

Corporate Audit Committee

Date: Wednesday 22nd November 2023

Time: 4.00 pm

Venue: Kaposvar Room - Guildhall, Bath

Agenda

To: All Members of the Corporate Audit Committee

Councillors: David Biddleston (Chair), Lucy Hodge, George Leach, Malcolm Treby and Sam Ross

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>

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.

6. **Supplementary information for meetings**

Additional information and Protocols and procedures relating to meetings

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

Corporate Audit Committee-Wednesday, 22nd November, 2023

at 4.00 pm in the Kaposvar Room - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 5.

2. ELECTION OF VICE-CHAIR

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

3. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

4. DECLARATIONS OF INTEREST

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

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

(b) The nature of their interest.

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

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

5. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair will announce any items of urgent business.

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

7. AUDIT FINDINGS REPORT FOR COUNCIL & AVON PENSION FUND, AND AUDITED STATEMENT OF ACCOUNTS 2022/23 (Pages 7 - 244)

8. EXTERNAL AUDIT - ANNUAL REPORT - 2021/22 & 2022/23 (Pages 245 - 294)

9. AUDIT COMMITTEE - DRAFT WORKPLAN (Pages 295 - 298)

10. 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.

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

Bath & North East Somerset Council	
MEETING:	Corporate Audit Committee
MEETING DATE:	22nd November 2023
TITLE:	Audit Findings Reports for Council and Avon Pension Fund, and Audited Statement of Accounts 2022/23
WARD:	All
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Audit Findings Report for Bath & North East Somerset Council Appendix 2 – Audit Findings Report for Avon Pension Fund Appendix 3 – Bath & North East Somerset Council Audited Statement of Accounts 2022/23 Appendix 4 – Bath & North East Somerset Letter of Representation 2022/23 Appendix 5 – Avon Pension Fund Letter of Representation 2022/23</p>	

1 THE ISSUE

- 1.1 The Audit Findings Report summarises the results of Grant Thornton’s audit of the 2022/23 statement of 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 (England) Regulations 2015 (amended 2022), 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 2022/23 has been completed in accordance with the framework previously agreed by the Corporate Audit Committee.
- 1.3 Whilst the Audit is almost complete there are some finalisation checks still to be carried out by the External Auditor as identified in the Audit Findings report. If any final changes are required to the financial statements these will be presented at the Committee.

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 2022/23, are approved.

3 THE REPORT

Bath & North East Somerset 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 a number of agreed amendments to the Disclosure Notes accompanying the Financial Statements, none of which adjusted the total usable reserves or net position of the Balance Sheet.
- 3.3 With their work in its completion stages, Grant Thornton are currently proposing to issue an audit report including an unqualified audit opinion on the Council's 2022/23 Financial Statements.
- 3.4 The temporary two month extension to publication deadline for the draft Statement of Accounts expired when the Accounts and Audit (Amendment) Regulations 2022 came into force and the draft accounts publication deadline reverted back to 31st May for 2022/23 onwards. The deadline for the publication of the audited 2022/23 Statement of Accounts is 30th September 2023.
- 3.5 Details of these deadlines are given in the table below, showing that the Council were able to publish & provide Grant Thornton with the Draft 2022/23 Statement of Accounts by the earlier statutory deadline of 31st May 2023.

	2021/22 Deadline (& Issue) Date	Revised 2022/23 Deadline	2022/23 Actual Date Achieved
Draft Statement of Accounts Certified & Issued by Council	31 st July 2022 (Actual: 22 nd July 2022)	31 st May 2023	31 st May 2023
Final Audited Accounts Certified & Issued	30 th November 2022 (Actual: 29 th March 2023)	30 th September 2023	TBC

Avon Pension Fund's Accounts

- 3.6 There have been some minor changes to the Avon Pension Fund accounts that were authorised for draft issue. This includes some minor adjustments to disclosure notes, along with some rounding corrections and presentational changes.
- 3.7 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 £242.6m offset by expected contributions of £215.3m giving a net outflow of £27.3m. At 31 March 2023 the Fund had assets of £5.4bn of which £253m 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 £1.8bn in listed equity assets which are also highly liquid and can be sold for cash within a short timeframe. These liquid assets are more than sufficient to meet any unexpected reduction in contributions. There are no concerning trends regarding timely receipt of contributions, with 99.75% of contributions received on time for the quarter ending 31 March 2023.
- 3.8 The Funding level (i.e. the ratio of the Fund's assets to liabilities) was 96% at the last valuation in 2022. By March 2023 the funding level fell slightly to 95%. The strategic asset allocation is set to deliver the investment returns required to achieve full funding over a reasonable period.
- 3.9 It is therefore concluded that based on this evidence the Avon Pension Fund is a going concern with no material uncertainties.
- 3.10 Grant Thornton are proposing to issue an audit report including an unqualified audit opinion on the Pension Fund's 2022/23 Financial Statements.

Annual Governance Statement

- 3.11 In accordance with the framework agreed by the Corporate Audit Committee, Internal Audit 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.
- 3.12 The draft statement was reported to the Committee on the 5th July 2023. Two issues were noted of significant impact on the Council's Governance –
- A) Financial Challenge - specifically inflationary pressures – CPI increases
 - B) Children Services - service demand and increasing costs.

The detail of each of these was reported to the Committee in July and is included in the attached Appendix 3. The Statement sets out in more detail the high-level actions that the Council is taking to manage these significant issues.

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 2022/23 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 2022/23, 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.

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

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The Audit Findings for Bath & North East Somerset Council

Year ended 31 March 2023

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Section

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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.

J D Roberts

Jon Roberts

For Grant Thornton UK LLP

Date:

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Bath & North East Somerset Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2023 for the attention of 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.

Our audit work was completed both on site and remotely during July-November. Our findings are summarised on pages 7 to 20. We have not identified any adjustments to the financial. Audit adjustments are detailed in Appendix E. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix C. Our follow up of recommendations from the prior year's audit are detailed in Appendix D.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix H) or material changes to the financial statements, subject to the outstanding matters set out on page 6;

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 financial statements audit report opinion will be unmodified. We have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. A further explanation of the significant weakness we have identified in the Council's arrangements is detailed on page 22 of this report.

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 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 completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources in one specific area. We were satisfied that the Council had proper arrangements in all other areas within the scope of the NAO's Code of Audit Practice. Our findings are set out in the value for money arrangements section of this report (Section 3).

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 have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant matters

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

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](#)

We would like to thank everyone at the Council for their support in working with us to progress the audit.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. While B&NES has a significant investment portfolio, the majority of this is historic, and the Council has limited debt associated with this portfolio. The risks associated with this portfolio are therefore lower and our value for money work has not identified any significant weaknesses in arrangements.

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 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. Given the nature of the group components, full audits are required, which are undertaken by Bishop Flemming LLP for the components other than the Council, but the subsidiaries are not significant to the group, with specific tests required for the group audit.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Corporate Audit Committee meeting on 22 November 2023, as detailed in Appendix H. These outstanding items include:

- Completion of procedures relating to property, Plant & Equipment, Investment Properties, creditors and pension liabilities;
- Completion of final review processes;
- receipt of management representation letter; 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. During the course of the audit we encountered a small number of issues which resulted in us having to carry out additional audit procedures, as summarised on page 18 to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

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 25 June 2023. We set out in this table our determination of materiality for Bath & North East Somerset Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	7,520,000	7,400,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure based budget for the financial year with the primary objective to provide services for the local community and therefore gross expenditure at the Net Cost of Services level was deemed as the most appropriate benchmark. This benchmark was used in the prior year.
Performance materiality	5,500,000	5,500,000	75% of materiality was deemed an appropriate level for performance materiality, reflecting our experience of auditing previous year's accounts.
Trivial matters	370,000	370,000	5% of materiality was deemed an appropriate level for triviality, below which we do not report.

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	Relevant to Council and/or Group
Management override of controls 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.	We have: <ul style="list-style-type: none">• evaluated the design and implementation of management controls over journals• analysed the journals listing and determined the criteria for selecting high risk unusual journals• identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness Our audit work has not identified any issues in respect of management override of controls.	Group (where applicable) and Authority

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Improper revenue recognition - income from Roman Baths, car parking and the Investment estate</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 the Roman Baths, car parking and 'Income from Investment Estate'. We have therefore identified the occurrence and accuracy of these streams of 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> <p>Other income streams are primarily derived from grants or formula based income from central government and tax payers; and/or opportunities to manipulate revenue recognition are very limited.</p>	<p>For 'Income from the Roman Baths, car parking, and Income from Investment Estate' we have:</p> <ul style="list-style-type: none"> evaluated the group's accounting policy for recognition of income from Other Fees and Charges, and Investment Income for appropriateness; gained an understanding of the Authority's system for accounting for income from Other Fees and Charges and Investment Income and evaluate the design of the associated controls; agreed, on a sample basis, amounts recognised as income from Other Fees and Charges, and Investment Income in the financial statements to supporting documents. 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: <ul style="list-style-type: none"> 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 Bath and North East Somerset Council, mean that all forms of fraud are seen as unacceptable. <p>Our audit work has not identified any issues in respect of revenue recognition.</p>	Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Valuation of land and buildings and investment properties</p> <p>The group revalue 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 (£265.636m in the Group balance sheet at 31/03/23) 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 (£264.431m in the Authority's balance sheet at 31/03/23) which must be valued annually at 31 March.</p> <p>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.</p>	<p>We have:</p> <ul style="list-style-type: none"> 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 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. <p>We identified one issue with the underlying source data for Land & Building assets. Incorrect floor areas were used to support the original valuation of one asset. We are currently assessing the impact of the error identified.</p> <p>We have identified that not all investment properties are revalued as at 31 March, which is contrary to the requirements of the CIPFA Accounting Code. We have also identified that not all Group investment properties were revalued during the period. We have raised control recommendations in relation to these findings in Appendix B.</p>	Group & Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Valuation of pension fund net liability</p> <p>The Council'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.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£116.640m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. [If there is a significant asset (surplus) delete the sentence in red and replace with]</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.</p> <p>A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.5% change in the discount rate and a 0.25% change in the inflation rate would have approximately 150% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.</p> <p>Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Mercer, and the overall funding position improved.</p>	<p>We have:</p> <ul style="list-style-type: none"> 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 evaluate 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 performing any additional procedures suggested within the report; 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. <p>Our audit work to date has not identified any issues in respect of valuation of the pension fund liability. Our work remains in progress and is subject to final review processes.</p>	<p>Council</p>

2. Financial Statements: Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Aequus Construction Ltd	Bishop Flemming LLP	An unqualified audit opinion was issued on 17 October 2023. No significant issues were identified.	No impact on the group audit
Aequus Development Ltd	Bishop Flemming LLP	An unqualified audit opinion was issued on 17 October 2023. No significant issues were identified.	No impact on the group audit
Aequus Group Holdings Ltd	Bishop Flemming LLP	An unqualified audit opinion was issued on 17 October 2023. No significant issues were identified.	No impact on the group audit

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Building valuations – £265.638m</p>	<p>Other land and buildings comprises specialised assets such as schools and libraries, 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 are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged internal valuers, Avison Young, Wilkes Head & Eve and BNP Paribas to complete the valuation of properties as at either 31 December 2022 or 31 March 2023 on a five yearly cyclical basis. Approximately 20% of total assets were revalued during 2022/23.</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued, as at 31 December 2022, by applying indices to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties' value.</p> <p>The total year end valuation of land and buildings was £265.638m, a net increase of £31.036m from 2021/22.</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> assessed management's expert to ensure suitably qualified and independent, assessed the completeness and accuracy of the underlying information used to determine the estimate, confirmed there were no changes to valuation method, assessed the consistency of the estimate against near neighbours and using the Auditor's expert report, and assessed the adequacy of disclosure of the estimate in the financial statements. engaged an auditor expert to further challenge underlying assumptions and terms of engagement with the valuer. Challenged management on the existence of any RAAC within it's buildings and received assurances that there were no known instances after a detailed review had been undertaken. <p>Testing of the valuer's assumptions requires that sufficient evidence be provided to support any underlying assumptions or indices used to calculate a revaluation. We identified one issue with the underlying source data. Incorrect floor areas were used to support the original valuation of one asset. We are currently assessing the impact of the error identified.</p>	<p>TBC</p>

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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
Investment Property Valuation - £264.431m	<p>The Council has engaged BNP Paribas and Wilkes Head & Eve to complete the valuation of properties as either 31 December 2022 or 31 March 2023. 100% of total assets were revalued during 2022/23.</p> <p>The total year end valuation of investment property for the Group was £264.431m, a net decrease of £0.798m from 2021/22 (£265.229m).</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> assessed management's expert to ensure suitably qualified and independent; assessed the completeness and accuracy of the underlying information used to determine the estimate; confirmed there were no changes to valuation method; and assessed the consistency of the estimate using the Gerald Eve report. <p>We identified no issues in relation to the valuation of the Council's investment property in year, subject to the completion of our remaining procedures and review processes.</p> <p>We have identified that not all investment properties are revalued as at 31 March. We have also identified that not all Group investment properties were revalued during the period. Annual valuation of such assets is required under the CIPFA Accounting Code of Practice. We have raised control recommendations in relation to these findings in Appendix B.</p>	TBC

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Assessment

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £116m	<p>The Council's net pension liability at 31 March 2023 is £116.640m (PY £325.622m) comprising the Avon Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in March 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £208.982m net actuarial gain during 2022/23.</p>	<ul style="list-style-type: none"> 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. <table border="1" data-bbox="736 608 1839 963"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.8%</td> <td>4.7% - 4.9%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.8%</td> <td>2.7% - 2.8%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.2%</td> <td>3.95% - 4.3%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>23.7 / 22.4</td> <td>22.4 – 24.3 / 21.0 – 22.6</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>26.4 / 24.4</td> <td>25.3 – 26.6 / 23.5 – 24.7</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> 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 as per the table below. 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. We gained assurance over the reasonableness of the Council's share of the LGPS pension assets. We reviewed the adequacy of the disclosure of estimate in the financial statements. <p>Our work to date not identified any issues in relation to the estimation of the defined benefit pension net liability, subject to conclusion of our final procedures and final review.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.8%	4.7% - 4.9%	●	Pension increase rate	2.8%	2.7% - 2.8%	●	Salary growth	4.2%	3.95% - 4.3%	●	Life expectancy – Males currently aged 45/65	23.7 / 22.4	22.4 – 24.3 / 21.0 – 22.6	●	Life expectancy – Females currently aged 45/65	26.4 / 24.4	25.3 – 26.6 / 23.5 – 24.7	●	TBC
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	4.8%	4.7% - 4.9%	●																								
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Assessment

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2. Financial Statements: key judgements and estimates









Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision (MRP) - £9.174m	<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 £9.174m, a net increase of £814k from 2021/22.</p>	<p>Government consulted (February 2022) on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation.</p> <p>Our review of the Council's MRP has identified that there is no MRP being charged on capital loans. While this would not have a significant impact on the overall MRP given the low value of capital loans to third parties, in line with the plans for clarification of the regulations, we would recommend that management considers implementing a policy to make a MRP on capital loans to third parties.</p>	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment





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

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Page 27 Agresso	Roll-forward ITGC assessment (design effectiveness only)					N/A	N/A
Active Directory	Roll-forward ITGC assessment (design effectiveness only)					Access controls have been taken into account as part of our strategy for testing of journals to address the risk of management override of controls	

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

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 Council, which is included in the Corporate Audit Committee papers. Specific representations have been requested from management in respect of equal pay arrangements.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bank and counterparty institutions. This permission was granted, and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council'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. In general, we were provided with most requests in a timely manner. A small number of exceptions were noted: - IT audit work was delayed as responses to our requests were not received in a timely manner. - one incorrect population was provided to us, causing a repeat of some work in relation to investment income.

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>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>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none">• 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• 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. <p>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 style="list-style-type: none">• the nature of the Council and the environment in which it operates• the Council's financial reporting framework• the Council's system of internal control for identifying events or conditions relevant to going concern• management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none">• a material uncertainty related to going concern has not been identified• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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, 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.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix H</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"> • 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, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <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 group audit instructions.</p> <p>Detailed work is not required as the Council does not exceed the necessary threshold.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2022/23 audit of Bath & North East Somerset Council in the audit report, as detailed in Appendix I.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires 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.

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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 completed our VFM work and our detailed commentary is set out in the separate Auditor’s Annual Report, which is presented alongside this report.

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. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We identified a significant weakness in the Council’s arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor’s report will make reference to this significant weakness in arrangements, as required by the Code, see Appendix I.

Page 37	Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
	Financial sustainability was identified as a potential significant weakness, relating to the dedicated schools grant see the Auditor’s Annual Report for more details.	We considered the arrangements in place to reduce the deficit and the recovery plan agreed with the Department for Education.	We identified a significant weakness in arrangements.	Appropriate arrangements were in place for all areas, with one exception. This related to adherence with the agreed plan for recovery of the Discretionary Schools’ Grant deficits and, as such, one key recommendation has been raised.
	Governance arrangements and how the Council makes decisions in relation to its companies (Aequus Group) was identified as a potential significant weakness, see the Auditor’s Annual Report for more details.	We considered the arrangements to make an informed decision when the Council restructured its companies and the arrangements in place to effectively performance manage the companies	We did not identify any significant weaknesses in arrangements.	Appropriate arrangements in place, three improvement recommendations raised.

4. 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 and consider that an objective reasonable and informed third party would take the same view. 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 F.

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 [Grant Thornton International Transparency report 2023](#).

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. [The following non-audit services were identified which were charged from the beginning of the financial year to the current date, 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			
Certification of Teachers Pension Return	£7,500 - 2021-22	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 £17,500 for two periods in comparison to the total estimated fee for the audit of £164,000 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.
	£10,000* - 2022-23	Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	£34,850 - 2021-22	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 £84,582 for two periods in comparison to the total estimated fee for the audit of £164,000 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.
	£49,732* - 2022-23	Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

* Estimated fees at the time of reporting.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion
- I. Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 9 recommendations for the group 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 2023/24 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
	Our group risk assessment procedures identified that management did not produce formal group instructions.	<p>Group instructions are formally written down and communicated with component auditors to evidence the communication between parties.</p> <p>Management response</p> <p>Meetings and discussions were held between the Council and Aequus to agree the 2022/23 procedures for consolidating the accounts. We will ensure that for the 2023/24 closedown, formal instructions are issued following such meetings.</p>
Page 38	<p>Journals:</p> <ol style="list-style-type: none"> There is no formal approval process for posting journals, so finance team members are effectively posting their own journals. All journals above £500k are approved by Senior Finance Manager or Group Accountants, retrospectively. We identified one instance of untimely review of a user's access. A temporary user's account was still open despite completion of project. 	<p>Council to consider designing and implementing a formal approval process for posting journals. We also recommend that management reviews its process for removing accounts in a timely manner.</p> <p>Management response</p> <ol style="list-style-type: none"> We will review our journal authorisation processes alongside the Agresso Financial System Improvement Project. Current retrospective checks will remain in place whilst the review is undertaken and timescales of any potential system changes are assessed and evaluated. A review of operational processes relating to User Accounts and Profiles will be undertaken as part of the Financial Systems Improvement Programme that is currently underway. <p>Whilst we are confident the example highlighted was an exception, Management aim to strengthen controls and improve processes relating to the Auditing of User Access as part of this finding.</p>
	Our PPE work identified that the live valuers schedule contains minor errors with respect to the last date of valuation of some assets. There is a risk that incorrect data would affect the related PPE note disclosure in the financial statements.	<p>We recommend that management strengthen controls to ensure accurate and timely update of information on the live valuation schedule</p> <p>Management response</p> <p>We will carry out additional checks on the valuation schedule to make sure data is correct and up to date.</p>

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	<p>UELS of Infrastructure Assets</p> <p>Our audit procedures have revealed that 24 assets within the infrastructure assets have been assigned with UELs that are outside the range reported by the Council, with majority of them also falling outside the recommended CIPFA range. This was caused by wrong classification into the correct category these assets fall, and has been corrected by management</p>	<p>We recommend that management increases attention to the review of infrastructure assets register to ensure that assets are properly classified in the correct category for reliable reporting.</p> <p>Management response</p> <p>We will carry out additional checks across the UELs of Infrastructure Assets to ensure consistent approach is taken to asset lives.</p>
	<p>Group Investment Properties</p> <p>Not all the investment properties held by the council’s subsidiary company are revalued at year-end. For the year under audit, management revalued 7 out of 34 individual assets. The CIPFA code requires that all investment properties are revalued annually as at 31 March, and therefore the council’s policy does not meet the requirement of the code. There is therefore a risk that the valuations are not accurately stated.</p>	<p>Given the value of investment properties is only just material, we are satisfied this does not cause a significant issue, but for future periods, we recommend that management revalue all investment property items at year-end to ensure a true and fair presentation of their fair values at year-end.</p> <p>Management response</p> <p>As Shareholder, the Council will raise this matter through our Council Company protocol with Aequus’ Board and Management for consideration of future approaches to Valuation.</p>
Page 39	<p>Review of pooled budget agreements</p> <p>We observed that the Council and the ICB failed to renew the agreements for Better Care Fund but rolled forward the prior year agreements. However, the funding and expenditure for Better Care fund increased without a revision of the rolling agreement.</p>	<p>We recommend that management formally revises contractual agreements rather than rolling forward wherever possible.</p> <p>Management response</p> <p>The Council maintained the existing multi year pooled budget agreement between B&NES Council and CCG. Current and future arrangements are being reviewed to ensure the Better Care Fund sets out the new funding arrangements between the Council and Bath, Swindon & Wiltshire Integrated Care Board (ICB).</p>

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	<p>The existing policy on disposal of motor vehicles, plant, machinery or IT equipment at the Council is for managers to confirm whether assets are in use or have been disused within their respective departments. Second-checking or verifying a manager's position is usually not the case; before the assets are removed from the asset register.</p>	<p>It is recommended that a clearcut policy on asset disposal be created such that managers' positions are at least verified prior to removal of assets from the register. This would ensure that assets are appropriately disposed of or are legitimately removed from the asset register.</p> <p>Management response</p> <p>We recognise that data for relatively low value assets is maintained outside of the Accounting Fixed Asset Register and we will review these data sources to explore whether they can provide secondary verification of managers positions on asset disposals.</p>
	<p>We have observed that the land components of two newly acquired PPE have not been determined and recognised separately as required by the CIPFA code.</p>	<p>We recommend that management separates assets into relevant components as early as practically possible, ideally prior to each financial year end.</p> <p>Management response</p> <p>This had no impact on the financial statements for 2022-23 as the depreciation policy for buildings only impacts on the year following acquisition. The land components will be identified in the 2023-24 Valuation Schedule.</p>
	<p>We have identified of 198 out of a total of 263 investment properties were not revalued at year-end 31 March 2023, but valued at an earlier date (mostly 31 December 2022). This is not in line with the requirements of the CIPFA code.</p>	<p>We recommend that management ensures all investment properties are valued at year end to reduce the risk associated with inaccurate disclosure of investment property values.</p> <p>Management response</p> <p>We will review the resource requirement of this action with our external valuers, in particular we need to assess the feasibility to produce timely valuations for the draft Statement of Accounts to achieve the 31st May statutory deadline for publication. It should be noted that the value of Investment Properties valued at 31st December is £78m out of total assets of £256m, and a review is already undertaken to ensure no material change has occurred between 31st December and 31st March on these properties.</p>

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Bath & North East Somerset Council's 2021/22 financial statements, which resulted in 3 recommendations being reported in our 2021/22 Audit Findings report. We are pleased to report that management have implemented most of our recommendations and have implemented a plan for the remainder.

