments primarily involving the Pooled Fund Adjustment Account:</b>					
Amount by which the change in fair value of pooled funds charged to the Comprehensive Income & Expenditure Statement is different from that calculated for the year in accordance with statutory requirements.		545			(545)
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement		30,571			(30,571)
Employer's pensions contribution and direct payments to pensioners payable in the year		(16,828)			16,828
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>					
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements		(852)			852
<b>Adjustments primarily involving the Accumulated Absences Account:</b>					
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		(139)			139
Other movements		399	(49)		(350)
<b>Total Adjustments</b>	<b>27,786</b>	<b>1,523</b>	<b>(208)</b>		<b>(29,101)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 9 OTHER OPERATING EXPENDITURE

	2020/21 £'000	2019/20 £'000
(Gain) / Loss on disposal of non-current assets	4,386	5,893
Parish Precepts	2,889	2,727
Levy payments to joint bodies	5,076	4,349
	<u>12,351</u>	<u>12,969</u>

### 10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2020/21 £'000	2019/20 £'000
Interest Payable & Premiums	7,836	7,746
Interest & Investment Income	(498)	(771)
Net Deficit/(Surplus) on Trading Services	632	(42)
Income & expenditure in relation to Investment properties and changes in fair value	38,118	(9,591)
Impairment of Financial Instruments	38	48
Loss / (Gain) on Financial Instruments carried at Fair Value through Profit or Loss	31	545
Net Interest on the Net Defined Benefit Liability (Asset)	7,388	7,293
	<u>53,545</u>	<u>5,228</u>

### 11 TAXATION AND NON-SPECIFIC GRANT INCOME

	2020/21 £'000	2019/20 £'000
Council Tax Income	(99,996)	(95,953)
Non-Domestic Rates Income & Expenditure*	15,996	(22,712)
Non-ringfenced Government grants	(54,665)	-
Capital grants and contributions	(38,361)	(24,633)
	<u>(177,026)</u>	<u>(143,298)</u>

\* The change in the 2020/21 Non-Domestic Rates figure reflects the Collection Fund Deficit position (£39.524m) arising in year mainly due to the extension of the Business Rate Retail Relief scheme which resulted in a reduction in Business Rate income accounted for in the Collection Fund. The impact of the loss of income was compensated for by the government through payment of s31 revenue grant. The grant funding has been transferred to an earmarked reserve, so it is available in 2021/22 to offset the recovery of this element of the Collection Fund deficit.

## NOTES TO MAIN FINANCIAL STATEMENTS

### 12 PROPERTY, PLANT & EQUIPMENT

Movement in 2020/21:

	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
<b>Cost or valuation as at 1 April 2020</b>	228,318	1,337	164,883	35,632	40,000	2,141	38,997	<b>511,308</b>
Additions	9,243	58	11,093	5,706	26,121	94	-	<b>52,315</b>
Revaluations increases/decreases recognised in the Revaluation Reserve	(9,430)	-	-	-	-	445	5	<b>(8,980)</b>
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(8,499)	-	-	-	-	42	-	<b>(8,457)</b>
De-recognition - Disposals	(5,648)	-	(18)	(950)	-	-	-	<b>(6,616)</b>
Assets reclassified to/from Held for sale	-	-	-	-	-	-	-	-
Reclassifications - other	12,782	-	(1,297)	1,181	(10,770)	-	-	<b>1,895</b>
Other Movements	(1,520)	-	-	-	(2,012)	(94)	-	<b>(3,625)</b>
<b>Valuation as at 31 March 2021</b>	<b>225,245</b>	<b>1,395</b>	<b>174,661</b>	<b>41,569</b>	<b>53,339</b>	<b>2,627</b>	<b>39,002</b>	<b>537,840</b>

#### Accumulated Depreciation and Impairment

Accumulated depreciation as at 1 April 2020	(1,133)	-	(71,379)	(16,739)	-	(3)	-	<b>(89,254)</b>
Depreciation charge in year	(7,283)	-	(12,558)	(3,667)	-	-	-	<b>(23,507)</b>
Depreciation written out to the Revaluation Reserve	4,217	-	-	-	-	-	-	<b>4,217</b>
Depreciation written out to the Surplus/Deficit on Provision of Services	997	-	355	0	-	-	-	<b>1,352</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services*	-	-	-	-	-	-	-	-
De-recognition - disposals	186	-	18	815	-	-	-	<b>1,020</b>
Other Movements in Depreciation & Impairment	(47)	-	(177)	0	-	-	-	<b>(225)</b>
<b>Accumulated depreciation at 31 March 2021</b>	<b>(3,063)</b>	<b>-</b>	<b>(83,741)</b>	<b>(19,591)</b>	<b>-</b>	<b>(3)</b>	<b>-</b>	<b>(106,398)</b>
<b>Balance sheet amount 31 March 2021</b>	<b>222,183</b>	<b>1,395</b>	<b>90,920</b>	<b>21,978</b>	<b>53,339</b>	<b>2,624</b>	<b>39,002</b>	<b>431,442</b>

#### Revaluations (GBV)

Carried at Historic Cost	1,236	1,395	174,661	41,569	53,339	861	-	<b>273,063</b>
Heritage Valuations (Insurance or Curatorial)	-	-	-	-	-	-	39,002	<b>39,002</b>
Surplus Properties at Fair Value	-	-	-	-	-	-	-	-
Valued at Current value as at:								
Y/E 31/03/2021	144,130	-	-	-	-	-	-	<b>144,130</b>
Y/E 31/03/2020	40,569	-	-	-	-	-	-	<b>40,569</b>
Y/E 31/03/2019	21,576	-	-	-	-	1,326	-	<b>22,902</b>
Y/E 31/03/2018	5,292	-	-	-	-	-	-	<b>5,292</b>
Y/E 31/03/2017	9,718	-	-	-	-	170	-	<b>9,888</b>
Y/E 31/03/2016	2,724	-	-	-	-	270	-	<b>2,994</b>
Y/E 31/03/2014	-	-	-	-	-	-	-	-
Y/E 31/03/2013	-	-	-	-	-	-	-	-
<b>Total Cost or Valuation</b>	<b>225,245</b>	<b>1,395</b>	<b>174,661</b>	<b>41,569</b>	<b>53,339</b>	<b>2,627</b>	<b>39,002</b>	<b>537,840</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

Comparative Movements in 2019/20:

	Other Land & Buildings	Community Assets	Infrastructure Assets	Veh'cls, Plant & Equipment	Assets Under Construction	Surplus Assets	Heritage Assets	Total Property Plant & Equipment £'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation as at 1 April 2019</b>	<b>201,612</b>	<b>917</b>	<b>185,449</b>	<b>33,212</b>	<b>22,193</b>	<b>2,381</b>	<b>34,096</b>	<b>479,860</b>
Adjustment to opening balance	-	-	-	-	-	-	-	-
Additions	15,759	433	7,176	4,394	18,837	180	-	46,779
Revaluations increases/decreases recognised in the Revaluation Reserve	20,456	-	-	-	-	(293)	4,901	25,064
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(3,965)	(13)	-	(139)	(148)	(21)	-	(4,286)
De-recognition - Disposals	(6,180)	-	(27,488)	(2,062)	(7)	(45)	-	(35,782)
Assets reclassified to/from Held for sale	590	-	-	-	-	(61)	-	529
Reclassifications - other	46	-	(254)	227	(875)	-	-	(856)
<b>Valuation as at 31 March 2020</b>	<b>228,318</b>	<b>1,337</b>	<b>164,883</b>	<b>35,632</b>	<b>40,000</b>	<b>2,141</b>	<b>38,997</b>	<b>511,308</b>
<b>Accumulated Depreciation and Impairment</b>								
Accumulated depreciation as at 1 April 2019	(716)	-	(84,986)	(14,739)	-	(3)	-	(100,444)
Adjustment to opening balance	-	-	-	-	-	-	-	-
Depreciation charge in year	(5,974)	-	(13,899)	(3,820)	-	(25)	-	(23,718)
Depreciation written out to the Revaluation Reserve	4,969	-	-	-	-	-	-	4,969
Depreciation written out to the Surplus/Deficit on Provision of Services	749	-	36	104	-	25	-	914
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services	-	-	-	-	-	-	-	-
De-recognition - disposals	(51)	-	27,488	1,699	-	-	-	29,136
Other Movements in Depreciation & Impairment	(110)	-	(18)	17	-	-	-	(111)
<b>Accumulated depreciation at 31 March 2020</b>	<b>(1,133)</b>	<b>-</b>	<b>(71,379)</b>	<b>(16,739)</b>	<b>-</b>	<b>(3)</b>	<b>-</b>	<b>(89,254)</b>
<b>Balance sheet amount 31 March 2020</b>	<b>227,185</b>	<b>1,337</b>	<b>93,504</b>	<b>18,893</b>	<b>40,000</b>	<b>2,138</b>	<b>38,997</b>	<b>422,054</b>

### Depreciation

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

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



## NOTES TO MAIN FINANCIAL STATEMENTS

### 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 2020/21 were carried out to the value of £144.1m. Along with existing valid valuations, acquisitions and disposals this gave a total valuation of £225.8m. 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 2021 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22 and future years estimated to cost £17.441m.

These are detailed below:

	2020/21	2019/20
	£'000	£'000
BWR Phase 2	4,630	336
Bath Quays	3,614	13,703
Cleveland Bridge	1,800	1,819
Education & Children's Services	1,301	1,893
Radstock Healthy Living Centre	1,123	-
Resources (Property) Schemes	1,118	2,031
Sydney Gardens	997	81
Clean Air Zone	821	40
Waste and Cleaning Vehicles	571	1,795
Archway Centre	225	1,922
Leisure Centres	150	1,001
Other	1,091	1,384
<b>Total</b>	<b>17,441</b>	<b>26,005</b>

## 13 HERITAGE ASSETS

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

	Victoria Art Gallery	Roman Baths	Fashion Museum	Chandeliers	Records Office	Library	Total
2020/21 Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1st April	16,135	9,996	4,118	1,800	4,137	2,811	38,997
Additions							-
Disposals							-
Revaluations			5				5
Impairment Losses/(reversals) recognised in the Reval Reserve							-
Impairment Losses/(reversals) recognised in the Surplus or Deficit on Provision of Service							-
<b>31st March</b>	<b>16,135</b>	<b>9,996</b>	<b>4,123</b>	<b>1,800</b>	<b>4,137</b>	<b>2,811</b>	<b>39,002</b>

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

	Victoria Art Gallery	Roman Baths	Fashion Museum	Chandeliers	Records Office	Library	Total
2019/20 Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1st April	15,103	9,084	3,995	1,800	1,303	2,811	34,096
Additions							-
Revaluations	1,032	912	123	-	2,834		4,901
<b>31st March</b>	<b>16,135</b>	<b>9,996</b>	<b>4,118</b>	<b>1,800</b>	<b>4,137</b>	<b>2,811</b>	<b>38,997</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 14 INVESTMENT PROPERTIES

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

	2020/21	2019/20
	£'000	£'000
Rental Income from Investment Property	11,165	19,580
Direct operating expenses arising from Investment Property	(951)	(965)
Net gain/(loss)	10,214	18,615

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.

	2020/21	2019/20
	£'000	£'000
Balance at start of year	310,762	319,322
Adjustment to opening balance		
Additions of expenditure	632	742
Disposals	(252)	(1,134)
Net gains/losses from fair value adjustments	(48,332)	(9,024)
Transfer to/from Property, Plant & Equipment	(1,895)	856
<b>Balance at end of the year</b>	<b>260,915</b>	<b>310,762</b>

The Council carries out annual valuations of all investment properties. The valuer's report identified a total valuation of £260.5m, being all level 2 in the hierarchy outlined in policy 1.17. 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.

### 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.

	2020/21	2019/20
	£'000	£'000
<b>Cost or valuation as at 1 April</b>	<b>2,135</b>	<b>1,551</b>
Purchases	289	595
Transfers	-	-
Disposals	(956)	(11)
Net gains/losses from fair value adjustments	-	-
<b>Cost or valuation as at 31 March</b>	<b>1,468</b>	<b>2,135</b>
Accumulated Amortisation as at 1 April	1,312	1,054
Amortisation for the period	160	264
Amortisation Write Back (Disposals)	(956)	(6)
Accumulated Amortisation at 31 March	516	1,312
<b>Net Carrying amount at 31 March</b>	<b>952</b>	<b>823</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 16 FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost - loans	232,869	223,901	-	20,000
Accrued Interest (1)			1,998	2,186
Financial liabilities at amortised cost trade creditors			19,513	18,477
<b>Total borrowings</b>	<b>232,869</b>	<b>223,901</b>	<b>21,511</b>	<b>40,663</b>

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

	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000
Financial assets held at amortised cost *	-	-	52,300	67,500
Accrued Interest (1) *			192	64
Financial assets held at fair value through profit and loss			4,455	4,424
Cash			106	735
Loans & receivables - Loans	15,705	8,853	-	2,452
Loans & receivables - trade debtors			15,713	16,193
<b>Total Investments</b>	<b>15,705</b>	<b>8,853</b>	<b>72,766</b>	<b>91,368</b>

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

\* The "Financial assets held at amortised cost" and "accrued interest" figures above include those short-term investments classed as Cash Equivalents, as detailed in Note 20. Cash Equivalents equated to £52.408m as at 31st March 2021, with the remaining £15.156m being short term investments. (£27.313m Cash Equivalents as at 31st March 2020, with £25.179m being short term investments).

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

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

#### Financial Instruments Gains & Losses

	Financial Liabilities	Financial Assets				Financial Liabilities	Financial Assets			
	31 March 2020	31 March 2020				31 March 2021	31 March 2021			
	Liabilities measured at amortised cost	Loans & Receivables	Total				Liabilities measured at amortised cost	Loans & Receivables	Total	
	£'000	£'000	£'000				£'000	£'000	£'000	
Interest Expense *	(7,122)	-	(7,122)			(7,264)	-	(7,264)		
Impairment Losses		(48)	(48)				(38)	(38)		
Net Gain / (Loss) on Financial Assets Measured at Fair Value Through Profit or Loss		(545)	(545)				(31)	(31)		
<b>Interest payable &amp; similar charges</b>	<b>(7,122)</b>	<b>(593)</b>	<b>(7,715)</b>			<b>(7,264)</b>	<b>(69)</b>	<b>(7,333)</b>		
Interest Income	-	771	771			-	498	498		
<b>Interest &amp; investment Income</b>	<b>-</b>	<b>771</b>	<b>771</b>			<b>-</b>	<b>498</b>	<b>498</b>		
<b>Net gain/(loss) for the Year</b>	<b>(7,122)</b>	<b>178</b>	<b>(6,944)</b>			<b>(7,264)</b>	<b>429</b>	<b>(6,835)</b>		

\* The Council also paid £1.03m (of which £0.46m related to principal), in respect of its share of debt relating to the former Avon County Council which is managed by Bristol City Council.

## NOTES TO MAIN FINANCIAL STATEMENTS

### Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. 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 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 on an IFRS13 basis, so that the fair value equals the amount at which the authority could repay its loans on balance sheet date.
- + The fair values of long-term "Lender's Option Borrower's Option" (LOBO) loans have been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate and adding the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to Bloomberg's proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- + cash flows arising from Local & Police Authority Loans have been discounted at money market rates available for loans of similar remaining maturities on the balance sheet date.
- + cash flows arising from investments have been discounted at money market rates available for investments of similar remaining maturities on the balance sheet date.
- + the fair value of trade receivables and payables is taken to be the invoiced amount.
- + The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, we have also included accrued interest in the fair value calculation.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

		31 March 2020		31 March 2021	
	Fair Value Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
Financial liabilities held at amortised cost:					
Financial Liabilities - PWLB Loans (Long Term Borrowing)	2	203,960	237,855	199,961	234,068
Financial Liabilities - Local & Police Authority Loans (Long Term Borrowing)	2	10,049	10,109	5,023	5,147
Financial Liabilities - Market Loans (Long Term Borrowing)	2	20,858	34,414	20,852	34,231
<b>Total</b>		234,867	282,378	225,836	273,446
<i>Liabilities for which fair values are not disclosed:</i>					
Financial Liabilities - Local & Police Authority Loans (Short Term Borrowing)		0		20,251	
Financial Liabilities - trade creditors (see Note 21)		19,513		18,477	
<b>Total Financial Liabilities</b>		254,380		264,564	

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 2021 on the Council's portfolio of loans is higher 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 2020		31 March 2021	
	Fair value Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
<i>Financial assets held at fair value:</i>					
Property funds	2	4,455	4,455	4,424	4,424
<i>Financial assets held at amortised cost:</i>					
Money market funds and S/Term deposits	1	52,300	52,274	67,500	67,510
<b>Total</b>		56,755	56,729	71,924	71,934
<i>Assets for which fair value is not disclosed:</i>					
Accrued Interest		192		64	
Cash		106		735	
Loans & receivables - Loans		15,705		11,305	
Loans & Receivables - trade debtors (see Note 19)		15,713		16,193	
<b>Total Financial Assets</b>		88,471		100,221	

## NOTES TO MAIN FINANCIAL STATEMENTS

### 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 for 2020/21 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 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 2020/21 permitted the overnight use of the Council's current bank account provider (NatWest), subject to maintaining a credit rating of not lower than 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 £15m per country for those rated AAA and £10 million for those rated AA+ 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.

IFRS9 Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 122% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. At 31st March 2021, £2K of loss allowances related to treasury investments and deemed not material. (2019/20 £12k).

In furtherance of the Council's service objectives, it has lent money to the various companies as set out in the table below. The Council manages the credit risk inherent in its loans in line with its published Investment Strategy, and IFRS9 loss allowances have been calculated by reference to the possibility of default in next 12 months using an interest rate margin approach. No material loans were written off to the Surplus or Deficit on the Provision of Services in 2020/21.

	Aequus Developm't Limited	Aequus Construction Limited	Aequus Working Capital	Other Loans	Totals
	£'000	£'000	£'000	£'000	£'000
Loans Brought Forward	4,001	11,180	535	165	15,881
New Loan Issued (*)	2,284	1,215	154	-	3,653
Repayments	(68)	(7,445)	(439)	(64)	(8,016)
<b>Loans Balance at 31st March 2021</b>	<b>6,217</b>	<b>4,950</b>	<b>250</b>	<b>101</b>	<b>11,518</b>
Cumulative IFRS 9 Loan Impairments at 31st March 2021	(17)	(182)	(13)	(1)	(213)

(\*) The Aequus Working Capital loans is funded as revenue, the balance of £11.268m being capital expenditure loans

## NOTES TO MAIN FINANCIAL STATEMENTS

	2021 £'000	2020 £'000
Trade Debtors	16,193	15,713
Total debtors at 31st March including trade debtors	64,181	34,620

The historical experience of default for deposits is based on a simple tri-agency average of historic default rates over the past 12 months 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 £16.2m outstanding at 31st March 2021 is all past its due date for payment.

The past due but not impaired amount can be analysed by age as follows:

	2020/21 £'000's	2019/20 £'000's
Less than three months	12,113	11,574
Three to six months	572	398
Six months to one year	539	696
More than one year	2,969	3,045
	<u>16,193</u>	<u>15,713</u>

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 2021		Amount at 31 March 2020	
	£'000's	%	£'000's	%
<b>Loans &amp; Receivables (Cash on Deposit) by Country Analysis</b>				
UK Debt Management Office	-	0.0%	1,000	1.8%
UK Local Authorities	15,012	20.9%	10,023	17.6%
UK - Other Financial Institutions	52,506	72.9%	36,105	63.4%
Singapore	-	0.0%	5,014	8.8%
Sweden	3	0.0%	301	0.5%
Pooled funds not subject to credit risk	4,467	6.2%	4,504	7.9%
<b>Total</b>	<u>71,988</u>	<u>100%</u>	<u>56,947</u>	<u>100%</u>

### 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 2020 £'000	31 March 2021 £'000
Borrowing due for repayment:		
Under 1 year *	20,450	40,444
Between 1 and 2 years	5,000	5,000
Between 2 and 5 years	5,000	-
Between 5 and 10 years	10,000	15,000
Between 10 and 15 years	20,300	20,300
Between 15 and 20 years	5,000	8,573
Between 20 and 25 years	91,330	84,190
Between 25 and 30 years	9,548	9,314
Between 35 and 40 years	5,000	20,000
Between 40 and 45 years	20,000	5,000
Between 45 and 50 years	41,241	36,080
	<u>232,869</u>	<u>243,901</u>

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.

## NOTES TO MAIN FINANCIAL STATEMENTS

### Market Risk

#### Interest Rate Risk

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

- \* borrowings at variable rates - the interest expense charged to the Income and Expenditure 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 2021, 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	198
Increase in interest receivable on variable rate investments	(502)
Impact on Income and Expenditure Statement	(304)
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)	(124)
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)	(37,374)

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

### Price Risk

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £5m. A 5% fall in commercial property prices at 31st March 2021 would result in a £0.216m charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

### 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 ASSETS HELD FOR SALE

	Current		Non-Current	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	98	1,725	-	-
Assets newly classified as held for sale:			-	-
<i>Property, Plant &amp; Equipment</i>		61	-	-
Additions	(2)	68	-	-
Revaluation gains/(losses)		(7)	-	-
Assets declassified as held for sale:			-	-
<i>Property, Plant &amp; Equipment</i>		(590)		
Assets sold	(30)	(1,159)		
Other Movement	2			
<b>Balance outstanding at year end</b>	<b>68</b>	<b>98</b>	<b>-</b>	<b>-</b>

## 18 INVENTORIES

	Balance 31 March 2020	Purchases	Recognised as expense in year	Written off Balances	Balance 31st March 2021
	£'000	£'000	£'000	£'000	£'000
Consumable Stores	615	34	(78)		571
<b>Total Inventories</b>	<b>615</b>	<b>34</b>	<b>(78)</b>	<b>-</b>	<b>571</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 19 DEBTORS

	2020/21 £'000	2019/20 £'000
Amounts falling due in one year:		
Central Government bodies	12,705	2,226
Other local authorities	17,143	4,290
NHS bodies	4,529	1,856
Other entities and individuals (Trade Debtors)	16,193	15,713
Other entities and individuals (Non-Trade Debtors)	10,920	6,963
Prepayments	2,691	3,572
<b>Total - Current Assets</b>	<b>64,181</b>	<b>34,620</b>
Amounts falling after one year:	£'000	£'000
Other entities and individuals	10,443	16,994
<b>Total - Long Term Assets</b>	<b>10,443</b>	<b>16,994</b>

### 20 CASH AND CASH EQUIVALENTS

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

	2020/21 £'000	2019/20 £'000
Cash held by the Authority	132	81
Bank current accounts	603	25
Short-term deposits	52,508	27,313
<b>Total cash and cash equivalents</b>	<b>53,243</b>	<b>27,419</b>

### 21 CREDITORS

	2020/21 £'000	2019/20 £'000
Central government bodies	14,234	915
Other local authorities	5,289	3,537
NHS bodies	1,816	792
Other entities and individuals (Trade Creditors)	18,477	19,513
Other entities and individuals (Non-Trade Creditors)	15,372	17,910
Income Received in Advance	5,423	1,342
Pensions Fund	3,378	2,403
	<b>63,989</b>	<b>46,412</b>

### 22 PROVISIONS FOR LIABILITIES

Provisions comprise:	31 March 2020 £'000	New Provisions £'000	Utilised in Year £'000	Written Back £'000	31 March 2021 £'000
Provision for Child Care Costs	11			(11)	-
Children's Services Provision	32			(32)	-
Social Services Pension Provision	327			(327)	-
Planning Provision	74			(74)	-
NNDR Appeals Provision	11,720	3,040	(1,928)		12,832
Land Charge Fee Provision	50			(50)	-
Ex-Avon Insurance Claim Provision		303			303
	<b>12,214</b>	<b>3,343</b>	<b>(1,928)</b>	<b>(494)</b>	<b>13,135</b>

- \* The provision for child care costs was to provide for fees and charges in relation to a recent court case, the amount of which is unknown.
- \* The Children's Services Provision was for an employee claim.
- \* The Social Services Provision related to Pension deficit costs relating to the transfer of staff between the Council and a care provider.
- \* The Planning Provision was 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 was for search fee claims.
- \* The Ex-Avon Insurance Provision relates to potential costs in respect of Avon CC run off insurance claims and Municipal Mutual Levy payments which are subject to on-going review.

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



## NOTES TO MAIN FINANCIAL STATEMENTS

### 23 GENERAL FUND BALANCES AND RESERVES

This note sets out the amounts set aside 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 2020/21.

<b>Unearmarked Reserves</b>	31 March 2020 £'000	Adjustment to Opening Balance £'000	transfers to £'000	transfers from £'000	31 March 2021 £'000
General Fund Balances unearmarked	12,667		17,423	(10,846)	19,244
<b>Earmarked Reserves</b>	31 March 2020 £'000	Adjustment to Opening Balance £'000	transfers to £'000	transfers from £'000	31 March 2021 £'000
LMS Schools Balances	585		660	(15)	1,230
Corporate Earmarked Reserves	37,025	1,250	54,062	(7,543)	84,794
Service Specific Reserves	2,769		81	(181)	2,669
General Service Earmarked Reserves	4,422		8,226	(422)	12,226
	44,801	1,250	63,029	(8,161)	100,919
<b>Total General Fund Balances and Reserves</b>	<b>57,468</b>	<b>1,250</b>	<b>80,452</b>	<b>(19,007)</b>	<b>120,163</b>
<b>Other Usable Reserves</b>					
Capital Receipts Reserve	4,997		2,292	(644)	6,645
Capital Grants Unapplied Reserve	14		40,979	(40,971)	23
<b>Total Usable Reserves</b>	<b>62,479</b>	<b>1,250</b>	<b>123,723</b>	<b>(60,622)</b>	<b>126,831</b>

LMS Schools balances will be used by individual schools

<b>Corporate Earmarked Reserves</b>	31 March 2020 £'000	Adjustment to Opening Balance £'000	transfers to £'000	transfers from £'000	31 March 2021 £'000
Insurance Fund	1,795		2	(884)	913
Capital Financing Reserve	8,335		1,758		10,093
Revenue Funding of Capital	506		544	(503)	547
Financial Planning & Smoothing Reserve	6,285		774		7,059
Revenue Budget Contingency Reserve	5,478		1,625	(865)	6,238
Invest To Save Reserve	699		9	(358)	350
Revenue Grants Unapplied	5,649		9	(4,933)	725
Transformation Investment Reserve	1,319		1,811		3,130
Restructuring & Severance Reserve	2,183				2,183
Dedicated Schools Grant Reserve *	(1,250)	1,250			-
Business Rates Reserve	3,568		2,927		6,495
S.31 Business Rate Relief Compensation Grant Reserve	-		39,045		39,045
COVID-19 Reserves	-		4,848		4,848
Other	2,458		710		3,168
	37,025	1,250	54,062	(7,543)	84,794

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 & Smoothing reserve will be used to smooth the timing effects of delivery of the savings required over the Medium Term Financial Plan period.

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

The Invest To Save Reserve is used to fund the upfront costs of specific projects that have robust and credible plans to deliver future income or savings.

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 Financial Plan.

\* The Dedicated Schools Grant (DSG) Reserve holds the balance of DSG to be carried forward for use in future years. In 2019/20, based on the separate report of DSG deployment in accordance with the requirements of the Accounts and Audit Regulations 2015, as amended (Regulation 7 (4)), the 2019/20 DSG overspend resulted in a negative reserve, for recovery against future years' DSG. Following the statutory amendments in November 2020 detailed in Note 24 below, this reserve is now reported as an Unusable Reserve.

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.

The Section 31 Business Rate Relief Compensation Grant Reserve holds the government grant received in 2020/21 to compensate for the loss of Business Rate income arising from the extended retail relief scheme, which was announced by government in response to the continued pressure on retail businesses from the COVID pandemic. The loss of Business Rate income from this relief caused a deficit on the Collection Fund, which has to be funded in 2021/22 under the Collection Fund statutory accounting requirements. The grant has been transferred to this new earmarked reserve in 2020/21 so it is available in 2021/22 to offset the recovery of this element of the deficit.

The COVID-19 Reserve holds the unutilised balance of COVID support grants received during 2020/21 so they are available to fund costs arising in 2021/22. The breakdown of respective grants held is as follows: Contain Outbreak Management Fund Grant - £3.44m, LA Test & Trace Support Grant (LOMP) - £0.79m and General COVID unfunded grants - £0.62m.

## NOTES TO MAIN FINANCIAL STATEMENTS

	31 March 2020 £'000	transfers to £'000	transfers from £'000	31 March 2021 £'000
<b>General Service Earmarked Reserves</b>				
Information Technology Reserve	533			<b>533</b>
Finance VAT Advice Reserve	408			<b>408</b>
Leisure Reserves	497		(417)	<b>80</b>
Waste Reprovision Reserve	964	143		<b>1,107</b>
Public Transport Reserve	-	155		<b>155</b>
Combe Down Stone Mines Interpretation Centre Reserve	145		(5)	<b>140</b>
Care & Health Reserve	1,705	3,790		<b>5,495</b>
ICS Transformation Reserve	-	4,000		<b>4,000</b>
Other Service Reserves	170	138	-	<b>308</b>
	<b>4,422</b>	<b>8,226</b>	<b>(422)</b>	<b>12,226</b>

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 Waste Reprovision Reserve is used to support the timing differences between the spend and capital receipts in relation to the Waste Reprovision project.

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

The ICS Transformation Reserve will support the overarching objective of the Integrated Care System (ICS) implementation programme to ensure that the right environment is created for transformation of care and services to deliver maximum benefits for patients and population of Bath and North East Somerset.

### 24 UNUSABLE RESERVES

	2020/21 £'000	2019/20 £'000
Revaluation Reserve	<b>140,670</b>	150,336
Capital Adjustment Account	<b>225,994</b>	263,586
Deferred Capital Receipts Reserve	<b>384</b>	407
Financial Instruments Adjustment Account	<b>(5,662)</b>	(5,832)
Dedicated Schools Grant Adjustment Account	<b>(5,424)</b>	-
Pooled Fund Adjustment Account	<b>(576)</b>	(545)
Accumulated Absences Account	<b>(633)</b>	(655)
Pensions Reserve	<b>(364,489)</b>	(326,153)
Collection Fund Adjustment Account	<b>(39,492)</b>	2,610
<b>Total Unusable Reserves</b>	<b>(49,228)</b>	83,754

#### 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.

	2020/21 £'000	2019/20 £'000
Balance at 1 April	<b>150,336</b>	125,599
Adjustment to opening balance	<b>1,604</b>	
Upwards revaluation of assets	<b>15,078</b>	<b>43,600</b>
Downwards revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	<b>(19,841)</b>	<b>(13,573)</b>
Impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	-
Transfer of depreciation on re-valued assets	<b>(2,961)</b>	<b>(2,585)</b>
Written Back on asset disposal and transfer	<b>(3,546)</b>	<b>(2,704)</b>
Impairment of fixed assets - transfer		
<b>Balance at 31 March</b>	<b>140,670</b>	150,336

## NOTES TO MAIN FINANCIAL STATEMENTS

### 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 aside by the Authority as finance for the cost of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties.

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

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

	2020/21 £'000	2020/21 £'000	2019/20 £'000
Balance at 1 April		263,586	274,264
Adjustment to opening balance		(1,604)	
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	(23,732)		(23,718)
Revaluation losses on Property, Plant & Equipment	(7,105)		(3,483)
Amortisation of intangible assets	(160)		(264)
Impairment allowance for capital expenditure loans	(95)		(44)
Revenue expenditure funded from capital under statute	(5,468)		(8,681)
Grant funding of revenue expenditure funded from capital under statute	5,041		5,634
		(31,519)	(30,556)
Adjusting amounts written out of the Revaluation Reserve			
Transfer of depreciation on re-valued assets		2,961	2,585
Transfer of revaluation reserve balance on asset disposal		3,546	2,704
Net written out amount of the cost of non-current assets consumed in the year		(25,012)	(25,267)
Capital financing applied in the year:			
Use of capital receipts reserve to finance new capital expenditure	644		1,631
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	38,361		24,633
Capital expenditure financed from revenue	503		24
Minimum Revenue Provision	6,894		6,145
		46,402	32,433
Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		(48,332)	(9,024)
Deferred liability - Repayment of Avon Loan Debt		455	474
Carrying value of fixed assets disposed of		(5,878)	(8,944)
Other movements		(3,623)	(350)
<b>Balance at 31 March</b>		<b>225,994</b>	<b>263,586</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the Account to manage premiums 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.

	2020/21 £'000	2020/21 £'000	2019/20 £'000
Balance at 1 April		(5,832)	(6,002)
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
<b>Balance at 31 March</b>		<b>(5,662)</b>	<b>(5,832)</b>

### Dedicated Schools Grant Adjustment Account

On the 6 November 2020, the Secretary of State for the Ministry of Housing, Communities and Local Government laid before Parliament a statutory instrument (the instrument) to amend The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations). The provisions came into effect from 29 November 2020.

The instrument amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits such that where the Council has a deficit on its schools budget relating to its accounts for a financial year beginning on 1 April 2020, 1 April 2021 or 1 April 2022, it must not charge the amount of that deficit to a revenue account. The Council must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget. The new accounting practice has the effect of separating schools budget deficits from the Councils' general fund for a period of three financial years.

	2020/21 £'000	2020/21 £'000	2019/20 £'000
Balance at 1 April		-	-
Adjustment to Opening Balance		(1,250)	
DSG (Over) / Underspend in year	(4,174)		
Amount by which Dedicated Schools Grant funded expenditure charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.		(4,174)	-
<b>Balance at 31 March</b>		<b>(5,424)</b>	<b>-</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### Pooled Fund Adjustment Account

The Pooled Fund Adjustment Account fulfils a statutory requirement to maintain an account to hold changes in the fair value of pooled investment funds, such that the changes do not impact on the revenue account.

	2020/21 £'000	2019/20 £'000
Balance at 1 April	(545)	-
Amount by which the change in fair value of pooled funds charged to the Comprehensive Income & Expenditure Statement is different from that calculated for the year in accordance with statutory requirements.	(31)	(545)
<b>Balance at 31 March</b>	<b>(576)</b>	<b>(545)</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The 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.