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
partially	A number of signed employment contracts or other HR documents such as change of circumstances forms were requested for testing of payroll costs and were not available.	Management reviewed the recommendation and have put in place mitigations to resolve some of the immediate issues. As the work requires a full review of the council's electronic filling and due to resourcing issues within the HR Operations team this work has not been able to be progressed as fully as planned. This has been reprioritised and will be completed by June 2024.
✓	There are a number of fully depreciated Useful Economic Life (UEL) assets included in the FAR which should be reviewed and disposed of where appropriate. There are some similar assets with inconsistent UELs and some assets with no remaining UEL which are still in use.	Management have continued to give attention to existence testing of assets at and near the end of their useful life. Our audit work has continued to identify fully depreciated assets and management have provided reasonable explanations for their continued use. We continue to recommend that management review on a regular basis but have not identified significant issues in relation to UELs.
✓	For one heritage asset, a valuation had been performed at the balance sheet date 31 March 2022. This valuation indicated that the asset's value was higher than its insurance valuation, and therefore the asset was under-insured.	The Council ensures valuation changes during the year are reflected in insurance sums at the next policy renewal date. The sums insured across heritage assets are in a block policy and not by individual asset. The sum insured under this block policy was increased by £9.5m at the 2022/23 renewal date.

Assessment

- ✓ Action completed
- X Not yet addressed

D. 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

There were no adjusted misstatements impacting on the primary statements for the year ending 31 March 2023.

D. Audit Adjustments (continued)

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.

We are required to report

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
NOTE 48 - City region deal Tier 2 EDF funding was reported as £7,049k in the draft financial statements instead of £4,049k.	We recommended that management adjust for this, which they have done.	✓
Amounts reported for 21/22 comparatives in Statement of cashflows, Note 45 and Group Note 3 were based on unaudited prior year figures. We challenged this and management has agreed to correct the figures to reflect the 21/22 audited figures as per the below: Aequus Construction Ltd: Net profit of £364,600 instead of audited value of £370,016, net current assets of £4,267,995 instead of audited value of £3,777,300, and net assets of £3,669,268 instead of audited value of £3,674,684 Aequus Developments Ltd: Net assets of £369,137 instead of audited value of £400,137.	We recommended that management adjust for this, which they have done.	✓
The Council included COVID-19 Sales, Fees & Charges Income Compensation Grant for 2021/22 as part of the Critical judgements disclosure for the year ended 31 March 2023.	Since this relates to the prior year and also considered to be immaterial, we recommended to management for a revision of the Critical judgement disclosure.	✓
Audit fees reported by the Council differed from the amount agreed in the audit plan as the plan was issued after the production of the draft financial statements.	Management had relied on the prior year fees to make the disclosure in the draft account for 22/23 and has agreed to correct the draft presentation to reflect the amounts agreed in the audit plan, correcting the fee from £234k to £217k.	✓
Dedicated Schools Grant Disclosure: Management notified us of a change in presentation of the Note 34 to the draft financial statements, which had not been incorporated into the original draft.	We recommended that management adjust for this, which they have done. This resulted in a change in the final DSG before and after academy recoupment to include the safety valve value of £7,680, as well as change in the year carry-forward for 23/24 from £7,696 to £16 for the year under audit.	✓
Cash flow statement: Cash and cash equivalents at the beginning of the previous reporting period (i.e. the 2021-22 opening figure) was originally stated as £27,419k, but should have been stated as £53,243k.	We recommended that management adjust for this, which they have done.	✓

D. Audit Adjustments (continued)

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.

We are required to report

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Disclosure for Adoption West within Note 36 was duplicated as disclosure for Youth Connect Southwest. This disclosure related to a brief description of the Council's related parties. We discovered that same description which was provided for Adoption West (a related party) was given to Youth Connect Southwest, which is a different related party.	We recommended that management adjust for this, which they have done.	✓
Group Investment property balance is material, but no disclosure note has been disclosed in the draft group accounts.	We challenged management who agreed to include a group disclosure note for investment property in the final accounts.	✓
Draft financial statements did not include a disclosure note in respect of the council's clean air zone.	We challenged management, who agreed to include a disclosure note.	✓
Amendment to Note 28 as a result of the exclusion of £3,013 from the Adult Learning Difficulties. We identified two funding sources amounting to £3,013 in total on the Adult Learning Difficulties pooled budget disclosure which was not traceable to the agreed annual position with NHS BSW ICB. These related to other contributing bodies and were not relevant Bath & North East Somerset Costs.	We recommended that management adjust for this, which they have done.	✓
Amendment of Group CIES and MIRS, to account for dividends paid by ACL amounting to £1,169,000 to the Holding Company. The dividends paid by ACL to the Holding Company were not reflected in the Group CIES, but has now been reflected to achieve consistency between the CIES and the MIRS.	We recommended that management adjust for this, which they have done.	✓

D. Audit Adjustments (continued)



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Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Corporate Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Our testing of Land & Building Assets identified that an incorrect floor area had been used for one asset. On revaluation, this resulted in a reduction from £2.464m to £238k.	2,225	(2,225)	2,225	Nil	Not material
Overall impact	£2,225	£(2,225)	£2,225	Nil	Not material

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the prior year.

E. Fees and non-audit services

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

Audit fees	Proposed fee	Final fee
Scale fee	£115,164	£115,164
Group	£3,750	£3,750
Use of expert – PPE Valuation	£5,000	£5,000
Value for Money audit – new NAO requirements	£20,000	£20,000
ISA 540	£6,000	£6,000
ISA 315	£5,000	£5,000
Additional journals testing	£3,000	£3,000
Infrastructure	£2,500	£2,500
Payroll change of circumstances	£500	£500
Collection Fund reliefs testing	£750	£750
Difficulties obtaining IT audit evidence		£750
Investment Estate – incorrect population provided		£750
PPE Floor area issues		£2,000
Equal Pay		£5,000
Prior period adjustment		£1,000
Total audit fees (excluding VAT)	£164,164	£173,664*

*fees are as projected at the time of drafting the audit findings report. All variations are subject to agreement with PSAA.

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services 2021-22	£42,350	£42,350
Audit Related Services 2022-23	£59,732	TBC
Total non-audit fees (excluding VAT)	£102,082	£TBC

The draft fees did not reconcile to the financial statements as management had relied on the prior year fee in the current period. Management have adjusted their financial statements to reflect the values reported in the audit plan. We are satisfied this is appropriate as any additional fee variations are to be submitted to PSAA on the conclusion of the audit for approval.

None of the above services were provided on a contingent fee basis

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation

See separate item included in Corporate Audit Committee Papers.

H. 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 & North East Somerset Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Bath & North East Somerset Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, 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 2022/23.

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 2023 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 2022/23; 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 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 group and the Authority'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 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 2022/23 that the Authority's 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 2022) 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.

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 financial statements is appropriate.

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 and 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.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

H. Audit opinion

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information. 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.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this 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, the other information published together with the financial statements in the 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 and the Chief Financial Officer

As explained more fully 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 Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, 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 financial statements, the Chief Financial Officer 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 they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

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.

H. Audit opinion

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, and data protection.

We enquired of management 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 management, 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 management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to large and unusual journal entries and accounting estimates. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on large and unusual journals,

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of property, plant and equipment, the valuation of investment properties and the valuation of net pension liabilities, and
- 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 one 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.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the risks associated with investment income, roman baths income and car parking income. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team and component auditors included consideration of the engagement team's and component auditors'

- 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 in which the group and Authority operates
- 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.

H. Audit opinion

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 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.

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. This description forms part of our auditor's report.

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 2023.

We have nothing to report in respect of the above matter except that on 13 November 2023 we identified a significant weakness in the Council's financial sustainability arrangements. The Council has an agreed recovery plan in place with the Department for Education (DfE) and has received funding from the DfE, however at the end of 2022/23 the Council is behind its agreed recovery plan and in 2023/24 at the end of quarter two, forecasts that it will be £3m behind plan. We have recommended that the Council take action to address the shortfall in the DSG recovery plan.

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.

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.

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 January 2023. 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 – Audit certificate

We certify that we have completed the audit of Bath & North East Somerset Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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 44 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.



The Audit Findings Report for Avon Pension Fund

Year ended 31 March 2023

13 November 2023

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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.

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.

Name: Peter Barber
For Grant Thornton UK LLP
13 November 2023

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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 2023 for the attention of 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 Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund 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 commenced our post-statements audit in June and as at 8 November 2023 our audit is substantially complete. This year we undertook the audit remotely utilising a pooled pension team across our 5 LGPS audits in the South West.

Our findings are summarised on pages 5 to 18.

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

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.

The draft financial statements were presented for audit in accordance with the agreed timetable. Whilst in the main, good quality working papers were provided to support entries, we did encounter issues that resulted in additional, unplanned audit work.

This additional work reflects the continuous raising of the bar and us as auditors providing greater challenge to the Pension Fund especially in the areas subject to greatest estimation and uncertainty. This additional time has resulted in a proposed further increase in audit fees for 2022/23 as set out in Appendix E.

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.

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. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report, subject to final review processes.

Our anticipated opinion on the financial statements will be unmodified.

1. Headlines

National context - audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 1% (5 of 467) of local government bodies had received audit opinions in time to publish their 2022/23 accounts by the deadline of 30 September 2023. Although the Avon Pension Fund 2022/23 audit is nearing completion, we are unable to issue our opinion until we have issued our opinion for the administering body, in Avon Pension Fund's case, Bath and North East Somerset Council, which is anticipated in November 2023.

We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the Pension Fund for their support in working with us to resolve delays and complexities to complete the audit in a timely manner.

Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Mercer, and the overall funding position improved. The results of the latest triennial valuation are reflected in note 15 to the accounts to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample of 51 individuals and found the source data to be complete and accurate, despite challenges faced with one sample item. This additional testing is only required after each triennial review, rather than annually. See Appendix E for the impact of this work on our 2022/23 audit fee.

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 prior to presentation to 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.

For Avon Pension Fund, the Corporate Audit Committee fulfil the role of those charged with governance. The Pension Committee considers the draft financial statements and is part of the overall member oversight process.

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

Conclusion

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

These outstanding items include:

- review of the Annual report;
- Testing of purchases and sales;
- Final review processes;
- receipt of management representation letter see appendix H; 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. As part of our audit procedures, we identified several issues in relation to the reconciliation of several populations, discussions about prior period adjustments and difficulty obtaining IT evidence.

This resulted in us having to carry out additional audit procedures, as summarised on page 13 to gain sufficient audit assurance in respect of our auditor’s opinion on the financial statements.

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 in July 2023. We have determined both materiality over the financial statements and set a lower materiality over the fund account transactions.

We set out in this table our determination of materiality for the Pension Fund.

Pension Fund Amount (£) Qualitative factors considered

Materiality for the financial statements	61.9m	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 2022.
Performance materiality	43.3m	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	3.1m	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'.
Materiality for fund account	23.8m	Due to the sensitivity of the fund account disclosures to those stakeholders who are admitted members of the Fund, we have determined a lower materiality threshold over the relevant fund account disclosures.



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>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</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.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determined the criteria for selecting high risk unusual journals; tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our testing of estimates, judgements and journals has not identified any evidence of management override of controls. We have raised one control recommendation in Appendix B relating to our journals work.</p>
<p>Improper revenue recognition (rebutted)</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>We rebutted this risk in our Audit Plan. 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.</p> <p>Our audit work has not identified any issues in respect of improper revenue recognition.</p>
<p>Expenditure recorded includes fraudulent transactions (rebutted)</p> <p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>“As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related expenditure may be greater than the risk of material misstatements due to fraud related 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.</p>	<p>We rebutted this risk in our Audit Plan. 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.</p> <p>Our audit work has not identified any issues in respect of improper expenditure recognition.</p>

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 at the year end 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 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 require a significant degree of judgement to reach an appropriate valuation at year end.

Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2023.

We therefore identified valuation of Level 3 investments as a significant risk.

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. This year, one individual differences identified were above our trivial threshold (£6m underestimated) and these are detailed on [page 9](#). The total aggregate difference identified for Level 3 investments was £14.5m.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £1.226bn	<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 2023 at £1,226m. 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 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 investment has decreased by £85m in year, and level 3 investments and now account for 22.8% of the fund.</p>	<p>As outlined in our testing of the valuation of level 3 investments we have;</p> <ul style="list-style-type: none"> - Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate, - Considered the valuation techniques used against industry practice, and - Reviewed the adequacy of disclosures of estimate in the financial statements. <p>Our findings in relation to the testing of Level 3 investments identified small estimation differences. The total aggregate difference identified for Level 3 investments was a potential understatement of the estimates by £14.572m. This is due to timing differences and is not indicative of a deliberate cautious approach to estimation.</p> <p>Included within the overall difference of £14.572m was one difference which was individually greater than our trivial threshold:</p> <p>A difference of £6.0m in the investment: PRIVATE DEBT PORT CYCLE II</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

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
Level 2 Investments – £3.902bn	The Pension Fund investments in level 2 on the balance sheet as at 31 March 2023 total £3,902m. 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 decreased by £315m compared to the prior year.	<p>Similar to our approach for level 3 investments, we have;</p> <ul style="list-style-type: none"> - Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate, - Considered the valuation techniques used against industry practice, and - Reviewed the adequacy of disclosures of estimate in the financial statements. <p>Our findings in relation to the testing of Level 2 investments identified some estimation differences. None of the individual differences identified were above our trivial threshold, nor were they above that threshold cumulatively.</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

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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 Group Manager, Funding, Investment & Risk 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.

We have;

- Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate,
- Considered the data upon which the valuation has been based
- Considered the reasonableness of the assumptions used, and
- Reviewed the adequacy of disclosures of estimate in the financial statements.

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.

We have;

- Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate,
- Considered the valuation techniques used against industry practice, and
- Reviewed the adequacy of disclosures of estimate in the financial statements.









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: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Aggresso	Roll-forward ITGC assessment (design effectiveness only)					N/A	N/A
Active Directory	Roll-forward ITGC assessment (design effectiveness only)					Access controls have been taken into account as part of our strategy for testing of journals to address the risk of management override of controls	

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial Statements - matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary
<p>The draft financial statements were presented for audit in accordance with the agreed timetable. Whilst in the main, good quality working papers were provided to support entries, we did encounter issues that resulted in additional, unplanned audit work.</p> <p>This additional work reflects the continuous raising of the bar and us as auditors providing greater challenge to the Pension Fund especially in the areas subject to greatest estimation and uncertainty. This additional time has resulted in a proposed further increase in audit fees for 2022/23 as set out in Appendix D.</p>	<p>Additional work was required due to the following issues:</p> <ul style="list-style-type: none"> - The Purchases and Sales populations did not reconcile to the draft financial statements - We encountered reconciliation issues with the Contributions population provided to us, which resulted in delays in being able to select our sample of contributions. - One triennial valuation sample provided difficult to evidence, requiring additional discussions with management to verify the appropriateness of the source data.

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 will be requested from the Pension Fund.
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. We experienced a number of difficulties in obtaining a population for purchases and sales testing. We also identified a few differences in reconciliations between notes in the financial statements.

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>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>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> 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 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. <p>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 style="list-style-type: none"> the nature of the Pension Fund and the environment in which it operates the Pension Fund's financial reporting framework the Pension Fund's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund is administered by Bath & North East Somerset Council (the ‘Council’), and the Pension Fund’s accounts form part of the Council’s financial statements. We are required to read any other information published alongside the Council’s financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. Our work is still in progress but will be completed prior to issuing the audit opinion. We plan to issue an unmodified opinion in this respect – refer to Appendix H
Matters on which we report by exception	<p>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. We propose to issue our ‘consistency’ opinion on the Pension Fund’s Annual Report at the same time as the financial statements opinion.</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.</p>



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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 and consider that an objective reasonable and informed third party would take the same view. 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 E.

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 [Grant Thornton International Transparency report 2023](#).

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. No non-audit services were identified which were charged from the beginning of the financial year to September 2023, as well as the threats to our independence and safeguards that have been applied to mitigate these threats. Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards.