	2020/21 £'000	2019/20 £'000
Balance at 1 April	(326,153)	(314,663)
Remeasurements of the net defined benefit liability / (asset)	(30,467)	2,253
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	(22,862)	(30,571)
Employer's pensions contributions and direct payments to pensioners payable in the year	14,993	16,828
<b>Balance at 31 March</b>	<b>(364,489)</b>	<b>(326,153)</b>

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2020/21 £'000	2019/20 £'000
Balance at 1 April	407	414
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement		
Transfer to the Capital Receipts Reserve upon receipt of cash	(23)	(7)
<b>Balance at 31 March</b>	<b>384</b>	<b>407</b>

### 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.

	2020/21 £'000	2019/20 £'000
Balance at 1 April	2,610	1,758
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(42,102)	852
<b>Balance at 31 March</b>	<b>(39,492)</b>	<b>2,610</b>

### Accumulated Absences Account

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

	2020/21 £'000	2020/21 £'000	2019/20 £'000
Balance at 1 April		(655)	(794)
Settlement or cancellation of accrual made at the end of the preceding year	655		794
Amounts accrued at the end of the current year	(633)		(655)
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		22	139
<b>Balance at 31 March</b>		<b>(633)</b>	<b>(655)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 25 CASH FLOW STATEMENT

#### Note A to the cash flow statement

	2020/21 £'000	2019/20 £'000
Net Surplus or (Deficit) on the Provision of Services	(33,398)	(19,205)
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>		
Depreciation	23,732	23,718
Impairment and downward valuations	10,823	3,527
Amortisation	160	264
Impairment allowance on service loans	38	48
Adjustment for internal interest charged	4	24
Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss a/c	32	545
Adjustments for effective interest rates	(6)	(5)
Increase/Decrease in Interest Creditors	188	27
Increase/Decrease in Creditors	1,498	(11,824)
Increase/Decrease in Interest and Dividend Debtors	128	(68)
Increase/Decrease in Debtors	(25,719)	(3,655)
Increase/Decrease in Inventories	44	(117)
Pension Liability	3,309	18,567
Pension Fund Gains on Past Service Costs		
Contributions to/(from) Provisions	921	3,127
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	5,878	8,945
Movement in investment property values	48,332	9,024
Other movements		
Total adjustments on the provision of services for non cash movements	69,362	52,147
<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>		
Capital Grants credited to surplus or deficit on the provision of services	(43,411)	(30,059)
Net adjustment from the sale of short and long term investments	-	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(2,270)	(3,147)
Total adjustments on the provision of services that are investing or financing activities	(45,681)	(33,206)
<b>Net Cash Flows from Operating Activities</b>	<b>(9,717)</b>	<b>(264)</b>

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

	2020/21 £'000	2019/20 £'000
<b>Operating activities within the cash flow statement include the following cash flows relating to interest</b>		
Ordinary interest received	498	771
Other adjustments for differences between Effective Interest Rates and actual interest receivable-Long Term D	-	-
Opening Debtor	192	124
Closing Debtor	(64)	(192)
<b>Interest Received</b>	<b>626</b>	<b>703</b>
Interest charge for year	(7,836)	(7,746)
Adjustment for difference between effective interest rates and actual interest payable	(6)	(5)
Adjustment for impairment loss on service loans	38	48
Adjustment for internal interest charged to balance sheet funds	4	24
Opening Creditor	(91)	(65)
Closing Creditor	279	91
<b>Interest Paid</b>	<b>(7,612)</b>	<b>(7,653)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

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

	2020/21	2019/20
	£'000	£'000
Property, Plant and Equipment Purchased	(52,313)	(46,847)
Purchase of Investment Properties	(632)	(742)
Other Capital Payments	(290)	(596)
Opening Capital Creditors	(4,679)	(5,921)
Closing Capital Creditors	4,562	4,679
Purchase of Property, Plant and Equipment, investment property and intangible assets	(53,352)	(49,427)
Purchase of short term investments	(75,000)	(60,000)
Long term loans granted	5,765	
Proceeds from the sale of property plant and equipment, investment property and intangible assets	2,292	3,154
Proceeds / (Purchase) from short term investments	85,000	45,000
Proceeds from long term investments	-	-
Other capital cash receipts	8,719	61,236
Capital Grants Received / (Repaid)	53,505	(4,048)
Other Receipts / (Payments) from Investing Activities	62,224	57,188
<b>Total Cash Flows from Investing Activities</b>	<b>26,929</b>	<b>(4,085)</b>

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

	2020/21	2019/20
	£'000	£'000
Cash receipts of long term borrowing	15,000	20,000
Billing Authorities - Council Tax and NNDR adjustments	(1,535)	465
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	-	-
Other receipts from Financing Activities	-	-
Repayment of Short-Term and Long-Term Borrowing	(4,854)	(14,180)
Payments for the reduction of a finance lease liability	-	-
<b>Total Cash Flows from Financing Activities</b>	<b>8,611</b>	<b>6,285</b>

### Note E - Makeup of Cash and Cash Equivalents

	2020/21	2019/20
	£'000	£'000
Cash and Bank Balances	735	106
Cash Investments - regarded as cash equivalents	52,508	27,313
Bank Overdraft	-	-
	53,243	27,419

## NOTES TO MAIN FINANCIAL STATEMENTS

### 26 EXPENDITURE & INCOME ANALYSED BY NATURE

	2020/21 £'000	2019/20 £'000
<b>Expenditure</b>		
Employee expenses	94,567	101,361
Other service expenses	244,727	225,128
Depreciation amortisation & impairment	30,997	27,465
Loss on disposal of non-current assets	4,386	5,893
Decrease in Investment Estate Fair Value	48,332	9,024
Interest Expenditure (Inc. Net Interest on Net Defined Benefit Liability)	15,224	15,039
Precepts and levies	7,965	7,076
	<b>446,198</b>	<b>390,986</b>
<b>Income</b>		
Sales, Fees and charges and other misc. income (including Contributions)	(65,856)	(85,698)
Income from Council Tax & Business Rates	(84,000)	(118,665)
Net Surplus on Trading Operations	-	(42)
Income from Investment Estate	(11,165)	(18,615)
Government Grants & Contributions	(251,282)	(147,989)
Interest & Investment Income	(498)	(771)
	<b>(412,801)</b>	<b>(371,780)</b>
<b>(Surplus) / Deficit on provision of services</b>	<b>33,398</b>	<b>19,205</b>

### 26a SEGMENT REPORTING

	2020/21 £'000	2019/20 £'000
<b>Depreciation amortisation &amp; impairment</b>		
Leader	-	66
Resources	1,771	3,962
Adult Services	2,738	3,194
Children's Services	1,841	1,418
Climate Emergency & Neighbourhood Services	1,672	1,503
Housing, Planning & Economic Development	329	(45)
Community Services	3,625	2,304
Transport Services	19,021	15,063
<b>Total</b>	<b>30,997</b>	<b>27,465</b>
<b>Revenues from external customers / Contributions</b>		
Leader	(889)	(528)
Resources	(4,500)	(6,248)
Adult Services	(33,210)	(27,241)
Children's Services	(5,531)	(6,317)
Climate Emergency & Neighbourhood Services	(3,396)	(2,554)
Housing, Planning & Economic Development	(2,781)	(3,943)
Community Services	(7,086)	(24,791)
Transport Services	(8,463)	(14,076)
<b>Total</b>	<b>(65,856)</b>	<b>(85,698)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 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.

	2020/21	2020/21	2020/21	2019/20
	Income	Expenditure	(Surplus) / Deficit	(Surplus) / Deficit
	£'000	£'000	£'000	£'000
School and Other Catering	0	4	4	6
Cleaning Services	(10)	(7)	(17)	(14)
Fleet Management	(119)	257	138	50
Passenger Transport Services	(199)	205	6	225
Trade Refuse Collection	(732)	618	(114)	(54)
Print Services	0	1	1	31
Bath Museum Shops	(338)	952	614	(286)
<b>Surplus for Year</b>	<b>(1,398)</b>	<b>2,030</b>	<b>632</b>	<b>(42)</b>

### 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. During 2020/21 there were four Pooled Budgets, detailed below :-

#### Adult Learning Difficulties

The Council has entered into a pooled budget arrangement with Bath & North East Somerset Clinical Commissioning Group (CCG) for the provision of Learning Disabilities services to meet the needs of people living in the Bath and North East Somerset area, the services being provided by the Council or the CCG depending upon the mix required by clients.

The Council and the CCG have a Section 75 agreement in place for funding these services with the partners contributing funds to the agreed budget equal to 76.67% and 23.33% of the budget respectively. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The pooled budget is hosted by the Council on behalf of the two partners to the agreement.

	2020/21 £'000	2019/20 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	23,827	22,386
NHS Bath & North East Somerset Clinical Commissioning Group	7,266	6,827
Other Funding	1,051	853
Income from Client Contributions	1,292	1,423
<b>Total Funding</b>	<b>33,436</b>	<b>31,489</b>
<b>Total Expenditure</b>	<b>32,597</b>	<b>32,108</b>
<b>Net (Underspend) / Overspend</b>	<b>(839)</b>	<b>619</b>
<b>Overspend Recharged</b>		
Bath & North East Somerset Council	(643)	474
NHS Bath & North East Somerset Clinical Commissioning Group	(196)	145

#### Community Equipment

The Council has entered into a pooled budget arrangement with Bath & North East Somerset Clinical Commissioning Group (CCG) for the provision of Community Equipment services to meet the needs of people living in the Bath and North East Somerset area, the services being provided by the Council or the CCG depending upon the mix required by clients.

The Council and the CCG have a Section 75 agreement in place for funding these services with the partners contributing funds to the agreed budget equal to 30% and 70% of the budget respectively. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The pooled budget is hosted by the Council on behalf of the two partners to the agreement.

	2020/21 £'000	2019/20 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	203	203
Bath & North East Somerset Council - Additional Grant Funding	-	44
NHS Bath & North East Somerset Clinical Commissioning Group	473	473
Income from Client Contributions	-	-
<b>Total Funding</b>	<b>676</b>	<b>720</b>
<b>Total Expenditure</b>	<b>676</b>	<b>720</b>
<b>Net (Underspend) / Overspend</b>	<b>0</b>	<b>0</b>



## NOTES TO MAIN FINANCIAL STATEMENTS

### Better Care Fund

The Council has entered into a pooled budget arrangement with Bath & North East Somerset Clinical Commissioning Group (CCG) for the provision of services under the Better Care Fund. The government created the Better Care Fund in 2015 with the aim of developing and improving joint health and social care planning. The Better Care Fund is a pooling of health and social care budgets.

The Council and the CCG have entered into a formal arrangement from 1st April 2015 to deliver services via the Better Care Fund and have a Section 75 agreement in place for funding these services.

The pooled budget is hosted by the Council on behalf of the two partners to the agreement.

	2020/21 £'000	2019/20 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	7,420	7,340
Bath & North East Somerset Council - Community Services Contract	23,640	26,549
NHS Bath & North East Somerset Clinical Commissioning Group	12,707	12,617
NHS Bath & North East Somerset Clinical Commissioning Group - Community Services Contract	27,334	26,160
<b>Total Funding</b>	<b>71,101</b>	<b>72,666</b>
Spend on Better Care Fund schemes	17,466	13,565
Spend on Community Services Contract	53,635	59,101
<b>Total Expenditure</b>	<b>71,101</b>	<b>72,666</b>

### Children and Young People with Multiple and Complex Needs

The Council has entered into a pooled budget arrangement with Bath & North East Somerset Clinical Commissioning Group (CCG) for the provision of services to improve the well-being of Children and young people with multiple and complex needs living in the Bath and North East Somerset area, the services being provided by the Council or the CCG depending upon the mix required by clients.

The Council and the CCG have a Section 75 agreement in place for funding these services with the partners contributing funds to the agreed budget equal to 86.3% and 13.7% of the budget respectively. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The pooled budget is hosted by the Council on behalf of the two partners to the agreement.

	2020/21 £'000	2019/20 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	2,615	2,514
NHS Bath & North East Somerset Clinical Commissioning Group	413	392
<b>Total Funding</b>	<b>3,028</b>	<b>2,906</b>
<b>Total Expenditure</b>	<b>11,034</b>	<b>5,968</b>
<b>Net (Underspend) / Overspend</b>	<b>8,006</b>	<b>3,062</b>
<b>Overspend Recharged</b>		
Bath & North East Somerset Council	6,914	2,644
Bath & North East Somerset Clinical Commissioning Group	1,092	418

## NOTES TO MAIN FINANCIAL STATEMENTS

### 29 MEMBERS' ALLOWANCES

The total cost of Members Allowances for 2020/21 including employers national insurance, pensions contributions and expenses was £791,267 (£793,341 in 2019/20).

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

		Basic & Special Allowance	Expenses	Total
		£	£	£
APPLEYARD	R	28,441	-	28,441
BALL	TM	28,441	-	28,441
BEVAN	SF	8,421	6	8,427
BLACKBURN	C	8,421	-	8,421
BORN	A	8,421	-	8,421
BROMLEY	S	8,421	-	8,421
BUTTERS	TN	18,431	-	18,431
CLARKE	V	8,421	23	8,444
CRAIG	S	8,421	-	8,421
CROSSLEY	PN	28,441	-	28,441
CURRAN	G	8,421	-	8,421
DANDO	C	12,343	-	12,343
DAVID	J	8,421	-	8,421
DAVIES	T	10,476	-	10,476
DAVIS	S	8,421	-	8,421
DEACON	DE	8,421	-	8,421
DUGUID	PN	10,476	-	10,476
ELLIOTT	M	8,421	-	8,421
EVANS	M	8,421	-	8,421
FURSE	AJ	17,085	-	17,085
GUY	K	28,441	-	28,441
HALE	AD	7,719	-	7,719
HARDMAN	EJ	8,421	54	8,475
HEDGES	SP	8,421	-	8,421
HIRST	J	8,421	-	8,421
HODGE	L	8,421	-	8,421
HOUNSELL	D	8,421	-	8,421
HUGHES	S	8,421	-	8,421
JACKSON	EM	9,950	-	9,950
JOHNSON	G	8,421	-	8,421
KUMAR	Y	8,421	-	8,421
MACFIE	H	8,421	-	8,421
MALLOY	R	8,421	-	8,421
MAY	PN	12,343	-	12,343
McCABE	M	23,129	-	23,129
McGALL	S	12,343	-	12,343
MOORE	S	8,421	-	8,421
MOSS	R	13,442	-	13,442
MYERS	PN	19,010	-	19,010
O'BRIEN	B	10,518	-	10,518
O'DOHERTY	M	10,476	-	10,476
PANKHANIA	B	8,421	-	8,421
PLAYER	J	8,421	-	8,421
PRITCHARD	VL	16,592	-	16,592
RIGBY	A	17,534	-	17,534
ROMERO	UM	43,729	-	43,729
ROPER	M	1,404	-	1,404
SAMUEL	R	28,441	-	28,441
SHEARN	B	12,343	-	12,343
SIMMONS	B	8,421	-	8,421
SINGLETON	A	8,421	-	8,421
WAIT	A	8,421	16	8,437
WALKER	K	17,911	47	17,958
WARREN	E	18,431	276	18,707
WARRINGTON	K	8,421	-	8,421
WATT	C	8,421	-	8,421
WILLS	R	8,421	-	8,421
WOOD	D	18,431	-	18,431
WRIGHT	J	18,431	-	18,431
<b>Total</b>		<b>755,801</b>	<b>422</b>	<b>756,223</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 30 SENIOR OFFICER REMUNERATION

The following posts meet the CIPFA definition of Senior Officers for the purpose of this note.

<b>Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2021</b>						
Post Holder	Salary	Expenses	Benefits in Kind e.g. Relocation, Subscriptions	Compensation for Loss of Office	Employer Pension Contrib'ns	Total
	£	£	£	£	£	£
Chief Executive - William Godfrey	151,041				31,567	<b>182,608</b>
<b>Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2021</b>						
Post Holder	Salary (incl. Honorarium)	Expenses	Benefits in Kind e.g. Relocation, Subscriptions	Compensation for Loss of Office	Employer Pension Contrib'ns	Total
	£	£	£	£	£	£
Corporate Director (to 31/08/2020)	54,524			30,000	11,395	<b>95,919</b>
Corporate Director (to 31/08/2020)	57,520				10,227	<b>67,747</b>
Chief Operating Officer (from 13/11/2020)	44,977				9,614	<b>54,591</b>
Director of People & Policy	78,888				18,947	<b>97,835</b>
Director of Public Health	128,893				18,534	<b>147,427</b>
Director - Legal & Democratic Services (to 30/11/2020)	64,110				13,398	<b>77,508</b>
Head of Legal & Democratic Services (from 01/12/2020)	26,702				5,580	<b>32,282</b>
Chief Finance Officer	103,930		297		21,721	<b>125,948</b>
Director of Adult Social Care	105,183				21,983	<b>127,166</b>
Director of Children's Services & Education	102,177	922			21,354	<b>124,453</b>
Director - Economy & Growth (to 31/12/2020)	77,554				16,487	<b>94,041</b>
Director - Development	103,177	130			21,983	<b>125,290</b>
Director - Partnership & Corporate Services	105,183				21,983	<b>127,166</b>

<b>Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2020</b>					
Post Holder	Salary	Expenses	Benefits in Kind e.g. Relocation, Subscriptions	Employer Pension Contrib'ns	Total
	£	£	£	£	£
Chief Executive - Ashley Ayre (to 30/09/2019)	79,597			18,466	<b>98,063</b>
Chief Executive - William Godfrey (from 07/10/2019)	71,129			16,501	<b>87,630</b>
<b>Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2020</b>					
Post Holder	Salary (incl. Honorarium)	Expenses	Benefits in Kind e.g. Relocation, Subscriptions	Employer Pension Contrib'ns	Total
	£	£	£	£	£
Corporate Director	127,356			27,630	<b>154,986</b>
Corporate Director	127,356			29,546	<b>156,902</b>
Director of Public Health	126,310	904		18,163	<b>145,377</b>
Director - Legal & Democratic Services	93,597			21,714	<b>115,311</b>
Interim Director of Finance (to 08/03/2020)	81,795	119		18,719	<b>100,633</b>
Director of Finance (from 01/03/2020)	8,287			1,922	<b>10,209</b>
Director of HR & Organisat'n'l Develop't (from 01/09/2019)	39,812			11,773	<b>51,585</b>
Interim Director of HR & Org. Develop't (from 04/11/2019)	35,830			7,524	<b>43,354</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 31 EMPLOYEES' EMOLUMENTS

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

Remuneration band	2020/21 Teachers	2020/21 Others	2020/21 Total	2019/20 Teachers	2019/20 Others	2019/20 Total
£50,000 - £54,999	4	33	37	10	33	43
£55,000 - £59,999	-	14	14	3	24	27
£60,000 - £64,999	2	22	24	2	7	9
£65,000 - £69,999	3	8	11	6	5	11
£70,000 - £74,999	3	1	4	1	3	4
£75,000 - £79,999	1	2	3	-	3	3
£80,000 - £84,999	-	5	5	1	13	14
£85,000 - £89,999	-	12	12	-	1	1
£90,000 - £94,999	-	-	-	-	4	4
£95,000 - £99,999	-	3	3	-	8	8
£100,000 - £104,999	-	3	3	-	-	-
£105,000 - £109,999	-	3	3	-	-	-
£110,000 - £114,999	-	1	1	-	-	-
£115,000 - £119,999	-	-	-	-	1	1
£120,000 - £124,999	-	-	-	-	-	-
£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	-	-	-	-	1	1
£170,000 - £174,999	-	-	-	-	-	-
	<b>13</b>	<b>109</b>	<b>122</b>	<b>23</b>	<b>106</b>	<b>129</b>

The above totals include 1 member of staff who would not have been included in the note if it were not for one-off severance payments (5 staff in 2019/20). This included 0 in the Teacher category (0 in 2019/20) and 1 in the Others category (5 in 2019/20).

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 2020/21, incurring liabilities of £0.303m (£1.032m in 2019/20). 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. Any Exit Packages over £100,000 are agreed by the Council's Restructure Implementation Committee.

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)	2020/21 Number of Compulsory Redundancies	2020/21 Number of Other Exits Agreed	2020/21 Total Cost £	2019/20 Number of Compulsory Redundancies	2019/20 Number of Other Exits Agreed	2019/20 Total Cost £
£0 - £20,000	2	16	60,652	7	22	181,239
£20,001 - £40,000	1	4	157,159	2	7	239,602
£40,001 - £60,000	-	-	0	-	-	0
£60,001 - £80,000	-	-	0	-	1	73,009
£80,001 - £100,000	-	1	85,337	-	-	0
£100,001 - £150,000	-	-	0	2	-	239,648
£150,001 - £200,000	-	-	0	-	-	0
£200,001 - £250,000	-	-	0	-	-	0
£250,001 - £300,000	-	-	0	-	1	298,083
£300,001 - £350,000	-	-	0	-	-	0
	<b>3</b>	<b>21</b>	<b>303,148</b>	<b>11</b>	<b>31</b>	<b>1,031,581</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 33 EXTERNAL AUDIT COSTS

The Council has incurred the following fees payable to its auditors,  
Grant Thornton UK LLP

	2020/21 £'000	2019/20 £'000
Fees payable with regard to external audit services	154	119
Fees payable for the certification of grant claims and returns	34	36
	<b>188</b>	<b>155</b>

### 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 2016. 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 2020/21 are as follows:

	2020/21 Central Expenditure £'000	2020/21 Individual Schools Budget £'000	2020/21 Total £'000	2019/20 Total £'000
Final DSG for before Academy recoupment			149,642	140,744
Academy figure recouped			104,016	93,685
Total DSG after Academy recoupment			45,626	47,059
<i>plus</i> Brought forward from previous year			(1,250)	
<i>less</i> Carry forward into future year agreed in advance				
Final budget distribution	30,683	13,693	44,376	47,059
<i>less</i> Actual central expenditure	36,876		36,876	31,576
<i>less</i> Actual ISB deployed to schools	-	12,924	12,924	16,733
plus Local Authority contribution for year	-		-	
Carry forward	(6,193)	769	(5,424)	(1,250)

### 35 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure  
Statement in 2020/21:

	2020/21 £'000	2019/20 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
<b>Non-Ringfenced Government Grants</b>		
s31 Grants - MHCLG	47,367	-
COVID Support Grant - MHCLG	7,298	-
<b>Capital Grants &amp; Contributions</b>		
Department for Education	392	1,068
Department for Transport	7,786	2,675
Department for Health & Social Care	202	47
West of England Combined Authority	20,740	14,089
Other	7,130	2,490
Third party contributions	482	188
Section 106 Developer / CIL Contributions	1,629	4,077
	<b>93,026</b>	<b>24,633</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### Credited to Services

Education Funding Agency (incl. Universal Infant Free School Meals)	1,893	1,158
Pupil Premium Grant	1,149	1,377
Mandatory rent allowances	30,217	31,362
Public Health Grant	9,308	8,694
Department for Health & Social Care	1,278	383
COVID Infection Control Grants	4,060	-
COVID Outbreak Management Grants	5,361	-
COVID Test & Trace Support Grant	849	-
COVID Workforce Capacity Grant	365	-
COVID Rapid Testing Fund	557	-
Department for Education	2,810	2,994
Department for Environment, Food & Rural Affairs	1,098	-
Department for Transport	214	329
Ministry of Housing, Communities & Local Government (MHCLG)	11,555	22,998
Sales, Fees & Charges Compensation Grant	17,724	-
Council Tax Hardship Grant	1,288	-
COVID-19 Business Support Grants	7,674	-
COVID Test & Trace Support Payments	258	-
COVID Winter Grants	495	-
COVID Income Guarantee Compensation	774	-
COVID Job Retention Scheme Grant	562	-
New Homes Bonus Grant	5,688	5,139
West of England Combined Authority	1,753	1,281
Other	4,895	5,074
Third party contributions	2	11
Section 106 Developer / CIL Contributions	803	1,088
	<b>112,629</b>	<b>81,888</b>

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

	2020/21 £'000	2019/20 £'000
<b>Grants Receipts In Advance (Capital Grants &amp; Contributions)</b>		
Section 106 Developer & 3rd Party Contributions	7,877	6,011
Various Capital Grants	28,267	20,755
<b>Total</b>	<b>36,144</b>	<b>26,766</b>
<b>Grants Receipts In Advance (Revenue Grants)</b>		
Various Service Grants	4,509	9,544
<b>Total</b>	<b>4,509</b>	<b>9,544</b>

### Long-Term Liabilities

	2020/21 £'000	2019/20 £'000
<b>Grants Receipts In Advance (Capital Grants &amp; Contributions)</b>		
Section 106 Developer & 3rd Party Contributions	13,390	13,147
Various Capital Grants	16,024	16,304
<b>Total</b>	<b>29,414</b>	<b>29,451</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 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 Grants Note 35.

#### Pension Fund

Details of Contributions to the Avon Pension Fund are shown in note 41. As administering body to the Fund, the Council charged the fund for the direct costs of £2,226,773 (£2,108,771 2019/20) and support services costs of £535,892 (£517,662 2019/20). Five B&NES Councillors are voting members on the Pensions Committee.

#### Visit Bath

The Council set up a company to provide tourism information and marketing services, in partnership with the private sector. The company, Visit Bath Ltd, is limited by guarantee and the Council took 100% control of the company in 2017/18. In 2020/21 it was decided to close the company down and voluntary strike it off the Companies House register. On 10 December 2020 Cabinet agreed to meet its corporate responsibilities and fund the outstanding company liabilities.

#### Aequus Developments Ltd (ADL)

Bath & North East Somerset Council is a 100% shareholder in Aequus Developments Limited (ADL), which was incorporated on 14th March 2016 and commenced trading on the same day. The purpose of ADL is to develop, deliver, own and manage existing property as well as carry out new development on a case by case basis.

#### Aequus Construction Ltd (ACL)

Aequus Construction Limited (ACL) is a 100% owned subsidiary of ADL which was incorporated on 22nd June 2017 and commenced trading on the same day. The purpose of ACL is to carry out construction and development of building projects.

#### Members & Officers

Three 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

Ten Members are Parish / Town Councillors

One Member is on the Board of the Local Enterprise Partnership (LEP)

The Council made payments of £203,731 (£285,661 in 2019/20) to voluntary bodies and organisations where members have an interest (either due to a Council nomination or in an independent capacity).

	2020/21
	£
Bath & North East Somerset Carers Centre	61,400
Bath Festivals Trust	27,015
European Student Placement Agency	10,000
Great Spas of Europe	17,217
Keynsham & District Dial-A-Ride	1,627
Odd Down Community Association	2,000
Roper Rhodes Ltd.	523
Somer Valley Community Radio Ltd.	7,895
South West Councils	15,202
SWAN Advisory Network	31,902
Truespeed	28,950
	<b>203,731</b>

#### Clinical Commissioning Group

The Council is in partnership with the NHS B&NES Clinical Commissioning Group (CCG) to commission health, social care and preventative support 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, then transferred to Sirona Care & Health Community Interest Company are now delivered by Virgin Care Ltd through a 7 year prime provider contract that was awarded in November 2016, following the Your Care, Your Way community services review, with the contract commencing April 2017. The contract is a "tri-partite" contract between the Council, CCG and Virgin Care Services Ltd, with the Council acting as lead commissioner for this contract. Contract funding is pooled under Section 75 of the 2016 NHS Act through the Council and CCG Better Care Fund. Relevant elements of the Council's budget are reported to the Health & Wellbeing Board. The Board is Co-Chaired by the Cabinet Member for Adult Care, Health & Wellbeing along with the CCG GP Board Chair. The Council Chief Executive and Cabinet Members are on the Board.

#### Adoption West

Adoption West is a private company limited by guarantee set up by 6 local authorities (South Gloucestershire, Bath & North East Somerset, North Somerset, Bristol, Wiltshire and Gloucestershire Councils) to co-ordinate and facilitate adoptions across the region, with each authority funding and owning an equal share. This has involved the transfer of staff and assets to the newly formed company and the local authorities will provide funding in proportion to service provided by the company as agreed in the "Commissioning Agreement" between the parties, with service commencing on 1st March 2019.

#### Youth Connect South West

Youth Connect South West (YCSW) is a public service mutual organisation. It continues to deliver public services and aims to have a positive social impact. YCSW provides youth services that were previously delivered within Bath and North East Somerset Council. The organisation was created on 4th November 2019, and involved the transfer of staff and assets. There is a 5 year contract in place to deliver targeted youth support services and complete statutory returns concerning young peoples' education, employment or training status.

## NOTES TO MAIN FINANCIAL STATEMENTS

### 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.

<b>Capital expenditure on fixed assets was as follows:</b>	<b>2020/21 £'000</b>	<b>2019/20 £'000</b>
Bath Quays: North South & Bridge	16,416	10,067
Bath Western Riverside	3,153	9,051
Highways, Transport, Road Safety & Bridge Strengthening	8,951	7,154
Keynsham Leisure Centre Modernisation	308	4,481
School Improvements	819	3,924
Archway Centre	3,298	1,677
Capitalised Buildings Maintenance	1,979	1,614
Waste Project	1,208	1,369
Clean Air Zone	5,217	1,262
Commercial Estate Investment	227	789
Children's Centres	32	533
North Keynsham Land Acquisition / Redevelopment	5,739	405
Sydney Gardens	628	295
Housing Delivery Schemes	546	269
Bath Quays Flood Mitigation	91	29
Saw Close Development Works	5	8
Other	4,617	5,621
	<b>53,234</b>	<b>48,548</b>

This above table excludes Revenue expenditure funded from capital under statute & loans.

<b>Capital Expenditure was categorised as follows:</b>	<b>2020/21 £'000</b>	<b>2019/20 £'000</b>
Property, plant and equipment	26,194	28,306
Investment properties	632	742
Intangible assets	289	595
Heritage Assets	-	-
Assets under construction	26,121	18,837
Non Current Assets held for sale	(2)	68
Capital Loans	3,499	5,862
Revenue expenditure funded from capital under statute (*)	5,468	8,681
Total expenditure	<b>62,202</b>	<b>63,091</b>

\* This includes £96.2k of transformation and severance costs funded under the Government's flexible use of capital receipts scheme (£1,261k in 2019/20). These costs will contribute to ongoing revenue savings in line with the Council's approved Efficiency Strategy.

<b>Sources of finance:</b>	<b>2020/21 £'000</b>	<b>2019/20 £'000</b>
Capital Receipts	644	1,680
Grants	40,487	24,904
Borrowing	17,652	31,120
3rd Party Contributions	484	199
S.106 / CIL contributions	2,432	5,164
Revenue	503	24
Total financing	<b>62,202</b>	<b>63,091</b>



## NOTES TO MAIN FINANCIAL STATEMENTS

### Capital Financing Requirement

	2020/21 £'000	2019/20 £'000
Opening Capital Financing Requirement	323,672	300,712
Capital Investment	62,202	63,091
Other Adjustments to CFR (including revenue reversion of prior years spend)		(314)
Sources of Finance:		
Capital Receipts	(8,164)	(3,381)
Government grants & other contributions	(43,403)	(30,267)
Sums set aside from revenue (including MRP)	(7,397)	(6,169)
Closing Capital Financing Requirement	326,909	323,672
Increase in underlying need to borrow unsupported by Government financial assistance	17,652	30,806
Repayments received in respect of Capital Expenditure Loans	(7,520)	(1,701)
Less minimum revenue provision repayment	(6,894)	(6,145)
Increase / (decrease) in Capital Financing Requirement	3,238	22,960

## 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:

	2020/21 £'000	2019/20 £'000
Other Land & Buildings	4,066	4,159
Vehicles, Plant & Equipment	-	-
	4,066	4,159

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 2020/21 were £396K (£1,519K in 2019/20).

The future payments required under these leases are £2,926K comprising the following elements:

	2020/21 £'000	2019/20 £'000
Not later than one year	468	852
Later than one year and not later than five years	1,556	1,434
Later than five years	902	1,230
	2,926	3,516

The Council continues to hold no Property Leases as operating leases as per 2019/2020.

## NOTES TO MAIN FINANCIAL STATEMENTS

### Authority as Lessor

#### Finance Leases

The Authority has leased out a number of commercial properties on finance leases in 2020/21, the capital receipts from these total £763K (2019/20 £1.697m.)

#### Operating Leases

The Authority leases out a large number of investment properties.

Rental income receivable from operating property leases on investment properties totalled £11.165m (£19.580m in 2019/20).

The net book value of these properties is £260.915m (£310.762m in 2019/20).

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

	2020/21	2019/20
	£'000	£'000
Not later than one year	15,247	16,489
Later than one year and not later than five years	47,271	51,313
Later than five years	128,136	139,581
	<u>190,654</u>	<u>207,383</u>

Rental income receivable from Property Plant and Equipment leases totalled £1,227K in 2019/20 (£1,166K in 2018/19).

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

	2020/21	2019/20
	£'000	£'000
Not later than one year	891	712
Later than one year and not later than five years	1,743	1,703
Later than five years	4,775	2,408
	<u>7,409</u>	<u>4,823</u>

### 39 EXCEPTIONAL ITEMS

There were no exceptional items in 2020/21.

### 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 2020/21 the Council paid £1.627m to Teachers' Pensions in respect of teachers' retirement benefits, representing an average of 23.7% of pensionable pay. The figures for 2019/20 were £1.798m and 20.6%. 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.

## NOTES TO MAIN FINANCIAL STATEMENTS

### 41 PARTICIPATION IN PENSIONS SCHEMES

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

The Council participates in two pension schemes:

- The Teachers' Pension Scheme, as detailed in Note 40, and,
- The Local Government Pension Scheme via the Avon Pension Fund. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into the fund which are calculated at a level intended to balance the pension liabilities with investment assets, 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.

#### 2021/22 & 2022/23 Up-Front Payment of Local Government Pension Scheme Deficit Contributions

In 2020/21, the Council made an up-front payment of the LGPS deficit contributions for the three years 2020/21 - 2022/23 totalling £7.082m. 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 £0.499m, reducing total payments from £7.531m to £7.082m. 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 2020/21 was £7.082m, and the actuary calculated the Equivalent Discounted annual Lump Sums Certified across the 3 years as follows:

£2.366m relating to 2020/21,  
£2.361m relating to 2021/22, and  
£2.355m relating to 2022/23.

The Pension Liability as at 31st March 2021 has been reduced by the total £7.82m net payment, and the full amount was reflected in the actuarial valuation as at 31st March 2021. However, only the £2.366m relating to 2017/18 has been charged to the General Fund in the 2020/21 Statement of Accounts, with the future years' amounts not yet credited to the Pensions Reserve. The payments relating to 2021/22 and 2022/23 will be credited to the Pension Reserve and charged to the General Fund in the years to which the payment relates, via the Movement In Reserves Statement.

The result of this is that the Pensions Liability and the Pensions Reserve self-balance as at 31st March 2023, by when the full £7.082m upfront 3 year payment having been charged to the General Fund over the three years.

#### 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.

## NOTES TO MAIN FINANCIAL STATEMENTS

	Local Government Pension Scheme		Unfunded Liabilities (Teachers) Discretionary Benefits	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
Current Service Costs	18,562	19,128		
Past Service Cost	-	2,420	-	-
Settlement and Curtailment (Gain) / Loss	(3,438)	1,399	-	-
Administration Expenses	350	331		
<i>Financing and Investment Income &amp; Expenditure:</i>				
Net Interest Expense	6,927	6,769	461	524
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>22,401</b>	<b>30,047</b>	<b>461</b>	<b>524</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</i>				
Remeasurement of the net defined benefit liability:				
Experience (gains) and losses	(18,696)	1,878	(315)	(234)
Actuarial (gains) and losses arising on changes in demographic assumptions	-	(36,033)	1,648	(994)
Actuarial (gains) and losses arising on changes in financial assumptions	128,878	(18,636)	-	(425)
Total Remeasurements	110,182	(52,791)	1,333	(1,653)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>132,583</b>	<b>(22,744)</b>	<b>1,794</b>	<b>(1,129)</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	22,401	30,047	461	524
<b>Actual amount charged against General Fund Balance for pensions in the year:</b>				
Employer Contributions	18,069	10,504		
less upfront deficit payment for 2021/22 & 2021/22	(4,560)			
add upfront deficit payment recognised in year (paid 2017/18)	-	4,824		
Employers' contributions payable to scheme	13,509	15,328	-	-
Retirement benefits payable to pensioners			1,484	1,500

## NOTES TO MAIN FINANCIAL STATEMENTS

### 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		Unfunded Liabilities	
	Local Government Pension Scheme		(Teachers) Discretionary Benefits	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	967,476	844,609	20,250	19,940
Fair value of plan assets	(627,797)	(538,396)	-	-
<b>Net liability arising from defined benefits obligation</b>	<b>339,679</b>	<b>306,213</b>	<b>20,250</b>	<b>19,940</b>

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		(Teachers) Discretionary Benefits	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Opening Balance at 1 April	844,609	875,027	19,940	22,569
Current service cost	18,562	19,128	-	-
Interest cost	19,983	20,745	461	524
Contributions from scheme participants	3,967	3,754	-	-
Actuarial gains and losses	110,182	(52,791)	1,333	(1,653)
Benefits paid	(23,929)	(25,073)	(1,484)	(1,500)
Settlements	(5,946)	-	-	-
Past service costs	48	3,819	-	-
Past service gain	-	-	-	-
<b>Closing Balance at 31 March</b>	<b>967,476</b>	<b>844,609</b>	<b>20,250</b>	<b>19,940</b>

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

	Local Government Pension Scheme	
	2020/21	2019/20
	£'000	£'000
Opening Fair Value of scheme assets at 1 April	538,396	587,757
Interest on Plan Assets	13,056	13,976
Remeasurement Gain (Loss)	81,048	(52,191)
Administration Expenses	(350)	(331)
Business Combinations	-	-
Settlements	(2,460)	-
Contributions from employer	18,069	10,504
Contributions from employees into the scheme	3,967	3,754
Benefits paid	(23,929)	(25,073)
<b>Closing Balance at 31 March</b>	<b>627,797</b>	<b>538,396</b>

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 £94.104m (2019/20 £37.006m).

### Scheme History

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:						
Local Government Pension Scheme	(664,807)	(809,137)	(813,854)	(875,027)	(844,609)	(967,476)
Discretionary Benefits	(22,793)	(23,976)	(22,542)	(22,569)	(19,940)	(20,250)
Fair value of assets in the Local Government Pension Scheme	464,682	535,285	570,957	587,757	538,396	627,797
Surplus/(deficit) in the scheme:						
Local Government Pension Scheme	(200,125)	(273,852)	(242,897)	(287,270)	(306,213)	(339,679)
Discretionary Benefits	(22,793)	(23,976)	(22,542)	(22,569)	(19,940)	(20,250)
<b>Long Term Liability in Balance Sheet</b>	<b>(222,918)</b>	<b>(297,828)</b>	<b>(265,439)</b>	<b>(309,839)</b>	<b>(326,153)</b>	<b>(359,929)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £360m 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 2021/22 are estimated to be £11.2m. Estimated contributions to the Discretionary Benefits scheme are £1.5m.

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 triennial valuation was carried out as at 31 March 2019, which showed a shortfall of assets against liabilities of £0.28 billion as at that date, equivalent to a funding level of 94%. The fund's employers are paying additional contributions over a period of up to 13 years in order to meet the shortfall. The next triennial valuation will be as at 31st March 2022.

The weighted average duration of the Authority's defined benefit obligation is 16 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 Ltd, estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31 March 2021.

The principal assumptions used by the actuary have been:

	Avon Pension Fund		Discretionary Benefits (Teachers) Scheme	
	2020/21	2019/20	2020/21	2019/20
<b>Mortality assumptions :</b>				
Longevity for current pensioners:	at 65		at 75	
Men	23.3	23.2	14.4	14.3
Women	25.4	25.3	16.2	16.1
Longevity for future pensioners:				
Men	24.8	24.7		
Women	27.4	27.3		
Rate of inflation	2.7%	2.1%	2.7%	2.1%
Rate of increase in salaries	4.2%	3.6%		
Rate of increase in pensions	2.8%	2.2%	2.8%	2.2%
Rate for discounting scheme liabilities	2.4%	2.4%	2.1%	2.4%

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)	29,290	(29,290)
Rate of Inflation (increase or decrease by 0.1%)	15,168	(15,168)
Rate of increase in salaries (increase or decrease by 0.1%)	1,318	(1,318)
Rate of discounting scheme liabilities (increase or decrease by 0.1%)	(14,933)	14,933

## NOTES TO MAIN FINANCIAL STATEMENTS

### 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 2021		Assets at 31 March 2020	
	£'000	%	£'000	%
Equity investments	235,431	37.5%	234,499	43.6%
Government Bonds	88,677	14.1%	30,150	5.6%
Other Bonds	53,100	8.5%	48,726	9.1%
UK Property Funds	45,201	7.2%	53,302	9.9%
Alternatives	186,968	29.8%	159,874	29.7%
Cash Accounts	18,420	2.9%	11,845	2.2%
<b>Total</b>	<b>627,797</b>	<b>100%</b>	<b>538,396</b>	<b>100%</b>

### History of experience gains and losses

Actuarial losses identified as movements on the Pensions Reserve in 2020/21 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2021.

	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16
<b>Difference between the expected and actual return on scheme assets:</b>						
amount (£'000)	81,048	(52,191)	14,615	(3,304)	64,055	(20,621)
percentage	12.9%	9.7%	2.5%	0.6%	1.2%	4.4%
<b>Experience gains and losses on liabilities</b>						
amount (£'000)	(18,696)	1,878	-	-	-	-
percentage	1.9%	0.2%	0.0%	0.0%	0.0%	0.0%
	<b>62,352</b>	<b>(50,313)</b>	<b>14,615</b>	<b>(3,304)</b>	<b>64,055</b>	<b>(20,621)</b>
<b>Cumulative gains / losses recognised</b>	<b>103,725</b>	<b>41,373</b>	<b>91,686</b>	<b>77,071</b>	<b>80,375</b>	<b>16,320</b>

## 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 2021 apportioned to this Council is £10.923m (£11.38m in 2019/20). The debt has now been included in the Council's Balance Sheet as a deferred liability which will reduce each year due to principal repayments.

	31 March 2020	Principal Repaid	31 March 2021
	£000	£000	£000
Ex- Avon loan debt principal repayment	11,378	(455)	10,923

## NOTES TO MAIN FINANCIAL STATEMENTS

### 43 MINIMUM REVENUE PROVISION (MRP)

#### Minimum Revenue Provision - Provision for Repayment of External Debt

The Local Government Act 2003 requires that where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008.

The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the CLG Guidance), whilst making its own assessment of a prudent MRP.

The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP.

The Council reviewed and amended its MRP Policy during 2016/17. The following approved MRP statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

- For capital expenditure incurred before 1st April 2008 MRP will be determined as the principal repayment on a 50 year annuity with an annual interest rate equal to 2% which will fully finance this element of the Capital Financing Requirement (CFR) within 50 years, incorporating an "Adjustment A" of £38.8m.
- For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
- For assets acquired by finance leases or the Private Finance Initiative, [and for the transferred debt from Avon County Council], MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.

Capital expenditure incurred during each financial year will not be subject to a MRP charge until the following financial year or until the year after the asset becomes operational.

Using the various elements outlined in this MRP Policy the Council will calculate a gross amount that it considers prudently necessary to fund previously incurred borrowing in respect of capital expenditure. It will then decide how much of this to fund from capital receipts with the residual amount being the Council's MRP for the year.

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 £6.894m calculated as follows:

	2020/21	2019/20
	£000	£000
Provision for capital expenditure incurred before 1st April 2008	575	564
Provision based on estimated useful life of new assets since 2008	6,319	5,581
<b>Total Minimum Revenue Provision (MRP)</b>	<b>6,894</b>	<b>6,145</b>

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.



## NOTES TO MAIN FINANCIAL STATEMENTS

### 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:

	2020/21 Exp. £'s	2020/21 Income £'s	2020/21 Assets £'s	2020/21 Liabilities £'s
Alice Park Trust	41,309	(41,309)	189,664 *	
<b>Total</b>	<b>41,309</b>	<b>(41,309)</b>	<b>189,664</b>	<b>0</b>

\* Includes external investments valued at £18,271

	2019/20 Exp. £'s	2019/20 Income £'s	2019/20 Assets £'s	2019/20 Liabilities £'s
Alice Park Trust	87,819	(88,754)	157,277 *	
<b>Total</b>	<b>87,819</b>	<b>(88,754)</b>	<b>157,277</b>	<b>0</b>

\* Includes external investments valued at £18,097

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:

	2020/21 Exp. £'s	2020/21 Income £'s	2020/21 Assets £'s	2020/21 Liabilities £'s
Educational Funds	10,557	(35)	36,996	
Graves / Memorial maintenance		(13)	12,668	
Twinning Fund	430	(26)	26,026	
Bequests		(36)	36,248	
<b>Total</b>	<b>10,987</b>	<b>(110)</b>	<b>111,938</b>	<b>0</b>

	2019/20 Exp. £'s	2019/20 Income £'s	2019/20 Assets £'s	2019/20 Liabilities £'s
Educational Funds		(286)	47,518	
Graves / Memorial maintenance		(79)	12,655	
Twinning Fund		(165)	26,430	
Bequests		(227)	36,212	
<b>Total</b>	<b>0</b>	<b>(757)</b>	<b>122,815</b>	<b>0</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 45 CONTROLLED COMPANIES

#### Visit Bath

The Council set up a company to provide tourism information and marketing services, in partnership with the private sector. The company, Visit Bath Ltd, is limited by guarantee and the Council took 100% control of the company in 2017/18. In 2020/21 it was decided to close the company down and voluntary strike it off the Companies House register. On 10 December 2020 Cabinet agreed to meet its corporate responsibilities and fund the outstanding company liabilities.

The Company's un-audited accounts for the 18-month period to 30th September 2020 show a turnover of £2,458,089, a deficit after taxation of £417,364 and net current liabilities of £601,114 (turnover of £2,435,929, a deficit of £126,083 and net current liabilities of £430,822 in 2018/19). The turnover and assets / Liabilities held by this company are not considered significant enough to be included in Group Accounts.

A copy of the accounts can be obtained from Bath & North East Somerset Council.

#### Aequus Developments Ltd (ADL)

The Council set up ADL to develop, deliver, own and manage existing property as well as carry out new developments on a case by case basis.

The Company's draft un-audited accounts to 31st March 2021 show a turnover of £1,444,201, a net profit of £308,737, net current liabilities of £297,927 and net non-current assets of £508,432. (Turnover of £558,018, a net profit of £211,815, net current liabilities of £238,427 and net non-current assets of £8,088 in 2019/20). These figures include outstanding loans made to the company by the Council of £6,217,334 (£4,235,907 2019/20).

#### Aequus Construction Ltd (ACL)

ACL is a 100% subsidiary of ADL which was set up during 2017/18 to carry out construction and development of building projects.

The Company's draft un-audited accounts to 31st March 2021 show a turnover of £15,710,530, a net profit of £2,984,572, net current assets of £7,149,803 and net non-current liabilities of £3,853,787 (a turnover of £5,531,861, a net profit of £823,901 net current assets of £11,720,262 and net non-current liabilities of £11,408,638 in 2019/20). These figures include outstanding loans made to the company by the Council of £5,200,000 (£11,479,876 in 2019/20).

A copy of the ADL & ACL accounts can be obtained from Aequus Developments Ltd, Guildhall, Bath BA1 5AW

The turnover and assets held by Aequus Developments Ltd (ADL) and Aequus Construction Ltd. (ACL) is considered significant enough to produce Group Accounts, and have therefore been consolidated with the accounts of Bath & North East Somerset Council in the Group Financial Statements section of the Statement of Accounts.

### 46 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.

## NOTES TO MAIN FINANCIAL STATEMENTS

### 47 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.

Valuations are carried out by the museums curator and where necessary supplemented with advice is sought from an external source.

#### Bath Record Office

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

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

The Bath Record Office collection will be developed through the acquisition of archives and records from within the Bath & North East Somerset area and may encompass records in any form including manuscripts, photographs, pictures, film and all communication media. Items from the records office are not kept on display but access to the material can be arranged by appointment.

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

#### 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 museum's 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 Museum's Curator, where this is not possible advice is sought from a commercial source.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 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. Valuations are carried out by the museums curator, and where necessary supplemented with advice sought from an external source.

**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 2018/19 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.

## NOTES TO MAIN FINANCIAL STATEMENTS

### 48 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 2020	(41,031)	(1,478)	0	0
Receipts into the Pool in-year:				
- Growth sums payable by Councils to BRP in-year	(27,215)	(269)	125	0
Distributions out of the Pool in-year:				
- Tier 1 no worse off	9,538	94	0	(94)
- BRP Management Fee	33	8	0	0
- EDF Management Fee	64	16	0	0
- Tier 2 EDF funding	1,164	(19)	0	(242)
- Tier 3 Demographic and service pressures	2,859	26	0	(372)
<b>Funds held by the BRP at 31 March 2021</b>	<b>(54,588)</b>	<b>(1,623)</b>		
Analysed between:				
Uncommitted cash (Tier 2 incl. Contingency)	(14,009)	(402)	(972)	n/a
Committed cash not yet allocated	(40,579)	(1,221)	1,117	n/a
	<b>(54,588)</b>	<b>(1,623)</b>		
<b>Expenditure / (Revenue) recognised</b>			<b>270</b>	<b>(708)</b>

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 incurred. Remaining cash is recognised by each Council as a debtor.

The Council's share of this committed and uncommitted cash balance held by the BRP (£1.623m) 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 several payments totalling £1.164m on behalf of the EDF in 2020/21.

The council itself has recognised revenue income of £708,000 (2019/20: (£779,000)) from the BRP and expenditure of £270,000 (2019/20: £592,000) to the BRP for the year.

## COLLECTION FUND 2020/21

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	2020/21 £'000	2019/20 £'000
<b>INCOME</b>				
Council Tax	2	(120,438)		(115,046)
Income collectable from business ratepayers	3	(29,314)		(70,440)
			(149,752)	(185,485)
<b>EXPENDITURE</b>				
Council Tax - Precepts and demands				
Bath & North East Somerset		100,325		94,763
Avon & Somerset Police	1	15,236		14,307
Avon Fire	1	5,012		4,827
			120,573	113,897
National Non-Domestic Rates (NNDR)				
Central share payment to Government		-		-
Local share payment to Bath & North East Somerset		62,824		61,527
Local share payment to WECA		3,342		3,273
Local share payment to Avon Fire Authority		668		655
Transfer of City Deal Growth Disregard to General Fund	6	-		556
Transfer of Renewable Energy Growth Disregard to General Fund		25		25
Cost of Collection Allowance		269		265
			67,127	66,300
Impairments of debts/Appeals provision				
Contribution to Provision for Bad Debts	4		1,042	301
Contribution to Provision for NNDR Appeals	5		3,112	3,381
Contributions				
Contribution towards previous year's estimated Collection Fund Surplus/(Deficit)			2,465	558
			194,319	184,438
(Surplus)/Deficit for the Year			44,567	(1,047)
(Surplus)/Deficit Brought Forward as at 1 April			(2,680)	(1,633)
<b>(Surplus)/Deficit as at 31 March</b>	7		<b>41,888</b>	<b>(2,680)</b>
Council Tax Surplus / (Deficit) to be refunded to Police & Fire Authorities			27	236
NNDR Surplus / (Deficit) to be refunded / charged to Government, WECA & Fire Authority			(2,522)	77
<b>Bath &amp; North East Somerset (Surplus)/Deficit</b>			<b>39,392</b>	<b>(2,367)</b>

## NOTES TO THE COLLECTION FUND

### 1 The Collection Fund

The Collection Fund Account is a statutory fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The year end surplus/deficit on the Fund is due to/from 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 2020/21 £'000	Surplus / (Deficit) 2020/21 £'000	Precept 2019/20 £'000	Surplus / (Deficit) 2019/20 £'000
The Avon & Somerset Police Authority	15,236	107	14,307	100
The Avon Fire Authority	5,012	36	4,827	37

### 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 66,879.90 (65,687.52 for 2019/20). This amount of Council Tax for a Band D property £1,802.83 (£1,733.93 - 2019/20) 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	6,659	6/9	4,439
Band B	16,607	7/9	12,917
Band C	17,734	8/9	15,763
Band D	12,487	9/9	12,487
Band E	9,010	11/9	11,013
Band F	5,168	13/9	7,465
Band G	4,533	15/9	7,556
Band H	376	18/9	753
			72,399
Overall Adjustment for Council Tax Support and Technical Changes			(5,519)
<b>Council Tax Base</b>			<b>66,880</b>

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

The income for 2020/21 is receivable from the following sources:-

	2020/21 £'000	2019/20 £'000
Billed to Council Tax payers	(119,401)	(115,012)
Localism Act Discounts funded from General Fund	(1)	-
DWP Benefits funded from General Fund	1	(6)
Foster Carers Locally Defined Discount funded from General Fund	(12)	(11)
Care Leavers Locally Defined Discount funded from General Fund	(20)	(17)
Council Tax Covid-19 Hardship Relief funded from General Fund	(1,004)	
	<b>(120,438)</b>	<b>(115,046)</b>

## NOTES TO THE COLLECTION FUND

### 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 2020/21 were 49.1 pence for qualifying small businesses and 50.4 pence for all other businesses, subject to transitional arrangements. The NNDR income after reliefs of £29.314 million for 2020/21 (£70.440 million in 2019/20) resulted from a total rateable value at 31 March 2021 of £186.188 million (2019/20: £186.236 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% was paid to Central Government and redistributed to local authorities as Revenue Support Grant.

In 2017/18 a number of 100% Business Rate Retentions pilot schemes were agreed by central government in areas with signed devolution deals. This included a pilot scheme for the West of England which includes Bath & North East Somerset Council, Bristol City Council, South Gloucestershire Council and the West of England Combined Authority (WECA). Under the pilot, B&NES retains 94% of business rates, with WECA retaining 5% and Avon Fire Authority retaining 1%. The Council's Revenue Support Grant is no longer received directly from the Central Government and has been rolled into the pilot scheme.

The closing deficit on the business rates retention scheme in 2020/21 is £42.047m (£1.276m surplus in 2019/20). The deficit is to be allocated to the Council (94%), WECA (5%) and Fire Authority (1%) based on the proportional shares agreed under the 100% retention pilot.

The Business Rate Collection Fund deficit for 2020/21 is much larger than in previous years. This is primarily due to businesses being awarded expanded retail reliefs in 2020/21 totalling £41.246m (Council's share is £39.045m), as part of the Government's support to business in response to the COVID-19 pandemic, which was announced after the 2020/21 Budget was set. Therefore, these additional reliefs were not included in the 2020/21 Budget estimates for Business Rate income. The reliefs effectively reduce the amount the Council collects from businesses, resulting in a considerable deficit on the Collection Fund. However, these reliefs are funded by Government through Section 31 revenue grants. These grants have been received in 2020/21 and have been transferred to a specific Council earmarked reserve. This reserve will be used to offset the Collection Fund deficit when it is charged to the Council's General Fund in 2021/22.

### 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:

	2020/21 £'000	2019/20 £'000
<b>Council Tax</b>		
Balance at 1 April	1,412	629
Write-offs during the year	(194)	1,065
Contributions to provisions during the year	260	(282)
Net Increase/(Decrease) in Provision	66	783
Balance at 31 March	1,478	1,412
<b>NNDR</b>		
Balance at 1 April	740	462
Write-offs during the year	(358)	(306)
Contributions to provisions during the year	782	584
Net Increase/(Decrease) in Provision	424	278
Balance at 31 March	1,164	740
<b>Total</b>		
Balance at 1 April	2,152	1,091
Write-offs during the year	(552)	759
Contributions to provisions during the year	1,042	302
Net Increase/(Decrease) in Provision	490	1,061
Balance at 31 March	2,642	2,152

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 2020.

	2020/21 £'000	2019/20 £'000
Balance at 1 April	12,466	9,140
Cost of Appeals settled during the year	(1,928)	(55)
Contributions to provisions during the year	3,112	3,381
Net Increase/(Decrease) in Provision	1,184	3,326
Balance at 31 March	13,650	12,466

The net increase in appeals provision is due to provisions made in respect of potential 2017 rating list appeals. Provision for appeals on 2017 rating list has been made at 4.7% of the net business rates payable.



## NOTES TO THE COLLECTION FUND

### 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 48 to the Main Financial Statements for full details).

### 7 Balance of Fund & Distribution

As at 31 March 2021, the balance on the Collection Fund stood at an overall deficit of £41.888m

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, the West of England Combined Authority and the Fire Authority, is as follows:

	Council Tax	NNDR	Total
	£'000	£'000	£'000
Central Government	-	-	-
Bath & North East Somerset	(132)	39,524	39,392
West of England Combined Authority (WECA)	-	2,102	2,102
Avon & Somerset Police	(22)	-	(22)
Avon Fire Authority	(5)	421	416
	<b>(159)</b>	<b>42,047</b>	<b>41,888</b>

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.

## NARRATIVE REPORT

### Introduction

In common with many other local authorities, Bath & North East Somerset Council has created separate companies with its partners to further the goals of the Council. The use of separate companies means that the Council's single entity financial statements on their own do not fully reflect the assets and liabilities or income and expenditure associated with all of its activities. The Group Financial Statements more fully reflect the overall financial picture of the Council's activities.

This section presents the statutory financial statements for Bath & North East Somerset Council Group (the Group) for the period from 1 April 2020 to 31 March 2021. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the Group Financial Statements is to provide the reader with an overall view of the material economic activities of the Council.

These Group Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Where applicable, the accounting policies of its subsidiaries are aligned with the policies of the Council where transactions are material. Details of policies which related solely to the subsidiary, which cover elements of business the Council as a single entity does not cover, have been added to the group accounts.

The pages which follow contain the Group's Financial Statements for the year ended 31 March 2021, with comparative figures for the previous financial year.

### Consolidation of subsidiaries

#### Inclusion Within The Group Financial Statements

The Council has business relationships with a number of entities over which it has varying degrees of control or influence. These are classified into the categories of subsidiaries, associates and joint ventures. The meaning of these terms are outlined below:

**Subsidiary** - "A subsidiary is an entity including an unincorporated entity such as a partnership that is controlled by another entity (the Council), known as the parent."

**Associate** - "An associate is an entity over which an investor (the Council) has significant influence."

**Joint Venture** - "A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement"

The Council has two material subsidiary companies which are both 100% owned, these are:

Aequus Developments Limited (ADL) &

Aequus Construction Limited (ACL)

ACL is a 100% owned subsidiary of ADL but as ADL is 100% owned by the council, both are treated as separate companies 100% owned by the council.

More detail regarding each of these organisations can be found in note G3.

The Council does not currently have any material associate or joint venture arrangements with any other entities.

Further detail regarding the Council's relationship with the above companies is given in Note 36 of the Council's Statement of Accounts.

The following statements consolidate the accounts of the Council with those of its subsidiaries. Transactions between the Council and its Group entities are eliminated on consolidation.

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2020/21

This statement shows the income and expenditure recognised by the Group during the reporting period.

Activities of the subsidiaries have been added as a separate line item in the expenditure on services section. Subsidiary figures also feed in to the Financing and Investment Income and Expenditure and Taxation and Non-Specific Grant income line items.

Notes	2019/20 Gross Exp £'000	2019/20 Gross Inc £'000	2019/20 Net Exp £'000		2020/21 Gross Exp £'000	2020/21 Gross Inc £'000	2020/21 Net Exp £'000
				<b>Expenditure on Services</b>			
663		(528)	135	Leader	881	(889)	(8)
68,687		(57,328)	11,359	Resources	71,723	(59,048)	12,675
106,301		(41,253)	65,048	Adult Services	107,049	(53,857)	53,192
93,597		(60,931)	32,666	Children's Services	100,662	(65,612)	35,050
19,328		(2,568)	16,760	Climate Emergency & Neighbourhood Serv.	20,534	(2,680)	17,854
9,371		(5,651)	3,720	Housing, Planning & Economic Developm't	9,509	(5,914)	3,595
24,466		(25,116)	(650)	Community Services	23,019	(20,622)	2,397
30,159		(15,085)	15,074	Transport Services	33,329	(14,233)	19,096
4,190		(5,363)	(1,173)	Activities of Subsidiaries	9,667	(14,127)	(4,460)
	356,762	(213,823)	142,939	<b>Cost of Services - continuing Operations</b>	376,373	(236,982)	139,391
			12,969	Other Operating Expenditure			12,351
				Financing and Investment Income & Expenditure			54,625
				Taxation and Non-Specific Grant Income			(176,262)
			18,170	<b>(Surplus) or Deficit on Provision of Services</b>			30,105
				(Surplus) or Deficit on Upward Revaluation of Non-current Assets			(15,078)
				(Surplus) or Deficit on Downward Revaluation of Non-current Assets			19,841
				Remeasurement of the net defined benefit liability			30,664
				<b>(31,342) Other Comprehensive Income &amp; Expenditure</b>			35,427
				<b>(13,172) Total Comprehensive Income &amp; Expenditure</b>			65,532

## GROUP MOVEMENT IN RESERVES STATEMENT 2020/21

This statement shows the movement in the year on the different reserves held, analysed into 'usable reserves' (that is, those that can be applied to fund expenditure or reduce local taxation) and other reserves.

<u>Current Year</u>	<b>Total General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>	<b>Authority's share of reserves of subsidiaries</b>	<b>Total Group Reserves</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2020</b>	<b>57,468</b>	<b>4,997</b>	<b>14</b>	<b>62,479</b>	<b>83,754</b>	<b>146,233</b>	<b>81</b>	<b>146,314</b>
Adjustment to Opening Balance: DSG Reserve (See Note 24):	1,250			1,250	(1,250)	-		
Movements During 2020/21:								
Total Comprehensive Income & Expenditure	(33,157)			(33,157)	(35,230)	(68,387)	2,856	(65,532)
Adjustments between group accounts and authority accounts	(241)			(241)		(241)	241	-
<b>Net Increase/ (Decrease) before transfers</b>	<b>(33,398)</b>	<b>-</b>	<b>-</b>	<b>(33,398)</b>	<b>(35,230)</b>	<b>(68,628)</b>	<b>3,096</b>	<b>(65,532)</b>
Adjustments between accounting basis and funding basis under statutory provisions	94,846	1,648	8	96,502	(96,502)	-		-
<b>Increase / (Decrease) during year</b>	<b>61,447</b>	<b>1,648</b>	<b>8</b>	<b>63,103</b>	<b>(131,732)</b>	<b>(68,629)</b>	<b>3,096</b>	<b>(65,532)</b>
Transfers to / (from) earmarked reserves				-				
<b>Balance at 31 March 2021</b>	<b>120,163</b>	<b>6,645</b>	<b>22</b>	<b>126,831</b>	<b>(49,228)</b>	<b>77,603</b>	<b>3,178</b>	<b>80,780</b>
<u>Comparative Year</u>	<b>Total General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>	<b>Authority's share of reserves of subsidiaries</b>	<b>Total Group Reserves</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2019</b>	<b>48,886</b>	<b>3,474</b>	<b>222</b>	<b>52,582</b>	<b>80,576</b>	<b>133,158</b>	<b>(16)</b>	<b>133,142</b>
Movements During 2019/20:								
Total Comprehensive Income & Expenditure	(19,011)			(19,011)	32,280	13,269	(97)	13,172
Adjustments between group accounts and authority accounts	(194)			(194)		(194)	194	-
<b>Net Increase/ Decrease before transfers</b>	<b>(19,205)</b>	<b>-</b>	<b>-</b>	<b>(19,205)</b>	<b>32,280</b>	<b>13,075</b>	<b>98</b>	<b>13,172</b>
Adjustments between accounting basis and funding basis under statutory provisions	27,786	1,523	(208)	29,101	(29,101)	-		-
<b>Increase / (Decrease) during year</b>	<b>8,581</b>	<b>1,523</b>	<b>(208)</b>	<b>9,896</b>	<b>3,179</b>	<b>13,075</b>	<b>98</b>	<b>13,172</b>
Transfers to / (from) earmarked reserves				-				
<b>Balance at 31 March 2020</b>	<b>57,468</b>	<b>4,997</b>	<b>14</b>	<b>62,477</b>	<b>83,755</b>	<b>146,233</b>	<b>82</b>	<b>146,314</b>

## GROUP BALANCE SHEET as at 31 MARCH 2021

The Group Balance Sheet summarises the financial position of the Council and its two subsidiaries as a whole. It shows the value of group assets and liabilities at the end of the financial year.

Notes	31 March 2020 £'000		31 March 2021 £'000
		Property, Plant & Equipment:	
	227,185	Land & Buildings	222,183
	1,337	Community Assets	1,395
	93,504	Infrastructure	90,920
	19,061	Vehicles, Plant & Equipment	22,116
	40,000	Assets under Construction	53,339
	2,138	Surplus assets	2,624
	38,997	Heritage Assets	39,002
	316,078	Investment Property	268,774
	823	Intangible Assets	952
<b>G5</b>	1,336	Long Term Debtors	1,469
	69	Deferred tax asset	24
	<u>740,527</u>	<b>Long Term Assets</b>	<u>702,798</u>
<b>G4</b>	29,634	Short Term Investments	19,480
<b>G5</b>	11,763	Inventories	5,535
	34,268	Short Term Debtors	61,635
	29,179	Cash and Cash Equivalents	58,142
	98	Assets Held for Sale	68
	<u>104,941</u>	<b>Current Assets</b>	<u>144,860</u>
	-	Short Term Borrowing	(20,370)
	(47,396)	Short Term Creditors	(65,350)
	(9,544)	Grants Receipts In Advance - Revenue	(4,509)
	(26,766)	Grants Receipts In Advance - Capital	(36,144)
	<u>(83,706)</u>	<b>Current Liabilities</b>	<u>(126,373)</u>
	(144)	Long Term Creditors	-
	(12,214)	Provisions	(13,135)
	(234,867)	Long Term Borrowing	(225,961)
	(2)	Deferred tax liability	(1)
	(338,770)	Other Long Term Liabilities	(371,994)
	(29,451)	Grants Receipts In Advance - Capital	(29,414)
	<u>(615,449)</u>	<b>Long Term Liabilities</b>	<u>(640,505)</u>
	<u><b>146,314</b></u>	<b>Net Assets</b>	<u><b>80,780</b></u>
	62,560	Usable reserves	130,008
	83,754	Unusable Reserves	(49,228)
	<u><b>146,314</b></u>	<b>Total Reserves</b>	<u><b>80,780</b></u>

## GROUP CASH FLOW STATEMENT

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period.

2019/20	See Note G6 for further details	2020/21
£'000		£'000
(18,170)	Net surplus or (deficit) on the provision of services	(30,105)
49,521	Adjustment to surplus or deficit on the provision of services for non cash movements	75,570
(33,206)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(45,680)
(1,855)	Operating Activities	(215)
(5,182)	Investing Activities	24,782
10,506	Financing Activities	4,395
3,471	Net Increase/(decrease) in cash equivalents	28,963
25,708	Cash & cash equivalents at the beginning of the reporting period	29,179
29,179	Cash & cash equivalents at the end of the reporting period	58,142

### G1 Accounting policies

The Group Financial Statements summarise the Council's and its Group's transactions for the 2019/20 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 supported by International Financial Reporting Standards (IFRS).

Members within the Group have both been classified as subsidiaries as they are both 100% council owned. The subsidiaries have been consolidated into the Group Financial Statements on a line by line basis.

Notes to the Group Financial Statements have been presented where the figures are materially different from those of the Council entity accounts. Where there are no material differences, the Notes to the Council entity accounts provide the required disclosures. Where material, Accounting policies of the individual members of the Group have been aligned to the Council's accounting policies.

The accounting policies applied to the Group Financial Statements are consistent with those set out in Note 1 to the Council entity accounts, with additional policies specific to the Group set out below. Any statutory adjustments between accounting basis and funding basis included in the Council's Accounting Policies do not apply to the subsidiary companies.

#### 1.1 Inventories

Inventories are initially stated at cost or at the fair value at acquisition date and then held at the lower of this initial amount and net realisable value. Costs comprise direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the company.

#### 1.2 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and there is an intention to settle the balances on a net basis.

#### 1.3 Assets recognised from costs to fulfil a contract

Assets are recognised in relation to costs incurred in developing assets that will be used to fulfil future contracts. Contract assets are initially stated at cost or at the fair value at acquisition date and then held at the lower of this initial amount and net realisable value. Costs comprise direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the company.

## NOTES TO GROUP FINANCIAL STATEMENTS

### G2 Bodies not consolidated

The following have not been consolidated in to the Group Financial Statements

Entity	Reason
Visit Bath	Immaterial subsidiary

#### Visit Bath

The Council set up a company to provide tourism information and marketing services, in partnership with the private sector. The company is limited by guarantee. The Council took 100% control of the company in 2017/18.

In 2020/21 it was decided to close the company down and voluntary strike it off the Companies House register. On 10 December 2020 Cabinet agreed to meet its corporate responsibilities and fund the outstanding company liabilities.

### G3 Bodies Consolidated

The Council has consolidated two of its Subsidiaries into its Group Financial Statements, these are Aequus Developments Ltd (ADL) & Aequus Construction Limited (ACL).

#### Aequus Developments Ltd (ADL)

ADL was set up to develop, deliver, own and manage property for both the rental and home owner's market. ADL set up a 100% owned subsidiary in name of Aequus Construction Limited (ACL) which deals with the construction and development sites of the business. The separation of ADL and ACL allows them to focus on their differing businesses, taking advantage of the different areas of expertise of management and professional advisors, together with separating the risks associated with the specific areas of operation. The principal activity of the ADL in the year under review was that of an investment property company.

The draft accounts for the year to 31 March 2021 for ADL have been summarised below, with comparator figures for the previous reporting period.

Aequus Developments Ltd (ADL)	Year ended 31 March 2020 £000	Year ended 31 March 2021 £000
Profit for the year	212	309
Other Comprehensive Income	(938)	(197)
Total Comprehensive Income	(726)	112
Net assets	(230)	(118)

#### Aequus Construction Ltd (ACL)

ACL is as a wholly owned subsidiary of Aequus Developments Limited (ADL), established to deliver the construction and development of sites for Bath & North East Somerset Council (the Council). The principal activity of the company in the year under review was that of property development and construction.

The draft accounts for the year to 31 March 2021 for ACL have been summarised below, with comparator figures for the previous reporting period.

Aequus Construction Ltd (ACL)	Year ended 31 March 2020 £000	Year ended 31 March 2021 £000
Profit for the year	824	2,985
Other Comprehensive Income		
Total Comprehensive Income	824	2,985
Net assets	312	3,296

### G4 Inventories

2019/20 £'000		2020/21 £'000
615	Consumable stores	571
11,232	Work in progress	4,964
<u>11,847</u>		<u>5,535</u>

### G5 Debtors

2019/20 £'000	Amounts falling due in one year:	2020/21 £'000
2,268	Central Government bodies	12,744
4,290	Other local authorities	17,143
1,856	NHS bodies	4,529
15,307	Other entities and individuals (Trade Debtors)	13,500
6,963	Other entities and individuals (Non-Trade Debtors)	10,972
3,584	Prepayments	2,748
<u>34,268</u>	<b>Total - Current Assets</b>	<u>61,635</u>
£'000	Amounts falling after one year:	£'000
1,336	Other entities and individuals	1,469
<u>1,336</u>	<b>Total - Long Term Assets</b>	<u>1,469</u>



## NOTES TO GROUP FINANCIAL STATEMENTS

### G6 Cash Flow Statement

#### Note A to the cash flow statement

	2020/21 £'000	2019/20 £'000
Net Surplus or (Deficit) on the Provision of Services	(30,105)	(18,170)
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>		
Depreciation	23,766	23,752
Impairment and downward valuations	10,823	3,527
Amortisation	160	264
Impairment allowance on service loans	38	48
Adjustment for internal interest charged	4	24
Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss a/c	-	-
Adjustments for effective interest rates	(6)	(5)
Increase/Decrease in Interest Creditors	188	27
Increase/Decrease in Creditors	1,392	(11,204)
Increase/Decrease in Interest and Dividend Debtors	128	(68)
Increase/Decrease in Debtors	(25,909)	(3,805)
Increase/Decrease in Inventories	6,631	(3,251)
Pension Liability	3,309	18,567
Pension Fund Gains on Past Service Costs	-	-
Contributions to/(from) Provisions	921	3,127
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	-	-
Movement in investment property values	5,878	8,945
Other movements	48,332	9,024
	(116)	4
Total adjustments on the provision of services for non cash movements	75,570	49,521
<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>		
Capital Grants credited to surplus or deficit on the provision of services	(43,411)	(30,059)
Net adjustment from the sale of short and long term investments	-	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	-	-
	(2,270)	(3,147)
Total adjustments on the provision of services that are investing or financing activities	(45,681)	(33,206)
<b>Net Cash Flows from Operating Activities</b>	<b>(215)</b>	<b>(1,854)</b>

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

	2020/21 £'000	2019/20 £'000
<b>Operating activities within the cash flow statement include the following cash flows relating to interest</b>		
Ordinary interest received	499	774
Other adjustments for differences between Effective Interest Rates and actual interest receivable-Long Term D	-	-
Opening Debtor	192	124
Closing Debtor	(64)	(192)
<b>Interest Received</b>	<b>627</b>	<b>706</b>
Interest charge for year	(8,374)	(7,838)
Adjustment for difference between effective interest rates and actual interest payable	(6)	(5)
Adjustment for impairment loss on service loans	38	48
Adjustment for internal interest charged to balance sheet funds	4	24
Opening Creditor	(91)	(65)
Closing Creditor	279	91
<b>Interest Paid</b>	<b>(8,150)</b>	<b>(7,745)</b>

## NOTES TO GROUP FINANCIAL STATEMENTS

<b>Note C to the Cash Flow Statement - Cash Flows from Investing Activities</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Property, Plant and Equipment Purchased	(52,318)	(46,851)
Purchase of Investment Properties	(2,775)	(1,838)
Other Capital Payments	(290)	(596)
Opening Capital Creditors	(4,679)	(5,921)
Closing Capital Creditors	4,562	4,679
Purchase of Property, Plant and Equipment, investment property and intangible assets	(55,500)	(50,527)
Purchase of short term investments	(75,000)	(60,000)
Long term loans granted	5,765	
Proceeds from the sale of property plant and equipment, investment property and intangible assets	2,292	3,154
Proceeds / (Purchase) from short term investments	85,000	45,000
Proceeds from long term investments	-	-
Other capital cash receipts	8,720	61,239
Capital Grants Received / (Repaid)	53,505	(4,048)
Other Receipts / (Payments) from Investing Activities	62,225	57,191
<b>Total Cash Flows from Investing Activities</b>	<b>24,782</b>	<b>(5,182)</b>
<b>Note D to the Cash Flow Statement - Cash Flows from Financing Activities</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Cash receipts of long term borrowing	18,754	24,457
Billing Authorities - Council Tax and NNDR adjustments	(1,535)	465
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	-	-
Other receipts from Financing Activities	-	-
Repayment of Short-Term and Long-Term Borrowing	(12,806)	(14,384)
Payments for the reduction of a finance lease liability	(18)	(31)
<b>Total Cash Flows from Financing Activities</b>	<b>4,395</b>	<b>10,506</b>
<b>Note E - Makeup of Cash and Cash Equivalents</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Cash and Bank Balances	5,633	1,866
Cash Investments - regarded as cash equivalents	52,508	27,313
Bank Overdraft	-	-
	<b>58,141</b>	<b>29,179</b>

## PENSION FUND ACCOUNTS 2020/21

### Fund Account

For the Year Ended 31 March 2021

	Notes	2020/21 £'000	2019/20 £'000
<b>Dealings with members, employers and others directly involved in the fund</b>			
Contributions Receivable	4	(211,176)	(161,648)
Transfers In		(8,235)	(20,452)
		<b>(219,411)</b>	<b>(182,100)</b>
Benefits Payable	5	183,251	181,242
Payments to and on account of Leavers	6	4,701	12,818
		<b>187,952</b>	<b>194,060</b>
<b>Net (additions) / withdrawals from dealings with member</b>		<b>(31,459)</b>	<b>11,960</b>
Management Expenses	7	23,684	31,102
<b>Net (additions)/withdrawals including fund management expenses</b>		<b>(7,775)</b>	<b>43,062</b>
<b>Returns on Investments</b>			
Investment Income	8	(21,017)	(32,568)
Profits and losses on disposal of investments and change in value of investments	9	(808,096)	335,511
<b>Net Returns on Investments</b>		<b>(829,113)</b>	<b>302,943</b>
<b>Net (Increase) in the net assets available for benefits during the year</b>		<b>(836,888)</b>	<b>346,005</b>
<b>Opening Net Assets of the Fund</b>		<b>4,471,822</b>	<b>4,817,827</b>
<b>Closing Net Assets of the Fund</b>		<b>5,308,710</b>	<b>4,471,822</b>

### Net Assets Statement at 31 March 2021

	Notes	31 March 2021 £'000	%	31 March 2020 £'000	%
<b>INVESTMENT ASSETS</b>					
Equities		-	-	147,306	3.3
Property Pooled Investment vehicles		534,294	10.1	424,153	9.5
Non Property Pooled Investment Vehicles	10	4,584,191	86.4	3,778,471	84.5
Cash Deposits		117,641	2.2	143,135	3.2
Derivative Contracts (Foreign Exchange hedge)		63,767	1.2	0	-
Derivative Contracts: FTSE Futures		-	-	1,078	0.0
Long Term Investments		768	0.0	427	0.0
Other Investment balances		1,438	0.0	3,249	0.1
<b>Total Investment Assets</b>		<b>5,302,099</b>		<b>4,497,819</b>	
<b>INVESTMENT LIABILITIES</b>					
Derivative Contracts (Foreign Exchange hedge)		-	-	(30,367)	(0.7)
Derivative Contracts: FTSE Futures		(110)	(0.0)	-	-
Other Investment balances		-	-	(413)	(0.0)
<b>Total Investment Liabilities</b>		<b>(110)</b>		<b>(30,780)</b>	
<b>TOTAL NET INVESTMENT ASSETS</b>	10	<b>5,301,989</b>		<b>4,467,039</b>	
Long Term Debtors	12a	213	-	212	
<b>Net Current Assets</b>					
Current Assets	12	15,019	0.3	14,206	0.3
Current Liabilities	12	(8,511)	(0.2)	(9,635)	(0.2)
<b>Net assets of the scheme available to fund benefits at the period end</b>		<b>5,308,710</b>	<b>100.0</b>	<b>4,471,822</b>	<b>100.0</b>

An analysis of Non Property Pooled Investment Vehicles is included within note 10 to the accounts.