As part of our assessment of our independence we note the following matters:

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Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for future non-audit services and we confirm there were no fees for the provision of audit-related or non-audit services.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 4 recommendations 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 2023/24 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
	Reconciliations of the Contributions population we identified a £1.18m difference between the listing provided and the ledger balance. It is understood that these differences arise when employers send insufficient or incorrect data and primarily relate to discounts and adjustments between months.	<p>While the difference is not significant, we would recommend that management undertakes a reconciliation exercise to ensure the contributions populations reconcile to the financial statements.</p> <p>Management response</p> <p>£1.32m of the difference relates to FSR contributions paid in advance. Actual difference, relating to insufficient/incorrect data is therefore is £0.14m. FSR contributions in advance are reconciled separately and, by their nature, employer contributions reported on the spreadsheet are more than the actual contributions (i.e. equal the discount received).</p>
	Our testing of benefits identified one individual within the dependents population who had passed away in 2019. While the fund had ceased all benefit payments, the individual was still included in the total benefit cost for the year. We assessed the potential impact of this error and identified that there could be an overstatement of benefits in the range of £700k to £1.6m.	<p>While the projected error is not significant, we recommend that management seeks to review dependent benefit recipients to confirm that those they are no longer making payments to are removed from the system. Undertaking regular reconciliations between the system and actual benefit payments will also help to identify differences for follow-up.</p> <p>Management response</p> <p>The members benefits were suspended in their record at the time the death was reported. The status hadn't been updated but was immediately updated as soon as it was picked up by the audit. The report used for the sample lists all pensioners from Altair and their expected benefits for the year. The Final Accounts use the actual pensions paid in year.</p>

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Controls

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

B. Action Plan – Audit of Financial Statements

We have identified 4 recommendations 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 2023/24 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
	Our journals testing identified that journals posted by David Richards were not formally reviewed.	<p>We recommend implementing a process for formal review of journals posted by David to ensure that the postings are free from error.</p> <p>Management response</p> <p>Agreed - a new process needs to be implemented whereby David Richards journals are reviewed on a monthly basis.</p>
	Our related parties testing identified that neither the Fund, nor the administering authority was able to produce a declaration of interest for one of the independent members of the pension fund committees.	<p>We recommend that all members, even where independent are asked to complete a declaration of independence.</p> <p>Management response</p> <p>Agreed - will follow up with the individual at the next committee meeting</p>

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Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Avon Pension Fund Pension Fund's 2021/22 financial statements, which resulted in 10 recommendations being reported in our 2021/22 Audit Findings Report. We are pleased to report that management have implemented most of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partially addressed	As part of our risk assessment procedures around Journals, we identified that the fund were reviewing all journals at year end rather than throughout the year. We also identified that user reviews are scheduled to take place quarterly. Both findings leave the fund open to significant time passing before issues are identified.	Management has confirmed that journals were reviewed monthly from November onwards. The Fund's aim is to complete user reviews monthly, five were carried out in 22/23 following this recommendation.
✓	Our reconciliation of the current year comparative figures to last year's Avon pension Fund Annual Report identified two immaterial differences in the figures published to those included in the 2021-22 draft financial statements. We identified that the fund had included the correct figures in the B&NES Signed accounts for 2020-21, but that the Pension Fund Annual Report had not been updated.	Management have now confirmed that part of Year end preparation process now involves checking that the published annual report matches the audited accounts.
✓	Our journals testing identified one off ledger adjustment. While this year the adjustment is trivial in value, there is a risk that off ledger adjustments are incorrectly processed or accidentally excluded.	Management have confirmed that this should have been followed up. However, it relates to a long-term debtor arising from the Life Time Tax Allowance, which has been removed from effect from 6th April 2023, so will always be trivial in value. We are satisfied given the triviality of the issue no further action is required.
✓	Our contributions testing identified that one Pension Fund officer altered the contributions reconciliation to reflect a value different to one of the admitted bodies LGPS 50 forms. The amendment was made to reflect the fact that the admitted body was suggesting their return was incorrect.	We did not identify any such issues in 2022-23 audit work.
✓	We identified that management are not updating cyber security policies	Management have confirmed that this is a responsibility of the B&NES IT Service as we use the same network as B&NES Council. We understand they have a dedicated Cysog team who have a focussed action plan on managing Cyber Risk including policies and procedures.
✓	We identified that management are not reporting their derivative assets and liabilities gross, but are accounting for them net.	Derivative assets and liabilities were reported gross this year.

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partially	<p>Inadequate oversight around generic user in Agresso application</p> <p>During the audit, we obtained and inspected the evidence relating to the administration of generic accounts with privileged access within the Agresso application and observed that the access to a generic account [Administrator] is shared between the multiple administrators from Finance systems department. The Council has no controls in place to monitor the appropriateness of the activities performed by the account.</p> <p>Risk:</p> <p>The use of generic or shared accounts with high-level privileges increases the risk of unauthorised or inappropriate changes to the application or database. Where unauthorised activities are performed, they will not be traceable to an individual.</p> <p>Also, without appropriate audit logging and monitoring, unauthorised activities may not be detected in a timely manner, can go unnoticed, and evidence of whether the attack led to a breach can be inconclusive.</p>	<p>Management have confirmed that this is a responsibility of the B&NES Financial Systems Team. Action is part of their overall Financial Systems Improvement Programme and is in progress.</p>
Partially	<p>Lack of controls over granting new user access within Altair application</p> <p>Altair</p> <p>For a sample user, we noted that the new user access to be mirrored with appropriate user was not mentioned clearly in the new user creation form to verify appropriateness of roles granted against roles approved and had incorrect permissions to be granted within Altair. This lack of information made it difficult to verify whether the permissions requested versus the permissions granted were aligned, or whether the permissions requested were appropriate for the user's role.</p> <p>Risk</p> <p>User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.</p>	<p>Management have confirmed that this is a responsibility of the B&NES Financial Systems Team. Action is part of their overall Financial Systems Improvement Programme and is in progress.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partially	<p>Lack of controls over user access amendments within Altair and Agresso application</p> <p>Altair: For a sample user, we noted that the existing user access request via email does not define the specific access rights that should be assigned to the user. This lack of information made it difficult to verify the appropriateness of user's access to the new access role.</p> <p>Agresso: For a sample user, we noted that the existing user access new request was not approved by appropriate Line manager as described in the Agresso user form. However, we noted that the existing user access request was approved by an appropriate user from the Budget team and access was provided by Financial Systems Team.</p> <p>Additionally, it was noted that there was system limitation to obtain the access modification date from the Agresso system which made it difficult to identify the date when the access was modified within the system to verify that the access was granted in the Agresso system after the access requested was approved.</p> <p>Risk</p> <p>User access may not be appropriately aligned to job role requirements and may lead to inappropriate access being gained to the application and/or inappropriate changes being made to underlying data.</p>	<p>Management have confirmed that this is a responsibility of the B&NES Financial Systems Team. Action is part of their overall Financial Systems Improvement Programme and is in progress.</p>
Partially	<p>Lack of review of security/audit logs in Agresso</p> <p>It was noted that whilst security/audit logs are enabled in Agresso, they are not proactively monitored or reviewed.</p> <p>Risks</p> <p>Without formal and routine reviews of security event logs, inappropriate and anomalous activity may not be detected and resolved in a timely manner.</p>	<p>Management have confirmed that this is a responsibility of the B&NES Financial Systems Team. Action is part of their overall Financial Systems Improvement Programme and is in progress.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

D. 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

No adjusted misstatements have been identified for the year ending 31 March 2023.

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/issue/Omission	Auditor recommendations	Adjusted?
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.	✓
Management's first presentation of the financial instruments notes and investment notes 9 and 10 included discrepancies between the pension fund accounts and the amounts disclosed in the B&NES draft accounts.	Management confirmed that the Avon accounts were correct and adjusted the amounts disclosed in the B&NES draft accounts.	✓
The value of cash purchases and sales originally disclosed in Note 9 were adjusted as they did not agree to the State Street reports. Cash purchases were originally stated as £14.7m and adjusted to £2.9bn and receivables for sale were originally stated as £5.6m and were adjusted to £3.0bn.	We discussed these with management, who adjusted for the differences.	✓

D. Audit Adjustments (continued)

Impact of unadjusted estimation differences

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Corporate Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Estimation differences identified in the valuation of L3 Investments. Investments are estimated to be understated.		£14,572		Relates to estimation difference based on the timing of the audit compared to the timing of management's preparation of the financial statements. Management used the best available information at the time to produce financial statements.
Overall impact		£14,572		

Impact of prior year unadjusted misstatements

No prior year unadjusted misstatements were identified.

E. Fees and non-audit services

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

Audit fees	Proposed fee per Audit Plan	Final fee
Scale Fee	£25,305	£25,305
Impact of ISA 540 & increased focus on Level 2 & 3 Investments	£6,000	£6,000
Impact of ISA 315	£3,000	£3,000
Journals testing	£2,000	£2,000
Impact of additional FRC challenge	£3,750	£3,750
Reconciliation issues with contributions (see page 13)		£2,000
Reconciliation issues – purchases and sales (see page 13)		£5,000
Pension Fund Audit	40,055	47,055
IAS 19 letters for employer body auditors, including testing of 31 March 2022 triennial review *	£2,000	£2,000
IAS 19 assurance work for 31 March 2023	£13,700	£13,700
Work on triennial valuation member data *	£5,000	£6,000
Total audit fees (excluding VAT)	£60,755	£68,755

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

E. Fees and non-audit services

Audit and non-audit services

The proposed fees of £60,775 do not reconcile to the financial statements total fee disclosure of £68,000. Once the following reconciliation items are taken into account the amounts agree within a reconciling difference:

- £20,000 Internal Audit Cost added
- £11,092 PSAA rebate deducted.

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

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Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work. Please see below for details of the fees for this work in 2021/22 and the safeguards in place.

As set out above, fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23.

The fee for this work in 2021/22, as reported in that year's Audit Findings Report, was £12,000 and this was invoiced in November 2022.

We set out below the threat to our independence and safeguard that has been applied to mitigate this threat.

Service	Fees £	Threat identified	Safeguard
Non-audit Related			
IAS19 Assurance letters for Admitted Bodies	12,000	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 £12,000 in comparison to the expected fee for the audit 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.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation

See separate item included within the Corporate Audit Committee Agenda.

H. 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 on financial statements

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 2023, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund accounts, 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 2022/23.

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 2023 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 2022/23; 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 2022/23 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 2022) 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.

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.

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.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

H. Audit opinion

Our audit opinion is included below.

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

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. The Chief Financial Officer is responsible for the other information. 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters 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, 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 and the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the accounts [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 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 2022/23, 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 they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

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.

H. Audit opinion

Our audit opinion is included below.

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

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, 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 management and the Corporate Audit 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 management, 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 Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's 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 the valuation of level 3 investments. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on large and unusual entries,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 and level 3 Investments and IAS 26 pensions liability valuations, and

- 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 one 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.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the risk of management override. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our 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
- 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.

H. Audit opinion

Our audit opinion is included below.

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

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. This description forms part of our auditor's report.

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 44 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.

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Signature:

Peter Barber, Key Audit Partner

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

Bristol

Date:



BATH & NORTH EAST SOMERSET COUNCIL

STATEMENT OF ACCOUNTS 2022/23

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Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Bath & North East Somerset Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, 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 2022/23.

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 2023 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 2022/23; 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 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 group and the Authority'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 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 2022/23 that the Authority's 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 2022) 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.

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 financial statements is appropriate.

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 and 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.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information. 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.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this 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 matter 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, the other information published together with the financial statements in the 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 and the Chief Financial Officer

As explained more fully in the Statement of Responsibilities [set out on page 140], 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 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 2022/23, 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 financial statements, the Chief Financial Officer 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 they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, and data protection.

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

We enquired of management 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 management, 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 management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to large and unusual journal entries and accounting estimates. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on large and unusual journals,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of property, plant and equipment, the valuation of investment properties and the valuation of net pension liabilities, and
- 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 one 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 noncompliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the risks associated with investment income, roman baths income and car parking income. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team and component auditors included consideration of the engagement team's and component auditors'

- 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 in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority and group including:
 - o the provisions of the applicable legislation
 - o guidance issued by CIPFA/LASAAC and SOLACE
 - o 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 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.

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. This description forms part of our auditor's report.

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 2023.

We have nothing to report in respect of the above matter except that on 13 November 2023 we identified a significant weakness in the Council's financial sustainability arrangements. The Council has an agreed recovery plan in place with the Department for Education (DfE) and has received funding from the DfE, however at the end of 2022/23 the Council is behind its agreed recovery plan and in 2023/24 at the end of quarter two, forecasts that it will be £3m behind plan. We have recommended that the Council take action to address the shortfall in the DSG recovery plan.

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.

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.

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 January 2023. 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 – Audit certificate

We certify that we have completed the audit of Bath & North East Somerset Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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 44 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.

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

Bristol

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BATH AND NORTH EAST SOMERSET COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS OF AVON PENSION FUND

Opinion on financial statements

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 2023, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund accounts, 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 2022/23.

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 2023 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 2022/23; 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 2022/23 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 2022) 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.

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.

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.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. The Chief Financial Officer is responsible for the other information. 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BATH AND NORTH EAST SOMERSET COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS OF AVON PENSION FUND

Opinion on other matters 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, 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 and the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the accounts [set out on page 140], 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 2022/23, 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 they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

The Corporate Audit 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.

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, 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 management and the Corporate Audit 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 noncompliance with laws and regulations.

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BATH AND NORTH EAST SOMERSET COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS OF AVON PENSION FUND

We enquired of management, 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 Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's 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 the valuation of level 3 Investments. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on large and unusual entries,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 and level 3 Investments and IAS 26 pensions liability valuations, and
- 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 one 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.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the risk of management override. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the

Our 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
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - o the provisions of the applicable legislation
 - o guidance issued by CIPFA/LASAAC and SOLACE
 - o 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.

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. This description forms part of our auditor's report.

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 44 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.


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

Bristol


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 2023.

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 2022/23, 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 2020 there were estimated to be 196,953 residents. (ONS)

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 Outcomes

The population has grown steadily over time:

This growth has come from a combination of increasing student numbers at the two Universities and an increasing number of new housing developments.

The shape of the population is largely driven by the high number of university students.

Economy

Overall, pupils in B&NES consistently attain higher grades compared to regional and national figures in all stages of education. (DfE)

49% of working age population educated to degree level or above, higher than West of England and England) (ONS)

79% Employment rate, higher than national, regional and most similar authorities (ONS)

Wellbeing

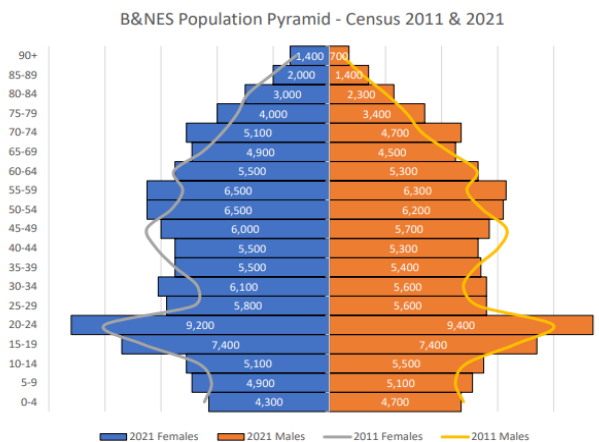
In the 2011 Census, 16% of residents reported that their day-to-day activities were limited through a long-term illness or disability and 10% of the population stated that they spent a substantial portion of their time caring for a friend or relative.

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.

Life Expectancy is 80.8 for men and 84.7 for women, both significantly higher than national average. (OHID)

Population wellbeing (happiness) is in line with national average (ONS)

84% of residents satisfied with area as a place to live compared to 75% nationally. (Voicebox & LGIU)



NARRATIVE REPORT

The Next Twelve Months & Medium Term Outlook

The Medium-Term Financial Strategy (MTFS) was approved in November 2022 and outlined how the budget would be delivered over the medium to long-term. It incorporates the continuing impact of the Covid pandemic on the Council's income levels together with the severe inflationary pressures from the 'Cost-of-Living crisis'. 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 2023/24 and a current projected budget gap for 2024/25 and beyond although this is expected to reduce to a balanced position once the impacts of returning income and further efficiencies are factored in to budget planning. The figures include all estimates for future pay awards, pension costs, Council Tax, business rates, Government grant, and inflation. The revenue budget contingency for inflationary pressures has been replenished with a further £1m to the £1.67m added in 2022/23 which has been allocated for in year contract pressures.

The budget has been developed considering how to operate with a higher cost base and lower income levels whilst delivering the Corporate Strategy to meet our key principles and commitments. After taking account of ongoing service cost pressures and new funding requirements, the starting point for the 2023/24 budget is a funding gap of £14.38m. The proposed budget meets this funding gap in two ways:

- 1) Income generation plans of £5.09m, and
- 2) Cost reduction plans of £9.29m.

The ongoing impact of high inflation together with a reduction in income has created a short-term 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. The Council revenue support grant has reduced from £31m in 2013/14 to £0.8m per annum in 2023/24 and as a result we have become more reliant on external income to help fund core Council services. After considering demands on services and inflationary pressure the Council revenue budget requires £17.52m in budget growth, this is funded through increases in Council tax, income and savings plans and grant adjustments.

The material items requiring additional funding on top of annual budget adjustments are listed below, this illustrates some of the economic and financial challenges the Council is facing post pandemic and as a result of rising inflation.

- Investment in Neighbourhoods services £1.9m
- Children's Services budget rebasing £2.46m
- Education Services budget rebasing £1.6m
- Home to School Transport £1.1m

In addition, the budget has incorporated £0.177m one-off funding for the introduction of a new Ward Councillor Empowerment fund to be used by 2025/26, and £0.33m ongoing funding for the Councils Business Change programme.

To deliver a balanced budget in 2023/24, savings and income generation plans total £14.38m, with income and savings to find of £9.96m in 2024/25. This will be reviewed early in the 2023/24 financial year to enable early budget planning to develop robust and deliverable proposals for the 2024/25 budget. The Council has a good track record of delivering proposed savings. In relation to the 2022/23 approved savings of £11.87m, 90% (£10.63m) have been delivered in full, 1% (£0.09m) have been mitigated by one-off underspends in year, with the remaining 9% delayed until 2023/24.

An updated Efficiency Strategy was approved in February 2023, 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 forms 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 £0.16m of capital receipts to fund one-off costs of delivering savings in 2022/23 and has budgeted to utilise up to £3.25m in 2023/24 and future years.

The Local Government Finance Settlement for 2023/24 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 2023/24. This provides a significant financial benefit to the Council with estimated benefits of c.£3.2 million factored into the Councils budget in 2023/24.
- A further delay in the Fairer Funding Review and Business Rate Retention changes until 2025/26 at the earliest.
- The Lower Tier Services Grant has been removed for 2023/24, the Council received £0.20m in 2022/23. The Services Grant has been reduced from £1.63m to £0.96m in 2023/24, the reduction includes adjustment to remove 2022/23 funding for the increase in Employer's National Insurance following the Chancellor's decision to reverse this.
- An increase of £4.09m in Social Care grant funding taking the total grant for 2023/24 to £10.07m. This increase includes the transfer into the grant of the Independent Living Fund (ILF) grant of £0.43m. After taking account of the ILF transfer, the net increase of £3.66m will be allocated to fund Children's Social Care demand pressures in line with previous years use of the Social Care grant. The government has funded the 2023/24 increase through delaying Adult Social Care charging reform until October 2025, and in line with this the MTFS assumes the 2023/24 additional funding will be removed in 2025/26.
- Grant funding for 2023/24 of £1.709m for Social Care through the Market Sustainability & Improvement Fund Grant, an increase of £1.216m on the 2022/23 grant of £0.493m. This funding is assumed as recurrent in the base budget.
- New ring-fenced grant funding for 2023/24 of £0.687m through the Adult Social Care Discharge Fund Grant. This funding is assumed as recurrent in the base budget.
- Confirmation that the existing improved Better Care Fund social grant will be maintained at the same value as 2022/23, for B&NES this is £4.9m. This will protect 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, the government has allowed for a further 2% per annum allowance for the Adult Social Care Council Tax increase through the final two years of the current spending review period to 2024/25.
- A general council tax increase cap of 3% for 2023/24 (this excludes the Adult Social Care Council Tax increase).

The Budget agreed for 2023/24 included the following key proposals:

- An increase of 2% 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 2.99% in 2023/24.
- The Band D Council Tax for Bath and North East Somerset Council next year, including the Adult Social Care Precept increase, is £1,653.90 (£1,575.30 in 2022/23) an overall increase of 4.99% and £78.60 per Band D (£1.51 per week).
- A General Fund net revenue budget of £131.03m for 2023/24 and an approved Capital Programme for 2023/24 of £87.89m.

Corporate Strategy

The 2023/24 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 might sound simple but it 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:

- Further investment to deliver more effective transport schemes across the council area, with a particular focus on creating liveable neighbourhoods, prioritising active travel and reducing reliance on the car for commuting and short journeys.
- Continued investment to support the most vulnerable people in our communities.
- Continued commitment to address the climate and ecological emergency, investing in energy and reductions in vehicle usage.
- Focus on supporting the local economy to recover from the impact of the pandemic and rising inflation, regenerate local high streets and increase the diversification of the economy away from dependence on retail, hospitality and tourism.
- Support the Business Change 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 2023/24 Capital Programme and the indicative programme for the next five years, including both fully approved and provisionally approved schemes. This level of resource ensures that overall planned spending and funding are in balance.

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Total Schemes	186,098	66,724	40,081	20,156	24,423
Funding Sources					
Grant	58,560	21,126	11,321	9,731	8,802
Capital Receipts	13,184	630	806	0	0
Revenue	1,000	0	0	0	0
Borrowing	102,456	44,465	26,657	9,270	14,891
3rd Party (incl. s106 & CIL)	10,898	503	1,297	1,155	730
Total Funding	186,098	66,724	40,081	20,156	24,423

Revenue Outturn and Balances 2022/23

The Council's net revenue budget was set at £126.744m with an increase of 2.99% in its part of the 2022/23 Council Tax (split 1% for the Adult Social Care precept and a 1.99% general increase). Dedicated Schools Grant funding of £49.245m separately supports expenditure on schools.