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2021. The actuarial present value of these liabilities is disclosed in note 15.

## Notes to Accounts - Year Ended 31 March 2021

### 1 INTRODUCTION & STATEMENT OF ACCOUNTING POLICIES

#### 1.1 Description of Fund

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 2016.

Membership of the Fund is open to pensionable employees of scheduled bodies in the former Avon County area, together with employees of eligible designating and admission bodies. A list of employers with contributing scheme members can be found in note 25.

Employers' contributions are payable at the rate specified for each employing authority by the Fund's actuary. The employees' contribution rate is payable in accordance with the Local Government Pension Scheme Regulations 2013 (as amended).

#### Introduction to the Statement of Accounts

- 1.2 This statement comprises the Statement of Accounts for the Avon Pension Fund (the Fund). The accounts cover the financial year from 1 April 2020 to 31 March 2021.
- 1.3 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting ('Code of Practice') in the United Kingdom 2020/21 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 1.23. They do not take account of liabilities to pay pensions and other benefits in the future.

#### Impact of COVID-19 Pandemic

- 1.4 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 came into force on 31 March 2021. The Regulations extend the publication date for local authority audited accounts to 30 September 2021. The public inspection period will start on 1 August 2021. These regulations apply only in relation to annual accounts relating to the 2020/21 financial year. These regulations were provided in order for authorities to have additional time to complete the audit of their accounts for 2020/21, given the likely impact of the COVID19 virus on availability of local authority staff and auditors to complete the audit process within current deadlines.
- 1.5 Staff have been working from home during the year end process and audit. The Fund is largely operating as business as usual having adapted work processes to be delivered remotely.

Although investment markets were very volatile during 2020, most assets have recovered from low valuations at March 2020 and into 2021 volatility has subsided. However, the environment in which our employers operate has been negatively affected by the economic shock from the pandemic and the significant lockdowns in the UK. Any long term impact of the pandemic on the Fund is as yet uncertain but there could be consequences in terms of the investment and funding strategies and managing employer risk. The funding and investment strategies are kept under review as are employer contribution plans so that any potential changes can be managed effectively.

#### 1.6 Actuarial Valuations

As required by the Local Government Pension Scheme Regulations 2013 (as amended) an actuarial valuation of the Fund was carried out as at 31 March 2019. The market value of the Fund's assets at the valuation date was £4,818m. The Actuary estimated that the value of the Fund was sufficient to meet 94% of its expected future liabilities of £5,102m in respect of service completed to 31 March 2019, with a deficit of £284m.

- 1.7 At the 2019 valuation the average deficit recovery period for the Fund overall was set at 13 years.
- 1.8 The 2019 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 (Primary Contribution Rate)	Future Service Liabilities (Secondary Contribution Rate)
Rate of return on investments (discount rate)	4.65% per annum	4.15% per annum
Rate of pay increases (long term)*	3.9% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.4% per annum

- 1.9 The 2019 triennial valuation was completed during 2019/20 using market prices and membership data as at 31 March 2019. The 2019 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 2020. The discount rate used in the 2019 valuation is based on CPI plus a real investment return of 1.75% p.a. for past service (the secondary contribution rate) and CPI plus 2.25% p.a. for future service (the primary contribution rate). The discount rate for the lower risk investment strategy was 2.6% p.a..
- 1.10 The Actuary has estimated that the funding level has increased to 96.9% from 84% a year earlier based on the 2019 valuation financial assumptions. The improvement in the funding level is due to the recovery in asset values over the same period.
- 1.11 The 2019 valuation outcome does not include an allowance for McCloud. However at the overall Fund level the impact was estimated to increase past service liabilities by £35m and to increase the Primary Contribution Rate by 0.5% of pensionable pay per annum. Individual employers were informed of the impact on their costs as part of the valuation exercise, with the option to include the estimated costs in contributions paid from 1 April 2020. Once the remediation for the Local Government Pension Scheme is known, employer contributions will be adjusted in line with guidance from the Scheme Advisory Board for those employers who have opted not to pay estimated costs from 1 April 2020. For those that have included an allowance in their contributions no adjustment will be made until the next valuation. The estimated costs of the remedy is included in the IAS26 disclosure.

1.12 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.

1.13 The Fund's Funding Strategy Statement can be found on the Fund's website [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk) (search Funding Strategy Statement) and is summarised within the Fund's Annual Report. The purpose of the Funding Strategy Statement is to set out a clear and transparent funding strategy that will identify how each employer's pension liabilities are to be met going forward.

### Investment Strategy Statement

1.14 The Fund's Investment Strategy Statement (ISS) as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 can be found on the Fund's website [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk) (search Investment Strategy Statement) and is summarised within the Fund's Annual Report. The ISS is updated following strategic reviews.

1.15 The Fund's assets are currently managed externally by investment managers appointed and monitored by the Fund. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require funds to pool their investments assets from 1 April 2018. As a consequence the Fund is a member of Brunel Pension Partnership, a pool of 10 LGPS funds, which has established an FCA regulated company, Brunel Pension Partnership Limited (Brunel), to manage the assets of the pool. Each LGPS fund in the pool is a shareholder owning an equal share of the company. Since July 2018 the Fund's assets have gradually transitioned to Brunel. Once assets have transferred, Brunel is responsible for appointing and monitoring managers and other investment related operational aspects of the Fund. The Investment Strategy Statement will be updated during this transition to reflect the changing responsibilities.

1.16 The Fund has implemented three investment strategies to manage specific risks within the asset portfolio. These strategies are held within a Qualified Investment Fund (QIF) called Risk Management Strategy managed by Blackrock.

(i) A Liability Driven Investment strategy provides a hedge against changes in the value of the pension liabilities within the asset portfolio. This strategy consists of bonds and derivatives such as gilt repurchase agreements and interest and inflation swaps, structured to achieve the desired hedge profile.

(ii) An Equity Protection Strategy to protect the funding position against significant falls in equity markets. The strategy uses Over the Counter equity index option contracts.

(iii) A Low Risk Investment Strategy has been implemented where the assets (mainly corporate bonds) better match the liability profile of the employers within the strategy. These employers include those that have exited the Fund and those that have chosen a less risky investment strategy to explicitly manage investment risk.

## Statement of Accounting Policies

### Basis of Preparation

1.17 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

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

- i) Quoted Securities have been valued at 31 March 2021 by the Fund's custodian using the market bid-price or 'last trade' on the final day of the accounting period.
- ii) Unquoted investments. The fair value of investments for which market prices are not readily available is determined as follows:
  - pooled vehicles for property, unitised insurance policies and other managed funds are valued at the net asset value advised by the investment manager
  - Limited partnerships. Fair value is based on the net asset value ascertained from periodic valuations provided by the partnership
  - Pooled investment vehicles are valued at the closing bid price where bid and offer prices are published; or if a single net asset value, at the closing single price.Where audited valuations are not available at the accounting date, unaudited valuations as at 31 March 2021 or audited valuations lagged by a quarter adjusted for known cash flows are used.  
All valuations are subject to the custodian's and fund managers internal controls and their external auditors.
- iii) Fixed interest securities are recorded at net market value based on their current yields and exclude interest earned but not paid over at the year end, which is included separately within investment debtors.
- iv) Foreign currency transactions are recorded at the prevailing spot 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 2021.
- v) Derivative 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) The only Long Term Investment is shares in Brunel Pension Partnership Ltd. Its fair value is based on the value of equity in Brunel Pension Partnership Ltd accounts.
- viii) Acquisition costs of investments (e.g. stamp duty and commissions) are treated as part of the investment cost.
- ix) 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.
- x) The Fund's surplus cash is managed separately from the surplus cash of Bath and North East Somerset Council (B&NES) and is treated as an investment asset.

### Contributions

- 1.19 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 rates applying in 2020/21 relate to the 2019 valuation and the employer contribution rates range from 9.4% to 36.4%. Employees' contributions have been included at the rates prescribed by the Local Government Pension Scheme Regulations 2013 (as amended). The employee contribution rates range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. The deficit contribution is expressed as a cash sum, and ranges from £0 to £20.2 millions.
- 1.20 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

- 1.21 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 up-rated annually in line with the Consumer Prices Index.
- 1.22 Benefits payable and refunds of contributions have been brought into the accounts as they fall due.
- 1.23 Cash Transfer Values are those sums paid to or received from other pension schemes and relate to previous periods of pensionable employment. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Accruals are only made when it is certain that a transfer is to take place.
- 1.24 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

- 1.25 Dividends and interest have been accounted for on an accruals basis, based on figures provided by the custodian. Some of the income on pooled investments is accumulated and reflected in the valuation of the units and some (mainly property) is distributed.

### Investment Management & Administration

- 1.26 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 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 time spent on Pension Fund business.
- 1.27 The fees charged by 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 assets change. 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

- 1.28 The Fund is not liable to UK income tax, on income derived from investments, under Section 186 of the Finance Act 2004, nor is it liable to capital gains tax under section 271 Taxation of Chargeable Gains Act 1992. 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.

## Assumptions made about the future and other major sources of estimation uncertainty

- 1.29 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 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. Estimates are used in the valuation of unquoted investments 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 Scheme 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 24.

Item	Uncertainties	Effect if actual results differ from assumptions
Market Value of Level 2 Assets	The Fund's investments are revalued on a monthly basis using quoted prices in active markets or by reference to markets which are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs with the exception of the shareholding in Brunel Pension Partnership (£0.8m). While market values are not estimates, the method of valuation does mean that future values may fluctuate. In the 2019/20 accounts the impact of the pandemic on market prices meant that less certainty could be attached to valuations than would normally be the case. For 2020/21 markets have recovered and we can attach more weight to previous market evidence and other inputs to inform opinions of value. The subjectivity of the inputs used in making an assessment of fair value is explained in Note 24.	For every 1% increase in Market Value the value of the Level 2 Assets Fund will increase by £39m with a decrease having the opposite effect.
Unlisted Assets	The Hedge Fund (£277m), Infrastructure (£514m) and Property Limited Partnerships (£362m) investments are not publicly listed and as such there is a degree of estimation involved in their valuation. Where possible the valuation techniques use observable or transaction based inputs; however there is reliance on non-observable inputs which increases the degree of uncertainty.	If the valuations of the Property Limited Partnerships, Hedge Fund and Infrastructure assets turn out to be lower or higher than estimated, then the value of the Fund's investments will have been under or overstated. A +/-10% change in the valuations included in the accounts for these portfolios would result in an increase or reduction of +/- £115m in total Fund assets. Note 24 shows the sensitivity of these assets to changes in value in more detail.
Actuarial present value of promised retirement benefits (Note 15)	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. Mercer, a firm of consulting actuaries, is engaged to provide the authority with expert advice about the assumptions to be applied. The estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is £8,364 million.	The effects on the actuarial present value of promised retirement benefits (the Fund's liabilities) of changes in individual assumptions can be measured. For instance, based on the 2019 actuarial valuation results: <ul style="list-style-type: none"> <li>• a 0.25% per annum reduction in the real investment return assumption would increase deficit by £219m (to £503m)</li> <li>• a 0.25% per annum increase in the assumed pensionable salary growth would increase the deficit by £16m (to £300m)</li> <li>• a 0.25% per annum increase in the long term improvement rate in life expectancy would increase the deficit by £34m (to £318m)</li> </ul>

## Events After the Balance Sheet Date

- 1.30 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

- 1.31 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.

### Going Concern

- 1.32 These accounts have been prepared on a going concern basis. The concept of going concern assumes that the Pension Fund will continue in operation for the foreseeable future.

### Accounting Standards that have been issued but not yet adopted

- 1.33 IFRS 16 Lease Accounting will apply to CIPFA Accounts for the financial year 21/22 onwards. The Fund does not have embedded finance leases or service concessions in its contracts and so this standard will not have any impact on the Accounts.

### Critical Judgements in Applying Accounting Policies

- 1.34 A judgement has been made that the Fund does not have significant influence over the Brunel Pensions Partnership and consequently it is not considered to be a joint venture. Each fund holds an equal 10% stake in the pension fund, so no pension fund exerts more influence than another. Also, a holding of 20% or more of the voting power is generally required to indicate significant influence.

### Reclassification of investment assets

- 1.35 There has been a reclassification of investment assets in the accounts for 2019/20. It is considered that the reclassification is a more appropriate representation of the assets held by the Fund and provides consistency with the Net Assets statement (NAS) and throughout the notes. The reclassification affects the following notes where the investments are analysed at the asset level, Note 10 - Investment Assets, Note 23 - Financial Risk Management, Note 24 - Fair Value Hierarchy.

In these notes the changes are as follows: The Secured Income Portfolio of £69.1m as at 31 March 2020 included pooled property (£17.6m) and infrastructure (£51.5m) funds. These are now split between pooled property and pooled infrastructure. The Risk Management Strategy (£937.2m as at 31 March 2020) was split into its component parts, namely, Liability Driven Investments (£287.6m), Equity Protection Strategy (£118.8m), pooled Equity Fund (£414.9m), Corporate Bond Portfolio (£113.5m) and Cash (£1.3m). It has been reclassified as a single pooled vehicle consistent with the other pooled vehicles held by the Fund.

The reclassification does not materially affect the NAS and so no restatement is required. In terms of Secured Income, the notes have been reclassified to match the NAS. Predominantly the changes relating to the Risk Management Strategy were all within non-property pooled. This leaves one immaterial difference remaining between NAS and the notes of £1.3m in Cash which has been reclassified to Pooled Investment Vehicles as it relates to the cash held in the Risk Management Strategy.



## PENSION FUND ACCOUNTS 2020/21

### 2 MEMBERSHIP

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

	31 March 2021	31 March 2020
<b>Employed Members</b>	<b>39,159</b>	38,064
<b>Pensioners</b>	<b>34,885</b>	33,602
<b>Members entitled to Deferred Benefits</b>	<b>42,538</b>	42,508
<b>Undecided Leavers</b>	<b>8,740</b>	7,538
<b>TOTAL</b>	<b>125,322</b>	121,712

A further estimated 818 (818 in 2019/20) ex-members whose membership was for up to 2 years before 1 April 2014 or up to 3 months after that date are due refunds of contributions.

### 3 TAXATION

#### (i) Value Added Tax

The Fund's administering authority Bath & North East Somerset Council is reimbursed VAT by HM 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

Where the Fund receives interest on overseas government interest bonds portfolios which is gross, 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:-

	2020/21 £'000	2019/20 £'000
<b>Employers' normal contributions</b>		
Scheduled Bodies	99,345	83,909
Administering Authority	10,192	8,538
Admission Bodies	8,024	7,829
	<u>117,561</u>	<u>100,276</u>
<b>Employers' deficit Funding</b>		
Scheduled Bodies	40,175	16,498
Administering Authority	6,817	-
Admission Bodies	1,429	699
	<u>48,421</u>	<u>17,197</u>
<b>Total Employer's normal &amp; deficit funding</b>	<b>165,982</b>	117,473
<b>Employers' contributions - Augmentation</b>		
Scheduled Bodies	628	1,318
Administering Authority	29	950
Admission Bodies	157	319
	<u>814</u>	<u>2,587</u>
<b>Members' normal contributions</b>		
Scheduled Bodies	37,181	34,623
Administering Authority	3,907	3,704
Admission Bodies	2,579	2,719
	<u>43,667</u>	<u>41,046</u>
<b>Members' contributions toward additional benefits</b>		
Scheduled Bodies	541	450
Administering Authority	118	56
Admission Bodies	54	36
	<u>713</u>	<u>542</u>
<b>Total</b>	<b>211,176</b>	161,648

The increase in Employers' contributions between 2019/20 and 2020/21 is mainly due to employers paying deficit contributions for three years in advance (£37.96m). The remaining increase is due to an overall increase in the primary contribution rate between valuation periods

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 Utmost Life & Pensions or Aviva 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.

## PENSION FUND ACCOUNTS 2020/21

### 5 BENEFITS PAYABLE

#### Analysis of Gross Benefits Payable by Type:-

	2020/21 £'000	2019/20 £'000
Retirement Pensions	155,336	149,862
Commutation of Pensions and Lump Sum Retirement Benefits	24,017	27,527
Lump Sum Death Benefits	3,898	3,853
	<b>183,251</b>	<b>181,242</b>

#### Analysis of Gross Benefits Payable by Employing Body:-

	2020/21 £'000	2019/20 £'000
Scheduled & Designating Bodies	149,709	148,027
Administering Authority	18,694	18,338
Admission Bodies	14,848	14,877
	<b>183,251</b>	<b>181,242</b>

### 6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

#### Leavers

	2020/21 £'000	2019/20 £'000
Refunds to members leaving service	695	1,148
Individual Cash Transfer Values to other schemes	4,006	11,670
Group Transfers	0	0
	<b>4,701</b>	<b>12,818</b>

## PENSION FUND ACCOUNTS 2020/21

### 7 MANAGEMENT EXPENSES

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

	2020/21	2019/20
	£'000	£'000
Administrative Costs	2,456	2,408
Oversight & Governance Costs	1,840	1,752
Investment Management Expenses	19,388	26,943
	<b>23,684</b>	<b>31,103</b>
<b>Further Analysis of Management Expenses:-</b>		
<b>Administrative Costs</b>		
Management Costs	1,571	1,555
Administration and Processing	578	568
Service from Administrating Body	506	490
Fees and Income	(199)	(205)
	<b>2,456</b>	<b>2,408</b>
<b>Oversight &amp; Governance Costs</b>		
Management costs	682	609
Specialist advice and Governance	1,293	1,349
Actuarial recharges	(206)	(244)
Audit Fees	57	32
Audit Related Services	14	6
	<b>1,840</b>	<b>1,752</b>
<b>Investment Management Expenses</b>		
Fund Manager Base Fees	20,295	20,295
Fund Manager Performance Fees	3,586	3,586
Investment Transaction Costs	199	199
Investment Transition Costs	2,825	2,825
Global custody	37	37
	<b>26,942</b>	<b>26,942</b>
	<b>31,238</b>	<b>31,102</b>

Management costs in Oversight & Governance Costs include investments, actuarial and accounting staff costs. Audit fees include: £0.037m external audit fee as set out in the Audit Plan (2019/20 £0.022m) and £0.020m internal audit charge from Bath & North East Somerset Council (2019/20 £0.008m) The audit related service of £0.014m is for an additional external fee relating to information provided to the actuary regarding individual employers' IAS19 disclosures in 2019/20 and 2020/21 (£0.007m per year).

#### 7a INVESTMENTS MANAGEMENT EXPENSES

2020/21	Total	Management Fees	Performance related fees	Transaction costs
	£'000	£'000	£'000	£'000
Equity	415	414	-	1
Bonds	-	-	-	-
Pooled Property	1,404	3,144	(1,740)	-
Private Infrastructure	722	722	-	-
Derivatives	412	410	-	2
Pooled Investments *	16,392	13,309	3,058	25
	<b>19,345</b>	<b>17,999</b>	<b>1,318</b>	<b>28</b>
Custody Fees	43			
Total	<b>19,388</b>			
2019/20	Total	Management Fees	Performance related fees	Transaction costs
	£'000	£'000	£'000	£'000
Equity	2,547	2,365	-	182
Bonds	138	138	-	-
Pooled Property	2,070	3,108	(1,038)	-
Private Infrastructure	264	264	-	-
Derivatives	435	429	-	6
Pooled Investments *	21,450	16,814	4,624	12
	<b>26,904</b>	<b>23,118</b>	<b>3,586</b>	<b>200</b>
Custody Fees	38			
Total	<b>26,942</b>			

\* Included within Pooled Investments is £1.278m (£1.437m in 19/20) paid to Brunel Pension Partnership for core investment services.

The analysis of Investment Management expenses has been changed to follow CIPFA guidance for the 20/21 Final Accounts.

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.

The performance fees included in 20/21 represent a reduction in the provision for pooled property (£1.740m) and a payment in year for pooled investments (£3.058). The current total provision for performance fees is included in note 12 Current Asset and Liabilities.

Of the £19.3m of investment management fees, £7.3m relates to the fees paid to the underlying managers of the portfolios managed by Brunel. During the year assets transferred from the legacy equity manager to Brunel pooled funds causing the equity related fees to fall from 2019/20. Overall, pooling of assets has achieved investment fee savings to date.

## PENSION FUND ACCOUNTS 2020/21

### 8 INVESTMENT INCOME

	2020/21 £'000	2019/20 £'000
Dividends from equities	2,153	13,020
Income from pooled Property Investments	13,003	14,810
Income from other pooled investment vehicles	5,650	3,977
Interest on cash deposits	202	556
Other Income (including Stock Lending)	9	205
<b>TOTAL</b>	<b>21,017</b>	<b>32,568</b>

The decrease in income from dividends from equities is because the fund has transitioned its assets away from segregated equities to pooled funds managed by Brunel in year.

The Fund had an arrangement with its custodian (State Street Trust and Bank) to lend eligible securities from its portfolio to third parties in return for which the third parties paid fees to the fund. The third parties provided collateral to the Fund which was held during the period of the loan. This arrangement ceased when the Fund's segregated equity assets transferred to Brunel in 2020/21. Brunel has a similar arrangement for select portfolios with their custodian. The income from this programme is not distributed but accumulates within the relevant Brunel pooled fund. At the year end based on its holding in the Brunel Global High Alpha Portfolio, the Fund had £10.4m stock on loan, secured by collateral of £11.3m. During the year the Fund's share of stock lending income in this portfolio was £0.03m.

### 9 CHANGE IN TOTAL NET ASSETS

Change in Market Value of Investments	Value at 31/03/20 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31/03/21 £'000
Equities	147,306	384	(152,865)	5,175	-
Long Term Investments	427	-	-	341	768
Pooled Investments-					
- Property	424,153	288,021	(158,905)	(18,975)	534,294
- Non Property	3,778,471	1,191,182	(1,079,291)	693,829	4,584,191
Derivatives					
- Foreign Exchange Hedge	(30,367)	50,706	(57,775)	101,203	63,767
- FTSE Futures	1,078	580	(6,061)	4,293	(110)
<b>Sub Total</b>	<b>4,321,068</b>	<b>1,530,873</b>	<b>(1,454,897)</b>	<b>785,866</b>	<b>5,182,910</b>
Cash Deposits	143,135	511,950	(530,602)	(6,842)	117,641
Net Purchases & Sales		2,042,823	(1,985,499)	57,324	
Investment Debtors & Creditors	2,836			(1,398)	1,438
Total Investment Assets	4,467,039				5,301,989
Long Term Debtors	212			1	213
Current Assets	4,571			1,937	6,508
Less Net Revenue of Fund				(28,792)	
<b>Total Net Assets</b>	<b>4,471,822</b>			<b>808,096</b>	<b>5,308,710</b>

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.

The Net Revenue of Fund equals the Net Withdrawals / additions including fund management expenses (£-7.775m) plus Investment income (£-21.017m) as shown in the Fund account.

## PENSION FUND ACCOUNTS 2020/21

### Change in Total Net Assets 2019/20

Change in Market Value of Investments	Value at 31/03/19 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31/03/20 £'000
Equities	554,790	106,998	(509,191)	(5,292)	147,305
Long Term Investments	395			32	427
Pooled Investments-					
- Property	428,752	31,992	(25,133)	(11,458)	424,153
- Non Property	3,718,767	1,221,116	(868,805)	(292,607)	3,778,471
Derivatives					
- Foreign Exchange Hedge	7,984	72,084	(57,050)	(53,385)	(30,367)
- FTSE Futures	349	5,651	(1,409)	(3,513)	1,078
<b>Sub Total</b>	<b>4,711,037</b>	<b>1,437,841</b>	<b>(1,461,588)</b>	<b>(366,223)</b>	<b>4,321,067</b>
Cash Deposits	105,377	291,448	(282,435)	28,745	143,135
Net Purchases & Sales		1,729,289	(1,744,023)	(14,733)	
Investment Debtors & Creditors	3,339			(503)	2,836
Total Investment Assets	4,819,753				4,467,038
Long Term Debtors	70			142	212
Current Assets	(1,996)			6,567	4,571
Less Net Revenue of Fund				10,494	
<b>Total Net Assets</b>	<b>4,817,827</b>			<b>(335,511)</b>	<b>4,471,821</b>

## 10 INVESTMENT ASSETS

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

	31 March 2021 £'000	Restated 31 March 2020 £'000
<b>Global Equity Segregated</b>	-	147,306
<b>Non-Property Pooled Investment Vehicles</b>		
Global Equity	2,031,146	1,277,334
Risk Management Strategy	942,816	937,195
Diversified Growth Funds	501,330	605,666
Infrastructure	513,891	409,957
Multi Asset Credit	317,539	291,661
Hedge Funds	277,469	257,967
	4,584,191	3,779,780
<b>Other Investments</b>		
Pooled Property Investments	534,294	424,153
Derivative contracts		
• Foreign Exchange Hedge	63,767	
• Derivative contracts: FTSE Futures		1,078
	598,061	425,231
Cash deposits	117,641	141,826
Investment Income due	1,438	2,848
Amounts receivable for sales		401
<b>Total Investment Assets</b>	<b>5,301,331</b>	<b>4,497,392</b>
<b>Long Term Investments</b>		
Equities	768	427
<b>Investment Liabilities</b>		
Derivative contracts		
• Foreign Exchange Hedge		(30,367)
• Derivative contracts: FTSE Futures	(110)	
Amounts payable for purchases		(413)
<b>Total Investment Liabilities</b>	<b>(110)</b>	<b>(30,780)</b>
<b>Total Investment Assets</b>	<b>5,301,989</b>	<b>4,467,039</b>

The 2019/20 analysis has been restated as follows: (a) the analysis of UK and Overseas assets plus quoted and unquoted has been removed in line with CIPFA guidance; (b) the assets held within the Secured Income Portfolio (£69.1m) have been split between Pooled Infrastructure (£51.5m) and Pooled Property Funds (£17.6m) to provide consistency with the Net Asset Statement; (c) the Risk Management Strategy (£937.2m) is included as a pooled fund consistent with other pooled funds held by the Fund. In 2019/20 it was split between the underlying assets (Liability Driven Investing (£287.6m), Equity Fund £414.9m), Equity Protection Strategy (£118.8m), Corporate Bonds (£114.5m) and cash (£1.3m).

During the year there were a number of changes to the asset allocation. The allocation to Diversified Return Funds fell from 15% to 10% of total assets. The proceeds were used to fund investments in infrastructure and property as committed capital to the Brunel Renewable Infrastructure and Secured Income Portfolios were drawn down.

The Long term investment of £0.768m represents Avon Pension Fund's share of the Brunel Pension Partnership. This share represents 10% of the Total Equity, as per Brunel's Statement of Financial Position, as at 30th September 2020.

Included within the equity of Brunel is a newly created Pension Reimbursement Asset (PRA). The implementation of the PRA provides certainty to Brunel that its shareholders will reimburse any LGPS pension related cashflows, including reimbursement of all regular ongoing contributions, all additional contributions (e.g. to fund discretionary early retirements or other discretionary benefits) and all exit payments. The current value of the PRA is £6.56m. The Fund has elected to declare 10% of the PRA as a contingent liability (see Note 13)

# DERIVATIVES ANALYSIS

Open Forward Currency Contracts

Settlement	Currency Bought		Currency Sold		Asset Value £'000	Liability Value £'000
	Local Value 000		Local Value 000			
Up to one month	EUR	50,686	GBP	43,331	-	(136)
Up to one month	JPY	1,469,100	GBP	9,728	-	(90)
Up to one month	USD	103,182	GBP	75,379	-	(599)
Up to one month	GBP	10,874	JPY	1,469,100	1,236	-
Up to one month	GBP	46,515	EUR	50,686	3,320	-
Up to one month	GBP	81,965	USD	103,182	7,185	-
One to six months	EUR	6,587	GBP	5,820	-	(199)
One to six months	JPY	535,800	GBP	3,719	-	(202)
One to six months	USD	4,560	GBP	3,326	-	(22)
One to six months	GBP	218,277	EUR	244,047	9,945	-
One to six months	GBP	49,882	JPY	7,022,300	3,785	-
One to six months	GBP	383,163	USD	490,755	27,589	-
Six to twelve months	GBP	-	EUR	-	-	-
Six to twelve months	GBP	-	JPY	-	-	-
Six to twelve months	GBP	383,163	USD	2,848	-	(9)
Six to twelve months	USD	684,594	GBP	507,556	11,950	-
Six to twelve months	EUR	47,492	GBP	40,619	4	-
Six to twelve months	JPY	1,297,300	GBP	8,533	9	-
<b>Total</b>					<b>65,025</b>	<b>(1,258)</b>
<b>Net forward currency contracts at 31st March 2021</b>						<b>63,767</b>
Open forward currency contracts at 31 March 2020					13,715	(44,082)
<b>Net forward currency contracts at 31st March 2020</b>						<b>(30,367)</b>

## Exchange Traded Derivatives held at 31 March 2021:-

Contract Type	Expiration	Book Cost £'000	Unrealised Gain / (Loss) £'000
FTSE equity futures	June 2021	33,659	(110)

## Exchange Traded Derivatives held at 31 March 2020:-

FTSE equity futures	June 2020	21,109	1,078
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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.

## PENSION FUND ACCOUNTS 2020/21

### Investment Assets by Manager

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 2020 £'000	%	31 March 2019 £'000	%
<b>Investments managed by Brunel Pension Partnership:</b>				
BlackRock Risk Management Strategy	942,815	17.8	937,195	17.7
LGIM Low Carbon Global Equities	691,544	13.0	497,508	11.1
Brunel Renewables Portfolio	50,205	0.9	24,312	0.5
Brunel Secured Income Portfolio	280,324	5.3	69,107	1.5
Brunel Global Sustainable Equity	541,101	10.2	-	-
Brunel Diversified Returns Fund	501,330	9.5	-	-
Brunel UK Equity Portfolio	-	-	149,873	3.4
Brunel UK Property	106,841	2.0	-	-
Brunel Emerging Market Equity	286,760	5.4	196,232	4.4
Brunel Global High Alpha Equity	403,274	7.6	377,707	8.5
	<b>3,804,194</b>	<b>71.8</b>	<b>2,251,934</b>	<b>47.1</b>
<b>Investments managed outside Brunel Pension Partnership:</b>				
Blackrock	108,663	2.0	40,434	0.9
Record	97,316	1.8	(8,174)	(0.2)
Jupiter Asset Management	205	0.0	173,740	3.9
Partners Group	192,409	3.6	231,705	5.2
Loomis (Natixis)	317,539	6.0	291,661	6.5
Pyrford International	-	-	213,642	4.8
TT International	303	0.0	310	0.0
IFM Investors	365,544	6.9	334,132	7.5
Ruffer	-	-	392,024	8.8
Schroder Investment Management	92,048	1.7	228,380	5.1
JP Morgan	277,470	5.2	257,967	5.8
Custodian Cash	18,821	0.4	23,192	0.5
Long Term Investment	768	0.0	427	0.0
Treasury Management	26,709	0.5	35,665	0.8
	<b>1,497,795</b>	<b>28.2</b>	<b>2,215,105</b>	<b>49.6</b>
<b>TOTAL INVESTMENT ASSETS</b>	<b>5,301,989</b>	<b>100.0</b>	<b>4,467,039</b>	<b>96.7</b>

During 2020/21, the assets managed by Ruffer and Pyrford (both Diversified Growth Funds), Jupiter Investment Management (Equities) and Schroder Investment Management (UK Property funds) transitioned to the Brunel asset pool. In addition, new investments were made to the Renewable Infrastructure and Secured Income portfolios managed by Brunel.

### 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 2021 £'000	% of Net Asset	Value at 31st March 2020 £'000	% of Net Asset
Blackrock Liability SOL Mutual Fund	942,815	17.76%	937,195	20.96%
LGIM Low Carbon Global Equity	691,544	13.03%	497,508	11.13%
Brunel Global Sustainable Equity	541,101	10.19%	0	0.00%
Brunel Diversified Returns Fund	501,330	9.44%	0	0.00%
Brunel Global High Alpha Equity Fund	403,274	7.60%	377,707	8.45%
IMF Global Infrastructure (UK)	365,544	6.89%	334,132	7.47%
NATIXIS Investment Solutions	317,539	5.98%	291,661	6.52%
Brunel Emerging Market Equity	286,760	5.40%	196,232	4.39%
APF Absolute Return Strategies	277,469	5.23%	257,967	5.77%
CF Ruffer Absolute Return Fund	0	0.00%	392,024	8.77%

## PENSION FUND ACCOUNTS 2020/21

### 12 CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2021.

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

	31 March 2021 £'000	31 March 2020 £'000
<b>CURRENT ASSETS</b>		
Contributions Receivable		
- Employers	9,642	8,723
- Members	3,610	3,340
Transfer Values Receivable	-	-
Discretionary Early Retirement Costs	278	537
Other Debtors	1,489	1,606
	<u>15,019</u>	<u>14,206</u>
<b>CURRENT LIABILITIES</b>		
Management Fees	(927)	(1,389)
Provision for Performance Fees	(2,055)	(3,795)
Transfer Values Payable	-	-
Lump Sum Retirement Benefits	(1,861)	(2,254)
Other Creditors	(3,668)	(2,197)
	<u>(8,511)</u>	<u>(9,635)</u>
<b>NET CURRENT ASSETS</b>	<u>6,508</u>	<u>4,571</u>

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.

### 12a LONG TERM DEBTORS

Provision has been made in the accounts for long term debtors known to be outstanding at 31 March 2021.

	31 March 2021 £'000	31 March 2020 £'000
Reimbursement of lifetime tax allowances	213	212
	<u>213</u>	<u>212</u>

The Lifetime tax allowance was introduced in 2016. It limits the amount of pension that can be paid without an extra charge. Responsibility for payment rests with the pensioner. Avon Pension Fund offer to pay the tax upfront and are reimbursed from pension deductions over time. This creates a long term debtor in the accounts.

### 13 CONTINGENT LIABILITIES

Brunel Pension Partnership, in which Avon Pension Fund have a 10% share, have recognised a Pension Reimbursement Asset of £6.556m. The implementation of the PRA provides certainty to Brunel that its shareholders will reimburse any LGPS pension related cashflows, including reimbursement of all regular ongoing contributions, all additional contributions (e.g. to fund discretionary early retirements or other discretionary benefits) and all exit payments.

Accordingly the Pension Fund have recognised a contingent liability of £0.656m, representing 10% of it's share in the Brunel Pension Partnership. It has elected to treat this as a contingent liability because the value and timing of this is uncertain and subject to change.

### 14 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2021 that require any adjustment to these accounts.



## 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 2021 (the 31 March 2020 assumptions are included for comparison):

	31st March 2020	31st March 2019
Rate of return on investments (discount rate)	2.1% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	2.1% per annum
Rate of pay increases*	4.2% per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of	2.8% per annum	2.2% per annum

\* This is the long-term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.

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 2020.

During the year corporate bond yields decreased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.1% p.a. vs 2.4%). In addition, the expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.7%. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £7,111 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£169 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£83 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also an increase in liabilities of £1,001 million due to "actuarial losses" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2021 pension increase award was less than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is therefore £8,364 million.

### GMP Indexation

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

## 16 TRANSFERS IN

During the year ending 31 March 2021 there were no group transfers in to the fund.

## 17 AGENCY SERVICES

The Fund makes payments with regard to added year benefits awarded by the Employer to Local Government Pension Scheme 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.

	2020/21 £'000	2019/20 £'000
<b>Benefits Paid and Recharged</b>	<b>5,758</b>	<b>5,845</b>

The Fund also administers £24.2m pension payments on behalf of the Fire Service and the Teachers' pension schemes. (£24.3m in 2019/20, including a large number of Retirement Lump Sum payments). These are not funded by the Fund and are recharged in full. They are not included in the Fund Account. The Fire Service and Teachers' 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 Utmost Life & Pensions or Aviva, the Fund's nominated AVC providers. Additional Voluntary Contributions received from employees and paid to Utmost Life & Pensions during 2020/21 were £55 (2019/20 £55). Additional Voluntary Contributions received from employees and paid to Aviva during 2020/21 were £522,078 (2019/20 - £434,272).

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

	31 March 2021 £'000	31 March 2020 £'000
<u>Utmost Life &amp; Pensions (Equitable Life in 2018/19)</u>		
With Profits Retirement Benefits	-	-
Unit Linked Retirement Benefits	647	678
Building Society Benefits	-	-
	<u>647</u>	<u>678</u>
Death in Service Benefit	<u>53</u>	<u>53</u>
<u>Aviva</u>		
With Profits Retirement Benefits	264	73
Unit Linked Retirement Benefits	3,951	3,438
Cash Fund	749	455
	<u>4,964</u>	<u>3,966</u>

AVC contributions are not included in the Fund's financial statements as they do not come under the requirements of Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016 regarding regulation 69(1)(a) of the Local Government Pension Scheme Regulations 2013.

## 19 RELATED PARTIES

### Committee Member Related:-

In 2020/21 £40,801 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£39,331 in 2019/20). Seven 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 2019/2020. (Six voting members and one non-voting member in 2019/2020, including two B&NES Councillor Members)

### Independent Member Related:-

Three Independent Members were paid allowances of £13,231, £13,164 and £11,664 respectively during the year for their work in relation to the Pension Fund Committee and the Investment Panel. All three Members were paid in respect of the full year. 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 2020/21 the Fund paid B&NES Council £535,893 for administrative services (£426,662 in 2019/20). Various Employers paid the fund a total of £215,804 for pension related services including pension's payroll and compiling data for submission to the actuary (£223,831 in 2019/20).

### Pension Board Related:-

The Pension Board came in to operation in July 2015. In 2020/21 £7,180 was charged to the Fund in respect of Allowances and expenses paid to the Members of the Pension Board (£7,574 in 2019/20). Six members of the Pension Board were members of the Local Government Pension Scheme during the financial year 2019/2020. (Four members in 2019/2020).

### 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.

### Brunel Pension Partnership Limited

Brunel Pensions Partnership Limited (BPP Ltd. Company number 10429110) was formed on the 14th October 2016 and will oversee the investment of pension fund assets for Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire Funds.

Each of the 10 local authorities, including Bath & North East Somerset Council own 10% of BPP Ltd. In 2019/20 the Pension Fund paid BPP £1,277,972 (2019/20 £1,436,784).

As part of our investment in BPP Ltd. we provided regulatory capital. This will be subject to regular review by the regulator that could result in additional calls for capital.

## 20 KEY MANAGEMENT REMUNERATION

The key management personnel of the fund are those persons having the authority and responsibility for planning, directing and controlling the activities of the fund, including the oversight of these activities. The key management personnel of the Fund are the Head of Business Finance and Pensions and the Divisional Director Risk and Assurance. It does not include the Director of Finance (S151).

	31 March 2021 £'000	31 March 2020 £'000
Short Term Benefits	49	50
Post Retirement Benefits	11	12
	<u>60</u>	<u>62</u>

## 21 OUTSTANDING COMMITMENTS

As at 31 March 2021 the Fund had outstanding commitments relating to investments in Property, Infrastructure, Secured Income and Private Debt funds that will be drawn down in tranches by the Investment Managers totalling £687.2m (31 March 2020 £428.6m). The increase is due to new commitments made in the year to Secured Income, Renewable Infrastructure, UK Property and Private Debt.

## 22 FINANCIAL INSTRUMENTS

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

2020/21	Fair Value through Profit and Loss £'000	Loans & receivables £'000	Financial liabilities at amortised cost £'000
<b>Financial Assets</b>			
Equities	-		
Long Term Investments	768		
Pooled Investments (Non-Property)	4,584,191		
Liability Driven Pooled investments	-		
Pooled Property Investments	534,294		
Derivative Contracts Futures	-		
Derivative Contracts FX Hedge	63,767		
Derivative Contracts Equity Options	-		
Cash	25,340	92,301	
Other investment balances		1,438	
Debtors		15,232	
<b>Total Financial Assets</b>	<b>5,208,360</b>	<b>108,971</b>	<b>-</b>
<b>Financial Liabilities</b>			
Other investment balances			
Derivative Contracts Futures	(110)		
Derivative Contracts FX Hedge	-		
Creditors			(8,511)
<b>Total Financial Liabilities</b>	<b>(110)</b>	<b>-</b>	<b>(8,511)</b>
<b>Total Net Assets</b>	<b>5,208,250</b>	<b>108,971</b>	<b>(8,511)</b>
<b>2019/20</b>	<b>Fair Value through Profit and Loss £'000</b>	<b>Loans &amp; receivables £'000</b>	<b>Financial liabilities at amortised cost £'000</b>
<b>Financial Assets</b>			
Equities	147,305		
Long Term Investments	427		
Pooled Investments (Non-Property)	3,389,639		
Liability Driven Pooled investments	287,601		
Pooled Property Investments	406,559		
Derivative contracts Futures	1,078		
Derivative Contracts Equity Options	118,816		
Cash		143,123	
Other investment balances	2,848		
Debtors		14,418	
<b>Total Financial Assets</b>	<b>4,354,273</b>	<b>157,541</b>	<b>-</b>
<b>Financial Liabilities</b>			
Other investment balances			
Derivative Contracts FX Hedge	(30,367)		
Creditors			(9,635)
<b>Total Financial Liabilities</b>	<b>(30,367)</b>	<b>-</b>	<b>(9,635)</b>
<b>Total Net Assets</b>	<b>4,323,906</b>	<b>157,541</b>	<b>(9,635)</b>

As all investments are disclosed at fair value, carrying value and fair value are therefore the same.

### Net gains and losses on Financial Instruments

	31st March 2021 £'000	31st March 2020 £'000
<b>Financial assets</b>		
Fair value through profit & loss	804,841	32
Amortised Cost - realised gains on derecognition of assets		
Amortised cost - unrealised gains	22,230	30,712
<b>Financial Liabilities</b>		
Fair value through profit & loss	(18,975)	(366,255)
Amortised Cost - realised losses on derecognition of assets		
Amortised cost - unrealised losses		
	<b>808,096</b>	<b>(335,511)</b>

### 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 portfolio of assets.

The Fund achieves this objective by investing across a diverse range of assets such as equities, bonds, property and other alternative investments in order to reduce exposure to a variety of financial risks including market risk (price, interest rate and currency risk), credit risk and liquidity risk.

Responsibility for the Fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the pension fund. Policies are reviewed regularly to reflect changes in activity and in market conditions.

As at 31 March 2021 Brunel Pension Partnership (Brunel) manages £3.804 billion of the Fund's assets while the remaining assets are managed by external Investment Managers. Managers are 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 has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The Committee regularly monitors each investment portfolio and its Investment Consultant advises on the nature of the investments made and associated risks.

The Fund's investments are held by State Street Bank and Trust who acts as custodian on behalf of the Fund.

Because the Fund adopts a long term investment strategy, the high level risks described below will not normally 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. Although Brunel is the investment manager for a number of asset classes, it appoints a number of underlying managers to each portfolio so the manager diversification is greater under Brunel than it was before pooling.

In the following tables, for consistency, the asset previously classified as Secured Income has been included within Infrastructure. Additionally, where previously assets within the Risk Management Strategy pooled vehicle were split into their component parts (including Liability Driven Investments, Global Equities and UK Bonds), this is now included as a pooled vehicle, Risk Management Strategy. These changes have been restated as such for 2019/20.

#### (a) Market Risk

Market risk is the risk of loss from fluctuations in market prices, interest rates, credit spreads and currencies. The Fund is exposed through its investments portfolio to all these risks. The level of risk exposure depends on market conditions, expectations of future price and yield movements and asset allocation. The objective of the investment strategy is to identify, 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 e.g. COVID-19 type shocks and geopolitical trade tensions 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's largest allocation is 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.

The Fund has an equity hedging strategy in place to protect from a significant fall in equity values and equity index options have been used to protect the downside and to cap the upside above a fully funded position based on the current funding plan.

As the global economy transitions to a low carbon economy there is a risk to asset values as business models adapt or become obsolete and new opportunities arise. The Fund has a strategy to minimise its exposure to carbon intensive assets through allocations to low carbon and more sustainable assets. In addition it is investing in renewable infrastructure projects that will power the new economy. The analysis below does not take account of the potential impact of climate change on asset prices.

## PENSION FUND ACCOUNTS 2020/21

### 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 2021. 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 equity hedge does not affect the expected volatility of the equity assets.

The analysis for the year ending 31 March 2021:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	-	0.0%	-	-
Global Equities	1,744,275	14.2%	1,991,962	1,496,588
Emerging Market Equities	286,760	16.0%	332,641	240,878
Risk Management Strategy	942,815	12.4%	1,059,724	825,906
Diversified Return Funds	501,330	8.4%	543,442	459,219
Multi Asset Credit	317,539	6.7%	338,815	296,264
Property	534,294	2.0%	544,980	523,608
Fund of Hedge Funds	277,469	5.9%	293,840	261,099
Infrastructure	513,891	17.2%	602,281	425,502
Long Term Investment	768	15.0%	884	653
Cash & Equivalents	182,846	0.1%	183,029	182,663
<b>Total Investment Assets</b>	<b>5,301,989</b>		<b>5,891,597</b>	<b>4,712,380</b>

The analysis for the year ending 31 March 2020 (Restated) is shown below:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	299,855	14.3%	342,734	256,975
Global Equities	929,632	12.1%	1,042,117	817,146
Emerging Market Equities	196,232	16.0%	227,629	164,835
Risk Management Strategy	937,195	9.9%	1,029,978	844,413
Diversified Return Funds	605,666	7.4%	650,485	560,847
Multi Asset Credit	291,661	7.3%	312,952	270,369
Property	424,153	1.8%	431,788	416,518
Fund of Hedge Funds	257,967	5.4%	271,897	244,036
Infrastructure	409,957	15.9%	475,141	344,774
Long Term Investment	427	15.0%	491	363
Cash & Equivalents	114,295	0.1%	114,409	114,181
<b>Total Investment Assets</b>	<b>4,467,039</b>		<b>4,899,620</b>	<b>4,034,458</b>

### 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, as held through the Fund's Risk Management Strategy.

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

	31st March 2021 £'000	31st March 2020 Restated £'000
Cash and Cash Equivalents	182,846	114,295
Risk Management Strategy	942,815	937,195
<b>Total</b>	<b>1,125,661</b>	<b>1,051,490</b>

## PENSION FUND ACCOUNTS 2020/21

### 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 Risk Management Strategy as at 31 March 2021 of a 100 basis point (1%) change in interest rates. The analysis assumes that all other variables including foreign currency exchange rates remain constant.

The Fund has implemented a strategy to better match or hedge its liabilities with bond assets through its Risk Management Strategies. The primary 'matching' instruments used in these strategies include physical instruments such as fixed interest and index-linked Government bonds (financed through "repurchase" agreements), corporate bonds and derivative instruments such as interest-rate and inflation swaps.

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 2021

	Change in net assets		
	Value	+100 bps	-100 bps
	£'000	£'000	£'000
Cash and Cash Equivalents	182,846	-	-
Risk Management Strategy	942,815	(126,054)	126,054
<b>Total</b>	<b>1,125,661</b>	<b>(126,054)</b>	<b>126,054</b>

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 2020 is shown below:

#### As at 31 March 2020 (Restated)

	Change in net assets		
	Value	+100 bps	-100 bps
	£'000	£'000	£'000
Cash and Cash Equivalents	114,295	-	-
Risk Management Strategy	937,195	(42,642)	42,642
<b>Total</b>	<b>1,051,490</b>	<b>(42,642)</b>	<b>42,642</b>

### 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 equities, overseas property funds, infrastructure funds 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 within their portfolio 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.

Currency risk by asset class:

Currency Exposure - Asset Type	Asset value as at 31st March 2021	Asset value as at 31st March 2020 Restated
	£'000	£'000
Global Equities	1,744,275	929,632
Global Property Funds	178,563	194,926
Fund of Hedge Funds	276,402	257,967
Infrastructure Funds	21,389	-

### 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 main currencies over the 3 years to 31 March 2021. The analysis reflects the Fund's passive hedging policy of a 50% hedge ratio on the global equity assets, and a 100% hedge ratio on the global property and hedge fund assets. Therefore there is no currency exposure on the assets that are 100% hedged. The infrastructure assets are not currently hedged as the investment cycle is at an early stage.

A strengthening / weakening of Sterling against the various currencies by one standard deviation (expressed as a percentage) at 31 March 2021 would have increased / decreased the net assets by the amount shown in the tables below and vice versa:

Currency Risk by Asset Type:

Asset Type	Value	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
Global Equities	1,744,275	3.97%	1,813,482	1,675,069
Infrastructure	21,389	6.40%	22,761	20,016

The same analysis for the year ending 31 March 2020 is shown below:

Currency Risk by Asset Type (Restated)

Asset Type	Value (£)	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
Global Equities	929,632	4.05%	967,243	892,021

## (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. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

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

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. Credit risk on exchange-traded derivative contracts is minimised by the various insurance policies held by exchanges to cover defaulting counterparties. Over-the-counter (OTC) derivative contracts are bilateral agreements where the Fund faces the credit risk of the financial counterparty directly. This is the case for forward currency contracts where a line of credit is extended to the Fund in place of a collateral posting agreement (as is the case for exchange-traded contracts). The hierarchy and replacement of an OTC contract on default of one of the counterparties is detailed in the ISDA, which is a market standard legal document governing derivative contracts.

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 derivative instruments held within the QIF are fully collateralised on a daily basis with cash and/or gilts. Management of collateral is delegated to the manager who has access to a pool of eligible collateral (gilts, cash and equities). Daily collateralisation mitigates credit risk to a large extent as in the event a counterparty defaults sufficient assets are held to re-establish any lost position at the prevailing market rate.

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).

The fund is subject to credit risk within its general debtors although none of these would represent a material risk to the fund. General debtors were £1.5m for 20/21 (£1.6m for 19/20)

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 2021 was £104.8m. This was held with the following institutions:

	31st March 2021		31st March 2020	
	Rating	Balance £'000	Rating	Balance £'000
<b>Custodian's Liquidity Fund</b>				
State Street Global Services	AAA	78,134	AAA	23,193
<b>Money Market Funds</b>				
Goldman Sachs Global Treasury Fund	AAA	-	AAA	7,800
Aberdeen Liquidity Fund	AAA	7,470	AAA	9,950
Federated Investors	AAA	9,730	AAA	9,780
State Street Global Advisors	AAA	950	AAA	950
CCLA - The Public Sector Deposit Fund		7,190		
<b>Bank</b>				
Handelsbanken	AA	-	AA	1,410
Bank of Scotland Corporate Deposit Account	A+	-	A+	90
State Street Bank and Trust Co	AA+	-	AA+	3,629
NatWest Special Interest Bearing Account	A+	1,360	A+	1,960
NatWest Current Account	A+	9	A+	30

The balance on the Custodian's Liquidity Fund onwards includes cash held across all mandates. Previously only cash held in the Custodian's general account has been included. For comparative purposes the balance held as at 31st March 2020 was £98.9m

Following the transition of the segregated equity portfolios to Brunel, the Fund's Stock Lending programme that was managed by the custodian, is no longer in place as at year end March 2021. The investment managers may do security lending within pooled vehicles.

## (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 including pension payments. 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 even though they are held in pooled funds. In addition the Fund invests in a range of Exchange Traded Funds that provide a similar liquidity profile to cash so that capital calls from the private market portfolios can be managed efficiently. 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, infrastructure 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 2021 the value of the illiquid assets was £1,326m, or 25% of the total Fund assets (31 March 2020: £1,093m which represented 24.5% of the total Fund assets).



## 24 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. Transfers between levels are recognised in the year in which they occur. The hierarchy has the following levels:

- Level 1 – Asset and liabilities where the fair value is derived from unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Assets and liabilities where quoted market prices are not available but uses inputs other than quoted prices 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.
- Level 3 – assets and liabilities where at least one unobservable input used to measure fair value could have a significant effect on the valuation and the Fund's holding in these pooled funds is not immediately realisable at the net asset value.

### Fair Value Hierarchy

The basis of the valuation of each class of investment asset is set out below.

Description of Asset	Fair Value Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published closing bid price ruling at year end.	Not required.	Not required.
Exchange traded futures	Level 1	Published exchange prices at the year end.	Not required.	Not required.
Forward currency contracts	Level 2	Market forward exchange rates at year end	Price of recent transactions in identical instruments, exchange rate risk	Not required.
Pooled Investment vehicles including unitised insurance policies and other managed funds	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published.	NAV based pricing set on a forward looking basis.	Not required.
Pooled property funds (Open Ended)	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published. Market values are in accordance with RICS valuation standards and FV processes with IPEV guidelines.	NAV based pricing set on a forward looking basis using transactional data and cash flow forecasts.	Not required.
Hedge Funds	Level 3	Closing bid price where bid and offer prices are published; closing single price where single price published. Market values are determined as of the last calendar day of each month. Where the underlying investment funds do not report a month end NAV on a timely basis, the NAV will be determined using the most recently available month end valuation as well as other relevant information available including market inputs that may impact the performance of a particular fund.	NAV based pricing set on a forward looking basis.	Valuations can be affected by material events between the date of the financial accounts provided and the pension fund's own reporting date, by changes to expected cash flows and by any differences between the audited and unaudited accounts.
Limited Partnerships and closed ended funds (Property)	Level 3	Valued using a number of different market and income valuation methods as well as comparable market transactions prices. The market values are in accordance with IPEV guidelines.	Market transactions; market outlook; cash flow projections; last financings; multiple projections.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows and any differences between audited and unaudited accounts.
Infrastructure funds	Level 3	Infrastructure investments are valued at the end of each quarter by independent valuation firms. The valuation method is employed for each asset at the discretion of the appointed independent valuer but must fall within the standards prescribed by the relevant accounting bodies as appropriate (US GAAP and IFRS) and be in accordance with IPEV guidelines.	Infrastructure investments are typically valued on a discounted cash flow approach, utilising cash flow forecasts. Valuations are cross-checked with public market information and recent transactions.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, significant increases and decreases in the discount rate and any differences between audited and unaudited accounts.

Long Term Investments - Equities	Level 3	Brunel Share Capital is valued at the Equity value as stated in Brunel Pension Partnership Statement of Accounts	Earnings and revenue multiples; discount for lack of marketability; control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows and any differences between audited and unaudited accounts.
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## PENSION FUND ACCOUNTS 2020/21

The following sets out the Fund's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31 March 2021.

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Equities	108,467	1,922,679		2,031,146
Pooled Investments:-				
Risk Management Strategy		942,816		942,816
Fund of Hedge Funds			277,469	277,469
Diversified Return Funds		501,330		501,330
Multi Asset Credit		317,539		317,539
Property		172,346	361,948	534,294
Infrastructure			513,891	513,891
Long Term Investment			768	768
Cash	117,641			117,641
Derivatives: Forward FX	-	63,767		63,767
Derivatives: Futures	(110)			(110)
Investment Debtors/Creditors	1,438			1,438
	<b>227,436</b>	<b>3,920,477</b>	<b>1,154,076</b>	<b>5,301,989</b>

The fair value hierarchy as at 31 March 2020 was:

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000 RESTATED	£'000
Equities	187,555	1,237,086		1,424,641
Pooled Investments:-				
Risk Management Strategy	-	937,195		937,195
Fund of Hedge Funds	-		257,967	257,967
Diversified Return Funds	-	605,666		605,666
Multi Asset Credit	-	291,661		291,661
Property	-	211,633	212,519	424,153
Infrastructure	-	-	409,957	409,957
Long Term Investment	-	-	427	427
Cash	141,826	-		141,826
Derivatives: Forward FX	(30,367)	-	-	(30,367)
Derivatives: Futures	1,078	-	-	1,078
Investment Debtors/Creditors	2,836	-	-	2,836
	<b>302,927</b>	<b>3,283,241</b>	<b>880,871</b>	<b>4,467,039</b>

The 2019/20 Fair Value analysis has been restated to be consistent with other notes to the accounts.

There has been one re-classification between 31 March 2020 and 31 March 2021 from Level 1 to Level 2. Having reviewed the valuation basis, it was concluded that Level 2 was a more appropriate valuation basis for the Forward currency contracts.

There were no transfers between Level 2 and Level 3 assets in the year.

### Reconciliation of Fair Value measurements within Level 3

Level 3	Market Value 01 April 2020	Transfer into Level 2	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains / losses	Realised gains / losses	Market value 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<b>RESTATED</b>						
Property	212,519		172,002	(10,317)	(17,431)	5,175	361,948
Fund of Hedge Funds	257,967		-		19,502		277,469
Infrastructure	409,957		88,815	(18,638)	33,751	6	513,891
Long Term Investment - Equities	427				341		768
	<b>880,871</b>	<b>-</b>	<b>260,817</b>	<b>(28,955)</b>	<b>36,163</b>	<b>5,181</b>	<b>1,154,076</b>

The restatement does not change the overall value of the assets. The Secured Income Portfolio of £69.1m as at 31 March 2020 included pooled property (£17.6m) and infrastructure (£51.5m) funds. These are now split between pooled property and pooled infrastructure instead of being separately identified.

## PENSION FUND ACCOUNTS 2020/21

### Sensitivity of assets valued at Level 3

Having consulted its investment advisor, and having analysed historical data and market trends, the Fund has determined that the valuation methods used for Level 3 assets are likely to be accurate to within the following ranges on the closing value of the investments held at 31 March 2021. The sensitivity of property assets was raised to 15% in last year's assessment due to the ongoing impact of the COVID-19 pandemic. However, this has now reverted back down to a pre-pandemic 10%.

	Assessed valuation range +/-	Value at 31 March 2021	Value on increase	Value on decrease
		£'000	£'000	£'000
Property	10%	361,948	398,142	325,753
Fund of Hedge Funds	10%	277,469	305,216	249,722
Infrastructure	15%	513,891	590,975	436,808
Long Term Investment	15%	768	884	653
<b>Total</b>		<b>1,154,077</b>	<b>1,295,217</b>	<b>1,012,935</b>

The same analysis for 31 March 2020 (Restated):

	Assessed valuation range +/-	Value at 31 March 2020	Value on increase	Value on decrease
		£'000	£'000	£'000
Property	15%	212,519	244,396	180,640
Fund of Hedge Funds	10%	257,967	283,765	232,170
Infrastructure	15%	409,957	471,450	348,464
Long Term Investment - Equities	15%	427	491	363
<b>Total</b>		<b>880,870</b>	<b>1,000,102</b>	<b>761,637</b>

## 25 EMPLOYING BODIES

As at 31 March 2021 the following employing bodies had contributing scheme members in the Avon Pension Fund:

### Principal Councils and Service Providers

Avon Fire & Rescue Service  
Bath & North East Somerset Council  
Bristol City Council

North Somerset Council  
South Gloucestershire Council  
West of England Combined Authority

### Further & Higher Education Establishments

Bath Spa University  
Bath College  
City of Bristol College  
Offender Learning Services

South Gloucestershire & Stroud College  
St. Brendan's Sixth Form College  
University of the West of England  
Weston College

### Academies and Schools

Abbeywood Community School  
Abbot Alphege Academy  
All Saints East Clevedon C of E Primary School  
Ashcombe Primary School  
Ashton Park School  
Ashton Vale Primary School  
Aspire Academy  
Avanti Gardens School  
Backwell C of E Junior School  
Backwell School  
Badock's Wood E-ACT Academy  
Bannerman Road Community Academy  
Barton Hill Academy  
Bathampton Primary School  
Batheaston Church School  
Bathford Church School  
Bathwick St Mary Church School  
Becket Primary School  
Bedminster Down School  
Beechen Cliff School  
Begbrook Primary Academy  
Birdwell Primary School  
Bishop Sutton Primary School  
Blagdon Primary School  
Blaise High School  
Bournville Primary School  
Bradley Stoke Community School  
Bridge Learning Campus  
Bristol Cathedral School Trust  
Bristol Free School  
Bristol Futures Academy  
Bristol Technology & Engineering Academy  
Broadlands Academy  
Broadoak Academy  
Cabot Learning Federation  
Callicroft Primary School  
Cameley CEVC Primary School  
Castle Batch Primary School  
Castle Primary School (Keynsham)  
Chandag Infant School  
Chandag Junior School  
Charborough Road Primary School  
Charfield Primary School  
Charlton Wood Primary Academy  
Cheddar Grove Primary School  
Chew Magna Primary School  
Chew Stoke Church School  
Chew Valley School  
Christ Church C of E Primary School (Bristol)  
Christ Church C of E Primary School (WSM)  
Churchill Academy  
City Academy  
Clevedon School  
Clutton Primary School  
Colston's Girls' School  
Combe Down C of E Primary School  
Compass Point South Street Primary School  
Cotham Gardens Primary School  
Cotham School  
Court de Wyck Church School  
Crockerne C of E Primary School  
CST Trinity Academy  
Culverhill School  
Digitech Studio School  
Diocese of Bristol Academy Trust (Central Functions)  
Downend School  
Dundry C of E Primary School  
East Harptree Primary School  
Easton C of E Academy

Elmlea Infant School  
Elmlea Schools' Trust  
Endeavour Academy Trust (Central Functions)  
Evergreen Primary Academy  
Fairfield High School  
Fairlawn Primary School  
Farmborough Church Primary School  
Farrington Gurney C of E Primary School  
Filton Avenue Primary School  
Filton Hill Primary School  
Fishponds Church of England Academy  
Flax Bourton C of E Primary School  
Fonthill Primary School  
Fosse Way School  
Four Acres Academy  
Freshford Church School  
Frome Vale Academy  
Gatehouse Green Learning Trust  
Gatehouse Green Learning Trust (Central Functions)  
Gordano School  
Greenfield E-ACT Primary Academy  
Grove Junior School  
Hanham Woods Academy  
Hannah More Infant School  
Hans Price Academy  
Hareclive E-ACT Academy  
Hayesfield Girls School  
Haywood Village Academy  
Headley Park Primary School  
Henbury Court Primary Academy  
Henleaze Junior School  
Heron's Moor Academy  
High Down Infant School  
High Down Junior School  
High Littleton C of E Primary School  
Hotwells Primary School  
Hutton C of E Primary School  
IKB Academy  
Ilminster Avenue E-ACT Academy  
Kings Oak Academy  
Kingshill Church School  
Knowle DGE Academy  
Lansdown Park Academy  
Little Mead Primary Academy  
Locking Primary School  
Longvernal Primary School  
Luckwell Primary School  
Lyde Green Primary School  
Mangotsfield School  
Marksbury C of E Primary School  
Marlwood School  
Mary Elton Primary School  
May Park Primary School  
Mead Vale Community Primary School  
Meadowbrook Primary School  
Mendip Green Primary School  
Merchants' Academy  
Midsomer Norton Primary School  
Midsomer Norton Schools Partnership  
Milton Park Primary School  
Minerva Primary Academy  
Moorlands Infant School  
Moorlands Junior School  
Mulberry Park Educate Together Primary  
Nailsea School  
New Siblands School  
North Star 240°  
North Star 82°  
Northleaze C of E Primary School

## PENSION FUND ACCOUNTS 2020/21

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Norton Hill Primary School  
Notton House Academy  
Oasis Academy Bank Leaze  
Oasis Academy Brightstowe  
Oasis Academy Brislington  
Oasis Academy Connaught  
Oasis Academy John Williams  
Oasis Academy Long Cross  
Oasis Academy Marksbury Road  
Oasis Academy New Oak  
Oldfield Park Infant School  
Oldfield Park Junior School  
Oldfield School  
Oldmixon Primary School  
Olympus Academy Trust (Central Functions)  
Orchard School Bristol  
Parklands Educate Together Primary  
Parson Street Primary School  
Patchway Community School  
Paulton Infant School  
Peasedown St John Primary School  
Pensford Primary School  
Perry Court E-ACT Academy  
Portishead Primary School  
Priory Community School  
Ralph Allen School  
Redfield Educate Together Primary Academy  
Roundhill Primary School  
Saltford C of E Primary School  
Severn Beach Primary School  
SGS Pegasus School  
Shoscombe Church School  
Sir Bernard Lovell Academy  
Somerdale Educate Together Primary Academy  
Soundwell College  
St Andrew's Church School  
St Anne's C of E VA Primary School  
St Bede's Catholic College  
St Georges Church School  
St John The Evangelist Church School  
St John's C of E Primary School (Keynsham)  
St John's C of E Primary School (MSN) (Ann Harris)  
St Julian's C of E Primary School  
St Katherine's School  
St Mark's C of E School (Bath)  
St Mark's Ecumenical Anglican/Methodist Primary School  
St Martin's C of E Primary School  
St Martin's Garden Primary School  
St Mary Redcliffe C of E Primary School  
St Marys C of E Primary School (Timsbury)  
St Marys C of E Primary School (Writhlington)  
St Mary's C of E VA Primary School  
St Matthias Academy  
St Michael's C of E Junior Church School  
St Nicholas Chantry C of E VC Primary School  
St Nicholas of Tolentine Catholic School  
St Patrick's Catholic Primary School, Bristol  
St Peter's C of E Primary School

### Designating Bodies

Aequus Developments Limited  
Almondsbury Parish Council  
Backwell Parish Council  
Bradley Stoke Town Council  
Bristol Waste Company  
Charter Trustees of the City of Bath  
Clevedon Town Council  
Congresbury Parish Council  
Destination Bristol  
Dodington Parish Council  
Downend and 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

St Philip's C of E Primary School, Bath  
St Saviours Infant Church School  
St Saviours Junior Church School  
St Stephen's Primary Church School  
St Teresa's Catholic Primary School, Bristol  
St Ursula's E-ACT Primary Academy  
Stanton Drew Primary School  
Stoke Bishop C of E Primary School  
Stoke Lodge Primary School  
Stoke Park Primary School  
Summerhill Academy  
Swainswick Church School  
The Castle School  
The Dolphin School  
The Kingfisher School  
The Meadows Primary School  
Three Ways School  
Tickenham C of E Primary School  
Trinity Anglican Methodist Primary School  
Trinity Church School  
Trust in Learning (Academies) (Central Functions)  
Two Rivers C of E Primary School  
Tyndale Primary School  
Ubley Primary School  
Uphill Village Academy  
Venturers' Academy  
Venturers' Trust (Central Functions)  
Victoria Park Primary School  
Walliscote Primary School  
Wallscourt Farm Academy  
Wansdyke Primary School  
Waycroft Academy  
Wellsway School  
Welton Primary School  
West Leigh Infant School  
West Town Lane Academy  
Westbury Park Primary School  
Westbury-on-Trym C of E Academy  
Westfield Primary School  
Weston All Saints C of E Primary School  
Whitchurch Primary School  
Wicklea Academy  
Widcombe C of E Junior School  
Widcombe Infant School  
Windwhistle Primary School  
Winford C of E Primary School  
Winterbourne International Academy  
Winterstoke Hundred Academy  
Woodlands Academy  
Woodlands Primary School  
Worle Community School  
Worle Village Primary School  
Wraxall C of E VA Primary School  
Writhlington School  
Yate Academy  
Yatton C of E Junior School  
Yatton Infant School  
Yeo Moor Primary School

Patchway Town Council  
Paulton Parish Council  
Peasedown St John Parish Council  
Pill & Easton in Gordano Parish Council  
Portishead Town Council  
Radstock Town Council  
Saltford Parish Council  
Sodbury Parish Council  
Stoke Gifford Parish Council  
Stoke Lodge & the Common Parish Council  
Thornbury Town Council  
Wellsway MAT Trading Company Limited  
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

Adoption West  
Alliance Homes  
Ashley House Hostel  
Bristol Music Trust  
Clifton Suspension Bridge Trust  
Disability Equality Forum  
Learning Partnership West Ltd  
Merlin Housing Society Ltd (New staff since 2007)  
Merlin Housing Society Ltd (SG)  
Play Station Nursery Ltd - Barley Close (SGC)

Sirona Care & Health (Telecare Service)  
Southwest Grid for Learning Trust  
The Care Quality Commission  
The Holburne Museum  
The Park Community Trust Ltd  
University of Bath  
Vision North Somerset CIO  
West of England Sport Trust (WESPORT)  
Writhlington Trust

### Transferee Admission Bodies

ABM Catering Limited - SGC Schools  
Active Community Engagement Limited (Bristol City Council)  
Adapt Business Services Limited - North Somerset Council Campus Schools  
Agilisys Limited (North Somerset Council)  
Agilisys Limited 2015 (North Somerset Council)  
Alliance in Partnership Limited - Beacon Rise (SGC)

Compass Contract Services (UK) Ltd - St Bede's Academy  
Compass Contract Services (UK) Ltd - St Patrick's Catholic Primary School  
Compass Contract Services (UK) Ltd - St Teresa's Catholic Primary School  
Compass Contract Services (UK) Ltd - Westbury Park Primary School  
Creative Youth Network - South Gloucestershire Council Youth Service  
Direct Cleaning Services (South West) Limited - Newbridge Primary School

Alliance in Partnership Limited - Westbury on Trym C of E Academy  
Alliance Living Care Limited - Ebdon Court  
Alliance Living Care Limited - North Somerset Council  
Aramark Limited - South Gloucestershire and Stroud College  
Aspens Services Limited - Begbrook Primary Academy  
Aspens Services Limited - Blackhorse Primary School  
Aspens Services Limited - Bristol City Council PFI Contract  
Aspens Services Limited - Castle Primary School (Keynsham)  
Aspens Services Limited - Castle School Education Trust  
Aspens Services Limited - Cathedral Schools Trust  
Aspens Services Limited - Charfield School  
Aspens Services Limited - Cherry Garden Primary School  
Aspens Services Limited - Culverhill School  
Aspens Services Limited - Downend School  
Aspens Services Limited - E-ACT  
Aspens Services Limited - Frome Vale Academy  
Aspens Services Limited - Hanham Abbots Junior School  
Aspens Services Limited - Hanham Woods Academy  
Aspens Services Limited - King's Oak Academy  
Aspens Services Limited - Lighthouse Schools Partnership  
Aspens Services Limited - Longwell Green Primary School  
Aspens Services Limited - Mangotsfield School  
Aspens Services Limited - Minerva Academy  
Aspens Services Limited - New Horizons Learning Centre  
Aspens Services Limited - Staple Hill Primary School  
Aspens Services Limited - Summerhill Academy  
Aspens Services Limited - The Tynings School  
Aspens Services Limited - Venturers Trust  
Aspens Services Limited - Warmley Park Primary School  
Ategi limited (South Gloucestershire Council)  
BAM Construction UK Limited (Bristol City Council)

Direct Cleaning Services (South West) Limited - Palladian MAT  
Dolce Ltd - Mangotsfield C of E Primary School  
Edwards and Ward Ltd - Bath & Wells MAT  
Edwards and Ward Ltd - Courtney Primary School  
Edwards and Ward Ltd - Henleaze Academy  
Edwards and Ward Ltd - Paulton Infant School  
Edwards and Ward Ltd - St Keyna Primary School  
Edwards and Ward Ltd - St Mark's C of E School (Bath)  
Expedite Complete Business Solutions Ltd - Clevedon Learning Trust  
Future Stars Club Limited (Bath & Wells MAT)  
Glen Cleaning Company Limited - City of Bristol Council (2020)  
Glen Cleaning Company Limited - Henleaze Junior Academy  
Glen Cleaning Company Limited - Lighthouse Schools Partnership  
Greenwich Leisure Ltd - Bath & North East Somerset Council  
Innovate Services Ltd - Cathedral Schools Trust  
Innovate Services Ltd - Gatehouse Green Learning Trust  
KGB Cleaning (South West) Ltd - Cathedral Schools Trust  
Lex Leisure C.I.C. (Bristol City Council)  
Liberata UK Ltd (North Somerset Council)  
Mentoring Plus (Bath and North East Somerset Council)  
Nobilis Care West Ltd (North Somerset Council)  
Notaro Homecare Limited (North Somerset Council)  
Prestige Cleaning & Maintenance Limited - Circadian Trust  
Prestige Cleaning & Maintenance Limited - ELAN MAT  
Purgo Supply Services Ltd - E-ACT  
Purgo Supply Services Ltd - Gatehouse Green Learning Trust  
Relyon Cleaning Services - Cotham Gardens Primary School  
Ridge Crest Cleaning Ltd - Bristol City Council  
Shaw Healthcare - The Granary  
Skanska Rashleigh Weatherfoil Ltd (Bristol City Council)  
SLM Community Leisure Trust (Bristol City Council)

Bespoke Cleaning Services Limited - Castle School Education Trust  
Bespoke Cleaning Services Limited - Olympus Academy Trust  
Bespoke Cleaning Services Limited - South Gloucestershire & Stroud College  
Cater Link Limited - BAM Construction  
Cater Link Limited - Cotham School  
Churchill Contract Services Ltd - Cabot Learning Federation  
Churchill Contract Services Ltd - Churchill CofE Primary School  
Churchill Contract Services Ltd - Wellsway MAT  
Churchill Contract Services Ltd - Westhaven School  
Circadian Trust (South Gloucestershire Council)  
Compass Contract Services (UK) Ltd - Bristol City Council  
Compass Contract Services (UK) Ltd - Palladian Academy Trust

SLM Fitness & Health Ltd (Bristol City Council)  
Sodexo Ltd - Diocese of Bristol Academies Trust (DBAT)  
Southern Brooks - South Gloucestershire Council Youth Service  
Suez Recycling And Recovery South Gloucestershire Ltd  
Taylor Shaw - City of Bristol College  
Taylor Shaw - Olympus Academy Trust  
The Brandon Trust  
Trowbridge Office Cleaning Services Ltd - Learn@MAT  
Virgin Care Services Limited (Bath & North East Somerset Council)  
Weston Support Services Ltd (Extend Learning Academies Network)  
Youth Connect (Bath & North East Somerset Council)

## 1. SCOPE OF RESPONSIBILITY - CONTEXT FOR STATEMENT

1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which includes ensuring a sound system of internal control and effective arrangements for the management of risk.