Total net spending amounted to £131.934m against a revised budget of £132.152m, giving a year end under budget position of £0.218m on the general fund before transfers to reserves. After allowing for the carry forwards of underspends of £0.158m, the final outturn position is an underspend of £0.060m. The Cabinet Outturn report proposes the transfer of the £0.060m to the corporate revenue budget contingency earmarked reserve. This transfer and the carry forwards will be reflected in the 2023/24 accounts. The uncommitted General Fund balance (unearmarked reserves) after allowing for the transfers and carry forwards is £12.6m, which is in accordance with the current risk assessed target range approved by the Council in February 2022.

Schools balances have decreased by £0.252m to £0.834m at the year-end, this is partly due to some schools utilising their balances for capital projects that had been planned for some time.

The Council followed well established procedures for monitoring its finances and reporting the position to Senior Management and the Cabinet throughout the year. Significant inflation and demand cost pressures have impacted the Council during the year, including the staff pay award settlement which was £2.6m higher than budget provision. With a projected overspend of £4.5m forecast based on the first half of the financial year, the Council put in place a Financial Recovery Board to maintain a strategic overview of the financial position with a focus on in year mitigations to recover the overspend by the end of the financial year. This was achieved during the second half of the financial year with the overspend forecast reduced to £1.5m by Quarter 3 with the further improvement highlighted above delivered by year end.

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

Children & Young People, Communities & Culture - over budget by £5.444m - The Children and Young People segment of this Portfolio continues to be affected by demand pressures and packages of care and support costs as a direct result of accommodating additional needs. £2.7m of the pressure is due to demand led budgets including Joint Agency Panel (JAP), Residential, Disabled Children, Children in Care, Staying Put placements, Care Leavers, Foster Carers, Unaccompanied Asylum Seeker Children and other client expenditure across Children Services. The outturn position includes the pressure of £0.60m as a result of delayed delivery of cashable savings in relation to the planned transformation savings budgeted. These were in relation to increasing the availability of in-house Foster Care provision, and supporting, where appropriate, reunifications of our children and young people with their families. The outturn position includes £1.2m of one-off in year mitigations from the use of additional health and covid reserve funding. Across all salary areas there is a pressure of £1.8m as a result of the cost of covering vacancies in teams whilst also responding to increasing demand and complexity of need. The Home to School Transport (HTST) service includes a £1.2m over budget position. This is due to significant pressure from ongoing market forces creating cost pressures when procuring HTST, including reduced availability of drivers, increased fuel costs and reduced tendering activity for many routes.

NARRATIVE REPORT

Neighbourhood Services – over budget by £0.706m – There have been pressures on staffing and fleet budgets across waste services partly mitigated by increases in recycling and garden waste income, leaving a net over budget position of £0.456m. Parks & Bereavement Services were over budget by £0.455m, mainly due to the crematorium chapel at Haycombe being closed between April and October for capital improvement works resulting in a reduction to income from cremations and memorial sales. These pressures were partly offset by under budget positions in Registrars and Highways Maintenance.

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

Resources - under budget by £4.325m – The main under budget variance relates to Capital Financing budgets which were £2.8m favourable due to lower borrowing costs associated with delays in borrowing for capital projects and increased interest earned on cash balances as interest rates rose through the year. There were also under budget positions in corporate budgets of £1.385m, mainly due to the release of corporately held contingencies to offset demand and inflation pressures impacting on Council services, and £0.544m in ICT Services due to savings on licensing, contracts and borrowing costs. These favourable variances were partly offset by pressure in Corporate Estate of £0.430m, due to costs associated with void properties including the vacant school site at Culverhay, and in Housing & Council Tax Benefits Subsidy of £0.479m, due to increases in temporary accommodation costs.

Transport Services - under budget by £1.844m – Under budget position due to staff savings across Parking Services, Public and Passenger Transport and Network and Traffic Management, combined with additional parking income from high levels of visitors to Bath, and increased income across the Traffic Management Service.

Leader – under budget by £0.616m – Favourable position mainly due to higher income achieved in Heritage Services as visitors to the Roman Baths were ahead of budget. This was driven by the return of international tourists, in particular US tourists. The strong visitor numbers translated to income through admissions and retail. Private hire income performed well, with demand for weddings remaining high.

Schools Outturn & Balances

The overall Dedicated Schools Grant for 2022/23 was £167.758m, however of this sum £118.513m was returned to the DFE to be allocated to academies, £12.131m was allocated to schools through funding formula, with the remaining £37.114m (after the prior year overspend of £13.437m) 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 £7.696m, 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 £13.437m giving a total overspend to be carried forward of £21.133m. 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 general fund revenue budget (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 £7.696m 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, following the recently announced extension, covers the period to 31st March 2026.

In March 2023 the LA entered into a Safety Valve Agreement recovery plan to bring spending in line with budget over the next 6 years with the DFE. The Safety valve agreement is a process set up to support Local Authorities with DSG deficits, whereby the LA will show its ability to ensure that spending is controlled within the DSG and the DFE will look to support the accumulated overspend. The agreement signed by the LA and the DFE sets out the recovery of the cumulative overspend with the DFE providing additional funding to the LA as set out in the table below.

Year	The Department agrees to pay to the authority the additional £'m of DSG by each year end
2022/23	£7.68m
2023/24	£1.65m
2024/25	£1.65m
2025/26	£1.65m
2026/27	£1.65m
2027/28	£1.65m
2028/29	£3.29m
Total	£19.22m

The 2022-23 payment of £7.68m was received during March 2023 and was netted off the cumulative deficit. The cumulative deficit on the Dedicated Schools Grant Adjustment Account unusable reserve currently stands at £13.453m.

The seven schools maintained by the Local Authority have balances that have decreased by £252k to £834k at the year-end. This decrease is partly due to some schools utilising their balances for capital projects that had been planned for some time. These balances are closely monitored by Schools Forum which has adopted an excessive balances policy in line with continued DFE best practice 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 Cabinet Portfolios)	Budget	Actual	(Under)/ Over
	£'000	£'000	£'000
Leader	(4,124)	(4,740)	(616)
Resources	7,506	3,181	(4,325)
Economic Development, Regeneration & Growth	803	864	60
Adult Services & Council House Building	65,006	65,349	343
Children & Young People, Communities & Culture	37,452	42,896	5,444
Climate & Sustainable Travel	1,362	1,120	(242)
Planning & Licencing	2,378	2,633	254
Neighbourhood Services	26,875	27,581	706
Transport	(5,104)	(6,949)	(1,844)
Total (before carry forwards and t/f to reserves)	132,152	131,934	(218)
Carry Forward Requests (Underspends)			158
Total (Including Carry Forwards)			(60)

NARRATIVE REPORT

The Leader Portfolio is made up of Heritage Services, World Heritage and Visit Bath as well as External Affairs & Partnerships and Events & Active Lifestyles.

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

The Economic Development, Regeneration & Growth Portfolio is made up of Regeneration and Business & Skills.

Adults & Council House Building Portfolio is made of Adult Care, Health & Housing Strategy & Commissioning (including Mental Health, Learning Difficulties, Adult Social Care & Adult Safeguarding), and Housing.

Children and Young People & Communities 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). It also includes Public Health (including Health Improvement, Health Intelligence and support to NHS Commissioning), Leisure and Customer Services (including Libraries).

The Climate & Sustainable Travel Portfolio is made up of Transport Strategy, Clean Air Zone, Environmental Monitoring & Green Transformation.

Planning & Licencing is made up Building Control & Public Protection and Development Management.

The Neighbourhood Services Portfolio is made up of Parks & Bereavement, Waste & Fleet Services, Registrars & Highways Maintenance.

Transport is made up of Network & Traffic Management, Parking and Public & Passenger Transport and Emergency Planning.

Collection Fund

As part of the 2023/24 budget setting, an estimate was made on the position of the Collection Fund as at 31st March 2023. 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 £0.281m over the estimated position. The difference will be taken into consideration when estimating the closing 2023/24 Collection Fund as part of the 2024/25 budget process.

	Estimated surplus / (deficit)	Actual surplus / (deficit)	Difference
	£'000	£'000	£'000
Council Tax	415	76	(339)
Business Rates	5,027	5,647	620
Total	5,442	5,723	281

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 £168.0m. This reconciles to the General Fund spending reported above as follows:

	£'000	£'000
Total net spending by departments		131,934
Add:		
Charges related to capital assets:		
- depreciation, amortisation and impairments	14,562	
- revenue expenditure funded from capital under statute	5,748	
- loss / (gain) on revaluations	1,105	
		21,414
Other Movements:		
Grant funded revenue expenditure funded from capital under statute	(4,740)	
Unapportioned pensions contributions	(1)	
Levy payments	(5,455)	
Interest received and paid	(5,748)	
Non-Ringfenced Government Grants	16,483	
Other movements on funds and balances	(1,302)	
Minimum Reserve Payment (MRP)	(9,174)	
Net transfers from / (to) reserves	24,623	
		14,686
Cost of services - continuing operations		168,034

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 2022/23 totalled £74.2m. Overall capital spending was 69% 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
Economic Development, Regeneration & Growth	17,823	11,308	(6,515)
Resources	25,281	14,963	(10,318)
Leader	990	648	(342)
Climate and Sustainable Travel	4,957	3,668	(1,289)
Adult Services & Council House Building	7,002	5,606	(1,396)
Children and Young People and Communities	6,522	2,252	(4,270)
Neighbourhood Services	38,433	31,411	(7,022)
Transport Services	5,901	4,304	(1,598)
	<u>106,908</u>	<u>74,160</u>	<u>(32,748)</u>

Capital expenditure was financed by:

	£'000
Capital Receipts	2,755
Grants	39,650
Borrowing	25,567
3rd Party Contributions	804
Revenue	1,026
S.106 / CIL contributions	4,358
	<u>74,160</u>

The largest Capital spend was £17.3m on the Keynsham Reuse and Recycling Site at Pixash Lane. Capital spend on developments for the Bath Quays North Site, South Site and Bridge was £5.6m, £3.0m on the Bath Western Riverside and £8.1m on Bath Regeneration, with further £3.8m Housing Delivery Schemes. Capital spend of £15.1m was on Highways infrastructure, with £1.6m, Bath City Centre Security and £1.5m on Liveable Neighbourhoods. £1.1m of spend was incurred on New Technology for improved staff working with £0.7m on Civic centre office re-configuration.

Property, Plant & Equipment

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

Transfers of £37.930m from Assets Under Construction reflecting projects becoming operational in the year:-

	£'000
Bath Quays South Offices	17,472
Bath Quays South Infrastructure	10,035
Bath Quays Foot/Cycle Bridge	5,562
Sydney Gardens Regeneration	2,879
Keynsham Civic Centre	728
Energy Capital Scheme	461
Keynsham High Street	408
Other	385
	<u>37,930</u>

Net Property Revaluation gain of £16.639m for Other Land and Buildings and Surplus Assets for the following classes of assets:-

	£'000
Car Parks	9,443
Heritage	3,535
Community Centres	1,771
Children Centres	1,266
Schools Secondary	1,078
Leisure Centres	736
Offices	(1,680)
Other	490
	<u>16,639</u>

Investment Property Assets Values

Investment Properties were subject to new valuations in 2022/23 and reflected a valuation basis of fair value.

A £20.9m reduction in Investment Property values has occurred since the last full valuation was undertaken (31st March 2022), but the new office at Bath Quays South achieved Practical Completion and was revalued at £18.5m.

NARRATIVE REPORT

Non Financial Performance of the Council

Council Priorities

The Council's framework was developed in 2020. The core purpose of this 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 Council collects and monitors a wide range of key performance indicators to measure its delivery. Many of these are of a statutory nature and need to be reported to central Government. There are also many local indicators developed by services to allow them to measure the delivery of Council services.



Strategic Indicator Summary

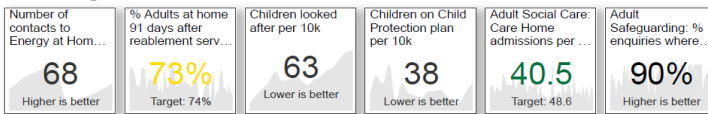
Preparing for the Future Click on an indicator to see more



Delivering for Residents Click on an indicator to see more



Focusing on Prevention Click on an indicator to see more



Strategic Indicator Report

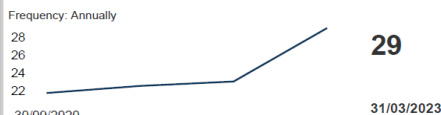
Preparing for the future

Our area is changing. We must change with it and help local residents prepare for the future. We want to promote high-quality, high-skill jobs, for example, in the new green jobs sector and in new technologies. At Bath Quays, we are creating a vibrant commercial quarter in the heart of the city which is delivering new jobs and homes. We also have a programme aimed at making our high streets more attractive places to visit, including greener ways of getting around the area and support to businesses.

We will work with partners, organisations such as the West of England Combined Authority, and local communities, to secure long-term investment in our local infrastructure. Our priorities for this are sustainable transport, homes and energy. So that they can take advantage of these changes, we want to help our young people acquire and enhance the skills they need to achieve their ambitions. To do this we will also need to address inequalities of outcome in education, particularly in the early years.

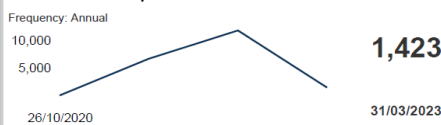
We also need to make the most of new technology, and be smarter and more flexible in the ways that we work. We need to be clearer about what we can and cannot provide. Increasingly, we will ask residents to self-serve for our more transactional services, so that we can better support people who need our help the most.

Installed renewable energy capacity (MW)



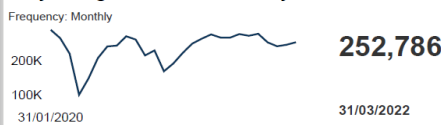
The anticipated increase in installed capacity was seen in 2022/23. A combination of the Council's own initiatives and large planning applications moving to development have delivered additional capacity.

Number of trees planted on Council land



Planting over the last two years has utilised the sites that could accommodate large numbers of trees. With the finite amount of land in scope, and few sites suitable for mass planting, the focus is on planting more individual high value specimens to maintain the quality of tree stock.

Daily average traffic volumes at key sites



Ongoing monitoring across 22 key sites across B&NES shows that the reduction in average volumes over Covid-19 lockdowns quickly returned to near previous levels. Data last updated in March 2022. Data quality work to ensure that a complete dataset is available continues during 2022/23.

% environmental issues reported online



% residents satisfied with local area as place to live



Children on Education Health & Care Plans (EHCP)



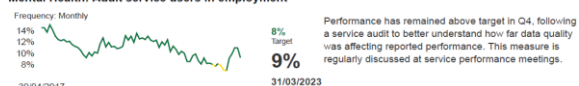
Key Stage 4 Average Attainment for all pupils



Early Years Foundation Stage Achievement Gap



Mental Health: Adult service users in employment



Non Financial Performance of the Council (cont.)

Bath & North East Somerset Council
Improving People's Lives

Strategic Indicator Report

Delivering for residents

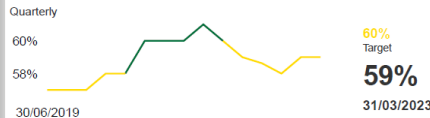
Access to housing, and getting around our area are key local concerns. We are determined to secure more affordable and social housing, improve the quality of rented housing, make our housing stock green and tackle fuel poverty.

We will also facilitate significant improvement of the transport infrastructure and encourage behaviour change to forms of transport other than the private vehicle. This will enable a major shift to walking, micro mobility (cycling), car-sharing, buses, and rail.

Alongside the introduction of the Clean Air Zone, we have wider ambitions for a more pedestrian-friendly city centre and reducing the impact of cars in residential streets through better traffic management, and reductions in 'rat-running'.

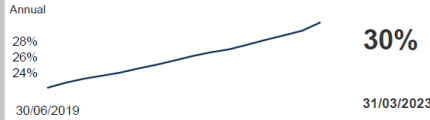
To support this, we need to understand the views and needs of our local communities. We are committed to improving how we involve local people in our decision making, such as on local transport schemes, ensuring that they have a greater say in how their services are designed, funded and run.

% of household waste recycled/composted



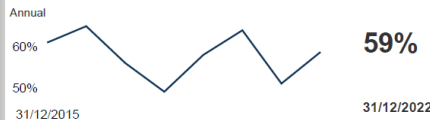
When considered alongside the below-target amount of waste produced per household, the service is progressing towards its zero waste ambition. Please note that the indicator is now reported as a 12-month average as the target is measured at annual intervals.

EPC Score A-C for B&NES residential



Shows the % of properties with a satisfactory energy efficiency rating. Trend shows a positive direction of travel.

% residents satisfied with the council



Satisfaction with the council increased by over 7% in the latest results, based on the first release of 2022 Voicebox data. As is standard with the first release, these results are subject to review and validation.

Adult social care reviews - % people with a review



Pressure across the health and social care system is impacting on timeliness of reviews. Providers are prioritising initial assessments and any reviews carried out are risk stratified to ensure that the waiting list is managed to avoid needs being left unmet.

Number of contacts to Energy at Home Info Centre (cumulative)



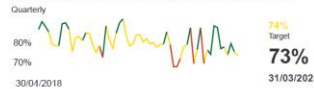
The new in-house service provides information and signposting for residents. The service is being actively promoted through a range of communications channels. The cumulative count has started again from the beginning of 21/22 to monitor in-year demand.

Housing Delivery Targets - Net new homes



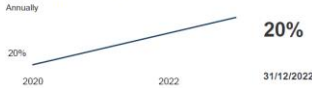
While the net new homes delivered in 2022 were below the annualised target, the cumulative supply over the Core Strategy period exceeds the requirement. The Local Plan Update has allocated additional sites to mitigate any future shortfall.

% Adults at home 91 days after reablement service



Performance for Q4 was above the Better Care Fund plan target overall, despite the rate falling just below the target in March. Challenges remain around the complex needs of people using the services, including end-of-life patients.

% residents who feel they can influence decisions about their local area



There has been a small increase in the proportion of people who feel that they can inform decisions made by the council, based on the first release of 2022 Voicebox data. As is standard with the first release, these results are subject to review and validation.

Children looked after per 10k



Recent increases in children in care can be attributed to a small number of larger families and an increase in the requirements to support unaccompanied asylum seeking children. The latter trend is expected also to be seen nationally with National Voluntary Dispersal Scheme and is anticipated to continue to increase, locally, regionally and nationally for 2022/2023.

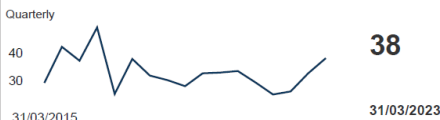
Focusing on Prevention

Having a clear approach to prevention is essential to improving people's health and wellbeing, sustaining the social care and health services we all value and rely on, and strengthening our local economy. For example, properly insulated homes are cheaper to run and help prevent cold-related ill health as well as contributing to addressing the climate emergency. Bath's Clean Air Zone is also a good example of how we are preventing ill health through reducing air pollution.

People should receive the support they need in the most efficient, effective and timely way, reducing demand for later and more costly interventions. Everyone has a part to play and our residents should be supported to stay healthy, live well and be independent for as long as possible, making good choices for their own health and wellbeing. For example, we can promote active travel, such as walking and cycling.

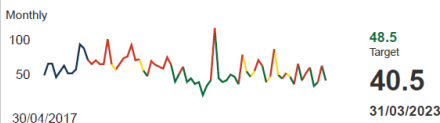
We cannot do this alone and we will need to build on our joint working arrangements with partners, voluntary organisations, parishes, and residents, through growing initiatives such as Compassionate Communities, which was exemplified in the creation of the Compassionate Communities Hub. We will always ensure that we continue to protect and support our most vulnerable residents.

Children on Child Protection plan per 10k



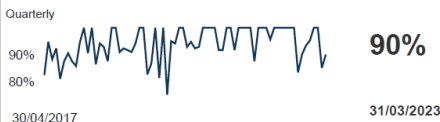
Rates are low compared to similar authorities. Attributed to good management of risk and in line with our practice framework principles and values.

Adult Social Care: Care Home admissions per 100k



Performance was on target in March 2023 but the month-on-month rate remains variable. Funding arrangements continue to be different to those in effect prior to the pandemic, so data from 21/22 onwards is not directly comparable to previous years.

Adult Safeguarding: % enquiries where risk removed/reduced



The rate remains high as practice continues to minimise harm and risk.

NARRATIVE REPORT

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.

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 Corporate Risk Register is maintained and Cabinet and the Corporate Policy Development & Scrutiny Panel have reviewed the register during 2022/23. The Corporate Risk Register is included in the Corporate Intelligence Section of the Council's Integrated Reporting Framework which brings together finance, performance and risk into one corporate reporting portal.