1.3 The Council has adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of our code is available from our website.

1.4 This Statement explains how the Council has complied with our Local Code of Corporate Governance and also meets the requirements of:

- The Accounts and Audit (England) Regulations 2015, specifically Regulation 6 (1) in respect of the annual review of the effectiveness of its system of internal control and preparation and publication of an Annual Governance Statement.
- The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

1.5 The governance framework described in this Statement has been in place at the Council for the year ended 31 March 2021, and up to the date of the approval of the statement of accounts.

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK - BACKGROUND AND OVERVIEW FOR 2020/21

2.1 Good governance enables Bath & North East Somerset Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times and the following diagram illustrates how good governance is integral to supporting the delivery of the organisation's priorities.



During the last year the governance framework was tested by the Covid-19 pandemic and as a result of the emergency legislation introduced by government the Authority responded promptly to ensure it could continue function and make key decisions.

This led in the initial phase of the pandemic - in March/April 2020 - to enact emergency decision making through the Chief Executive Officer in consultation with the Leader of the Council. Each of these decisions were then reported to Council at its following meetings.

This phase only lasted for a short period whilst the Authority adjusted to the national lockdown requirements and implemented the detail of the coronavirus regulations so that its governance framework could move to online delivery. This entailed all formal (& informal) governance boards and committees meeting virtually through the use of Zoom. This was accomplished quickly and meant that no further significant changes were required to the processes underpinning key decision making, policy development and the Corporate Governance of the Authority.

A full report on Covid-19 impacts and recovery measures was made to full Council in June 2021.

The Constitution, which sets out how the Authority operates, is kept under constant review and updated as necessary through the year. It clearly defines the roles of councillors and officers and this clarity contributes to effective working relationships.

As part of this ongoing review the Council at its May, July & March meetings approved further changes to its Constitution and governance framework including –

- Updating appointments and minor revisions to terms of reference for various panels and committee's including the use of virtual meetings to make decisions;
- Updating delegations to the Planning Committee scheme of delegation;
- Updating advice relevant to the Code of Conduct on bullying and harassment;
- Updating TOR to the Planning Committee;
- Updating delegations relevant to Parish Councils under Section 91 of the Local Government Act.



## ANNUAL GOVERNANCE STATEMENT 2020/21

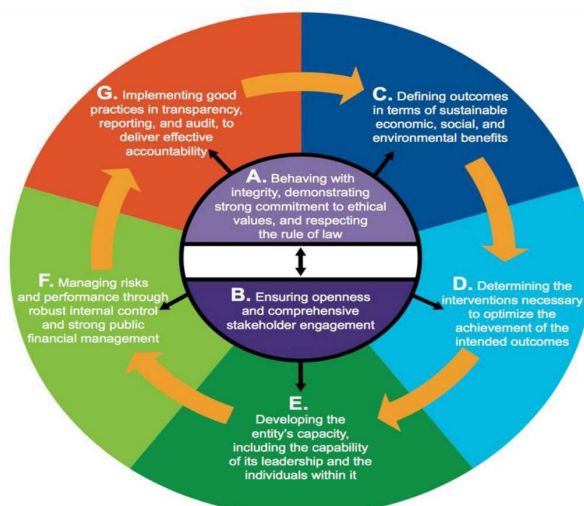
The Council's Local Code of Corporate Governance aims to ensure that in conducting its business the Council:

- operates in a lawful, open, inclusive and honest manner
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage and control risk
- secures continuous improvements in the way it operates.

The Code comprises the systems and processes, culture and values and structures by which the Council is directed and controlled. The Code is the sum-total of all of these things, and it includes those activities required to enable the Council to engage with, account to and lead the communities it serves. The Code enables the Council to set its strategic objectives and to manage the achievement of the objectives whilst ensuring delivery of appropriate, cost effective services.

The system of internal control is a significant part of that Code and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The CIPFA/SOLACE framework envisages that the Code will be organised to ensure a continuous process of seven principles based around two core principles (A and B).



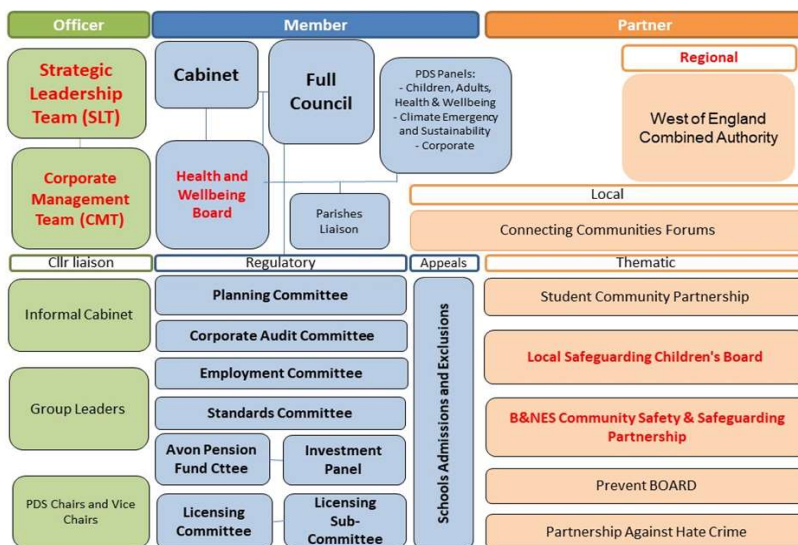
Source: CIPFA/SOLACE

The governance framework and a Code has continued to be in place at Bath & North East Somerset Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.

### 3. KEY ELEMENTS OF OUR CODE OF CORPORATE GOVERNANCE - OUR FRAMEWORK

The Council's Constitution is kept under constant review and updated as necessary through the year and sets out how the Council operates. It clearly defines the roles of Councillors and officers and this clarity contributes to effective working relationships.

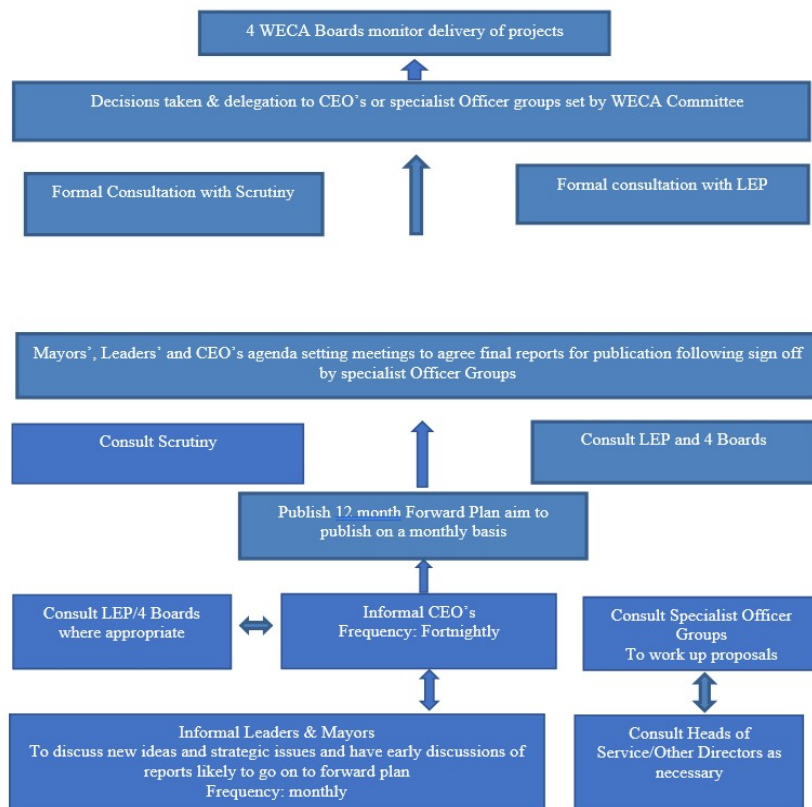
The diagram records the Council's governance structure for formal member meetings, key partnership bodies and key internal officer groups. It should be noted that the two Officer Groups – Strategic Leadership Team and Corporate Management Team – were supplemented by other officer groups specifically supporting day to day decision making linked to Covid-19. These included the Recovery Board, Renewals Board and Outbreak Management Board, all of these were primarily advisory, and their work linked to existing delegations but enabled decisions to be made at pace to respond to the changing dynamic of the pandemic.



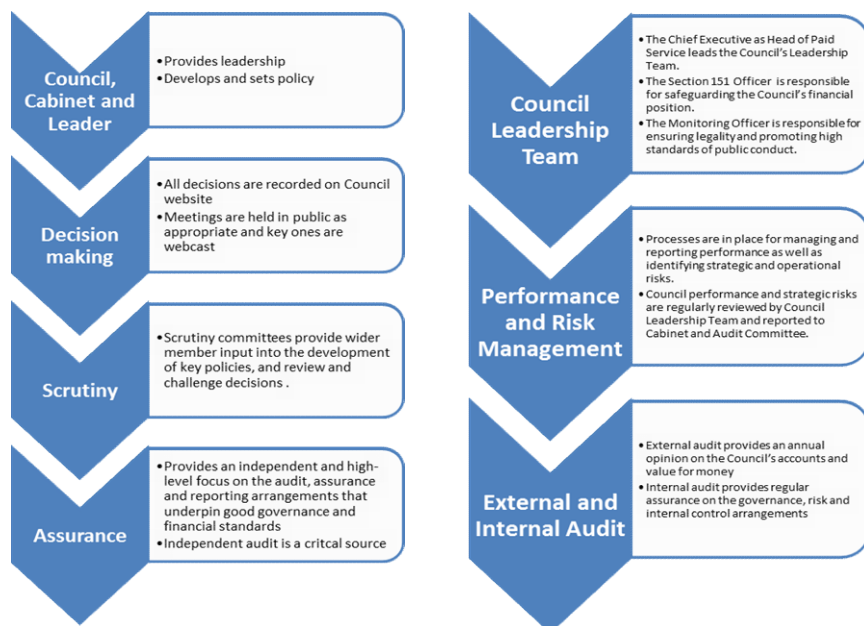
(Key: formal decision-making bodies = **bold**; operational decision-making bodies = **bold**;) )

## ANNUAL GOVERNANCE STATEMENT 2020/21

West of England Combined Authority Regional structure - contained in the above structure diagram is recorded below:



The wider elements of the framework of our governance arrangements at the Council during 2020/21 were:



# ANNUAL GOVERNANCE STATEMENT 2020/21

## Council's Annual General Meeting 2021

### Appointment of New Council Chair / Vice Chair & Leader of the Council

At the Council's Annual General Meeting on 4th April 2021 Councillors Lisa O'Brien and Shaun Stephenson-McGall were appointed Chairman and Vice Chairman respectively for the Council year 2021/22 and Councillor Kevin Guy was elected as Council Leader until May 2023.

### Cabinet Members & Portfolios

Cllr Richard Samuel Deputy Council Leader (statutory)	Economic Development & Resources
Cllr Sarah Warren Deputy Council Leader	Climate & Sustainable Travel
Cllrs Alison Born & Tom Davies (Job Share)	Adults & Council House Building
Cllr Dine Romero	Children & Young People, Communities & Culture
Cllr David Wood	Neighbourhood Services
Cllr Manda Rigby	Transport
Cllr Tim Ball	Planning

### Appointment of Interim Monitoring Officer & Chief Operating Officer

At the Council Meeting on 12th November, Michael Hewitt was appointed on an interim basis to the post of Monitoring Officer following the retirement of Maria Lucas and Mandy Bishop was appointed as Chief Operating Officer reporting direct to the Chief Executive with responsibilities for the Council's customer facing services.

### Group Structure

The Council has established a Shareholder Group which is to advise the Shareholder in the exercise of their responsibility for the Council's functions as corporate shareholder of a company or group of companies (i.e. ADL and ACL). A revised protocol was agreed by Council in November 2019 and in summary the Shareholder Group has a number of important functions –

1. To monitor the performance of a company in relation to its Business Plan and, in particular, the company's performance in respect of:

(a) Financial Matters

(b) Objectives of the company as set out in the company's Objects, Business Case or Business Plan.

The Council through its Shareholder Group (or any specific sub-group) will:-

2. Evaluate and monitor the financial and other returns on investment (be that shareholding, loans or direct investment); and risks and opportunities including those arising from joint ventures or new opportunities.

3. Consider matters reserved to the Council for shareholder approval, such as:

(a) Varying Articles of Association

(b) Varying ownership and structure

(c) Variations to shares (number of; rights; etc.)

(d) Entering contracts that: (i) have a material effect on B&NES Council business (including other companies within the group) (ii) are outside of the business plan or do not relate to the business Printed on recycled paper (iii) are significant in relation to the size of the business, the business plan, etc.

(e) Material legal proceedings outside of ordinary business

(f) Adopting and amending business plans each year and strategic plans (3 years)

(g) Appointment, removal and the remuneration of directors (members of the company board)

(h) Selection of the chair of the board

(i) Appointment of auditors

(j) Issue of dividends and as more part

### Shareholder Group Relationship with other Governance Arrangements

The Shareholder Group as it considers appropriate in accordance with its functions described above, may:

1. Report and make formal recommendations to the Cabinet;

2. Make reports to and consult PDSP (including full Council) subject to the opportunity for Cabinet to first comment on reports or

3. Make reports to and consult the Audit Committee, in relation to that Committee's particular functions.

### How the Council has fulfilled the principles of good governance

#### Review of the Council's Code of Corporate Governance

As above, the Council's Code of Corporate Governance is made up of the arrangements that the Council has in place to deliver the requirements of each principle of the Framework. The Code is not a document, it is the sum-total of all these systems and processes, culture and structures by which the Council is directed and controlled.

In preparing this Annual Governance Statement the Council has:

- reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance;
- thereby assessed the effectiveness of the Council's Local Code of Corporate Governance.
- Taken into consideration the findings of external inspection agencies and the Chief Audit Executive's formal opinion on the internal control framework.

The remainder of this document sets out some key aspects of how the Council's has complied with the principles set out in the Framework during 2020/21 however it is not intended to be exhaustive.

## 4. REVIEW OF GOVERNANCE FRAMEWORK

Throughout the year the Council will review the effectiveness of its governance framework. The methodology is recorded below.



A key component of the review is using the adopted 'Reasonable Assurance Model' to assess the level of Assurance in place over eight themes.



Each Theme has a set of questions and the answers to these questions help assess the level of assurance and the level of risk for each theme. The Reasonable Assurance Model informs the Internal Audit Annual Plan and also enables an assessment of compliance with the seven principles of good governance as recorded in the Council's Local Code of Corporate Governance.

This Local Code was adopted by the Council at its meeting of 10th May 2018 and a copy of the Code is accessible through the Council's website at:

<http://www.bathnes.gov.uk/content/bathnes-local-code-corporate-governance>

An explanation – but not exhaustive list - is now provided on how the authority has complied with its Local Code – the seven principles of good governance.

## 5. PRINCIPLES OF OUR GOVERNANCE FRAMEWORK

### i. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

#### Behaving with integrity

Bath & North East Somerset Council has both a Members Code of Conduct and an Employees Code of Conduct which the respective individuals are required to adhere to in their respective roles. The Members Code is recorded within the Council's Constitution (Part 6). The Employees Code of Conduct is accessible through the Council's intranet (HR + Payroll / HR Policies) and updates were planned during 2019/20 into 2020/21.

All members of the Council are obliged to sign an "acceptance of office" and following election to office they have a full induction and training programme, including the Members Code of Conduct. Dependent on the roles allocated to members additional tailored training is provided. The Council's Monitoring Officer is overall responsible for member induction and support services for elected members. Part 4 of the Constitution records the 'Procedural Rules' of the Council.

Officers sign contracts of employment and are required to complete a probationary period of employment as standard. All relevant HR policies are in place and made available from the Council Information Service (intranet). These include a formal disciplinary procedure, a Whistleblowing Policy, Information Governance Policies, Counter Fraud Strategy bringing together the Council's Anti-Fraud and Corruption Policy, Anti-Bribery Policy and Money Laundering Policy under one umbrella. We maintain electronic registers of interests and gifts & hospitality for staff. Members are required to declare interests and this and the Councillors attendance record and declarations at meetings are recorded against their individual Councillors page accessible through the Council's internet webpages.

#### Demonstrating strong commitment to ethical values

Bath & North East Somerset Council maintain a Standards Committee which under the Constitution (Part 5) records the Committee's Terms of Reference. The Terms of Reference includes:

- Promote and maintain high standards of conduct by Councillors; Parish Councillors; co-opted members and church and parent governance representatives,
- Oversee the effectiveness of the Council's Constitutional arrangements from an ethical perspective and make recommendations to the Council on an desirable or necessary changes.

The Committee is scheduled to meet every two months (if required) and reports to Council at least annually. The last annual report (2019/20) was submitted to the 21st January 2021 Council Meeting. It recorded that the 12 members (5 B&NES Councillors, 3 Parish Councillors and 3 independents) and Independent Person met on two occasions – 4th July & 19th September 2019 - to fulfil its role and responsibilities. At each meeting the Committee monitored its Work Plan and noted the current position of complaints using the Complaints Tracker.

The Code of Conduct for Members and Co-opted Members makes specific reference to the need to adhere to seven principles of public life (the Nolan principles).

All formal meetings of the Council (i.e. Committees) require declarations of interest from Members of those Committees as a standing item and meetings are minuted / recorded. There is also a member complaint policy which is overseen and administered by the Council's Monitoring Officer.

#### Respecting the rule of law

The Council's Constitution sets out the legal requirements around Council business including decision making. Guidance is available on both the Council's Information Service (Intranet) and public accessible website (Internet) to guide Officers in ensuring that Decisions are taken by the appropriate committee, Member or Officer under the Scheme of Delegation (Part 3 of the Constitution). The Constitution is reviewed by a Constitution Working Group and amendments are reported to Full Council to ensure it remains fit for purpose and is legally compliant.

All reports requiring decision must be cleared by the Council's S151 and Monitoring Officers. The adopted report template requires the author to record 'Statutory considerations and basis for the proposal' and this section should contain details of any relevant considerations regarding equalities, crime & disorder, sustainability, natural environment, planning, human rights, children, public health & inequalities. It should also specify the legal power or duty that authorises the decision to be made. Specific Report Writing guidance is available to Officers to provide clarification of actions required.

All Council contracts must comply with the Council's Contract Standing Orders and guidance from specialist procurement and legal Officers is available in order to comply with legal requirements e.g. EU Procurement regulations.

Additional guidance is available to Members and Officers to ensure compliance with other legislation including:  
Proceeds of Crime Act 2002 (e.g. Anti-Money Laundering Policy 2019)  
Bribery Act 2010 (e.g. Anti-Bribery Policy 2019)

The Council also considers Motions submitted by political groups / Councillors e.g. 15th Sept 2016 motion against modern slavery linked to the Modern Slavery Act 2015.

# ANNUAL GOVERNANCE STATEMENT 2020/21

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## ii. Ensuring openness and comprehensive stakeholder engagement

### Openness and engaging with individual citizens and service users effectively

The Constitution outlines the Citizens rights to access information (Part 2 – Article 3 Citizens and the Council) in addition Part 4 – Procedural Rules record the access to information procedure rules (Part 4B). It details: rights to attend meetings; notice of meetings being held; access to agendas and reports; provision of agenda and report copies; access to meeting minutes; and rules around the exclusion of access by the public to meetings.

Under the Coronavirus Regulations 2020, virtual meetings were given the same status and validity as in-person meetings. All meetings could be viewed live and were recorded on YouTube. The Regulations enabling virtual meeting expired on 6th May 2021 and so all meetings must now be in-person meetings. The Liberal- Democrat Group took a motion to the Council Meeting on 25th March 2021 highlighting benefits to virtual and hybrid meetings for participants, observers and the general public, including: improved access and safety, reduced emissions from transport, savings on time and expenses, and better engagement with residents. It was resolved that government, MP's and Ministers should be lobbied to bring forward legislation enabling virtual and hybrid meetings to be a permanent option for Councils, alongside in-person meetings.

Key decisions are all recorded and accessible to the public and the templates for decisions require officers to provide all necessary and pertinent information to make an informed decision. The Cabinet forward plan of business is published in advance in accordance with access to information requirements.

To help ensure decision making rules are followed an intranet page provides officers with information about the stages to be followed for single member, Cabinet, Officer and urgent decisions.

The Council's website contains information about services and provides easy access key links such as 'Cabinet Decisions'.

We monitor compliance with the Department for Communities and Local Government Transparency Code and the Transparency page on the internet provides the links to access business operations and outcomes (such as payments to suppliers / expenditure over £500) as required by the Code.

We are very open with our communications and digital communication channels are used including a library of webcasts e.g. Council and Cabinet meetings. The Council and its services use Social Media such as Twitter, Facebook, and Instagram. Webinars have been produced and archived on YouTube – subjects include Black Lives Matter & Liveable Neighbourhoods (October 2020), Race Equalities in Schools (March 2021) . A weekly e-connect newsletter is produced and distribution has increased over 2020/21. Staff also receive a weekly communications e-mail.

### Engaging Comprehensively with Institutional Stakeholders

Our strategic partnership landscape has changed significantly with CCG integration, development of the West of England Combined Authority and an Area Forum structure established to help engage with local communities. There are 6 Area Forums and these are made up of Bath & North East Somerset elected members, parish councils, local groups and residents. The Forums set their own priorities based on an understanding of local needs.

The Parish Charter provides a framework between the Council and the 51 parishes across the area for working together. We have a common purpose to promote the wellbeing of B&NES, and we serve the same residents. The Council consults with parishes on matters which affect their area and residents.

The Council has consultation webpages which records current, future and closed consultations plus a consultation results section. Some of the key consultation / engagement work carried out over the last year include:

- School Admissions
- Bath City Centre Security
- Transport Delivery Action Plan for Bath
- Liveable Neighbourhoods
- Active Travel Schemes

Partnership working with our health and West of England partners is of critical importance in both service delivery and in shared financial efficiencies. NHS England has challenged the health and care system to develop a Sustainability and Transformation Plan (STP) and the Council has been fully engaged in the STP development process. The Clinical Commissioning Group (CCG) and B&NES Council are joining their commissioning functions and continuing to pool budgets. The Health & Wellbeing Board is responsible for preparing a Joint Health and Wellbeing Strategy and reviewing and reporting on health and social care commissioning. The Council and CCG are represented on the Board.

Following the transfer of functions to the West of England Combined Authority (WECA) on 1st February 2017 the Authority represents Bath and North East Somerset Council, Bristol City Council and South Gloucestershire Council. A Joint Committee, Overview & Scrutiny Committee and an Audit Committee assist in the good governance of the Combined Authority.

## iii. Defining outcomes in terms of sustainable, economic, social and environmental benefits

### Defining outcomes

At the 25th February 2020 Council Meeting, Bath & North East Somerset Council adopted the Corporate Strategy 2020-24 and the Corporate Delivery Programme. The framework of the new Strategy has a single overriding purpose – to improve people's lives.

Against each of the three recorded principles, there are key commitments and linked to the commitments examples of how progress will be measured.

The Council Corporate Strategy Framework recognises "Managing our Money" through the Medium-Term Financial Strategy and there is much more emphasis on 'Performance Management and Review'. The importance of excellence in resource management and sound governance is fundamental to achieving its purpose and the stated commitments.

### Sustainable economic, social and environmental benefits

The Capital Programme 2019/20 to 2023/24 includes investments that provide economic, social and environmental benefits including: Bath Quays development; Bath Western Riverside development, Highways maintenance; Leisure Centre refurbishment and modernisation; and schools works.

The Council's wholly owned property investment company, Aqueus Development Ltd (ADL) and its subsidiary company ACL, develop, deliver, own and manage property as well as delivering new development. The Council also maintains Bath Tourism Plus (BTP) as a company limited by guarantee and its objective is to promote the area as a destination at home and abroad to benefit the local economy.

### **iv. Determining the interventions necessary to optimise the achievement of the intended outcomes**

#### Determining interventions

As stated earlier in the Statement the Council's decision-making processes are set by its Constitution and citizens and service users are consulted where appropriate prior to decisions being taken.

The decision-making process requires objective and rigorous analysis of options and associated risks. A Risk Management Strategy and Toolkit has been adopted and this provides guidance on the assessment of risks related to recommended actions / decisions.

The Monitoring and S151 Officers are consulted on all decision-making reports and they are able to provide their professional opinion on the matter being reported and actions / decisions to be taken.

#### Planning interventions

The Council's Forward Plans set out clearly the forthcoming business that will be taken to the relevant decision-making committees and by key officers and members. This includes dates of Cabinet meetings and anticipated dates for Single Member Decisions. The Council conforms to all legislation and best practice in publishing Plans in advance of meetings etc.

#### Optimising achievement of intended outcomes

The Medium-Term Financial Strategy (MTFS) outlines how the Council's budget will be delivered over the medium to long-term. The MTFS for B&NES spans two years with a further three added to show the likely longer-term picture.

Linked to the MTFS and the annual budget process the Council's S151 Officer is required to make a statutory statement (Section 25 of the Local Government Act 2003) on the robustness of estimates and adequacy of reserves for the budget year and Financial Plan. The Directors review and completion of Robustness Statements and other financial management processes including the provision of qualified and experienced financial staff to support service areas.

The 5 year period Capital Programme includes a number of economic projects including Bath Quays designed to increase opportunity and prosperity.

### **v. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

#### Developing the entity's capacity

The financial challenge and the on-going need to seek budgetary savings are having a direct effect of the Council's ability to maintain and develop its capacity. Service areas including libraries and youth are proactively looking for volunteers to help with non-statutory service provision.

#### Developing the capability of the entity's leadership and other individuals

Following the May 2019 elections, a full member induction programme was provided to allow all members but particularly new ones to understand how the Council works and the key services it provides. In addition to this specific induction training members are provided training specifically related to their roles and responsibilities.

For Council managers 'Leading and Managing Together' sessions are held periodically to provide a networking and communication forum.

The Council has developed a 'Performance Development Conversation' process with guidance and templates with the objective of improving communication and the performance of staff. It is linked to the Council's Values and Behaviours.

### **vi. Managing risks and performance through robust internal control and strong public financial management**

#### Managing Risk

The Council has adopted a Risk Management Strategy and Toolkit which was endorsed by the Bath & North East Somerset Council's Cabinet Member, the Council's Chief Executive and the Corporate Audit Committee (7th February 2019). The Strategy document records key activities and frequency and the toolkit provides detailed guidance on risk management processes.

The Council continues to raise awareness of the importance of good risk management and embed the adopted processes. Directors give on-going assurance to the Chief Executive regarding the management of risks within their area of service delivery. Risk management objectives are monitored through the Corporate Audit Committee in line with its terms of reference to evaluate the effectiveness of the risk management strategy and framework.

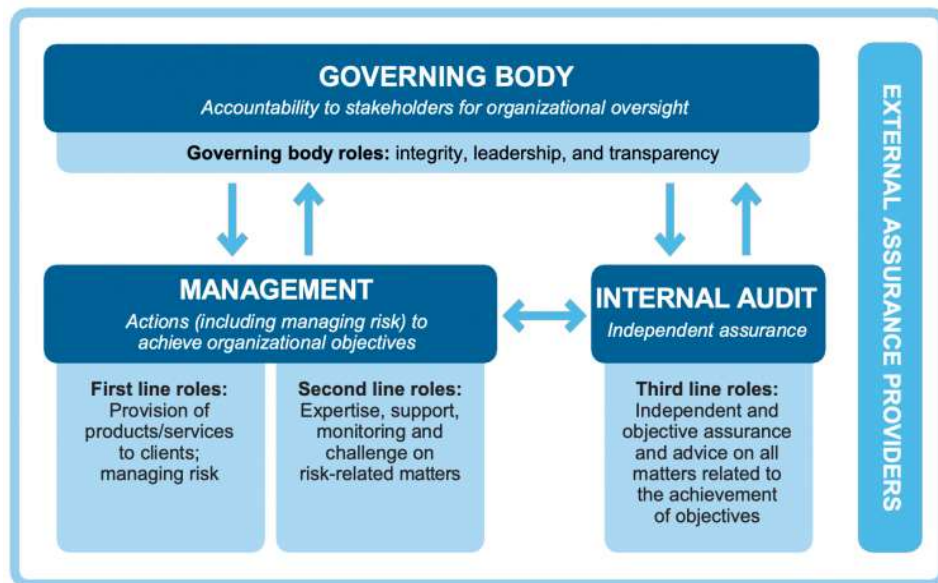
#### Managing Performance

Performance Management has been overhauled and is aligned with the Corporate Strategy 2020-24 and the Corporate Delivery Programme, Quarterly performance information and business intelligence is now being recorded and fed back to Senior Management to enable clear oversight, accountability and action.

## ANNUAL GOVERNANCE STATEMENT 2020/21

### Robust Internal Control

The Council's system of internal controls is managed and monitored through the 3 lines of defence and the External Auditor and other Inspectors.



The review and monitoring of internal controls by Internal Audit and other 'independent' inspectors are subject to risk assessment to ensure that resources are focussed on reviewing the controls associated with higher risk areas.

The Corporate Audit Committee Terms of Reference includes approving the Internal Audit Plan within the budget agreed by the Council and to monitor its delivery and effectiveness (including the implementation of audit recommendations). It has been agreed that in addition to receiving internal audit plan update reports which includes recording the assurance level allocated to all 'final' version internal audit reports, a more detailed explanation of findings (weaknesses and recommendations) and management response is provided to the Committee on any reports assessed as Assurance Levels 1 (No Assurance) or 2 (Limited Assurance).

The Council's Financial Regulations require Members and staff to inform the Chief Finance Officer and / or the 'Chief Audit Executive' immediately of any suspected financial irregularity. This enables the Internal Audit function to investigate all reported cases promptly to ensure the integrity of the system of internal control and to deal with the particular issues related to the matter reported.

### Managing Data

Bath and North East Somerset Council supports the objectives of increasing openness, accountability and transparency in the public sector.

Since the introduction of the Freedom of Information Act in January 2005, the Council has been committed to a proactive approach regarding access to information.

On the 25th of May 2018, Parliament enacted the Data Protection Act 2018 which is built on the European General Data Protection Regulations (GDPR).

The Council is responsible for a wide range of local functions that affect the everyday lives of residents. Information held by the Council is therefore of great relevance and interest to the public. A list of the information regularly made available by the Council to the public can be found in the Council's Publication Scheme.

Members of the public can submit a subject access request or a Freedom of Information request through the public website (submission of an electronic form) or by writing to the Council.

Members and staff can access guidance and training through the Council's Information Service. There is a comprehensive framework of Information Governance Policy that includes: Data Protection, Acceptable Use, Information Security, Information Sharing, and Security Incident Management Policy.

Information Sharing Agreements with public sector partners to ensure the effective and efficient secure sharing of information. When data is processed by a private sector body contracts include the relevant data protection, confidentiality and FOI clauses.



# ANNUAL GOVERNANCE STATEMENT 2020/21

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## Strong public financial management

The role of Chief Financial Officer (S151 Officer) is carried out by Andy Rothery who was appointed in March 2020.

The S151 Officer has confirmed that the principles outlined in the CIPFA Statement on the Role of the Chief Financial Officer (s151 Officer) in Local Government have been complied with in performing their duties. The S151 Officer is a member of the Strategic Leadership Team, Corporate Management Team and Recovery Board. Membership of these groups ensures the Director of Finance can develop and implement strategic objectives and influence material business decisions. The Director of Finance is a CIPFA qualified accountant and the Finance Service has suitably qualified and experienced personnel in all senior positions.

As part of good governance the Finance function has also carried out an initial assessment against the CIPFA Financial Management code 2019. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management which is clearly especially important considering the last 12 months.

Whilst 2020/21 is a shadow year in terms of compliance preparations have commenced including a full self-assessment by the Finance function to understand if any key actions are necessary. This is an ongoing process and during 2021/22 any necessary actions or updates will be monitored through the Audit Committee

All decision papers for Committees, Cabinet member or Officer delegated decisions require S151 financial sign-off before the decision can be taken.