An officer Corporate Risk Management Group chaired by the Council's Chief Operating Officer has been established and has overall responsibility for the co-ordination of both departmental / service and corporate risks, reporting up to the Strategic Leadership Team.

Work to manage risk in 2022/23 has continued to focus on –

- How we plan for and meet the ongoing Financial Challenge which has been compounded by international events and rising inflation
- Supporting and stimulating Economic Growth and Regeneration
- Safeguarding children and vulnerable adults in our community
- Provision of statutory services
- Climate emergency response
- Securing systems and data
- Workforce recruitment and retention
- Delivering community services and joined up commissioning with the ICB and partners
- Working across the West of England to stimulate housing needs, skills and employment, support major transport projects and provide public transport
- Managing and investing in the key infrastructure and assets of the area and tackling major transport issues

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 2022. The market value of the Fund's assets at the valuation date was £5,822m. The Actuary estimated that the value of the Fund was sufficient to meet 96% of its expected future liabilities of £6,060m in respect of service completed to 31 March 2022, with a deficit of £238m. This triennial valuation set the employer contribution rates from 1 April 2023. The next triennial valuation will be as at 31st March 2025.

Pension Liabilities

The Council itself has a liability of £116.6m for future pensions costs. This is because under IAS19 the Council must account for pensions for former members of staff when the commitment is made, not when the pension is paid.

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

The decrease in 2022/23 is mainly due to gains and losses from changes in the Actuary's assumptions in valuing the assets and liabilities, particularly in relation to financial gains from the increase in the discount rate used, 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 Aequus Developments Ltd (ADL) (develop, deliver, own & manage property) and Aequus Construction Ltd. (ACL) (building construction & development). Both entities are ultimately 100% subsidiaries of the Council, with ADL and ACL both being 100% subsidiaries of Aequus Group Holdings Ltd (AGHL) (non-trading holding company), which itself is a 100% subsidiary of the Council. 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.

The accounts continue to be produced promptly and to an exceptionally high standard against the challenging background of multiple pressures in local government, including managing the post pandemic impact on our finances. This has resulted in increased demand across all services, including finance, together with the team having to deal with delays to external audit providing the audit opinion on the 2021/22 accounts and the challenging deadline of producing these accounts by the 31st May 2023. 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: 22nd November 2023

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2022/23

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	2021/22 Gross Exp Restated £'000	2021/22 Gross Inc Restated £'000	2021/22 Net Exp Restated £'000		2022/23 Gross Exp £'000	2022/23 Gross Inc £'000	2022/23 Net Exp £'000
				Expenditure on Services			
	14,955	(13,425)	1,530	Leader	15,981	(19,272)	(3,291)
	69,962	(47,541)	22,421	Resources	69,349	(47,728)	21,621
	3,321	(1,890)	1,431	Economic Development, Regen. & Growth	3,396	(1,847)	1,549
	103,178	(46,537)	56,641	Adult Services & Council House Building	115,384	(45,491)	69,893
	127,339	(79,914)	47,425	Children and Young People & Communities	137,282	(90,668)	46,614
	5,226	(8,548)	(3,322)	Climate & Sustainable Travel	5,896	(7,461)	(1,565)
	6,855	(4,689)	2,166	Planning & Licensing	7,144	(4,889)	2,255
	45,356	(15,009)	30,347	Neighbourhood Services	45,090	(8,829)	36,261
	14,205	(14,052)	153	Transport	9,600	(14,903)	(5,303)
	390,397	(231,605)	158,792	Cost of Services - continuing Operations	409,122	(241,088)	168,034
9			9,536	Other Operating Expenditure			7,514
10			2,211	Financing and Investment Income & Expenditure			22,873
11			(168,746)	Taxation and Non-Specific Grant Income			(182,156)
			1,794	(Surplus) or Deficit on Provision of Services			16,265
24			(50,955)	(Surplus) on Upward Revaluation of Non-current Assets			(25,034)
24			10,479	Deficit on Downward Revaluation of Non-current Assets			2,661
41			(54,191)	Remeasurement of the net defined benefit liability			(232,937)
			(94,667)	Other Comprehensive Income & Expenditure			(255,310)
			(92,873)	Total Comprehensive Income & Expenditure			(239,045)

MOVEMENT IN RESERVES STATEMENT 2022/23

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.

Current Year	Unearmarked General Fund Balance £'000	Earmarked General Fund Balance £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves (Note 23) £'000	Unusable Reserves (Note 24) £'000	Total Authority Reserves £'000
Balance at 31 March 2022	15,876	95,447	111,323	8,518	22	119,863	50,613	170,477
Movements During 2022/23:								
Total Comprehensive Income & Expenditure	(16,265)	-	(16,265)	-	-	(16,265)	255,310	239,045
Adjustments between accounting basis and funding basis under statutory provisions	(11,432)	-	(11,432)	524	(22)	(10,930)	10,930	-
Increase / (Decrease) during year	(27,697)	-	(27,697)	524	(22)	(27,195)	266,240	239,045
Transfers to / (from) earmarked reserves	24,623	(24,623)	-	-	-	-	-	-
Balance at 31 March 2023	12,802	70,824	83,626	9,042	-	92,668	316,854	409,522

Comparative Year	Unearmarked General Fund Balance £'000	Earmarked General Fund Balance £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves (Note 23) £'000	Unusable Reserves (Note 24) £'000	Total Authority Reserves £'000
Balance at 31 March 2021	19,244	100,919	120,163	6,645	23	126,831	(49,228)	77,603
Movements During 2021/22:								
Total Comprehensive Income & Expenditure	(1,794)	-	(1,794)	-	-	(1,794)	94,667	92,873
Adjustments between accounting basis and funding basis under statutory provisions	(7,046)	-	(7,046)	1,873	(1)	(5,174)	5,174	-
Increase / (Decrease) during year	(8,840)	-	(8,840)	1,873	(1)	(6,968)	99,841	92,873
Transfers to / (from) earmarked reserves	5,472	(5,472)	-	-	-	-	-	-
Balance at 31 March 2022	15,876	95,447	111,323	8,518	22	119,863	50,613	170,477

BALANCE SHEET as at 31 MARCH 2023

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 2022 £'000		31 March 2023 £'000
12	231,060	Property, Plant & Equipment:	
	1,558	Land & Buildings	262,210
	22,041	Community Assets	4,335
	72,302	Vehicles, Plant & Equipment	22,095
	3,543	Assets under Construction	61,089
12a	104,407	Surplus assets	3,428
13	48,382	Infrastructure	133,532
14	257,093	Heritage Assets	48,564
15	767	Investment Property	256,385
19	8,241	Intangible Assets	649
	<u>749,394</u>	Long Term Debtors	<u>7,596</u>
		Long Term Assets	799,883
16	35,406	Short Term Investments	13,960
18	498	Inventories	520
19	50,555	Short Term Debtors	48,441
20	49,979	Cash and Cash Equivalents	28,541
17	871	Assets Held for Sale	<u>170</u>
	137,310	Current Assets	91,633
16	(5,023)	Short Term Borrowing	-
21	(83,913)	Short Term Creditors	(74,397)
35	(2,066)	Grants Receipts In Advance - Revenue	(1,600)
35	(23,465)	Grants Receipts In Advance - Capital	<u>(19,573)</u>
	(114,467)	Current Liabilities	(95,570)
22	(13,908)	Provisions	(15,532)
16	(216,732)	Long Term Borrowing	(212,551)
41&42	(335,689)	Other Long Term Liabilities	(126,304)
35	(35,431)	Grants Receipts In Advance - Capital	<u>(32,037)</u>
	(601,760)	Long Term Liabilities	(386,424)
	<u>170,477</u>	Net Assets	409,522
23	119,863	Usable reserves	92,669
24	50,614	Unusable Reserves	316,853
	<u>170,477</u>	Total Reserves	409,522

The accounts were authorised for issue on 22nd November 2023.



Andy Rothery Chief Finance Officer (s.151 Officer)

Date: 22nd November 2023

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.

	2021/22	See Note 25 for further details	2022/23
	£'000		£'000
	(1,794)	Net surplus or (deficit) on the provision of services	(16,265)
		Adjustment to surplus or deficit on the provision of services	
A	73,736	for non cash movements	57,304
		Adjust for items included in the net surplus or deficit on the provision	
A	<u>(47,118)</u>	of services that are investing and financing activities	<u>(48,059)</u>
	24,825	Operating Activities	(7,020)
C	(9,207)	Investing Activities	(5,173)
D	(18,882)	Financing Activities	(9,245)
	<u>(3,264)</u>	Net Increase/(decrease) in cash equivalents	<u>(21,438)</u>
E	53,243	Cash & cash equivalents at the beginning of the reporting period	49,979
E	49,979	Cash & cash equivalents at the end of the reporting period	28,541

NOTES TO MAIN FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end 31 March 2023. 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 2022/23 (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

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.

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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 usable 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

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 2.8% (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
- Unutilised 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.

Discretionary Benefits

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

1.11 VAT

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

1.12 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

1.13 Property, Plant & Equipment (excluding Infrastructure Assets)

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 of the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The authority does not capitalise borrowing costs incurred while assets are under construction. 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
- * 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 (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), 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.

Where decreases in value 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 the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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
- * 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

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.

1.13a Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network

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

Measurement: Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost.

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.

Depreciation : Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network follows CIPFA Guidance using estimates endorsed by The UK Roads Leadership Group Asset Management Board, which the Council's Designated Traffic Manager has assessed as reasonable:-

Part of Highway Network	Useful Life
Pedestrian Schemes	25
Cycle Schemes	25
Traffic & Safety Schemes	20
Public Transport Facilities	25
Drainage	25
Resurfacing	25
Stabilisation & Structures	100
Street Lighting	40

Disposals and derecognition : When a component of the network is disposed of or decommissioned, the carrying amount of the component 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 (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

NOTES TO MAIN FINANCIAL STATEMENTS

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.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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.

1.15 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

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

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 recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves Statement.

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 2022/23 the Authority had three controlled companies - Aequus Group Holdings Limited, Aequus Construction Limited and Aequus Developments Limited. 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

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 is 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 Integrated Care Board [ICB] (previously CCG) have adopted a Net Accounting Policy resulting in costs and income attributable to ICB 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 ICB is lead commissioner, costs which they fund and pay together with the payment to the Council as lead, are reported in the ICB 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 2023/24 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2023. If these had been adopted for the financial year 2022/23 there would be no material changes. These changes are:

Amendments to IAS8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

Amendments to IAS1 & IFRS Practice Statement 2 - Disclosure of Accounting Policies

Amendments to IAS12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to IFRS3 Business Combinations - Updating a Reference to the Conceptual Framework

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

In considering whether or not to produce group accounts in line with Accounting Policy 1.26, the Council has reviewed its group activities for the 2022/23 financial year and based on the estimates of group financials for our 100% owned companies. With turnover of Aequus Construction Ltd. (ACL) of £8.057m and Aequus Developments Ltd (ADL) of £1.681m as reported in their own draft accounts, the Council consider these values to be material, and significant enough to produce Group Accounts. Further details are contained within 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 2023 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. Liabilities have been assessed using the projected unit credit actuarial cost method. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the Council's Fund being based on the latest full valuation of the scheme as at 31 March 2022. The next triennial valuation is due to be completed as at 31 March 2025.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out Note 41. The sensitivity analyses have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analyses 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 did not change from those used in the previous period.

The liability as at 31st March 2023 is £116.6m.

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 effect of 1% change in valuations would represent £2.6m change for Investment Properties (Note14), and £2.8m change for Property Plant and Equipment (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 22nd November 2023. 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 2023, 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 in prior financial years. The following schools have submitted applications to convert to Academy status.

St Mary Bath Catholic Primary
St Johns Bath Catholic Primary

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
	£'000	£'000	£'000	£'000	£'000
2022/23					
Leader	(4,740)	(882)	(5,622)	2,331	(3,291)
Resources	3,181	13,988	17,169	4,452	21,621
Economic Development, Regeneration & Growth	864	-	864	686	1,550
Adult Services & Council House Building	65,349	128	65,477	4,416	69,893
Children and Young People & Communities	42,896	(1,238)	41,658	4,956	46,614
Climate & Sustainable Travel	1,120	(3,773)	(2,653)	1,088	(1,565)
Planning & Licensing	2,633	(10)	2,623	(368)	2,255
Neighbourhood Services	27,581	(2,152)	25,429	10,832	36,261
Transport	(6,949)	42	(6,907)	1,604	(5,303)
Net Cost Of Services	131,934	6,103	138,037	29,997	168,034
Other Income & Expenditure	(94,131)	(16,209)	(110,340)	(41,430)	(151,769)
(Surplus) or Deficit on Provision of Services	37,803	(10,106)	27,697	(11,433)	16,266
Opening General Fund Balance at 31 March 2022			111,323		
Closing General Fund Balance at 31 March 2023			83,626		
	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
	£'000	£'000	£'000	£'000	£'000
2021/22 (Restated)					
Leader	(3,252)	(247)	(3,499)	5,029	1,530
Resources	10,044	27,905	37,949	(15,528)	22,421
Economic Development, Regeneration & Growth	952	-	952	479	1,431
Adult Services & Council House Building	52,836	102	52,938	3,703	56,641
Children and Young People & Communities	44,538	(116)	44,422	3,003	47,425
Climate & Sustainable Travel	822	(5,018)	(4,196)	874	(3,322)
Planning & Licensing	2,489	(78)	2,411	(245)	2,166
Neighbourhood Services	24,246	(3,766)	20,480	9,867	30,347
Transport	(7,384)	(286)	(7,670)	7,823	153
Net Cost Of Services	125,291	18,496	143,787	15,005	158,792
Other Income & Expenditure	(105,051)	(29,896)	(134,947)	(22,053)	(156,999)
(Surplus) or Deficit on Provision of Services	20,240	(11,400)	8,840	(7,048)	1,794
Opening General Fund Balance at 31 March 2021			120,163		
Closing General Fund Balance at 31 March 2022			111,323		

NOTES TO MAIN FINANCIAL STATEMENTS

7a NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2022/23	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
Leader				(882)	(882)
Resources	15,694	18,015	(16,873)	(2,848)	13,988
Economic Development, Regeneration & Growth					-
Adult Services & Council House Building				128	128
Children and Young People & Communities				(1,238)	(1,238)
Climate & Sustainable Travel				(3,773)	(3,773)
Planning & Licensing				(10)	(10)
Neighbourhood Services				(2,152)	(2,152)
Transport				42	42
Net Cost of Services	15,694	18,015	(16,873)	(10,733)	6,103
Other Income & Expenditure	(15,694)	(18,015)	7,280	10,220	(16,209)
Surplus or Deficit	-	-	(9,593)	(513)	(10,106)

	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	1,256	1,075		2,331
Resources	(3,615)	(1,407)	9,474	4,452
Economic Development, Regeneration & Growth	-	683	3	686
Adult Services & Council House Building	1,327	3,086	3	4,416
Children and Young People & Communities	1,093	3,804	59	4,956
Climate & Sustainable Travel	1,088	-	-	1,088
Planning & Licensing	(890)	517	5	(368)
Neighbourhood Services	7,227	3,600	5	10,832
Transport	69	1,535	-	1,604
Net Cost of Services	7,555	12,893	9,549	29,997
Other Income & Expenditure	(20,189)	8,786	(30,026)	(41,429)
Surplus or Deficit	(12,634)	21,679	(20,477)	(11,432)

NOTES TO MAIN FINANCIAL STATEMENTS

2021/22 (Restated)	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
Leader				(247)	(247)
Resources	16,965	30,724	(16,267)	(3,517)	27,905
Economic Development, Regeneration & Growth					-
Adult Services & Council House Building				102	102
Children and Young People & Communities				(116)	(116)
Climate & Sustainable Travel				(5,018)	(5,018)
Planning & Licensing				(78)	(78)
Neighbourhood Services				(3,766)	(3,766)
Transport				(286)	(286)
Net Cost of Services	16,965	30,724	(16,267)	(12,926)	18,496
Other Income & Expenditure	(16,965)	(30,724)	7,470	10,323	(29,896)
Surplus or Deficit	-	-	(8,797)	(2,603)	(11,400)

	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	5,029			5,029
Resources	(4,994)	(2)	(10,532)	(15,528)
Economic Development, Regeneration & Growth	479			479
Adult Services & Council House Building	1,241	2,462		3,703
Children and Young People & Communities	(62)	3,148	(83)	3,003
Climate & Sustainable Travel	874	-	-	874
Planning & Licensing	(759)	514	-	(245)
Neighbourhood Services	7,114	2,753	-	9,867
Transport	6,497	1,326	-	7,823
Net Cost of Services	15,419	10,201	(10,615)	15,005
Other Income & Expenditure	(23,072)	7,399	(6,379)	(22,052)
Surplus or Deficit	(7,653)	17,600	(16,994)	(7,047)

(a) For Management Reporting, the Authority includes rental income from investment properties and interest income in the Economic Development & 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

2022/23	General Fund Balance £'000's	Usable Reserves		Movement in Unusable Reserves £'000's
		Capital Receipts Reserve £'000's	Capital Grants Unapplied £'000's	
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for depreciation of Non-Current Assets	14,338			(14,338)
Revaluation gains / Impairments on Property Plant & Equipment	1,105			(1,105)
Movements in the Market Value of Investment Properties	20,868			(20,868)
Amortisation of Intangible Assets	224			(224)
Capital Grants & contributions applied	(4,740)			4,740
Revenue expenditure funded from Capital under Statute	5,748			(5,748)
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	2,264			(2,264)
Impairment allowance for capital expenditure loans	(53)			53
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:				
Statutory provision for the financing of capital investment expenditure charged against the General Fund	(9,174)			9,174
Principal repayment of Avon Loan	(419)			419
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(40,050)		40,050	
Application of grants to capital financing transferred to the Capital Adjustment Account			(40,072)	40,072
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,271)	3,271		
Use of the Capital Receipts Reserve to finance new capital expenditure		(2,755)		2,755
Capital expenditure financed from revenue	(1,026)			1,026
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	-	-		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		8		(8)
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-			-
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	(170)			170
Adjustments primarily involving the Dedicated Schools Grant Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	16			(16)
Adjustments primarily involving the Pooled Fund Adjustment Account:				
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.	1,529			(1,529)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	39,038			(39,038)
Employer's pensions contribution and direct payments to pensioners payable in the year	(17,359)			17,359
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(21,932)			21,932
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	80			(80)
Other movements	1,553			(1,553)
Total Adjustments	(11,432)	524	(22)	10,930

NOTES TO MAIN FINANCIAL STATEMENTS

2021/22

	General Fund Balance £'000's	Usable Reserves Capital Receipts Reserve £'000's	Capital Grants Unapplied £'000's	Movement in Unusable Reserves £'000's
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for depreciation of Non-Current Assets	14,563			(14,563)
Revaluation gains / Impairments on Property Plant & Equipment	6,994			(6,994)
Movements in the Market Value of Investment Properties	4,002			(4,002)
Amortisation of Intangible Assets	223			(223)
Capital Grants & Contributions Applied	(15,279)			15,279
Revenue expenditure funded from Capital under Statute	16,883			(16,883)
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	4,763			(4,763)
Impairment allowance for capital expenditure loans	(126)			126
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:				
Statutory provision for the financing of capital investment expenditure charged against the General Fund	(8,360)			8,360
Principal repayment of Avon Loan	(437)			437
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(28,214)		28,214	
Application of grants to capital financing transferred to the Capital Adjustment Account			(28,215)	28,215
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,623)	3,623		
Use of the Capital Receipts Reserve to finance new capital expenditure		(1,758)		1,758
Capital expenditure financed from revenue	(1,193)			1,193
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	-	-		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		8		(8)
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-			-
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	(170)			170
Adjustments primarily involving the Dedicated Schools Grant Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	8,013			(8,013)
Adjustments primarily involving the Pooled Fund Adjustment Account:				
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.	(887)			887
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	33,840			(33,840)
Employer's pensions contribution and direct payments to pensioners payable in the year	(16,240)			16,240
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(23,867)			23,867
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(83)			83
Other movements	2,151			(2,151)
Total Adjustments	(7,047)	1,873	(1)	5,175

NOTES TO MAIN FINANCIAL STATEMENTS

9 OTHER OPERATING EXPENDITURE

	2022/23	2021/22
	£'000	£'000
(Gain) / Loss on disposal of non-current assets	(1,015)	1,140
Parish Precepts	3,074	2,946
Levy payments to joint bodies	5,455	5,450
	<u>7,514</u>	<u>9,536</u>

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2022/23	2021/22
	£'000	£'000
Interest Payable & Premiums	7,280	7,470
Interest & Investment Income	(1,532)	(598)
Net Deficit/(Surplus) on Trading Services	-	350
Income & expenditure in relation to Investment properties and changes in fair value	6,865	(11,386)
Impairment of Financial Instruments	(55)	(137)
Loss / (Gain) on Financial Instruments carried at Fair Value through Profit or Loss	1,529	(887)
Net Interest on the Net Defined Benefit Liability (Asset)	8,786	7,399
	<u>22,873</u>	<u>2,211</u>

11 TAXATION AND NON-SPECIFIC GRANT INCOME

	2022/23	2021/22
	£'000	£'000
Council Tax Income	(110,326)	(106,358)
Non-Domestic Rates Income & Expenditure	(15,275)	(4,047)
Non-ringfenced Government grants	(16,483)	(30,126)
Capital grants and contributions	(40,072)	(28,215)
	<u>(182,156)</u>	<u>(168,746)</u>

NOTES TO MAIN FINANCIAL STATEMENTS

12 PROPERTY, PLANT & EQUIPMENT

Movement in 2022/23:

	Other Land & Buildings £'000	Community Assets £'000	Veh'cls, Plant & Equipment £'000	Assets Under Construction £'000	Surplus Assets £'000	Heritage Assets £'000	Total Property, Plant & Equipment (excl. Infrastructure) £'000
Cost or valuation as at 1 April 2022	232,039	1,558	44,883	72,302	3,543	48,382	402,707
Additions	15,361	558	3,788	27,820	12	-	47,541
Revaluations increases/(decreases) recognised in the Revaluation Reserve	18,969	-	-	-	(92)	182	19,059
Revaluations increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(2,239)	-	-	-	1	-	(2,238)
De-recognition - Disposals	(1,404)	-	(2,022)	-	(28)	-	(3,454)
Assets reclassified to/from Held for sale	-	-	-	-	-	-	-
Reclassifications - other	1,222	2,220	945	(37,930)	-	-	(33,543)
Other Movements	(439)	(1)	-	(1,103)	(7)	-	(1,550)
Valuation as at 31 March 2023	263,511	4,335	47,595	61,089	3,428	48,564	428,522

Accumulated Depreciation and Impairment

Accumulated depreciation as at 1 April 2022	(980)	-	(22,842)	-	-	-	(23,821)
Depreciation charge in year	(4,825)	-	(4,601)	-	-	-	(9,426)
Depreciation written out to the Revaluation Reserve	3,223	-	-	-	-	-	3,223
Depreciation written out to the Surplus/Deficit on Provision of Services	1,124	-	-	-	-	-	1,124
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services*	-	-	-	-	-	-	-
De-recognition - disposals	156	-	1,944	-	-	-	2,100
Other Movements in Depreciation & Impairment	-	-	-	-	-	-	-
Accumulated depreciation at 31 March 2023	(1,301)	-	(25,500)	-	-	-	(26,801)
Balance sheet amount 31 March 2023	262,210	4,335	22,095	61,089	3,428	48,564	401,721

Revaluations (GBV)

Carried at Historic Cost	2,874	4,335	47,595	48,439	5		103,248
Heritage Valuations (Insurance or Curatorial)						48,564	48,564
Surplus Properties at Fair Value							
Valued at Current value as at:							
Y/E 31/03/2023	199,192				6		199,198
Y/E 31/03/2022	5,962			4,900			10,862
Y/E 31/03/2021	34,772				2,579		37,351
Y/E 31/03/2020	15,301				812		16,113
Y/E 31/03/2019	1,773			7,750	26		9,549
Y/E 31/03/2018	3,637						3,637
Total Cost or Valuation	263,511	4,335	47,595	61,089	3,428	48,564	428,522

NOTES TO MAIN FINANCIAL STATEMENTS

Comparative Movements in 2021/22:

	Other Land & Buildings	Community Assets	Veh'cls, Plant & Equipment	Assets Under Construction	Surplus Assets	Heritage Assets	Total Property, Plant & Equipment (excl. Infrastructure)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation as at 1 April 2021	215,571	1,395	41,569	63,013	2,627	39,002	363,179
Additions	5,830	163	4,415	17,550	114	-	28,071
Revaluations increases/(decreases) recognised in the Revaluation Reserve	23,973	-	-	-	1,270	9,380	34,622
Revaluations increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(8,710)	-	-	-	-	-	(8,710)
De-recognition - Disposals	(4,583)	-	(1,557)	-	(310)	-	(6,450)
Assets reclassified to/from Held for sale	(800)	-	-	-	(45)	-	(845)
Reclassifications - other	1,478	-	173	(6,954)	-	-	(5,303)
Other Movements	(719)	-	283	(1,307)	(113)	-	(1,856)
Valuation as at 31 March 2022	232,039	1,558	44,883	72,302	3,543	48,382	402,707
Accumulated Depreciation and Impairment							
Accumulated depreciation as at 1 April 2021	(3,063)	-	(19,591)	-	(3)	-	(22,657)
Depreciation charge in year	(5,718)	-	(4,569)	-	-	-	(10,287)
Depreciation written out to the Revaluation Reserve	5,871	-	-	-	-	-	5,871
Depreciation written out to the Surplus/Deficit on Provision of Services	1,687	-	0	-	-	-	1,687
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services	55	-	-	-	-	-	55
De-recognition - disposals	188	-	1,494	-	3	-	1,685
Other Movements in Depreciation & Impairment	-	-	(176)	-	-	-	(176)
Accumulated depreciation at 31 March 2022	(980)	-	(22,842)	-	-	-	(23,821)
Balance sheet amount 31 March 2022	231,060	1,558	22,041	72,302	3,543	48,382	378,886

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

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

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 2022/23 were carried out to the value of £199.2m. Along with existing valid valuations, acquisitions and disposals this gave a total valuation of £276.7m. 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 2023 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2023/24 and future years estimated to cost £32.559m.

These are detailed below:

	2022/23	2021/22
	£'000	£'000
Bath Western Riverside Phase 2	871	3,331
Bath Quays	1,229	2,018
Cleveland Bridge	442	147
Education & Children's Services	2	1,658
Liveable Neighbourhoods	579	-
Resources (Property) Schemes	3,252	1,932
Sydney Gardens	261	389
Clean Air Zone	206	504
Waste and Cleaning Vehicles	1,484	928
Keynsham Reuse and Recycling Centre	22,785	245
Cycling and Walking Schemes	202	24
Other	1,246	1,845
Total	32,559	13,021

12a INFRASTRUCTURE ASSETS

As noted in Note 49, Infrastructure assets have been excluded from the Property, Plant and Equipment disclosure in Note 12 above, which includes accumulated cost and depreciation, and below, which details movements in Net Book Value only.

	2022/23	2021/22
	£'000	£'000
Net book Value at 1 April	104,407	90,920
Additions	18,033	12,032
Depreciation	(4,911)	(4,276)
Impairment		
Reclassifications	16,004	5,838
Other Movements	-	(107)
Net book Value at 31 March	133,532	104,407

13 HERITAGE ASSETS

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

	Victoria Art	Roman	Fashion	Chandeliers	Records	Library	Total
	Gallery	Baths	Museum		Office		
2022/23	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1st April	16,135	9,996	12,200	1,800	5,440	2,811	48,382
Additions							-
Disposals							-
Revaluations	(85)	67		200			182
Impairment Losses/(reversals) recognised in the Revaluation Reserve							-
Impairment Losses/(reversals) recognised in the Surplus or Deficit on Provision of Service							-
31st March	16,050	10,063	12,200	2,000	5,440	2,811	48,564

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

	Victoria Art	Roman	Fashion	Chandeliers	Records	Library	Total
	Gallery	Baths	Museum		Office		
2021/22	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1st April	16,135	9,996	4,123	1,800	4,137	2,811	39,002
Additions							-
Revaluations			8,077		1,303		9,380
31st March	16,135	9,996	12,200	1,800	5,440	2,811	48,382

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.

	2022/23	2021/22
	£'000	£'000
Rental Income from Investment Property	(15,694)	(16,965)
Direct operating expenses arising from Investment Property	1,691	1,577
Net gain/(loss)	<u>(14,003)</u>	<u>(15,388)</u>

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.

	2022/23	2021/22
	£'000	£'000
Balance at start of year	257,093	260,915
Adjustment to opening balance		
Additions of expenditure	2,688	715
Disposals	-	-
Net gains/(losses) from fair value adjustments	(20,868)	(4,002)
Transfer (to)/from Property, Plant & Equipment	17,472	(535)
	-	-
Balance at end of the year	<u>256,385</u>	<u>257,093</u>

The Council carries out annual valuations of all investment properties. The valuer's report identified a total valuation of £256.4m, 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.

	2022/23	2021/22
	£'000	£'000
Cost or valuation as at 1 April	1,507	1,468
Purchases	154	39
Transfers	66	-
Disposals	(242)	-
Net gains/losses from fair value adjustments	-	-
Cost or valuation as at 31 March	<u>1,485</u>	<u>1,507</u>
Accumulated Amortisation as at 1 April	739	516
Amortisation for the period	224	223
Amortisation Write Back (Disposals)	(127)	-
Accumulated Amortisation at 31 March	<u>836</u>	<u>739</u>
Net Carrying amount at 31 March	<u>649</u>	<u>767</u>

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 2022	31 March 2023	31 March 2022	31 March 2023
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost - loans	214,841	210,686	5,000	-
Accrued Interest (1)			1,914	1,865
Financial liabilities at amortised cost trade creditors			21,609	19,994
Total borrowings	214,841	210,686	28,523	21,859

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

	31 March		31 March	
	2022	2023	2022	2023
	£'000	£'000	£'000	£'000
Financial assets held at amortised cost *	-	-	74,200	32,300
Accrued Interest (1) *			118	268
Financial assets held at fair value through profit and loss			10,311	8,782
Cash			755	1,152
Loans & receivables - Loans	6,659	5,974	2,950	64
Loans & receivables - trade debtors			14,068	10,863
Total Investments	6,659	5,974	102,402	53,429

(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 £27.389m as at 31st March 2023, with the remaining £5.179m being short term investments. (£49.224m Cash Equivalents as at 31st March 2022, with £25.094m 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 Income, Expense, Gains & Losses

	Financial Assets & Liabilities at Fair Value			Financial Assets & Liabilities at Fair Value		
	measured at amortised cost	through Profit & Loss	Total	measured at amortised cost	through Profit & Loss	Total
	31 March 2022	31 March 2022	31 March 2022	31 March 2023	31 March 2023	31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense *	(6,921)	-	(6,921)	(6,751)	-	(6,751)
Impairment Losses	-	137	137	-	55	55
Interest Payable & Similar Charges	(6,921)	137	(6,784)	(6,751)	55	(6,696)
Interest Income	311	287	598	1,112	420	1,532
Interest & investment Income	311	287	598	1,112	420	1,532
Net Gain / (Loss) on Financial Assets Measured at Fair Value Through Profit or Loss		887	887		(1,529)	(1,529)
Total Net gain/(loss) for the Year	-	887	887	-	(1,529)	(1,529)
Total Net Income, Expense, Gains & Losses	(6,610)	1,311	(5,299)	(5,639)	(1,054)	(6,693)

* The Council also paid £0.95m (of which £0.42m 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

	Fair Value Level	31 March 2022		31 March 2023	
		Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial liabilities held at amortised cost:					
Financial Liabilities - PWLB Loans (Long Term Borrowing)	2	195,886	204,651	191,714	156,834
Financial Liabilities - Local & Police Authority Loans (Long Term Borrowing)	2				
Financial Liabilities - Market Loans (Long Term Borrowing)	2	20,846	30,581	20,838	23,631
Total		<u>216,732</u>	<u>235,232</u>	<u>212,551</u>	<u>180,465</u>
<i>Liabilities for which fair values are not disclosed:</i>					
Financial Liabilities - Local & Police Authority Loans (Short Term Borrowing)		5,023		0	
Financial Liabilities - trade creditors (see Note 21)		21,609		19,994	
Total Financial Liabilities		<u>243,364</u>		<u>232,545</u>	

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 2023 on the Council's portfolio of loans is lower than the carrying amount because the interest rate payable is lower than prevailing rate at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

	Fair value Level	31 March 2022		31 March 2023	
		Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<i>Financial assets held at fair value:</i>					
Strategic Investment funds	2	10,311	10,311	8,782	8,782
<i>Financial assets held at amortised cost:</i>					
Money market funds and S/Term deposits	1	74,200	74,181	32,300	40,785
Total		<u>84,511</u>	<u>84,492</u>	<u>41,082</u>	<u>49,567</u>
<i>Assets for which fair value is not disclosed:</i>					
Accrued Interest		118		268	
Cash		755		1,152	
Loans & receivables - Loans		9,609		6,037	
Loans & Receivables - trade debtors (see Note 19)		14,068		10,863	
Total Financial Assets		<u>109,061</u>		<u>59,402</u>	

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

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 2022/23 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 A- 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 2022/23 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 112% 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 2023, £4k of loss allowances related to treasury investments and deemed not material. (2021/22 £4k).

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 2022/23.

	Aequus Development Limited	Aequus Construction Limited	Aequus Working Capital	Other Loans	Totals
	£'000	£'000	£'000	£'000	£'000
Loans Brought Forward	6,141	3,350	100	94	9,685
New Loan Issued (*)	-	-	-	-	-
Repayments	(168)	(3,350)	(100)	(8)	(3,625)
Loans Balance at 31st March 2023	5,973	-	-	86	6,059
Cumulative IFRS 9 Loan Impairments at 31st March 2023	(20)	-	-	(1)	(21)

NOTES TO MAIN FINANCIAL STATEMENTS

	2023 £'000	2022 £'000
Trade Debtors	10,863	14,068
Total debtors at 31st March (including trade debtors)	48,441	50,555

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 £10.9m outstanding at 31st March 2023 is all past its due date for payment.

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

	31 March 2023 £'000's	31 March 2022 £'000's
Less than three months	7,537	9,393
Three to six months	570	438
Six months to one year	650	664
More than one year	2,106	3,573
	<u>10,863</u>	<u>14,068</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.

Loans & Receivables (Cash on Deposit) by Country Analysis	Amount at 31 March 2023		Amount at 31 March 2022	
	£'000's	%	£'000's	%
UK Debt Management Office	-	0.0%	10,006	11.8%
UK Local Authorities	5,079	12.3%	5,005	5.9%
UK - Other Financial Institutions	27,389	66.2%	54,225	64.1%
Singapore	-	0.0%	5,004	5.9%
Sweden	-	0.0%	-	0.0%
Pooled funds not subject to credit risk	8,882	21.5%	10,389	12.3%
Total	<u>41,350</u>	<u>100%</u>	<u>84,629</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 risk is managed by maintaining a spread of fixed interest rate loans and ensuring 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 2022 £'000	31 March 2023 £'000
Borrowing due for repayment:		
Under 1 year *	25,438	20,432
Between 1 and 2 years	0	-
Between 2 and 5 years	-	-
Between 5 and 10 years	15,000	15,000
Between 10 and 15 years	20,300	20,300
Between 15 and 20 years	40,324	55,541
Between 20 and 25 years	49,025	39,141
Between 25 and 30 years	9,073	-
Between 35 and 40 years	20,000	20,000
Between 40 and 45 years	5,000	30,741
Between 45 and 50 years	35,681	9,532
	<u>219,841</u>	<u>210,686</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 LOBO's (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.

The Council has a target to have at least £15m of liquid investments to meet unexpected payments with in a rolling three month period. As at 31 March 2023 the balance of liquid cash held was £27.3m (2021/22 £49.2m).

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 2023, if interest rates had varied by 1% with all other variables held constant, the financial effect would be:

	Rise £'000	Fall £'000
Increase / Decrease in interest payable on variable rate borrowings	190	(22)
Increase / Decrease in interest receivable on variable rate investments	(378)	378
Impact on Income and Expenditure Statement	(188)	356
Decrease / Increase 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)	(33)	33
Decrease / Increase 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)	(18,183)	21,948

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 2023 would result in a £0.203m 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	
	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Balance outstanding at start of year	871	68	-	-
Assets newly classified as held for sale:				
Property, Plant & Equipment		845	-	-
Additions	(3)	12	-	-
Revaluation gains/(losses)	100	(42)	-	-
Assets declassified as held for sale:				
Property, Plant & Equipment				
Assets sold	(794)		-	-
Other Movement	(4)	(12)	-	-
Balance outstanding at year end	170	871	-	-

The Council carries out annual valuations of all Asset Held for Sale Properties. The valuer's report identified a total valuation of £170K 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.

18 INVENTORIES

	Balance 31 March 2022 £'000	Purchases £'000	Recognised as expense in year £'000	Written off Balances £'000	Balance 31st March 2023 £'000
Consumable Stores	498	47	(25)	-	520
Total Inventories	498	47	(25)	-	520

NOTES TO MAIN FINANCIAL STATEMENTS

19 DEBTORS

	2022/23	2021/22
	£'000	£'000
Amounts falling due in one year:		
Central Government bodies	8,209	11,041
Other local authorities	12,796	7,639
NHS bodies	3,902	3,570
Other entities and individuals (Trade Debtors)	10,863	14,068
Other entities and individuals (Non-Trade Debtors)	9,901	11,718
Prepayments	2,770	2,519
Total - Current Assets	48,441	50,555
Amounts falling after one year:	£'000	£'000
Other entities and individuals	7,596	8,241
Total - Long Term Assets	7,596	8,241

20 CASH AND CASH EQUIVALENTS

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

	2022/23	2021/22
	£'000	£'000
Cash held by the Authority	123	127
Bank current accounts	1,029	628
Short-term deposits	27,389	49,224
Total cash and cash equivalents	28,541	49,979

21 CREDITORS

	2022/23	2021/22
	£'000	£'000
Central government bodies	7,473	25,278
Other local authorities	9,232	6,763
NHS bodies	1,024	1,887
Other entities and individuals (Trade Creditors)	19,994	21,609
Other entities and individuals (Non-Trade Creditors)	23,415	19,192
Income Received in Advance	6,547	4,666
Pensions Fund	6,712	4,518
	74,397	83,913

22 PROVISIONS FOR LIABILITIES

Provisions comprise:	31 March 2022	New Provisions	Utilised in Year	Written Back	31 March 2023
	£'000	£'000	£'000	£'000	£'000
NNDR Appeals Provision	13,605	2,546	(3,377)		12,774
Leisure Rent Review Provision	-	113			113
Dilapidations Provision	-	2,486			2,486
Ex-Avon Insurance Claim Provision	303			(144)	159
	13,908	5,145	(3,377)	(144)	15,532

- * The NNDR Appeals Provision is for appeals made to the Valuation Office in respect of NNDR valuations.
- * The Leisure Rent Review Provision The Leisure Rent Review Provision relates to costs associated with a historic lease agreement.
- * The Dilapidations Provision relates to dilapidation costs resulting from the exit of a long-term lease
- * 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 2022/23:

U earmarked Reserves	31 March	transfers	transfers	31 March
	2022	to	from	2023
	£'000	£'000	£'000	£'000
General Fund Balances un earmarked	15,876	47,898	(50,972)	12,802
E earmarked Reserves				
	31 March	transfers	transfers	31 March
	2022	to	from	2023
	£'000	£'000	£'000	£'000
LMS Schools Balances*	1,086	-	(252)	834
Corporate E earmarked Reserves	64,651	15,102	(39,913)	39,840
Service Specific Reserves	3,226	214	(1,547)	1,893
General Service E earmarked Reserves	26,484	6,575	(4,802)	28,257
	95,447	21,891	(46,514)	70,824
Total General Fund Balances and Reserves	111,323	69,789	(97,486)	83,626
Other Usable Reserves				
Capital Receipts Reserve	8,518	3,279	(2,755)	9,042
Capital Grants Unapplied Reserve	22	40,432	(40,454)	-
Total Usable Reserves	119,863	113,500	(140,695)	92,669

* LMS Schools balances will be used by individual schools

Corporate E earmarked Reserves	31 March	transfers	transfers	31 March
	2022	to	from	2023
	£'000	£'000	£'000	£'000
Insurance Fund	913	410	(282)	1,041
Capital Financing Reserve	9,961	1,101	(848)	10,214
Revenue Funding of Capital	772	593	(749)	616
Financial Planning & Smoothing Reserve	7,558	13	(4,371)	3,200
Revenue Budget Contingency Reserve	3,742		(273)	3,469
Invest To Save Reserve	212	9	(221)	-
Revenue Grants Unapplied	822	4,031	(141)	4,712
Transformation Investment Reserve	2,403		(516)	1,887
Restructuring & Severance Reserve	1,900		(94)	1,806
Business Rates Reserve	3,738	2,205	(4,642)	1,301
S.31 Business Rate Relief Compensation Grant Reserve	18,506	4,036	(22,542)	-
City Region Sustainable Transport Settlement Reserve	3,000			3,000
COVID-19 Reserves	7,530	1,000	(4,716)	3,814
Other (Incl. Inflation)	3,594	1,704	(518)	4,780
	64,651	15,102	(39,913)	39,840

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 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 held the government grant received in 2021/22 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 had to be funded in 2022/23 under the Collection Fund statutory accounting requirements. The grant was transferred to this earmarked reserve in 2021/22 so as to be available in 2022/23 to offset the recovery of this element of the deficit.