Financial updates are regularly reported to Cabinet and the Corporate Policy Development and Scrutiny Panel and this includes budget monitoring and outturn reports.

The latest version of the Council Financial Regulations and Budget Scheme was approved on the 13th September 2018.

The Council's Statement of Accounts 2019/20 were presented to the November 2020 and February 2021 meetings of Corporate Audit Committee and approved. The Council's external auditor reported to the same meeting to provide an opinion on the Council's Financial Statements and a Value for Money conclusion. The minutes of the meeting recorded that the external auditor was satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Budget and Council Tax 2021/22 and Financial Outlook Report was taken to Council at its February 2021 meeting by the Director of Finance. The Budget Report is a formal report and is part of a continuum of professional advice and detailed work carried out with Directors, Senior Managers and their teams and Members. It takes into account the forecast out-turn for 2020/21 and estimates for 2021/22. Director's produce Robustness Statements outlining savings and delivery risks which are incorporated into a corporate wide assessment. The review of reserves resulted in the proposal to increase un-earmarked reserves. The Chief Financial Officer concluded that the estimates for 2020/21 were robust and the budget was lawful.

## **vii Implementing good practices in transparency, reporting and audit, to deliver accountability**

### Implementing good practice in transparency

Transparency is a key condition and driver for the delivery of Council services. As a publicly funded organisation, we have a duty to our residents to be transparent about our business operations and outcomes and we have a transparency webpage.

Committee meetings and reports are easily accessible through the Council's website.

### Implementing good practices in reporting

Reporting is required to assist the Council's decision-making process. The constitution requires decisions to be taken by an appropriate committee, Cabinet Member or officer and requires 'sign-off' by the Council's S151 and Monitoring Officers.

Officers write reports to assist understanding of the matter / issues and provide clarity what is being asked of the recipient of the report including recommended actions.

The annual governance review which has been carried out to produce this statement requires a robust methodology to be followed to enable a statement to be published within the statutory statement of accounts.

## Assurance and effective accountability

The Corporate Audit Committee through its terms of reference monitors the implementation of both internal and external audit recommendations.

The Council has contracted with Virgin Care to provide community health and care services for children, young people and adults. A governance framework has been devised to monitor the Community Services Provision Contract and the related Service Development Improvement Plan (SDIP):

- 1) Community Services Steering Group - report to the Joint Commissioning Committee (Executive Group) and to the Health & Wellbeing Board.
- 2) Contract, Quality and Performance Meeting Group (CQPM) - provide a strategic/senior officer lead and a direct linkage to the Community Services Steering Group.
- 3) Financial Information Group - monitor the financial position and any budgetary issues.
- 4) The Transformation Group - produce a SDIP Performance Dashboard and report to CQPM on any delivery issues which need attention.

# ANNUAL GOVERNANCE STATEMENT 2020/21

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## PROCESSES FOR MAINTENANCE AND REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The process for the Annual Governance Statement is a continuous process and Senior officers and Members consider emerging issues during the course of the year. This means that controls issues and risks can be addressed more quickly.

Publication of this Annual Governance Statement is the culmination of this work. The council's Chief Executive Officer signs the Statement as a summary of the effectiveness of the council's governance framework.

## OTHER CONTRIBUTORY REVIEW / ASSURANCE MECHANISMS

In evaluating the effectiveness of the council's governance, information is available from a wide range of sources. These include the Internal Audit Service, the Information Governance Group, the External Auditors, inspectorates such as the Care Quality Commission and directorates themselves.

Audit West in conjunction with Statutory Officers reviews the effectiveness of the governance framework during the year and the draft Annual Governance Statement. The Statement is signed by the Chief Executive and Leader of Council and formally reviewed by the Audit Committee as part of the Financial Statements.

Key risks have been kept under review during the year and will continue to form an ongoing focus for successful delivery of the Council's plans. The year has however obviously been dominated by Covid-19 and significant focus was therefore on managing risk in relation to –

- Public Health
- Local Economy
- Financial Resilience
- Organisational Resilience
- Local Democracy
- Safeguarding the most Vulnerable

This list is not exhaustive due to the scale of the issues created by the Covid-19 pandemic.

## Chief Audit Executive - Internal Audit Opinion

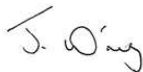
As part of statutory requirements, the Chief Audit Executive is required to give an opinion on the internal control framework. In forming this view, I have considered the work of the Audit & Assurance function as well as other assurances I can rely on and consideration of the wider governance framework and performance of the council.

The Head of Audit opinions were tempered by remote working as we could not observe normal practices due to Covid-19. This has continued to be the case throughout the remainder of the year and, coupled with the level of unplanned work and subsequent necessary changes to the original schedule of planned work, has brought into consideration whether a limited or qualified opinion should be issued as a result of the changing plan.

The Institute of Internal Auditors guidance in this respect is that if the Audit Committee has agreed to the changed plan, then there is no need for a limited opinion and the opinion will reflect the work detailed as agreed. It is therefore my opinion that, based on the planned work completed due to the circumstances of Covid-19, the Council's internal control framework and systems to manage risk are reasonable. More detail is provided within the Internal Audit Annual Report to the Audit Committee.

The ongoing financial challenge, especially within a year dominated by Covid-19 also places further pressure on services to respond and manage risk in a proportionate way. A robust Internal Audit service is a vital component of the Council's governance systems and provides the third and final line of defence in relation to the internal control framework.

Jeff Wring  
Chief Audit Executive  
29th April 2021



## **ANNUAL GOVERNANCE STATEMENT 2020/21**

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### **CONCLUSION & CERTIFICATION**

As laid out in the statement the Council's governance arrangements have been reviewed and considered in line with the CIPFA/SOLACE code of practice. To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2020/21. Significant governance issues identified through the Annual Governance Review are recorded in Section 6.

We propose to take actions to address the issues raised with the objective of enhancing the Council's governance arrangements. The issues and related actions will be monitored as part of the annual governance review process.

**SIGNED BY:**

**KEVIN GUY**

**LEADER OF THE COUNCIL**

**WILL GODFREY**

**CHIEF EXECUTIVE**

**DATE: 15th December 2021**

# ANNUAL GOVERNANCE STATEMENT 2020/21

## 6 SIGNIFICANT GOVERNANCE ISSUES 2020/21

Issue in 2020/21	Commentary & Mitigating actions for 2021/22
<p><b>Coronavirus Pandemic (Covid19)</b></p> <p>The impacts of Covid-19 both internationally, nationally and regionally have been unprecedented in both Health and Economic terms. Central Government has put in place emergency legislation which has led to a wide range of measures to manage risks, protect public health and support the economy.</p> <p>These measures have often changed at short notice as the pandemic impacts altered through the year and these have directly impacted on local authorities.</p> <p>At a local authority level this has affected every area of the Council as front facing and support services have had to adapt to the changing position. In risk and governance terms the most significant impacts are in the following areas –</p> <p>Public Health – Ensuring that the vast range of health mitigations and measures are implemented and communicated to the public so that they are clear, coherent and supportive;</p> <p>Local Economy – Ensuring that local businesses can access the extensive level of grant support which was directed to local authorities to administer and manage;</p> <p>Financial Resilience – Ensuring that the organisation is both clear on the financial impacts of loss of income or increase in costs and plan for how these can be managed in year and for the medium term;</p> <p>Organisational Resilience – Ensuring that business continuity can be maintained in a fast changing position as services were temporarily closed, altered or delivered differently and manage organisational effectiveness whilst working at home;</p> <p>Democracy – Ensuring that local decision making at a formal level can continue effectively at all levels whilst working at home and continuing to support public access;</p> <p>Safeguarding – Ensure that the Council can support those who are most vulnerable and provide appropriate measures to protect those most at risk.</p> <p>The Council and Executive formally considered its response to the pandemic at its June meeting setting out its current position and the range of actions it was taking to support its communities.</p> <p>All of these issues have amounted to a significant and unprecedented situation facing the Council its Community and are therefore recognised as a significant issue for the Annual Governance Statement.</p>	<p>As detailed the Cabinet and Senior Management have overseen an extensive set of actions over the key risk areas to respond to the Pandemic during 2020/21. Moving into 2021/22 the focus is on renewal and delivering on the Council's priorities and the budget report in February 2021 provided a further summary of the Council's position and where its future priorities were to be in relation to recovery and renewal.</p> <p>Areas of strategic priority and focus over the next two years will include:</p> <ul style="list-style-type: none"> <li>• Ongoing investment to deliver more effective transport schemes across the council area, with a particular focus on creating low traffic neighbourhoods and more opportunity to prioritise walking and cycling and the introduction of financial incentives to reduce inward commuting through the extension of resident parking zones.</li> <li>• Continued investment to support the most vulnerable people in our communities.</li> <li>• Continued commitment to secure action to address the climate and ecological emergency.</li> <li>• Focus on supporting the local economy to recover from the impact of the pandemic with a particular priority to work with partners to rebalance the economy to reduce the dependence on retail, hospitality and tourism.</li> <li>• Support the "Preparing for the Future" programme to modernise the council with a focus on improved asset management and flexible working</li> </ul> <p>Recovery measures should be considered as an initial approach to address the immediate impacts of the crisis. Whilst the pandemic has already had a significant impact on the region, the situation continues to evolve and the full extent of the long-term implications are not yet clear. Work to respond to the impacts of the pandemic will continue over the coming months.</p>

# ANNUAL GOVERNANCE STATEMENT 2020/21

## 6 UPDATE ON SIGNIFICANT GOVERNANCE ISSUES 2019/20

Issue in 2019/20	Update on Mitigating Actions for 2020/21
<p><b><u>Coronavirus Pandemic (Covid19)</u></b></p> <p>The Council has worked tirelessly to respond to this public health emergency since declaring a major incident on 23rd March. It has been supporting the community including vulnerable residents and local businesses whilst maintaining critical services from refuse collection to child-protection. Throughout we have been following Public Health England advice and guidance.</p> <p>The Coronavirus Act 2020 received Royal Assent on 25th March 2020 and this resulted in new, modified or suspended local government powers and duties. The provisions within the Act are time limited for two years.</p> <p>The lock down which commenced in March 2020, requiring residents to 'stay at home' impacted the provision of Council Services and the Council's democratic business.</p> <p>The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 provided guidance around the provision of online meetings and allowed decisions to be made that way. Under Article 15.4 (b) of the Council's Constitution, the Monitoring Officer processed a decision on 28th April 2020 to adopt the Virtual Meetings Procedure Rules (VMPPR). In addition, the Monitoring Officer amended the public speaking scheme in time for the 6th May 2020 Planning Committee.</p> <p>In addition to changes to the impact on Council democratic business Covid19 has:</p> <ul style="list-style-type: none"> <li>• Significantly Impacted on service delivery – Major Services have closed, reduced or had to be provided in a different way with staff primarily working from home;</li> <li>• Created new areas of activity – emergency assistance e.g. PPE supply management, distribution of small business grants.</li> <li>• Resulted in significant funding and cash flow challenges</li> </ul> <p>The most significant organisational implication of the lockdown is the impact on the Council's finances and in particular its sources of income. The Council is heavily reliant on commercial income obtained through Heritage Services, Car Parking and its Commercial Estate along with potential cashflow implications linked to the payment of Council Tax and NNDR.</p> <p>All of these issues have amounted to a significant and unprecedented situation facing the Council its Community and whilst this situation started in 2019/20 most of the impacts have occurred in the following financial year. It is however important these are noted for transparency as they are directly affecting current Council activity.</p>	<p>Since the start of the crisis the Council has responded extensively to meet the demands placed on it from the Pandemic. These have been extensively described in its report to Cabinet on 29th May and 2nd July in terms of how the Council is meeting the health crisis and keeping services running.</p> <p>Importantly it has moved beyond incident response to recovery mode and set up two key workstreams to bring its organisation and the wider community back to a new sense of normality and enable positive change and opportunity –</p> <p><b><u>Renewal Board</u></b> –</p> <p>Its focus was on adapting our approach to mitigate the impacts of the pandemic by</p> <ul style="list-style-type: none"> <li>- Supporting Communities</li> <li>- Supporting Businesses &amp; the Economy</li> <li>- Maintaining Council Services</li> </ul> <p>This consisted of three main workstreams –</p> <ul style="list-style-type: none"> <li>- Reopening &amp; Renewing</li> <li>- Resilient Communities</li> <li>- Renewal Vision</li> </ul> <p><b><u>Recovery Board</u></b> –</p> <p>Its focus was on delivering a future focussed organisation by:</p> <ul style="list-style-type: none"> <li>- Providing strategic leadership for all aspects of the Council's recovery;</li> <li>- Develop a new vision for how Council buildings and technology will support services post Covid-19;</li> <li>- Making the most of our workforce and available technology;</li> <li>- Ensuring Council services are future focussed, working at optimal efficiency and re-built on principles of good governance.</li> </ul> <p>This work consisted of a number of interlinked workstreams, including –</p> <ul style="list-style-type: none"> <li>- In-Year Financial Recovery</li> <li>- Resource Planning &amp; Allocation</li> <li>- Preparing for the Future – Workplace &amp; Workforce</li> <li>- Future Focussed Redesign</li> <li>- Effective Corporate Governance</li> </ul> <p>Both of these activities have high level boards overseen by the Chief Executive and meet on a very regular basis. They continued to work on their key activities throughout the whole of 2020/21 and oversaw the Council's financial recovery, monitoring of savings and preparation of a balanced budget position for 2021/22.</p> <p>Regular reports were made informally and formally through to Council, Cabinet and the Strategic Leadership Team throughout the year. The Council's new management structure will be taking on these tasks through 2021/22 as part of a transitional year as the impacts of the pandemic become clearer.</p>

## 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 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.

### Chief Finance Officer responsibilities:

The 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 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 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 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 2021.



**SIGNED:**

**Chief Finance Officer (s.151 Officer)**

**DATE: 15th December 2021**

**Andy Rothery**

### Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee on 15th December 2021.

**SIGNED:**

**Chair, Corporate Audit Committee**

**DATE: 15th December 2021**

**Councillor Mark Elliott**

**The Statement of Accounts were authorised for issue on 15th December 2021.**

## 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.

## GLOSSARY OF TERMS

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### **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.

### **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.  
The regular day-to-day running costs incurred in providing 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.



**Chief Finance Officer**

Lewis House  
Manvers Street  
Bath BA1 1JG

**Telephone:** 01225 477103

**E mail:** [Andy\\_Rothery@bathnes.gov.uk](mailto:Andy_Rothery@bathnes.gov.uk)

[www.bathnes.gov.uk](http://www.bathnes.gov.uk)

Grant Thornton UK LLP  
2 Glass Wharf  
Bristol  
BS2 0EL

Date: 15<sup>th</sup> December 2021

Our ref:

Your ref:

Dear Sirs

**Bath and North East Somerset Council**  
**Financial Statements for the year ended 31 March 2021**

This representation letter is provided in connection with the audit of the financial statements of Bath and North East Somerset Council and its subsidiary undertakings, Aequus Construction Ltd. and Aequus Development Ltd., for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the group and 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 group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any 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. Such accounting estimates include the valuations of land and buildings and investment properties assets, the valuation of the defined benefit pension net liability, the provision for NNDR appeals, and the minimum revenue provision. 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. We understand our responsibilities includes identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for the valuation of car park assets within our land and buildings, for which a change in valuation basis was made for the majority of these assets, valuing these on a depreciated replacement cost basis instead of an existing use value basis. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi 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.
- vii Except as disclosed in the group and Council financial statements:
  - a) there are no unrecorded liabilities, actual or contingent
  - b) none of the assets of the group and 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 Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- 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 have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
  - a) the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b) the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c) the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and 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 group and Council's 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) access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic, 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, except in those cases where the Council was acting as an agent in relation to Covid-19 Business Support Grants, for which disclosure has been included in the Narrative Report.
- 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 information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
- 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 information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, 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 the group and 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 Report**

- xxiv The disclosures within the Narrative Report fairly reflect our understanding of the group and 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 **15<sup>th</sup> December 2021**.

Yours faithfully

Name Andy Rothery

Position Director of Finance

Date 15<sup>th</sup> December 2021 .....

Name Cllr Mark Elliott

Position Chair of Corporate Audit Committee

Date 15<sup>th</sup> December 2021 .....

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# Avon Pension Fund

## Local Government Pension Scheme

**Post:** Avon Pension Fund, Bath & North East Somerset Council,  
Lewis House, Manvers Street, Bath, BA1 1JG

**Web:** [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk)

**Email:** [avonpensionfund@bathnes.gov.uk](mailto:avonpensionfund@bathnes.gov.uk)

**Tel:** 01225 477000

**Fax:** 01225 395259



Grant Thornton UK LLP

2 Glass Wharf

Bristol

BS2 0EL

**DATE:** 15<sup>th</sup> December 2021

Dear Sirs

### Avon Pension Fund

#### Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Avon Pension Fund for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Fund 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 any 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. Such accounting estimates include the valuation of investments and the valuation of the IAS 26 net pension liability. 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. We understand our responsibilities includes identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for investments and no changes to methodologies were made. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Fund has been assigned, pledged or mortgaged

**Location Address:** Avon Pension Fund, Keynsham Civic Centre, Market Walk, Keynsham, BS31 1FS

**Keep in touch with your pension** Visit "my pension" on page 24 [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk)



INVESTOR IN PEOPLE

- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- ix. 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.
- x. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xii. The prior period adjustments disclosed in Note 1.35 to the financial statements are accurate and complete. There are no other prior period adjustments to bring to your attention.
- xiii. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :
  - a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund'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. access to persons within the Fund via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. 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 information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
  - 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 information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, 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. There has been one communications with The Pensions Regulator during the year concerning a matter of non-compliance from 2019-20. We have drawn to your attention all correspondence with regulators.
- xxii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- xxiii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

### **Approval**

The approval of this letter of representation was minuted by the Fund's Corporate Audit Committee at its meeting on 15<sup>th</sup> December 2021.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Fund**

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	15 <sup>th</sup> December 2021	AGENDA ITEM NUMBER
TITLE:	PROCUREMENT OPTIONS – EXTERNAL AUDIT	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Public Sector Audit Appointment Letter Sept 2021		

## 1 THE ISSUE

- 1.1 On 22 September 2021, Public Sector Audit Appointments Limited (PSAA) invited all eligible bodies to become opted-in authorities for the audit years 2023/24 to 2027/28 in its role as a specified appointing person (see Appendix 1). The decision to become an opted in authority must again be made by Full Council and an acceptance notice has to be returned to PSAA by 11th March 2022.

## 2 RECOMMENDATION

- 2.1 That the Audit Committee recommends to full Council that they approve the use of (PSAA) to carry out the re-procurement of External Auditors to the Council.

## 3 THE REPORT

- 3.1 There is a statutory obligation to have an external auditor of the council's accounts and an effective auditor is widely recognised as a core component of good corporate governance. The Audit Committee therefore has a key role in advising the Council on the adequacy of its external audit arrangements and supporting the Chief Finance Officer (S151 Officer) in carrying out the Council's statutory duties.

- 3.2 The Local Audit & Accountability Act 2014 put in place the framework which allowed 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.
- 3.3 In August 2010, it was announced that the Audit Commission would be abolished, with the stated aims being to reduce costs and improve local democratic accountability by allowing local authorities to appoint their own external auditors from a more competitive market.
- 3.4 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 contracts commenced in 2012.
- 3.5 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. The transitional arrangements for principal authorities were extended for a further year until April 2018, however Health bodies and smaller local government bodies still needed to appoint their own external auditors from April 2017.
- 3.6 The government made a decision to allow councils either to come together to procure audit services through PSAA or to appoint their own auditor. A report was submitted to the 27<sup>th</sup> September 2016 meeting of the Corporate Audit Committee and it was resolved to support the recommended option for the future procurement of external auditors by Public Sector Audit Appointments Ltd. Further information was made available through the PSAA website following that decision, so a further report was submitted to the 12<sup>th</sup> September 2017 meeting of the Corporate Audit Committee. The Committee Report advised the Committee that the S151 Officer was being asked to confirm the appointment by 22nd September 2017 and therefore the Committee were asked to confirm their decision. It was resolved by the Committee to support the recommended option for the future procurement of External Auditors to the Council by PSAA Ltd.
- 3.7 Within the local government sector the vast majority of Councils expressed a preference to appoint through the PSAA. Like B&NES Council the main reason for choosing the PSAA to procure external auditors was: 1) there were limited resources available to carry this procurement exercise; 2) there were very clear financial and quality benefits of using PSAA; and, 3) it would help the major firms to plan their resources and submit informed bids.

- 3.8 Full Council approved the recommendation to opt-in to PSAA at their meeting of 10<sup>th</sup> November 2016. It should be noted that the PSAA reported that out of a total of 494 eligible bodies (at the time of the opt-in period in 2017) 484 took the decision to opt in.
- 3.9 Grant Thornton have been providing External Audit Services to B&NES Council based on the subsequent appointment by PSAA.

### **Appointing Period 2023/24 – 2027/28 (5 year period)**

3.10 On 22 September 2021, PSAA invited all eligible bodies to become opted-in authorities for the audit years 2023/24 to 2027/28 in its role as a specified appointing person. The decision to become an opted in authority must again be made by Full Council and an acceptance notice has to be returned to PSAA by 11th March 2022.

3.11 There are three alternative methods for B&NES Council to appoint its external auditor for the next five-year period:

1. Undertake an individual auditor procurement and appointment exercise;
2. Undertake a joint audit procurement and appointing exercise with other bodies;
3. Join PSSA's sector led national scheme.

3.12 Aside from having more control over the process, there are no real advantages of choosing options 1 and 2 and indeed there is no appetite within neighbouring authorities for option 2 given the current very challenging local audit market.

As previously reported to Committee there are a number of advantages to joining the PSAA scheme, these include:

- Allowing the Corporate Audit Committee to retain independence in its relationship with the External Auditor;
- Avoiding the need to incur significant additional costs in administering a compliant procurement process, e.g. creating a specification and other tender documentation;
- Benefiting from PSAA's robust process in validating fee variation proposals;
- Assuming a high level of participation based on previous uptake levels will help to support market sustainability;
- Obtaining lower fees based on economies of scale.

- Be part of a network with other local authorities in terms of sharing best practice or tackling key issues in this sector which has been experienced in recent years.

3.13 The Audit Committee are therefore asked to support the recommendation so that full Council can approve the procurement route through PSAA.

## **4 STATUTORY CONSIDERATIONS**

4.1 There is a statutory obligation to have an external auditor of the council's accounts and the Local Audit and Accountability Act 2014 provided framework in which Local Authorities could appoint their external auditors.

## **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

5.1 There are no direct charges from using PSAA Ltd 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.

## **6 RISK MANAGEMENT**

6.1 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.

## **7 EQUALITIES**

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

## **8 CLIMATE CHANGE**

8.1 There are no direct climate change implications related to this report.

## **9 OTHER OPTIONS CONSIDERED**

9.1 No other options to consider related to this report.

## 10 CONSULTATION

10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

<b>Contact person</b>	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
<b>Background papers</b>	<i>Corporate Audit Committee Reports Procurement Update – External Audit 12<sup>th</sup> September 2017 Procurement Options – External Audit 27<sup>th</sup> September 2016</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

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22 September 2021

To: Mr Godfrey, Chief Executive  
Bath and North East Somerset Council

Copied to: Mr Rothery, S151 Officer  
Councillor Furse, Chair of Audit Committee or equivalent

Dear Mr Godfrey,

### **Invitation to opt into the national scheme for auditor appointments from April 2023**

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at [ap2@psaa.co.uk](mailto:ap2@psaa.co.uk). We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to [ap2@psaa.co.uk](mailto:ap2@psaa.co.uk), and we will respond to you.

Yours sincerely

Tony Crawley  
Chief Executive

Encl: Summary of the national scheme

## Why accepting the national scheme opt-in invitation is the best solution

### Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

### The national scheme for appointing local auditors

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

### What the appointing person scheme from 2023 will offer

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

## **Opting in**

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

## **Local Government Reorganisation**

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

## **Next Steps**

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).

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<b>Bath &amp; North East Somerset Council</b>	
<b>MEETING</b>	<b>Corporate Audit Committee</b>
<b>MEETING DATE:</b>	<b>15<sup>th</sup> December 2021</b>
<b>TITLE:</b>	<b>Treasury Management Performance Report to 30<sup>th</sup> September 2021</b>
<b>WARD:</b>	All
<b>AN OPEN PUBLIC ITEM</b>	
<p><b>List of attachments to this report:</b></p> <p><b>Appendix 1</b> – Performance Against Prudential Indicators</p> <p><b>Appendix 2</b> – The Council's Investment Position at 30<sup>th</sup> September 2021</p> <p><b>Appendix 3</b> – Average monthly rate of return for 1<sup>st</sup> 6 months of 2021/22</p> <p><b>Appendix 4</b> – The Council's External Borrowing Position at 30<sup>th</sup> September 2021</p> <p><b>Appendix 5</b> – Arlingclose's Economic &amp; Market Review Q2 of 2021/22</p> <p><b>Appendix 6</b> – Interest &amp; Capital Financing Budget Monitoring 2021/22</p> <p><b>Appendix 7</b> – Summary Guide to Credit Ratings</p> <p><b>Appendix 8</b> – Extract from Treasury Management Risk Register</p>	

## **1 THE ISSUE**

- 1.1 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code), 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 for 2021/22 for the first six months of 2021/22.

## **2 RECOMMENDATION**

The Corporate Audit Committee agrees that;

- 2.1 The Treasury Management Report to 30<sup>th</sup> September 2021, prepared in accordance with the CIPFA Treasury Code of Practice, is noted.
- 2.2 The Treasury Management Indicators to 30<sup>th</sup> September 2021 are noted.

### 3 THE REPORT

#### Summary

- 3.1 The average rate of investment return for the first six months of 2021/22 is 0.27%, which is 0.28% above the benchmark rate which is currently -0.01%.
- 3.2 The Council's Prudential Indicators for 2021/22 were agreed by Council in February 2021 and performance against the key indicators is shown in **Appendix 1**. All indicators are within target levels.

#### Summary of Returns

- 3.3 The Council's investment position as at 30<sup>th</sup> September 2021 is given in **Appendix 2**. The balance of deposits as at 30<sup>th</sup> September 2021, compared to those as at 30<sup>th</sup> June 2021, are also set out in the pie charts in this appendix.
- 3.4 Gross interest earned on investments totalled £105k. **Appendix 3** details the investment performance, showing the average rate of interest earned over this period was 0.27%, which was 0.28% above the benchmark rate of average 7 day LIBID +0.05% (-0.01%). This excess is mainly due to the £5m investment held in the CCLA Local Authority Property Fund, which is a long term strategic investment earning a higher rate of interest of 3.4% based on the first six months of 2021/22.

#### Summary of Borrowings

- 3.5 The Council's external borrowing as at 30<sup>th</sup> September 2021 totalled £226.4 million and is detailed in **Appendix 4**. On 1<sup>st</sup> April 2021, the Council repaid £15.0 million of short term borrowing from a local authority, which had been borrowed last year for general cashflow requirements and to lower liquidity risks arising from uncertainties surrounding the Covid-19 pandemic.
- 3.6 The Council's Capital Financing Requirement (CFR) as at 31<sup>st</sup> March 2021 was £326.9 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.
- 3.7 The difference between the CFR and the current borrowing of £226.4 million represents re-investment of the internal balances including reserves, reducing the in-year borrowing costs in excess of the potential investment returns.
- 3.8 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 31<sup>st</sup> March 2021 apportioned to Bath & North East Somerset Council is £10.9m. Since this borrowing is managed by an external body 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 3.5.
- 3.9 The borrowing portfolio as at 30<sup>th</sup> September 2021 is shown in **Appendix 4**.



## Strategic & Tactical Decisions

- 3.10 As shown in the charts in **Appendix 2**, the investment portfolio of £93.1 million as at 30<sup>th</sup> September 2021 is diversified across Money Market Funds, Local Authorities, the Government's Debt Mgt Account Deposit Facility, the CCLA Property Fund and in highly rated UK Banks. The Council uses AAA rated Money Market funds to maintain short term liquidity.
- 3.11 On the 9<sup>th</sup> August 2021 a deposit of £5m was made to the Lloyd's 95-day notice sustainability deposit account, in line with the ESG focussed short term deposit section of the approved 2021/22 Treasury Management Strategy.
- 3.12 On the 27<sup>th</sup> of September 2021 Handelsbanken plc, a UK domiciled bank, was added back onto the list of authorised counterparties recommended by our Treasury Management Advisors. In line with the limits set out in the Treasury Management Strategy, the Council can now return to using Handelsbanken to make deposits of up to £10m, due to their AA- credit rating.
- 3.13 The Council does 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.
- 3.14 The Council's investment portfolio as at 30<sup>th</sup> September 2021 includes a total of £5m invested longer term in the CCLA Local Authorities Property Fund.
- 3.15 The potential for making future ESG focussed investments was included in the 2021/22 Treasury Management Strategy for the first time and was approved by Council in February 2021. The Council commissioned Arlingclose to undertake a review of possible ESG (Environmental, Social and Corporate Governance) funds into which the Council could invest surplus treasury assets. This report was reviewed and a presentation to Officers and Members took place during August 2021 to present the findings and recommendations.
- 3.16 Following the review, the s151 Officer has agreed the investment of £5m split across the following two ESG focussed funds;
- VT Gravis Clean energy income fund; &
  - FP Foresight UK Infrastructure fund

Deposit accounts for these two funds are in the process of being set up, with a view to making the investments on a staged approach over the coming months in order to minimise the impacts of market price volatility.

- 3.17 The Council's average investment return for short-term investments is currently 0.05%, in line with the budgeted level of 0.05%. The return on the £5m long-term strategic investment in the CCLA Local Authority Property Fund is estimated to be in line with the budgeted rate of 3.5%. The current forecast is for an overachievement of interest income from investments of £30k due to the Council's cash balances being higher than was forecast when the budget was set.

## **Future Strategic & Tactical Issues**

- 3.18 The Council's Treasury Management Advisor's economic and market review for the second quarter of 2021/22 is included in **Appendix 5**.
- 3.19 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 remains on the rate of increase and the medium-term peak.
- 3.20 Any additional borrowing to take place in 2021/22 will therefore be balanced between a need to maintain an appropriate working cash balance and taking advantage of favourable movements in long term borrowing rates.
- 3.21 Following the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes, in September 2021 CIPFA issued the revised Prudential Code and Treasury Management Code of Practice and Guidance Notes in draft form, and opened the latest consultation process on their proposed changes. The proposed changes include clarifications over the purpose and affordability of borrowing and some additional prudential indicators.
- 3.22 Once finalised, these changes will be incorporated into the Council's Treasury Management Strategy.

### **Borrowing update**

- 3.23 Due to the high cash balances held by the Council at the end of 2020/21, a decision was made to repay the £15m one-year loan taken at the start of 2020/21 from the London Borough of Bromley upon its 1st April 2021 maturity date. No further borrowing has been taken during the first two quarters.
- 3.24 In Q1 the Council sought advice from its treasury advisors on the opportunity to make an early repayment of a £10m LOBO loan during 2021/22 as part of a debt rescheduling approach. In consultation with the Cabinet Member for Economic Development & Resources, the s151 Officer made the decision to pursue this restructuring, on the basis that it will provide revenue savings and reduce risk by replacing the LOBO debt with a shorter duration PWLB loan more aligned to the Council's future borrowing profile. The process for this restructuring has now started and the lending bank is currently undertaking due diligence work. It is hoped that this restructuring can be completed in Q3, subject to finalisation of this due diligence work.
- 3.25 HM Treasury published further guidance on PWLB borrowing in August 2021 providing additional detail and clarifications predominantly around the definition of an 'investment asset primarily for yield'. The principal aspects of the new guidance are:
- Capital expenditure incurred or committed to before 26th November 2020 will not affect access to the PWLB even if this was for an 'investment asset bought primarily for yield'.
  - Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.
  - An asset held primarily to generate yield that serves no direct policy purpose should not be categorised as an investment for service delivery purposes.

- Capital spending and financing plans should be submitted by local authorities via an online return. These open for the new financial year on 1st March and remain open all year. The returns require assurance from the s151 officer that the authority does not intend to but investment assets primarily for yield. Returns must be updated if there is a change of more than 10% on original plans.
- Local authorities purchasing investment assets primarily for yield can still access the PWLB but only for the purposes of refinancing existing loans or externalising internal borrowing.
- Additional detail on the sanctions which can be imposed for inappropriate use of PWLB lending. These could include a request to cancel projects, restrictions to accessing the PLWB and requests for information on further plans.

### **Budget Implications**

3.26 A breakdown of the revenue budget showing interest and capital financing and the forecast year end position based on the period April to September 2021 is included in **Appendix 6**. An overall underspend of £0.690m is currently forecast, mainly related to the temporary high levels of cash balances currently held, resulting in a delay in the need to borrow and therefore incurring lower than budgeted interest costs.

## **4 STATUTORY CONSIDERATIONS**

4.1 This report is for information only.

## **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

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

## **6 RISK MANAGEMENT**

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.
- 6.2 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.
- 6.3 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.

6.4 In addition, the Council maintain a risk register for Treasury Management activities, which is regularly reviewed and updated where applicable during the year. An extract from the risk register, detailing how the top 5 market risks are managed, is included as **Appendix 8**.

## **7 CLIMATE CHANGE**

7.1 The Council will continue to avoid any direct treasury management investments in fossil fuel related companies and will engage with its advisors to explore and assess the potential for any future investment opportunities in funds with a Renewable Energy & Sustainability focus as these products continue to be developed by the market in response to the Climate & Nature Emergency agenda.

7.2 An ESG section has been added to the Treasury Management Strategy document for the 2021/22 period and the treasury team will actively consider investment options permitted under the new guidelines.

7.3 As detailed under 3.11, a £5m deposit in the Lloyd's 95-day sustainability account was made during the quarter. This account is a deposit product of Lloyds Bank which helps to support ESG focussed projects by offering discounted funding rates to projects with a green/sustainable goal.

7.4 As detailed under 3.15 & 3.16, accounts are currently being set up with two ESG funds with a view to making £5m in long term investments.

## **8 OTHER OPTIONS CONSIDERED**

8.1 None

## **9 CONSULTATION**

9.1 Consultation has been carried out with the Cabinet Member for Economic Development & Resources, Section 151 Finance Officer and Monitoring Officer.

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<b>Background papers</b>	<i>2021/22 Treasury Management &amp; Investment Strategy</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

## APPENDIX 1

### Performance against Treasury Management Indicators agreed in Treasury Management Strategy Statement

#### 1. Treasury Borrowing limits

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.

The Authorised limits for external debt include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over and above the operational limit for unusual cash movements.

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. This level also factors in the proposed approach to use internal cash-flow and future capital receipts as the preferred financing method for the capital programme.

	2021/22 Prudential Indicator	Actual as at 30 <sup>th</sup> Sep 2021
Operational boundary – borrowing	£408m	£226.4m
Operational boundary – other long-term liabilities	£4m	£0m
<b>Operational boundary – TOTAL</b>	<b>£412m</b>	<b>£226.4m</b>
Authorised limit – borrowing	£438m	£226.4m
Authorised limit – other long-term liabilities	£4m	£0m
<b>Authorised limit – TOTAL</b>	<b>£442m</b>	<b>£226.4m</b>

#### 2. 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**.

	2021/22 Prudential Indicator	Actual as at 30 <sup>th</sup> Sept 2021
	Rating	Rating
Minimum Portfolio Average Credit Rating	A-	AA+

\* The calculation excludes the strategic investment in the CCLA Local Authority's Property Fund which is unrated.

#### 3. Liquidity

The Authority 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.

Liquidity risk indicator	2021/22 Prudential Indicator	Minimum During Quarter	Date of minimum
Minimum liquid cash balance in period	£15m	£42m	1 <sup>st</sup> July

#### 4. Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as an amount of net principal borrowed.

	2021/22 Prudential Indicator	Actual as at 30 <sup>th</sup> Sep 2021
Upper limit on fixed interest rate exposures	£408m	£206.4m
Upper limit on variable interest rate exposures	£184m	£20m

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

The Fixed rate limit is the 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.

The Variable rate limit is the maximum amount of total borrowing which can be at variable interest rates.

#### 5. Maturity Structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk.

	Upper Limit	Lower Limit	Actual as at 30 <sup>th</sup> Sep 2021
	%	%	%
Under 12 months	50	Nil	11.0
12 months and within 24 months	50	Nil	2.2
24 months and within 5 years	75	Nil	0
5 years and within 10 years	75	Nil	6.6
10 years and within 25 years	100	25	49.3
Over 25 years	100		30.9

\* 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.

#### 6. Upper limit for total principal sums invested for over 364 days

The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2021/22 Prudential Indicator	Actual as at 30 <sup>th</sup> Sep 2021
Limit on principal invested beyond 31 <sup>st</sup> March 2022	£50m	£5m*
Limit on principal invested beyond 31 <sup>st</sup> March 2023	£20m	£5m*
Limit on principal invested beyond 31 <sup>st</sup> March 2024	£10m	£5m*

\*The Council includes the CCLA LA Property Fund against this indicator as it is held as a Long Term Strategic Investment.

## APPENDIX 2

### The Council's Investment position at 30<sup>th</sup> September 2021

The term of investments is as follows:

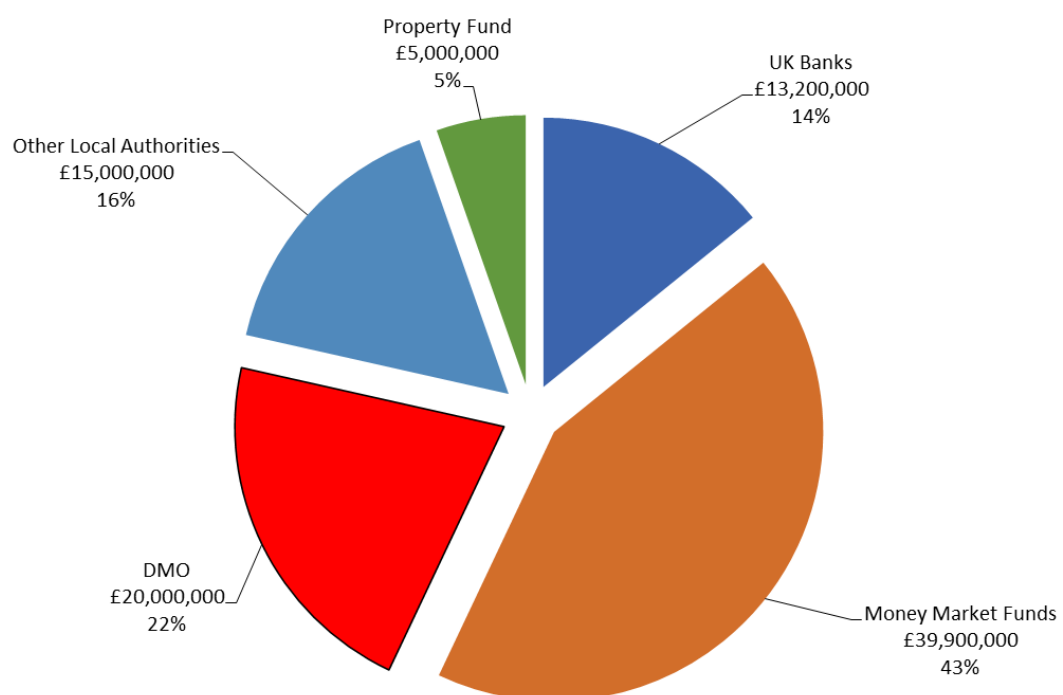
<b>Term Remaining</b>	<b>Balance at 30<sup>th</sup> Sep 2021</b>
	£m
Notice (instant access funds)	43.1
Up to 1 month	20.0
1 month to 3 months	20.0
3 months to 6 months	5.0
CCLA Property Fund (Strategic)	5.0
<b>Total</b>	<b>93.1</b>

The investment figure is made up as follows:

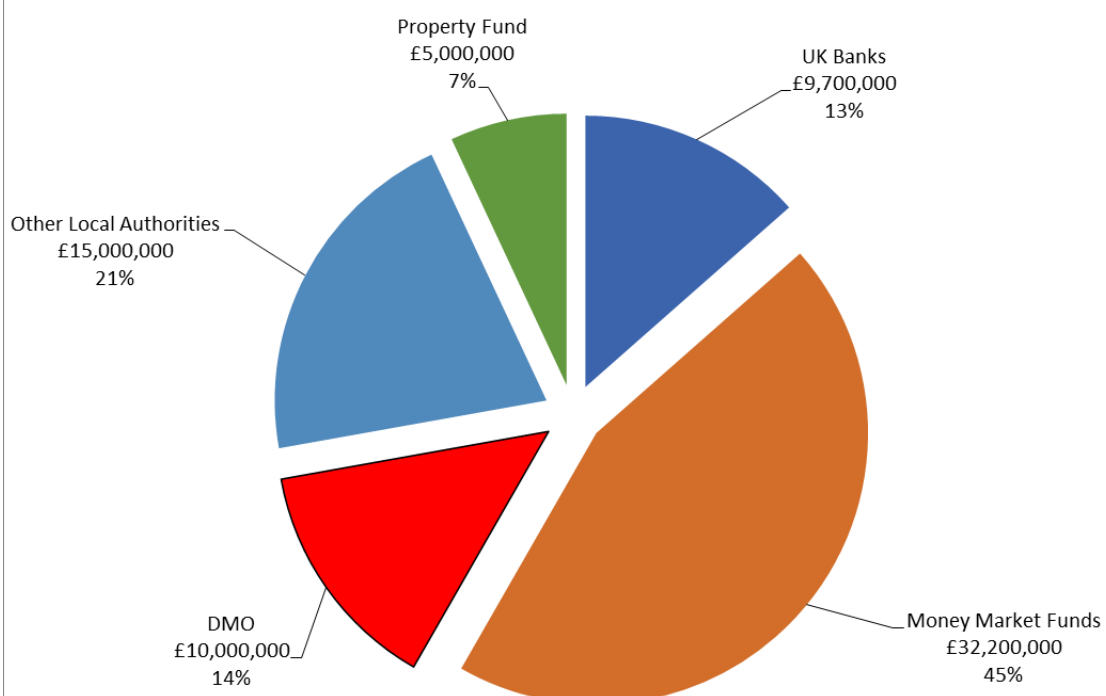
	<b>Balance at 30<sup>th</sup> September 2021</b>
	£m
B&NES Council	90.2
Schools	2.9
<b>Total</b>	<b>93.1</b>

The Council had a total average net positive balance of £80.3m during the period April 2021 to September 2021.

**Chart 1: Council Investments as at 30th September 2021 - £93.1m**

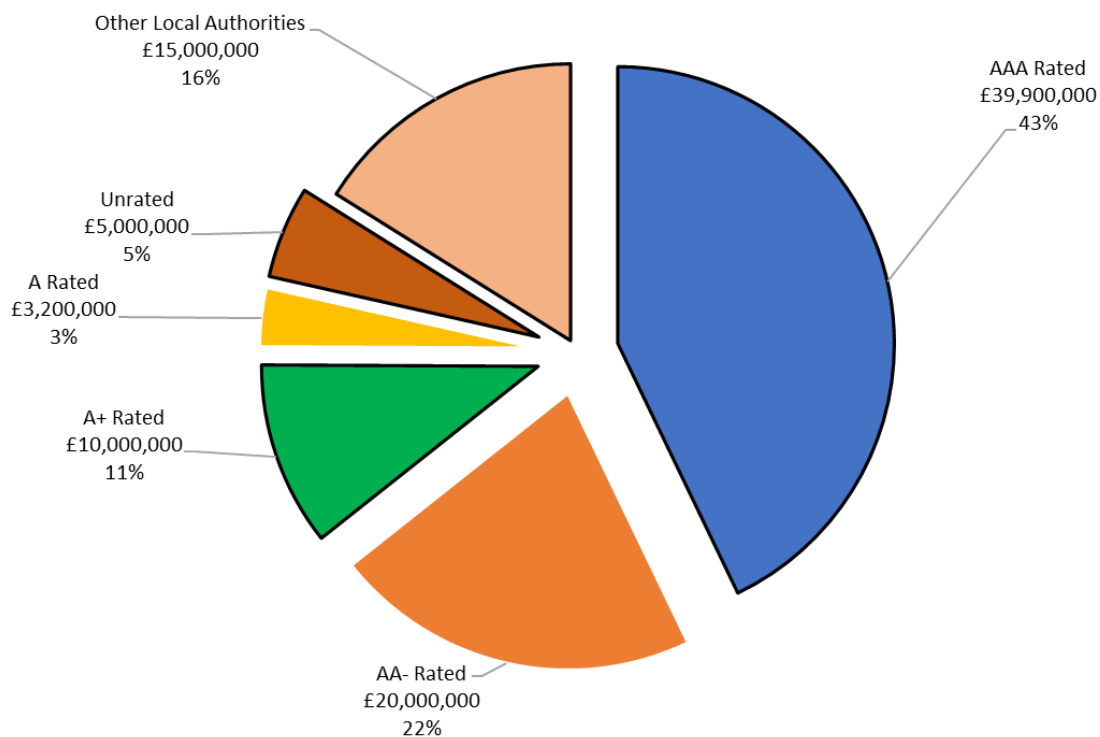


**Chart 2: Council Investments as at 30th June 2021 - £71.9m**

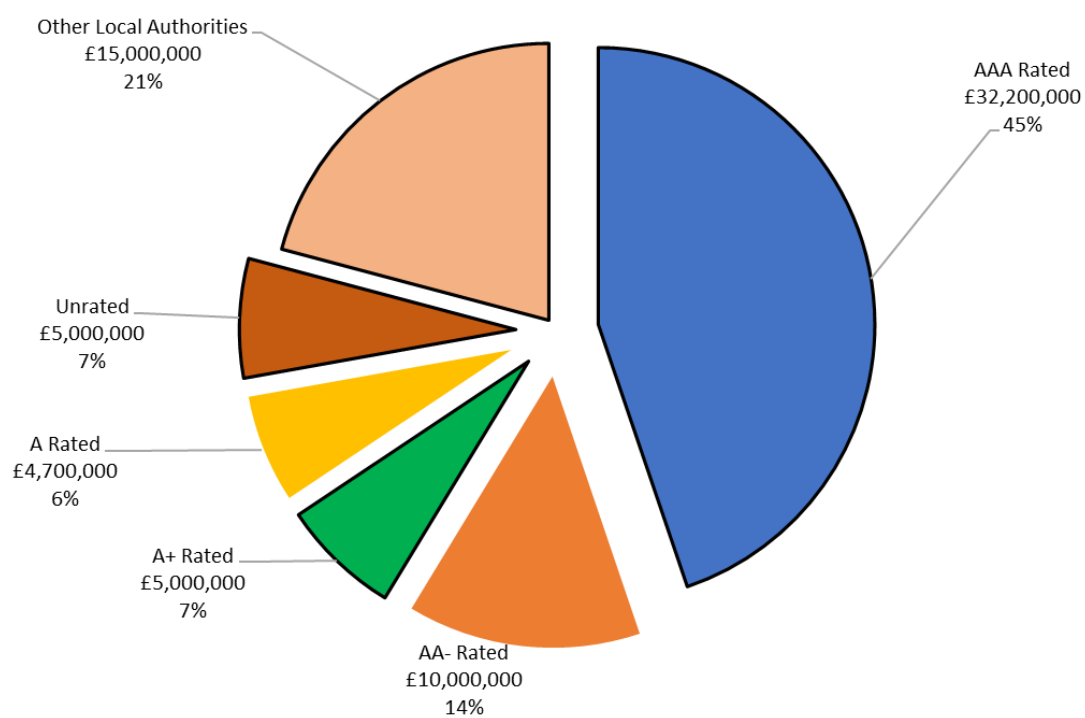




**Chart 3: Council Investments Per Lowest Equivalent Long Term Credit Rating as at 30th September 2021 - £93.1 m**



**Chart 4: Council Investments Per Lowest Equivalent Long Term Credit Rating as at 30th June 2021 - £71.9 m**



## APPENDIX 3

### Average rate of return on investments for 2021/22

	Apr. %	May %	Jun. %	Jul. %	Aug. %	Sep. %	Average
Average rate of interest earned	0.29	0.30	0.27	0.24	0.25	0.23	0.27%
Benchmark = Average 7 Day LIBID rate +0.05% (source: Arlingclose)	-0.03	-0.03	-0.03	-0.03	-0.03	0.13	-0.01%
Performance against Benchmark %	+0.32	+0.33	+0.30	+0.29	+0.30	+0.10	+0.28%

## APPENDIX 4

### Council's External Borrowing at 30<sup>th</sup> September 2021

Lender	Amount outstanding	Start date	End date	Interest rate
<b>Long term</b>				
PWLB489142	10,000,000	15/10/2004	15/10/2034	4.75%
PWLB497233	5,000,000	12/05/2010	15/08/2035	4.55%
PWLB497234	5,000,000	12/05/2010	15/02/2060	4.53%
PWLB498834	5,000,000	05/08/2011	15/02/2031	4.86%
PWLB498835	10,000,000	05/08/2011	15/08/2029	4.80%
PWLB498836	15,000,000	05/08/2011	15/02/2061	4.96%
PWLB503684	5,300,000	29/01/2015	08/04/2034	2.62%
PWLB503685	5,000,000	29/01/2015	08/10/2064	2.92%
PWLB505122	16,879,619	20/06/2016	20/06/2041	2.36%
PWLB508126	9,088,130	06/12/2018	20/06/2043	2.38%
PWLB508202	9,693,756	12/12/2018	20/06/2068	2.59%
PWLB508224	4,536,875	13/12/2018	20/06/2043	2.25%
PWLB505744	8,385,987	24/02/2017	15/08/2039	2.28%
PWLB505966	8,588,372	04/04/2017	15/02/2042	2.26%
PWLB506052	7,298,766	08/05/2017	15/02/2042	2.25%
PWLB506255	6,714,422	10/08/2017	10/04/2067	2.64%
PWLB506729	8,925,963	13/12/2017	10/10/2042	2.35%
PWLB506995	8,947,355	06/03/2018	10/10/2042	2.52%
PWLB506996	9,194,007	06/03/2018	10/10/2047	2.62%
PWLB507749	9,092,523	10/09/2018	20/07/2043	2.42%
PWLB508485	19,473,504	11/02/2019	20/07/2068	2.52%
PWLB509840	9,322,004	04/09/2019	20/07/2044	1.40%
KBC Bank N.V *	5,000,000	08/10/2004	08/10/2054	4.50%
KBC Bank N.V *	5,000,000	08/10/2004	08/10/2054	4.50%
Commerzbank AG Frankfurt*	10,000,000	27/04/2005	27/04/2055	4.50%
<b>Medium term</b>				
Portsmouth C.C.	5,000,000	19/12/2019	19/12/2022	1.65%
<b>Short term</b>				
Gloucestershire C.C.	5,000,000	25/11/2019	25/11/2021	1.50%
<b>Total Borrowing</b>	<b>226,441,283</b>			

\*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. Should the lender use the option to change the rate, then at this point the borrower has the option to repay the loan without penalty.

## Appendix 5: Arlingclose's Economic & Market Review Q2 of 2021/22

**Economic background:** The economic recovery from coronavirus pandemic continued to dominate the first half of the financial year. By the end of the period over 48 million people in the UK had received their first dose of a COVID-19 vaccine and almost 45 million their second dose.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent. Within the announcement, Bank expectations for GDP growth for the third (calendar) quarter were revised down to 2.1% (from 2.9%), in part reflecting tighter supply conditions. The path of CPI inflation is now expected to rise slightly above 4% in the last three months of 2021, due to higher energy prices and core goods inflation. While the Monetary Policy Committee meeting ended with policy rates unchanged, the tone was more hawkish.

Government initiatives continued to support the economy over the quarter but came to an end on 30th September 2021, with businesses required to either take back the 1.6 million workers on the furlough scheme or make them redundant.

The latest labour market data showed that in the three months to July 2021 the unemployment rate fell to 4.6%. The employment rate increased, and economic activity rates decreased, suggesting an improving labour market picture. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 8.3% and 6.3% respectively over the period. However, part of the robust growth figures is due to a base effect from a decline in average pay in the spring of last year associated with the furlough scheme.

Annual CPI inflation rose to 3.2% in August, exceeding expectations for 2.9%, with the largest upward contribution coming from restaurants and hotels. The Bank of England now expects inflation to exceed 4% by the end of the calendar year owing largely to developments in energy and goods prices. The Office of National Statistics' (ONS') preferred measure of CPIH which includes owner-occupied housing was 3.0% year/year, marginally higher than expectations for 2.7%.

The easing of restrictions boosted activity in the second quarter of calendar year, helping push GDP up by 5.5% q/q (final estimate vs 4.8% q/q initial estimate). Household consumption was the largest contributor. Within the sector breakdown production contributed 1.0% q/q, construction 3.8% q/q and services 6.5% q/q, taking all of these close to their pre-pandemic levels.

The US economy grew by 6.3% in Q1 2021 (Jan-Mar) and then by an even stronger 6.6% in Q2 as the recovery continued. The Federal Reserve maintained its main interest rate at between 0% and 0.25% over the period but in its most recent meeting made suggestion that monetary policy may start to be tightened soon.

The European Central Bank maintained its base rate at 0%, deposit rate at -0.5%, and asset purchase scheme at €1.85 trillion.

**Financial markets:** Monetary and fiscal stimulus together with rising economic growth and the ongoing vaccine rollout programmes continued to support equity markets over most of the period, albeit with a bumpy ride towards the end. The Dow Jones hit another record high while the UK-focused FTSE 250 index continued making gains over pre-pandemic levels. The more internationally focused FTSE 100 saw more modest gains over the period and remains below its pre-crisis peak.

Inflation worries continued during the period. Declines in bond yields in the first quarter of the financial year suggested bond markets were expecting any general price increases to be less severe, or more transitory, than was previously thought. However, an increase in gas prices in the UK and EU, supply shortages and a dearth of HGV and lorry drivers with companies willing to pay more to secure their services, has caused problems for a range of industries and, in some instances, led to higher prices.

The 5-year UK benchmark gilt yield began the financial year at 0.36% before declining to 0.33% by the end of June 2021 and then climbing to 0.64% on 30th September. Over the same period the 10 year gilt yield fell from 0.80% to 0.71% before rising to 1.03% and the 20-year yield declined from 1.31% to 1.21% and then increased to 1.37%.

The Sterling Overnight Rate (SONIA) averaged 0.05% over the quarter.

#### **Arlingclose's Economic Outlook for the remainder of 2021/22 (based on the October 2021 interest rate forecast)**

Arlingclose expects Bank Rate to rise in Q2 2022. We believe this is driven as much by the Bank of England's desire to move from emergency levels as by fears of inflationary pressure.

Investors have priced in multiple rises in Bank Rate to 1% by 2024. While Arlingclose believes Bank Rate will rise, it is by a lesser extent than expected by markets.

The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the UK due to the impact of Brexit.

While Q2 UK GDP expanded more quickly than initially thought, the 'pingdemic' and more latterly supply disruption will leave Q3 GDP broadly stagnant. The outlook also appears weaker. Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support programmes and soon, tax rises. Government spending, the other driver of recovery, will slow considerably as the economy is taken off life support.

Inflation rose to 3.2% in August. A combination of factors will drive this to over 4% in the near term. While the transitory factors affecting inflation, including the low base effect of 2020, are expected to unwind over time, the MPC has recently communicated fears that these transitory factors will feed longer-term inflation expectations that require tighter monetary policy to control. This has driven interest rate expectations substantially higher.

The supply imbalances are apparent in the labour market. While wage growth is currently elevated due to compositional and base factors, stories abound of higher wages for certain

sectors, driving inflation expectations. It is uncertain whether a broad-based increased in wages is possible given the pressures on businesses.

Government bond yields increased sharply following the September FOMC and MPC minutes, in which both central banks communicated a lower tolerance for higher inflation than previously thought. The MPC in particular has doubled down on these signals in spite of softer economic data. Bond investors expect higher near-term interest rates but are also clearly uncertain about central bank policy.

The MPC appears to be playing both sides, but has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the signals from policymakers suggest Bank Rate will rise unless data indicates a more severe slowdown.

## APPENDIX 6

### Interest & Capital Financing Costs – Budget Monitoring 2021/22

April 2021 to September 2021	YEAR END POSITION			ADV/FAV
	Budgeted Spend or (Income) £'000	Forecast Spend or (Income) £'000	Forecast over or (under) spend £'000	
<b>Interest &amp; Capital Financing</b>				
- Debt Costs	8,049	7,419	(630)	FAV
- Internal Repayment of Loan Charges	(10,338)	(10,338)	0	
- Ex Avon Debt Costs	1,020	990	(30)	FAV
- Minimum Revenue Provision (MRP)	8,307	8,307	0	
- Interest on Balances	(208)	(238)	(30)	FAV
<b>Total</b>	<b>6,830</b>	<b>6,140</b>	<b>(690)</b>	<b>FAV</b>

## APPENDIX 7

### 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 - indicates an issuer that has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.

## APPENDIX 8

### Extract from Treasury Management Risk Register – Top 5 Market Risks

			Current Risk Score										
	Risk Nr	Description	Likelihood					Impact					Management Action
			1	2	3	4	5	1	2	3	4	5	
			L	M	H	L	M	H					
1	R01	Liquidity Risk - The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.		2						3			Obtain approval of annual Treasury Management Strategy by February Council. Carry out weekly reviews of investment portfolio and planned actions. Carry out monthly dashboard meeting with Chief Finance Officer. Consider short and medium term cash balances and cashflows to inform any short - medium term borrowing requirement.
2	R02	Interest Rate Risk - The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately			3					3			Monitor interest rates on a monthly basis and compare with budget to determine impact on Council finances and report through monthly Treasury Dashboard. Report implication of interest rate changes to Cabinet as part of quarterly Treasury Management Performance Report. Explore alternative potential investment products following new freedoms - including corporate bonds, gilts, Certificate of Deposits etc.
3	R03	Exchange Rate Risk - The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.	1						2				Treasury Management Policies clearly record the need to eliminate currency exchange rate risks .
4	R04	Inflation Risk - The risk that prevailing levels of inflation cause an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.			3					3			Liaise with Chief Finance Officer to ensure Inflation both current and projected forms part of the medium term financial planning framework.
5	R05	Credit and Counterparty Risk - The risk of failure by a third party to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.			3						4		Complete annual review of Counterparty List with external advisors to feed into Treasury Management Strategy. Regular review of counterparty financial standing through use of credit ratings, credit default swap rates and national press coverage and liaison with Chief Finance Officer and external advisors to consider any issues / change in circumstances of counterparties.

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	15th December 2021	AGENDA ITEM NUMBER
TITLE:	Internal Audit – Update Report	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 - Audit Reviews Position Statement (2021/22)		

## 1 THE ISSUE

- 1.1 This report is to provide an update on the work of the Internal Audit team and progress made in delivering the Annual Audit Assurance Plan 2021/22 which was presented and approved by the Committee on 29<sup>th</sup> April 2021. This provides a further update on the report presented to the 23<sup>rd</sup> September 2021 meeting.

## 2 RECOMMENDATION

- 2.1 The Corporate Audit Committee notes the progress in delivery of the 2021/22 Annual Audit Assurance Plan.
- 2.2 The Corporate Audit Committee requests the attendance of the Chief Operating Officer and other Officers to a meeting of the Committee in early 2022 to provide an update report on progress related to implementation of recommendations in response to the weaknesses highlighted by the 2021 Property Compliance Audit.

## 3 THE REPORT

- 3.1 The Annual Internal Audit Plan for 2021/22 was presented to the Corporate Audit Committee on the 29th April 2021. Previously we have provided a half year report in October / November, however this year we provided a position statement report at the 23<sup>rd</sup> September meeting and we are now providing another update.

## 3.2 INTERNAL AUDIT WORK UPDATE

### 2020/21 Internal Audit Plan Work Carried Forward

3.2.1 Since the 23<sup>rd</sup> September report we can now advise you that all seven 2020/21 Audit Reviews carried forward into 2021/22 have now been completed. The last of the 2020/21 audit reviews to be finalised was IT Audit – Laptop Secure Configuration which resulted in a Level 4 Assurance rating. This audit review was an example where we have to respond to changes in the risk environment and make changes to the Audit Plan. The Internal Audit Team originally intended to carry out an IT Audit of Configuration Management – Servers and Endpoints. With the start of the Covid-19 pandemic there was a need for effective and secure remote working solutions. Supplying laptops to all users was a significant change to the Council's technology strategy. Switching from virtual desktops hosted on servers behind the corporate firewall to widely distributed 'thick client' devices outside the firewall and using a VPN to connect through the firewall to the Council's IT services and systems. Configuration of the laptop fleet was therefore the first line of defence in the Council's cyber security stance. We therefore amended our Audit Plan and replaced the Servers review with a review the configuration trialled with the first 8 loan laptops provided by HP. Our 'Reasonable Assurance' opinion was based on discussions with IT staff and our opinion allowed for uncertainty arising from development and change in the configuration options and process as the laptop delivery project continued. Although the Audit Report for the first configuration review was only finalised in September 2021 our IT Auditors were liaising with colleagues in the IT Service since February 2021.

As the rollout of laptops has increased there is a need to continue to scrutinise this area of IT risk and therefore another laptop configuration audit review was included within the 2021/22 Audit Plan. This audit is currently on-going.

Audit Heading	Status	Assurance Level
Waste Collections - Income	Final	3
Revenue Estate - Service Charges and Tenant Management Relations	Final	2
Waste - Transfer Station - Weighbridge	Final	3
IT Audit - Laptop Secure Configuration Management	Final	4
IT Audit - Electronic Service Delivery - Revenue & Benefits	Final	4
IT Audit - Helpdesk – Incident and Problem Management	Final	4
Housing Benefits Processing Claims (& Overpayments)	Final	4

## **2021/22 Internal Audit Plan Work**

3.2.2 In terms of the 2021/22 Internal Audit Plan it recorded 36 areas to audit and provide assurance to the Audit Committee and Council. Appendix 1 records progress to the 19th November 2021.

3.2.5 Ten of the areas for audit have got to report stage and another 9 audits are recorded as 'Work-In Progress'. In addition to that we have contacted management and agreed scope and start dates for another 3 reviews.

3.2.6 For the ten reported audits, eight were 'Assurance Reports' – six were assigned a Level 4 'Substantial Assurance' rating and the remaining two audit reports were assigned a Level 3 'Reasonable Assurance' rating. Therefore, year to date there have not been any Level 1 & 2 reviews (No or limited Assurance) which require reporting to the Committee.

3.2.7 As previously reported in September 2021 we have been spending considerable time on reviewing the administration of Covid-19 Government Funding (7 audit reviews in total). As at 19<sup>th</sup> November 2021 we had reported on 4 of these areas and all were assigned a Level 4 'Substantial Assurance' rating.

- 1) Covid19 - Adult Social Care Grant Funding Management
- 2) Covid19 - Supplier Relief - Adult Social Care Providers
- 3) Covid19 - DWP Winter Support Grants
- 4) Covid19 - Emergency Assistance Grant for Food and Essential Supplies

3.2.8 By the time of the meeting of the Corporate Audit Committee on 15<sup>th</sup> December it is hoped a verbal update can be provided on the findings of the 3 remaining grants subject to review:

- 1) Covid19 - Restrictions - Business Grants
- 2) Covid19 - Contain Outbreak Funding
- 3) Covid19 - Next Steps Accommodation Short & Long Term

3.2.9 In addition to audit reviews recorded in the approved Internal Audit Plan the Internal Audit Team has carried out other work:

- a) Grant Certification Work – During April to June the Internal Audit team is required to carry out a significant amount of grant certification work. Twenty-one grant certification reviews taking up in excess of 41 audit days. This generally related to funding received from WECA and government departments.
- b) Co-ordinating the work related to the National Fraud Initiative. This consists of directly reviewing matched data records and also liaising with Officers within services who have been tasked with reviewing data matching reports provided by the Cabinet Office.
- c) Follow-Up of previous years Audit Report recommendations (see 3.2.10 -13).

d) Responding to reports of financial irregularity which require advice/ investigation (as reported to Committee in September).

e) Continuing to support Adult Social Care Grant Funding – secondment of a member of the team to manage the receipt and payment of grant funding to care providers and the completion of associated government returns.

### Follow-Up of Audits

3.2.10 In September we reported that the Internal Audit team had carried out 10 Audit 'Follow-Ups'. Since that report another 6 'Follow-Ups have been completed and 2 audits (Property Compliance & Integrated Care Records) continue to be subject to 'follow-up' activity to ensure sufficient action has been taken to manage the internal control risks identified and reported (see table below).

<b>Audit Report</b>	<b>Reported Assurance Level</b>	<b>Summary of Follow-Up findings</b>
<b>19-004B Integrated Care Records – Project Governance</b>	2 Limited Assurance	Amber - Implementation of recommendations delayed – Follow-Up rescheduled for Jan to March 2022
<b>19-029B Safer Recruitment</b>	2 Limited Assurance	Green - All 6 recommendations implemented
<b>19-035B CCTV Business Operation</b>	2 Limited Assurance	Green - All 10 recommendations implemented
<b>20-004B Property Compliance</b>	2 Limited Assurance	Amber - Progress update provided by Council's Chief Operating Officer (see 3.2.11 below)
<b>20-010B Avon Pension Fund - Altair</b>	4 Substantial Assurance	Green - Of 5 Medium Risk recommendations - 4 implemented and a software change request has been sent to the vendor – pending.
<b>20-012B 16+ Accommodation Support</b>	4 Substantial Assurance	Green - All 6 recommendations implemented
<b>20-026B IT – Idox Contract Management</b>	2 Limited Assurance	Green - All 7 recommendations implemented
<b>20-032B Schools VAT Assurance</b>	Briefing Paper but included recommendations	Green - Single recommendation implemented

3.2.11 Members of the Committee will be aware that the Council's Chief Operating Officer attended the 29<sup>th</sup> April 2021. At that meeting Mandy Bishop (MB) stated that following the 2020/21 Audit, terms of reference for the Health, Safety and Well-being Committee had been redrafted, compliance duties were being reviewed, building surveyor work was planned to address data input weaknesses. MB informed the Committee of the appointment of an Interim Head of Property Transformation (Alan McCarthy) to assist with implementing the action plan.

3.2.12 On 28<sup>th</sup> October 2021 MB provided a further update based on consultation with the new Director of Place Management who now has responsibility (based on the recent senior management restructure) for Construction, Maintenance & Facilities Management (CM&FM). In terms of the three 'High' Risk Weaknesses progress is summarised in the table below:

	<b>Weakness Summary &amp; Mitigation</b>	<b>Implementation Progress</b>
H1	<p>Governance – Lack of clarity relating to role and responsibility of groups providing Scrutiny of Property Compliance.</p> <p>Formal Terms of Reference (ToFR) should be documented and adopted by both Property Board and the Health Safety &amp; Welfare Steering Committee</p>	Green - The TOR have been amended for the HWB Steering Group & Property Board to reflect feedback from IA.
H2	<p>Governance - Inadequate reporting to management/groups (Health Safety Wellbeing Steering Committee &amp; Property Board) on Property Compliance responsibilities.</p> <p>Development &amp; use of performance dashboard to monitor:</p> <ol style="list-style-type: none"> <li>1) an overall assessment for each area of property compliance area.</li> <li>2) A detailed analysis of risks within each area of property compliance.</li> </ol>	Amber - Whilst the dashboard will take some time to pull together (due to the multitude of data sets) we have put in place additional measures to ensure that senior management and the HSWB Steering Cttee are well sighted on the current gaps in compliance.
H3	<p>Failure to formally assign responsibilities to qualified Officer(s) and the relevant responsible officer (Chief Executive) is not provided with assurance that the Officer assigned the duty is professionally qualified (as required by industry adopted best practice).</p> <p>An annual Property Compliance Report should be submitted to Property Board / Health &amp; Safety Wellbeing Steering Committee recording the named responsible officer(s) for those property compliance areas requiring a 'responsible officer'.</p>	<p>Amber - The Head of Estates has been confirmed as the Chief Property Officer.</p> <p>In the 21<sup>st</sup> October 2021 report to HSW Steering Committee an appendix was presented recording the lead officer for key areas / duties in the Construction / Maintenance Service – the majority including Asbestos, gas appliances, electrical safety &amp; water management was assigned to a Senior Building Officer. A Fire Safety Officer is still to be appointed based on an unsuccessful recruitment process.</p>

- 3.2.13 It's proposed that the Chief Operating Officer, the Director of Place Management and key officers within CM&FM are invited back to a future meeting of Corporate Audit Committee in 2022 to provide a further update on all the Property Compliance Weaknesses / Recommendations.

## **4 STATUTORY CONSIDERATIONS**

- 4.1 There are no specific statutory considerations related to this report. Accounts & Audit Regulations set out the expectations of provision of an Internal Audit service. This is supported by S151 of the Local Government Act and CIPFA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service.

## **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

- 5.1 There are no direct resource implications relevant to this report.

## **6 RISK MANAGEMENT**

- 6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. Significant risks to the council arising from an ineffective Internal Audit Service include lack of internal control, failures of governance and weak risk management. Specific risks include supplementary External Audit Fees, undetected fraud and inadequate coverage of risks arising from COVID-19. Internal Audit assists the council in identifying risks, improvement areas and recommending good practice.
- 6.2 The Corporate Audit Committee has specific responsibility for ensuring the Council's Risk Management and Financial Governance framework is robust and effective.

## **7 EQUALITIES**

- 7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

## **8 CLIMATE CHANGE**

- 8.1 There are no direct climate change implications related to this report.

## **9 OTHER OPTIONS CONSIDERED**

- 9.1 No other options to consider related to this report.

## 10 CONSULTATION

10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

<b>Contact person</b>	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
<b>Background papers</b>	<i>Reports to Corporate Audit Committee –23<sup>rd</sup> September 2021; 29<sup>th</sup> April 2021 - Internal Audit Plan - 2021/2022.</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

Ref	Topic	Status	Assurance Level	Recommendations	
				Made	Agreed
21-001B	Covid19 - Restrictions - Business Grants	WIP			
21-002B	Covid19 - Adult Social Care Grant Funding Management	Final	4	4	4
21-003B	Covid19 - Supplier Relief - Adult Social Care Providers	Final	4	2	2
21-004B	Covid19 - Contain Outbreak Funding	WIP			
21-005B	Covid19 - Next Steps Accommodation Short & Long Term	WIP			
21-006B	Clean Air Zone (Income & Interfaces)	WIP			
21-007B	Covid19 - DWP Winter Support Grants	Final	4	1	1
21-008B	Covid19 - Emergency Assistance Grant for Food and Essential Supplies	Final	4	1	1
21-009B	In-Year Budget Management & Forecasting	Not Started			
21-010B	Property - Revenue Estate - Debt Recovery & Write Offs	Not Started			
21-011B	IT Audit - Secure Configuration (New laptops)	WIP			
21-012B	IT Audit - Cloud and Hosted Systems Management (iTrent)	Draft	3	6	TBA
21-013B	Highways Interventions & Drainage	Not Started			
21-014B	Joint Agency Panel (JAP)	Draft	Briefing	Paper	
21-015B	Climate & Nature Emergency - Response	WIP			
21-016B	IT Audit - Patch Management (Laptops)	WIP			
21-017B	Community Resource Centre & Extra Care Housing - (CRC Phase 2)	Draft	3	12	TBA
21-018B	Avon Pension Fund - Business Continuity	WIP			
21-019B	Property - Revenue Estate - Asset Utilisation	Not Started			
21-020B	Tenancy Fraud	Final	Briefing	Paper	
21-021B	Property - Revenue Estate - Management of Tenant Responsibilities (maintenance & structural alterations)	Not Started			
21-022B	Health Safety & Wellbeing - Managing the Risks	Not Started			
21-023B	Property - Revenue Estate - Property Acquisitions	Not Started			
21-024B	Avon Pension Fund - Pensions Governance COP 14	Not Started			
21-025B	Children Disabilities	Not Started			
21-026B	Property - Revenue Estate - Rent Reviews	Not started			
21-027B	Avon Pension Fund - Pensions Payroll	Final	4	5	5
21-028B	Avon Pension Fund - Digital Strategy Review	Not Started			
21-029B	Traffic Signals & Intelligent Network (Contract Management)	Final	4	5	5
21-030B	GLL Contract Management - Governance	Not Started			
21-031B	IT Audit - Incident Response Plan	WIP			
21-032B	IT Audit - IT Asset Management (Laptops)	Not Started			
21-033B	Governance - Decision Making	Not Started			
21-034B	IT Audit - Capacity and Availability	WIP			
21-035B	Alternative Learning	Not Started			
21-036B	Welfare Support	Not Started			