The City Region Sustainable Transport Settlement (CRSTS) Reserve holds funding which will be used as part of the Council's local contribution requirement in respect of the programme of transport schemes included in the CRSTS.

The COVID-19 Reserve is used to fund COVID related costs, and includes the unutilised balance of COVID support grants previously received.

NOTES TO MAIN FINANCIAL STATEMENTS

	31 March 2022	transfers to	transfers from	31 March 2023
	£'000	£'000	£'000	£'000
General Service Earmarked Reserves				
Information Technology Reserve	471			471
Finance VAT Advice Reserve	408	26	(45)	389
Waste Re provision Reserve	1,043		(101)	942
Public Transport Reserve	155			155
Combe Down Stone Mines Interpretation Centre Reserve	134		(6)	128
Care & Health Reserve	8,378		(1,207)	7,171
ICS Transformation Reserve	8,000		(2,622)	5,378
Commercial Estate Reinvestment Reserve	2,218		(337)	1,881
Park & Ride Smoothing Reserve	-	2,700	(366)	2,334
Clean Air Zone Reserves	5,217	3,774	(35)	8,956
Other Service Reserves	460	75	(83)	452
	<u>26,484</u>	<u>6,575</u>	<u>(4,802)</u>	<u>28,257</u>

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

The Commercial Estate Reinvestment Reserve will be used to manage the risk and uncertainty on market rates, demand and consequential impacts on rental income generation in light of the local and national recovery from the pandemic and the impact of wider economic factors.

The Park & Ride Smoothing Reserve is used to smooth the Park & Ride contract annual income risks during the Covid recovery period

The Clean Air Zone Reserves will be used for decommissioning costs once the scheme has finished, as well as smoothing the income over the life of scheme to match the expenditure. This is due to income forecast to decrease as vehicle compliance rates improve, without expenditure reducing.

24 UNUSABLE RESERVES

	2022/23 £'000	2021/22 £'000
Revaluation Reserve	195,949	176,555
Capital Adjustment Account	251,492	236,374
Deferred Capital Receipts Reserve	368	376
Financial Instruments Adjustment Account	(5,322)	(5,492)
Dedicated Schools Grant Adjustment Account	(13,453)	(13,437)
Pooled Fund Adjustment Account	(1,218)	311
Accumulated Absences Account	(630)	(550)
Pensions Reserve	(116,640)	(327,898)
Collection Fund Adjustment Account	6,307	(15,625)
Total Unusable Reserves	<u>316,853</u>	<u>50,614</u>

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.

	2022/23 £'000	2021/22 £'000
Balance at 1 April	176,555	140,670
Adjustment to opening balance		
Upwards revaluation of assets	25,034	50,955
Downwards revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(2,661)	(10,479)
Impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	-
Transfer of depreciation on re-valued assets	(1,838)	(2,318)
Written Back on asset disposal and transfer	(1,141)	(2,273)
Impairment of fixed assets - transfer		
Balance at 31 March	<u>195,949</u>	<u>176,555</u>

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.

	2022/23 £'000	2022/23 £'000	2021/22 £'000
Balance at 1 April		236,374	225,994
Adjustment to opening balance		-	-
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	(14,338)		(14,563)
Revaluation losses on Property, Plant & Equipment	(1,105)		(6,994)
Amortisation of intangible assets	(224)		(223)
Impairment allowance for capital expenditure loans	53		126
Revenue expenditure funded from capital under statute	(5,748)		(16,883)
Grant funding of revenue expenditure funded from capital under statute	4,740		15,279
		(16,621)	(23,258)
Adjusting amounts written out of the Revaluation Reserve			
Transfer of depreciation on re-valued assets		1,838	2,318
Transfer of revaluation reserve balance on asset disposal		1,141	2,273
Net written out amount of the cost of non-current assets consumed in the year		(13,642)	(18,667)
Capital financing applied in the year:			
Use of capital receipts reserve to finance new capital expenditure	2,755		1,758
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	40,072		28,215
Capital expenditure financed from revenue	1,026		1,193
Minimum Revenue Provision	9,174		8,360
		53,027	39,526
Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		(20,868)	(4,002)
Deferred liability - Repayment of Avon Loan Debt		419	437
Carrying value of fixed assets disposed of		(2,264)	(4,763)
Other movements		(1,554)	(2,151)
Balance at 31 March		251,492	236,374

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.

	2022/23 £'000	2022/23 £'000	2021/22 £'000
Balance at 1 April		(5,492)	(5,662)
Premiums incurred in year and charged to the Comprehensive Income & Expenditure Statement			
Proportions of Premiums incurred to be charged against General Fund Balance in accordance with statutory requirements	170		170
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.		170	170
Balance at 31 March		(5,322)	(5,492)

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.

	2022/23 £'000	2022/23 £'000	2021/22 £'000
Balance at 1 April		(13,437)	(5,424)
Adjustment to Opening Balance			
DSG (Over) / Underspend in year	(16)		(8,013)
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.		(16)	(8,013)
Balance at 31 March		(13,453)	(13,437)

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.

	2022/23 £'000	2021/22 £'000
Balance at 1 April	311	(576)
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.	(1,529)	887
Balance at 31 March	(1,218)	311

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.

	2022/23 £'000	2021/22 £'000
Balance at 1 April	(327,898)	(364,489)
Remeasurements of the net defined benefit liability / (asset)	232,937	54,191
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	(39,038)	(33,840)
Employer's pensions contributions and direct payments to pensioners payable in the year	17,359	16,240
Balance at 31 March	(116,640)	(327,898)

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.

	2022/23 £'000	2021/22 £'000
Balance at 1 April	376	384
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	(8)	(8)
Balance at 31 March	368	376

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.

	2022/23 £'000	2021/22 £'000
Balance at 1 April	(15,625)	(39,492)
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	21,932	23,867
Balance at 31 March	6,307	(15,625)

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.

	2022/23 £'000	2022/23 £'000	2021/22 £'000
Balance at 1 April		(550)	(633)
Settlement or cancellation of accrual made at the end of the preceding year	550		633
Amounts accrued at the end of the current year	(630)		(550)
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		(80)	83
Balance at 31 March		(630)	(550)

NOTES TO MAIN FINANCIAL STATEMENTS

25 CASH FLOW STATEMENT

Note A to the cash flow statement

	2022/23	2021/22
	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services	(16,265)	(1,794)
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>		
Depreciation	14,338	14,563
Impairment and downward valuations	2,659	9,145
Amortisation	223	223
Impairment allowance on service loans	(55)	(137)
Adjustment for internal interest charged through Profit & Loss a/c	109	8
Adjustments for effective interest rates	(6)	(6)
Increase/Decrease in Interest Creditors	(49)	(271)
Increase/Decrease in Creditors	(8,391)	9,570
Increase/Decrease in Interest and Dividend Debtors	29	(6)
Increase/Decrease in Debtors	(1,771)	12,040
Increase/Decrease in Inventories	(22)	73
Pension Liability	23,955	19,884
Contributions to/(from) Provisions property and intangible assets]	1,624	773
Movement in investment property values	2,264	4,763
Other movements	20,868	4,002
Total adjustments on the provision of services for non cash movements	57,304	73,736
<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	(44,790)	(43,494)
Proceeds from the sale of property plant and equipmen	(3,269)	(3,624)
Total adjustments on the provision of services that are investing or financing activities	(48,059)	(47,118)
Net Cash Flows from Operating Activities	(7,020)	24,825

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

	2022/23	2021/22
	£'000	£'000
Operating activities within the cash flow statement include the following cash flows relating to interest		
Ordinary interest received	1,532	598
Opening Debtor	118	64
Closing Debtor	(89)	(71)
Interest Received	1,561	591
Interest charge for year	(7,280)	(7,470)
Adjustment for difference between effective interest rates and actual interest payable	(6)	(6)
Adjustment for internal interest charged to balance sheet funds	109	8
Opening Creditor	(1,914)	(2,186)
Closing Creditor	1,865	1,914
Interest Paid	(7,226)	(7,740)

NOTES TO MAIN FINANCIAL STATEMENTS

Note C to the Cash Flow Statement - Cash Flows from Investing Activities	2022/23	2021/22
	£'000	£'000
Property, Plant and Equipment Purchased	(65,573)	(40,115)
Purchase of Investment Properties	(2,688)	(715)
Other Capital Payments	(151)	(39)
Opening Capital Creditors	(8,966)	(4,562)
Closing Capital Creditors	8,070	8,966
Purchase of Property, Plant and Equipment, investment property and intangible assets	(69,308)	(36,465)
Purchase of short term investments	(25,000)	(45,000)
Long term loans granted	(49)	(600)
Capital Grants Repaid	(2,200)	(4,012)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	3,276	3,631
Proceeds / (Purchase) from short term investments	45,000	30,000
Other capital cash receipts	3,625	2,434
Capital Grants Received / (Repaid)	39,483	40,805
Other Receipts / (Payments) from Investing Activities	43,108	43,239
Total Cash Flows from Investing Activities	(5,173)	(9,207)
Note D to the Cash Flow Statement - Cash Flows from Financing Activities	2022/23	2021/22
	£'000	£'000
Cash receipts of long term borrowing	-	-
Billing Authorities - Council Tax and NNDR adjustments	322	5,609
Repayment of Short-Term and Long-Term Borrowing	(9,567)	(24,491)
Total Cash Flows from Financing Activities	(9,245)	(18,882)
Note E - Makeup of Cash and Cash Equivalents	2022/23	2021/22
	£'000	£'000
Cash and Bank Balances	1,152	755
Cash Investments - regarded as cash equivalents	27,389	49,224
Bank Overdraft	-	-
	28,541	49,979

NOTES TO MAIN FINANCIAL STATEMENTS

26 EXPENDITURE & INCOME ANALYSED BY NATURE

	2022/23 £'000	2021/22 £'000
Expenditure		
Employee expenses	134,040	117,073
Other service expenses	256,835	254,831
Depreciation amortisation & impairment	17,220	21,780
Loss/(Gain) on disposal of non-current assets	(1,015)	1,140
Decrease in Investment Estate Fair Value	20,868	4,002
Interest Expenditure (Inc. Net Interest on Net Defined Benefit Liability)	16,066	14,869
Precepts and levies	8,529	8,396
	<u>452,543</u>	<u>422,091</u>
Income		
Sales, Fees and charges and other misc. income (including Contributions)	(106,194)	(88,248)
Income from Council Tax & Business Rates	(125,601)	(110,405)
Income from Investment Estate	(15,694)	(16,965)
Government Grants & Contributions	(187,257)	(204,082)
Interest & Investment Income	(1,532)	(598)
	<u>(436,278)</u>	<u>(420,298)</u>
(Surplus) / Deficit on provision of services	<u>16,265</u>	<u>1,794</u>

26a SEGMENT REPORTING

	2022/23 £'000	2021/22 £'000 Restated
Depreciation amortisation & impairment		
Leader	826	4,542
Resources	4,935	2,466
Economic Development, Regeneration & Growth	-	-
Adult Services & Council House Building	1,490	1,145
Children and Young People & Communities	1,150	(2)
Climate & Sustainable Travel	1,089	1,779
Planning & Licensing	59	59
Neighbourhood Services	7,296	5,200
Transport	375	6,591
Total	<u>17,220</u>	<u>21,780</u>
Revenues from external customers / Contributions		
Leader	(21,439)	(10,945)
Resources	(7,635)	(6,067)
Economic Development, Regeneration & Growth	(124)	(33)
Adult Services & Council House Building	(35,412)	(32,468)
Children and Young People & Communities	(6,918)	(6,366)
Climate & Sustainable Travel	(6,729)	(5,974)
Planning & Licensing	(4,460)	(4,370)
Neighbourhood Services	(8,556)	(8,542)
Transport	(14,921)	(13,483)
Total	<u>(106,194)</u>	<u>(88,248)</u>

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.

	2022/23	2022/23	2022/23	2021/22
	Income	Expenditure	(Surplus) / Deficit	(Surplus) / Deficit
	£'000	£'000	£'000	£'000
School and Other Catering	0	0	0	4
Cleaning Services	(8)	74	66	24
Fleet Management	(195)	456	261	70
Passenger Transport Services	(92)	245	153	202
Trade Refuse Collection	(894)	642	(252)	(197)
Bath Museum Shops	(2,245)	2,017	(228)	247
Surplus for Year	(3,434)	3,434	0	350

28 POOLED FUNDING

The Council has Pooled Budget arrangements under section 31 of the Health Act 1999 with NHS Bath & North East Somerset, Swindon & Wiltshire (NHS BSW) Integrated Care Board (ICB). The Pooled Budgets are hosted by the Council. During 2022/23 there were four Pooled Budgets, detailed below :-

Adult Learning Difficulties

The Council has entered into a pooled budget arrangement with NHS BSW ICB 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 ICB depending upon the mix required by clients. The Council and the ICB 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.

	2022/23	2021/22
	£'000	£'000
Gross Funding		
Bath & North East Somerset Council	23,827	23,827
NHS BSW Integrated Care Board	7,266	7,266
Other Funding	-	761
Income from Client Contributions	-	1,450
Total Funding	31,093	33,304
Total Pooled Expenditure	36,122	33,413
Net (Underspend) / Overspend	5,029	109
Overspend Recharged		
Bath & North East Somerset Council	3,727	84
NHS BSW Integrated Care Board	1,302	25

Community Equipment

The Council has entered into a pooled budget arrangement with NHS BSW ICB 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 ICB depending upon the mix required by clients. The Council and the ICB 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.

	2022/23	2021/22
	£'000	£'000
Gross Funding		
Bath & North East Somerset Council	203	203
NHS BSW Integrated Care Board	478	473
Total Funding	681	676
Total Expenditure	739	676
Net (Underspend) / Overspend	58	0
Overspend Recharged		
Bath & North East Somerset Council	17	-
NHS BSW Integrated Care Board	41	-

NOTES TO MAIN FINANCIAL STATEMENTS

Better Care Fund

The Council has entered into a pooled budget arrangement with NHS BSW ICB 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.

	2022/23 £'000	2021/22 £'000
Gross Funding		
Bath & North East Somerset Council	8,343	7,591
Bath & North East Somerset Council - Community Services Contract	21,011	20,884
NHS BSW Integrated Care Board	15,727	13,380
NHS BSW Integrated Care Board - Community Services Contract	27,170	27,772
Total Funding	72,251	69,627
Spend on Better Care Fund schemes	22,680	18,139
Spend on Community Services Contract	49,571	51,488
Total Expenditure	72,251	69,627

Children and Young People with Multiple and Complex Needs

The Council has entered into a pooled budget arrangement with NHS BSW ICB 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 ICB depending upon the mix required by clients.

The Council and the ICB have an 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.

	2022/23 £'000	2021/22 £'000
Gross Funding		
Bath & North East Somerset Council	2,615	2,615
NHS BSW Integrated Care Board	413	413
Total Funding	3,028	3,028
Total Expenditure	9,671	10,827
Net (Underspend) / Overspend	6,643	7,799
Overspend Recharged		
Bath & North East Somerset Council	5,737	6,735
NHS BSW Integrated Care Board	906	1,064

NOTES TO MAIN FINANCIAL STATEMENTS

29 MEMBERS' ALLOWANCES

The total cost of Members Allowances for 2022/23 including employers national insurance, pensions contributions and expenses was £924,769 (£793,309 in 2021/22).

		Basic Allowance	Special Responsibility Allowance	Expenses	Total
		£	£	£	£
APPLEYARD	R	9,619	5,461	-	15,080
BALL	T	9,619	17,827	-	27,446
BEVAN	S	9,619	-	-	9,619
BLACKBURN	C	9,619	-	-	9,619
BORN	A	9,619	10,467	-	20,086
BROMLEY	S	9,619	-	-	9,619
BUTTERS	T	9,619	16	-	9,635
CLARKE	V	9,619	-	-	9,619
CRAIG	S	9,619	15,802	-	25,421
CROSSLEY	P	9,619	5,461	-	15,080
CURRAN	G	9,619	-	-	9,619
DANDO	C	9,619	4,108	-	13,727
DAVID	J	9,619	933	-	10,552
DAVIES	T	9,619	10,471	-	20,090
DAVIS	S	9,619	3,844	-	13,463
DEACON	D	9,619	-	-	9,619
DUGUID	P	9,619	2,152	-	11,771
ELLIOTT	M	9,619	-	-	9,619
EVANS	M	9,619	-	-	9,619
FURSE	A	9,619	16	-	9,635
GUY	K	9,619	45,465	127	55,211
HALE	A	9,619	-	-	9,619
HARDMAN	E	9,619	-	18	9,637
HEDGES	S	9,619	-	-	9,619
HIRST	J	9,619	2,149	-	11,768
HODGE	L	9,619	-	-	9,619
HOUNSELL	D	9,619	-	16	9,635
HUGHES	S	9,619	-	-	9,619
JACKSON	E	9,619	-	-	9,619
JOHNSON	G	9,619	-	-	9,619
KUMAR	Y	9,619	-	153	9,772
MACFIE	H	9,619	-	-	9,619
MALLOY	R	9,619	-	-	9,619
MAY	P	9,619	6,815	856	17,290
MCCABE	M	9,619	6,305	-	15,923
MCGALL	S	9,619	13,376	129	23,125
MOORE	S	9,619	1,792	-	11,411
MOSS	R	9,619	4,712	356	14,687
MYERS	P	9,619	23	-	9,642
O'BRIEN	B	9,619	1,278	124	11,021
ODOHERTY	M	9,619	2,152	-	11,771
PANKHANIA	B	9,619	-	-	9,619
PLAYER	J	9,619	470	-	10,088
PRITCHARD	V	9,619	7,023	379	17,021
RIGBY	A	9,619	20,950	-	30,569
ROMERO	U	9,619	20,935	-	30,554
ROPER	M	9,475	9,095	-	18,570
SAMUEL	R	9,619	20,968	-	30,586
SHEARN	B	9,619	4,108	-	13,727
SIMMONS	B	9,619	-	-	9,619
SINGLETON	A	9,619	-	310	9,928
WAIT	A	9,619	-	26	9,645
WALKER	K	9,619	13,958	123	23,700
WARREN	E	9,619	17,811	-	27,430
WARRINGTON	K	9,619	8,758	-	18,377
WATT	C	9,619	-	-	9,619
WILLS	R	9,619	-	-	9,619
WOOD	D	9,619	20,444	340	30,404
WRIGHT	J	9,619	16	-	9,635
Total		567,375	305,163	2,957	875,494

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.

Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2023						
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	162,000				34,020	196,020
Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2023						
Post Holder	Salary (incl. Honorarium)	Expenses	Benefits in Kind e.g. Relocation, Subscriptions	Compensation for Loss of Office	Employer Pension Contrib'ns	Total
	£	£	£	£	£	£
Chief Operating Officer	123,725				25,982	149,707
Director of People & Policy	108,683				22,823	131,506
Chief Finance Officer (S151)	116,105	8	635		24,382	141,130
Director of Adult Social Care (DASS)	111,737				23,464	135,201
Director of Children's Services & Education (DSC)	108,683				22,823	131,506
Director of Sustainable Communities	108,683				22,823	131,506
Director of Place Management	108,683				22,823	131,506
Director of Regeneration & Housing	108,683	107	283		22,823	131,896
Director - One West	108,683				22,823	131,506

Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2022						
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	155,000				32,550	187,550
Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2022						
Post Holder	Salary (incl. Honorarium)	Expenses	Benefits in Kind e.g. Relocation, Subscriptions	Compensation for Loss of Office	Employer Pension Contrib'ns	Total
	£	£	£	£	£	£
Chief Operating Officer	121,800				25,578	147,378
Director of People & Policy	103,707				21,778	125,485
Director of Public Health (to 19/04/2021)	6,802				978	7,780
Chief Finance Officer	114,180				23,948	138,128
Director of Adult Social Care (to 11/04/2021)	3,213				674	3,887
Director of Adult Social Care (from 23/08/2021)	68,859				14,009	82,868
Director of Children's Services & Education	103,707				21,778	125,485
Director - Development (to 30/06/2021)	26,295			30,000	5,522	61,817
Director - Partnership & Corp. Services (to 30/06/2021)	26,689				5,604	32,293
Director of Sustainable Communities (from 02/08/2021)	68,859				14,460	83,319
Director of Place Management (from 10/05/2021)	92,555				19,436	111,991
Director of Regeneration & Housing (from 01/06/2021)	86,422				18,148	104,570

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	2022/23			2021/22		2021/22 Total
	Teachers	Others	Total	Teachers	Others	
£50,000 - £54,999	4	59	63	4	42	46
£55,000 - £59,999	3	39	42	2	13	15
£60,000 - £64,999	-	24	24	1	20	21
£65,000 - £69,999	1	6	7	1	7	8
£70,000 - £74,999	2	6	8	3	5	8
£75,000 - £79,999	2	1	3	-	1	1
£80,000 - £84,999	-	3	3	1	3	4
£85,000 - £89,999	1	13	14	-	9	9
£90,000 - £94,999	-	2	2	-	3	3
£95,000 - £99,999	-	2	2	-	-	-
£100,000 - £104,999	-	1	1	-	2	2
£105,000 - £109,999	-	6	6	-	-	-
£110,000 - £114,999	-	1	1	-	1	1
£115,000 - £119,999	-	1	1	-	-	-
£120,000 - £124,999	-	1	1	-	1	1
£125,000 - £129,999	-	-	-	-	-	-
£130,000 - £134,999	-	-	-	-	-	-
£135,000 - £139,999	-	-	-	-	-	-
£140,000 - £144,999	-	-	-	-	-	-
£145,000 - £149,999	-	-	-	-	-	-
£150,000 - £154,999	-	-	-	-	-	-
£155,000 - £159,999	-	-	-	-	1	1
£160,000 - £164,999	-	1	1	-	-	-
£165,000 - £169,999	-	-	-	-	-	-
£170,000 - £174,999	-	-	-	-	-	-
	13	166	179	12	108	120

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 (1 member of staff in 2021/22). This included 0 in the Teacher category (0 in 2021/22) and 1 in the Others category (1 in 2021/22).

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 2022/23, incurring liabilities of £0.333m (£0.512m in 2021/22). 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)	2022/23		2022/23	2021/22		2021/22
	Number of Compulsory Redundancies	Number of Other Exits Agreed	Total Cost £	Number of Compulsory Redundancies	Number of Other Exits Agreed	Total Cost £
£0 - £20,000	3	15	86,451	4	10	33,601
£20,001 - £40,000	-	-	0	2	3	125,692
£40,001 - £60,000	-	1	50,135	-	-	0
£60,001 - £80,000	-	-	0	1	-	68,887
£80,001 - £100,000	1	-	82,496	-	-	0
£100,001 - £150,000	1	-	113,572	-	-	0
£150,001 - £200,000	-	-	0	-	-	0
£200,001 - £250,000	-	-	0	-	-	0
£250,001 - £300,000	-	-	0	-	1	283,573
	5	16	332,653	7	14	511,754

NOTES TO MAIN FINANCIAL STATEMENTS

33 EXTERNAL AUDIT COSTS

The Council has incurred the following fees payable to its auditors, Grant Thornton UK LLP	2022/23 £'000	2021/22 £'000
Fees payable with regard to external audit services	164	160
Fees payable for the certification of grant claims and returns	53	34
	217	194

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 2022/23 are as follows:

	2022/23 Central Expenditure £'000	2022/23 Individual Schools Budget £'000	2022/23 Total £'000	2021/22 Total £'000
Final DSG for before Academy & High Needs recoupment			167,047	160,577
Academy & High Needs figure recouped			118,513	114,975
Total DSG after Academy & High Needs recoupment			48,534	45,603
<i>plus</i> Brought forward from previous year				
<i>less</i> Carry forward into future year agreed in advance				
Agreed initial budget distribution	36,403	12,131	48,534	45,603
In Year Adjustments	8,391		8,391	-
Final budget distribution	44,794	12,131	56,925	45,603
<i>less</i> Actual central expenditure	44,926		44,926	41,554
<i>less</i> Actual ISB deployed to schools	-	12,015	12,015	12,061
<i>plus</i> Local Authority contribution for year	-		-	
In-Year Carry forward	(132)	116	(16)	(8,013)
Carry forward into future year agreed in advance			-	
DSG unusable reserve brought forward			(13,437)	(5,424)
Addition to DSG unusable reserve at the end			(16)	(8,013)
Total of DSG unusable reserve at the end			(13,453)	(13,437)
Net DSG position at year end			(13,453)	(13,437)

35 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

	2022/23 £'000	2021/22 £'000
Credited to Taxation and Non Specific Grant Income		
Non-Ringfenced Government Grants		
s31 Grants - DLUHC	16,483	26,060
COVID Support Grant - DLUHC	-	4,066
Capital Grants & Contributions		
Department for Education	820	363
Department for Transport	660	3,230
Department for Health & Social Care	100	44
West of England Combined Authority	24,441	15,667
Other	10,508	6,370
Third party contributions	691	37
Section 106 Developer / CIL Contributions	2,852	2,504
	56,555	58,341

NOTES TO MAIN FINANCIAL STATEMENTS

Credited to Services

Education Funding Agency (incl. Universal Infant Free School Meals)	3,125	1,673
Pupil Premium Grant	1,012	926
Mandatory rent allowances	27,739	28,447
Public Health Grant	9,645	9,471
Department for Health & Social Care	3,415	3,558
COVID Infection Control Grants	-	4,240
COVID Outbreak Management Grants	-	1,049
Department for Education	207	2,694
Department for Environment, Food & Rural Affairs	85	2,371
Department for Transport	1,082	5,863
Department for Levelling Up, Housing & Communities (DLUHC)	16,734	13,227
Sales, Fees & Charges Compensation Grant	11	4,270
Homes for Ukraine Scheme	3,997	-
COVID-19 Business Support Grants	-	3,001
COVID Test & Trace Support Payments	70	594
COVID Winter Grants	-	481
COVID Job Retention Scheme Grant	-	31
Local Council Tax Support Fund	-	1,695
New Homes Bonus Grant	2,038	3,064
West of England Combined Authority	2,740	2,655
Other	7,937	7,824
Third party contributions	113	112
Section 106 Developer / CIL Contributions	1,507	2,892
	81,457	100,138

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	31 March 2023 £'000	31 March 2022 £'000
Grants Receipts In Advance (Capital Grants & Contributions)		
Section 106 Developer, CIL & 3rd Party Contributions	5,006	4,707
Various Capital Grants	14,567	18,758
Total	19,573	23,465
Grants Receipts In Advance (Revenue Grants)		
Various Service Grants	1,600	2,066
Total	1,600	2,066
Long-Term Liabilities		
	31 March 2023 £'000	31 March 2022 £'000
Grants Receipts In Advance (Capital Grants & Contributions)		
Section 106 Developer, CIL & 3rd Party Contributions	13,057	15,032
Various Capital Grants	18,980	20,399
Total	32,037	35,431

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 £2,920,515 (£2,622,583 2021/22) and support services costs of £536,575 (£518,585 2021/22). Five B&NES Councillors are voting members on the Pensions Committee.

Aequus Group Holdings Ltd (AGHL)

Bath & North East Somerset Council is a 100% shareholder of Aequus Group Holdings Ltd (AGHL), which was incorporated on 5th April 2022. It was set up as a parent company to Aequus Developments Ltd (ADL) and Aequus Construction Ltd (ACL).

Aequus Developments Ltd (ADL)

Aequus Developments Limited (ADL), which was incorporated on 14th March 2016 and commenced trading on the same day, is a 100% owned subsidiary of Aequus Group Holdings Ltd (AGHL). 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), which was incorporated on 22nd June 2017 and commenced trading on the same day, is a 100% owned subsidiary of Aequus Group Holdings Ltd (AGHL). 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 £1,264,768 (£826,347 in 2021/22) to voluntary bodies and organisations where Members have declared an interest (either due to a Council nomination or in an independent capacity).

	2022/23
	£
Bath & North East Somerset Carers Centre	121,882
Bath Area Play Project	291,065
Bath Festivals	7,806
Bath Royal Literary & Scientific Association	2,867
Cleveland Pools Trust	781,886
Heart of Bath Partnership	60
South West Councils	20,296
SWAN Advisory Network	38,906
	<u><u>1,264,768</u></u>

NHS Bath & North East Somerset, Swindon & Wiltshire Integrated Care Board (NHS BSW ICB)

The Council is in partnership with the NHS BSW ICB to commission health, social care and preventative support services (previously with the CCG until 30th June 2022). 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 HCRG Care Group (Previously 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, ICB and HCRG Care Group, 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 ICB 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 ICB 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.

Capital expenditure on fixed assets was as follows:	2022/23	2021/22
	£'000	£'000
		Restated
Keynsham Reuse and Recycling Centre	17,345	2,113
Highways, Transport, Road Safety & Bridge Strengthening	15,133	11,118
Bath Regeneration	8,172	121
Bath Quays: North, South & Bridge	5,632	3,659
Housing Delivery Schemes	3,767	2,685
Bath Western Riverside	2,987	4,738
Capitalised Buildings Maintenance	2,621	2,114
Bath City Centre Security	1,607	199
Commercial Estate Investment	1,533	589
Liveable Neighbourhoods	1,521	-
Preparing for the Future - New Technology	1,105	1,742
School Improvements	1,096	363
Office Reconfiguration Costs	713	795
Somer Valley Enterprise Zone	702	281
Decarbonisation / Renewables Schemes	640	434
Keynsham High Street Renewal Incl Public Realm	534	2,535
Sydney Gardens	430	2,338
Midsomer Norton High Street Renewal incl Public Realm	303	78
Clean Air Zone	52	243
Archway Centre	5	749
Other	2,514	4,011
Total	68,412	40,905

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

Capital Expenditure was categorised as follows:	2022/23	2021/22
	£'000	£'000
Property, plant and equipment	37,753	22,553
Investment properties	2,688	715
Intangible assets	154	39
Heritage Assets	-	-
Assets under construction	27,820	17,586
Non Current Assets held for sale	(3)	12
Capital Loans	-	618
Revenue expenditure funded from capital under statute (*)	5,748	16,883
Total expenditure	74,160	58,405

* This includes £162k of transformation and severance costs funded under the Government's flexible use of capital receipts scheme (£155k in 2021/22). These costs will contribute to ongoing revenue savings in line with the Council's approved Efficiency Strategy.

Sources of finance:	2022/23	2021/22
	£'000	£'000
Capital Receipts	2,755	1,758
Grants	39,650	37,949
Borrowing	25,567	11,960
3rd Party Contributions	804	149
S.106 / CIL contributions	4,358	5,396
Revenue	1,026	1,193
Total financing	74,160	58,405

NOTES TO MAIN FINANCIAL STATEMENTS

Capital Financing Requirement

	2022/23 £'000	2021/22 £'000
Opening Capital Financing Requirement	328,171	326,909
Capital Investment	74,160	58,405
Other Adjustments to CFR (including revenue reversion of prior years spend)		(36)
Sources of Finance:		
Capital Receipts	(6,280)	(4,060)
Government grants & other contributions	(44,812)	(43,494)
Sums set aside from revenue (including MRP)	(10,200)	(9,553)
Closing Capital Financing Requirement	<u>341,039</u>	<u>328,171</u>
Increase in underlying need to borrow unsupported by Government financial assistance	25,567	11,924
Repayments received in respect of Capital Expenditure Loans	(3,525)	(2,302)
Less minimum revenue provision repayment	(9,174)	(8,360)
Increase / (decrease) in Capital Financing Requirement	<u>12,868</u>	<u>1,262</u>

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:

	2022/23 £'000	2021/22 £'000
Other Land & Buildings	2,930	3,890
Vehicles, Plant & Equipment	-	-
	<u>2,930</u>	<u>3,890</u>

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 2022/23 were £565K (£391K in 2021/22).

The future payments required under these leases are £2,837K comprising the following elements:

	2022/23 £'000	2021/22 £'000
Not later than one year	400	471
Later than one year and not later than five years	1,452	1,536
Later than five years	985	902
	<u>2,837</u>	<u>2,909</u>

The Council holds property leases which are operating leases. The amount paid in rent for 2022/23 was £689K (2021/22 was £513K).

	2022/23 £'000	2021/22 £'000
Not later than one year	536	608
Later than one year and not later than five years	1,076	2,392
Later than five years	8,840	9,913
	<u>10,452</u>	<u>12,913</u>

NOTES TO MAIN FINANCIAL STATEMENTS

Authority as Lessor

Finance Leases

The Authority has leased out a number of commercial properties on finance leases in 2022/23, the capital receipts from these total £8k (2021/22 £50K)

Operating Leases

The Authority leases out a large number of investment properties.

Rental income receivable from operating property leases on investment properties totalled £15.694m (£16.965m in 2021/22).

The net book value of these properties is £256.385m (£257.093m in 2021/22).

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

	2022/23	2021/22
	£'000	£'000
Not later than one year	14,588	14,581
Later than one year and not later than five years	42,308	42,259
Later than five years	124,649	122,064
	<u>181,545</u>	<u>178,904</u>

Rental income receivable from Property Plant and Equipment leases totalled £1,640K in 2022/23 (£1,600K in 2021/22).

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:

	2022/23	2021/22
	£'000	£'000
Not later than one year	1,018	982
Later than one year and not later than five years	2,002	2,422
Later than five years	5,497	5,020
	<u>8,517</u>	<u>8,424</u>

39 EXCEPTIONAL ITEMS

There were no exceptional items in 2022/23.

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 2022/23 the Council paid £1.560m to Teachers' Pensions in respect of teachers' retirement benefits, representing an average of 23.6% of pensionable pay. The figures for 2021/22 were £1.453m and 23.7%. 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 (£6.862m after Academy conversion refunds), and the actuary calculated the Equivalent Discounted annual Lump Sums Certified across the 3 years as follows:
£2.366m (£2.302m after Academy conversions adjustment) relating to 2020/21,
£2.361m (£2.284m after Academy conversions adjustment) relating to 2021/22, and
£2.355m (£2.275m after Academy conversions adjustment) relating to 2022/23.

The Pension Liability as at 31st March 2021 was reduced by the total £6.862m net payment, and the full amount was reflected in the actuarial valuation as at 31st March 2021. The £2.302m relating to 2020/21 was charged to the General Fund in the 2020/21 Statement of Accounts, and £2.284m was charged in 2021/22, with the remaining 2022/23 charge of £2.275m charged to the General Fund in 2022/23 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, with the full £6.862m 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	
	2022/23	2021/22	2022/23	2021/22
Comprehensive Income and Expenditure Statement	£'000	£'000	£'000	£'000
<i>Cost of Services:</i>				
Current Service Costs	29,816	26,042	-	-
Past Service Cost	-	-	-	-
Settlement and Curtailment (Gain) / Loss	1	13	-	-
Administration Expenses	435	386	-	-
<i>Financing and Investment Income & Expenditure:</i>				
Net Interest Expense	8,266	6,989	520	410
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	38,518	33,430	520	410
<i>Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement</i>				
Remeasurement of the net defined benefit liability:				
Experience (gains) and losses	120,769	2,694	2,211	56
Actuarial (gains) and losses arising on changes in demographic assumptions	(386,845)	(530)	(4,405)	183
Actuarial (gains) and losses arising on changes in financial assumptions	(21,844)	(7,419)	(703)	(193)
Return on Plan Assets (excluding interest)	57,880	(48,982)	-	-
Total Remeasurements	(230,040)	(54,237)	(2,897)	46
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(191,522)	(20,807)	(2,377)	456
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	38,518	33,430	520	410
Actual amount charged against General Fund Balance for pensions in the year:				
Employer Contributions	13,675	12,529	-	-
add upfront deficit payment recognised in year (paid 2020/21)	2,276	2,284	-	-
Employers' contributions payable to scheme	15,951	14,813	-	-
Retirement benefits payable to pensioners			1,408	1,427

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	
	2022/23	2021/22	2022/23	2021/22
	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	733,957	985,952	15,494	19,279
Fair value of plan assets	(632,811)	(679,609)	-	-
Net liability arising from defined benefits obligation	101,146	306,343	15,494	19,279

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		(Teachers) Discretionary Benefits	
	2022/23	2021/22	2022/23	2021/22
	£'000	£'000	£'000	£'000
Opening Balance at 1 April	985,952	967,476	19,279	20,250
Current service cost	29,816	26,042		
Interest cost	27,310	20,067	520	410
Contributions from scheme participants	5,001	4,368		
Actuarial gains and losses	(287,920)	(5,255)	(2,897)	46
Benefits paid	(26,203)	(26,541)	(1,408)	(1,427)
Settlements	-	(771)	-	-
Past service costs	1	566	-	-
Past service gain	-	-	-	-
Closing Balance at 31 March	733,957	985,952	15,494	19,279

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

	Local Government Pension Scheme	
	2022/23	2021/22
	£'000	£'000
Opening Fair Value of scheme assets at 1 April	679,609	627,797
Interest on Plan Assets	19,044	13,078
Remeasurement Gain (Loss)	(57,880)	48,982
Administration Expenses	(435)	(386)
Business Combinations	-	-
Settlements	-	(218)
Contributions from employer	13,675	12,529
Contributions from employees into the scheme	5,001	4,368
Benefits paid	(26,203)	(26,541)
Closing Balance at 31 March	632,811	679,609

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 (£50.005m) [2021/22 £62.060m].

Scheme History

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:						
Local Government Pension Scheme	(813,854)	(875,027)	(844,609)	(967,476)	(985,952)	(733,957)
Discretionary Benefits	(22,542)	(22,569)	(19,940)	(20,250)	(19,279)	(15,494)
Fair value of assets in the Local Government Pension Scheme	570,957	587,757	538,396	627,797	679,609	632,811
Surplus/(deficit) in the scheme:						
Local Government Pension Scheme	(242,897)	(287,270)	(306,213)	(339,679)	(306,343)	(101,146)
Discretionary Benefits	(22,542)	(22,569)	(19,940)	(20,250)	(19,279)	(15,494)
Long Term Liability in Balance Sheet	(265,439)	(309,839)	(326,153)	(359,929)	(325,622)	(116,640)

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 £117m 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 2022/23 are estimated to be £16.0m. Estimated contributions to the Discretionary Benefits scheme are £1.6m.

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent triennial valuation was carried out as at 31 March 2022, which showed a shortfall of assets against liabilities of £238m as at that date, equivalent to a funding level of 96%. The fund's employers are paying additional contributions over an average period of 12 years in order to meet the shortfall. The next triennial valuation will be as at 31st March 2025.

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 2023.

The principal assumptions used by the actuary have been:

	Avon Pension Fund		Discretionary Benefits (Teachers) Scheme	
	2022/23	2021/22	2022/23	2021/22
Mortality assumptions :				
Longevity for current pensioners:	<u>at 65</u>		<u>at 75</u>	
Men	22.4	23.1	13.8	14.3
Women	24.4	25.3	15.3	16.1
Longevity for future pensioners:				
Men	23.7	24.6	22.4	23.1
Women	26.4	27.3	24.4	25.3
Rate of inflation	2.7%	3.4%	2.7%	3.5%
Rate of increase in salaries	4.2%	4.9%		
Rate of increase in pensions	2.8%	3.5%	2.8%	3.6%
Rate for discounting scheme liabilities	4.8%	2.8%	4.9%	2.8%

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
Rate of discounting scheme liabilities (increase or decrease by 0.5%)	(54,350)	54,350
Rate of Inflation (increase or decrease by 0.25%)	29,260	(29,260)
Rate of increase in salaries (increase or decrease by 0.25%)	3,104	(3,104)
Longevity (increase or decrease in 1 year)	15,055	(15,055)

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 2023		Assets at 31 March 2022	
	£'000	%	£'000	%
Equity investments	220,938	34.9%	276,211	40.6%
Government Bonds	121,528	19.2%	84,232	12.4%
Other Bonds	56,378	8.9%	50,756	7.5%
UK Property Funds	40,615	6.4%	45,212	6.7%
Alternatives	181,300	28.6%	212,432	31.3%
Cash Accounts	12,052	1.9%	10,766	1.6%
Total	632,811	100%	679,609	100%

History of experience gains and losses

Actuarial losses identified as movements on the Pensions Reserve in 2022/23 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2023.

	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18
Difference between the expected and actual return on scheme assets:						
amount (£'000)	(57,880)	48,982	81,048	(52,191)	14,615	(3,304)
percentage	7.9%	7.2%	12.9%	9.7%	2.5%	0.6%
Experience (gains) and losses on liabilities						
amount (£'000)	120,769	2,694	(18,696)	1,878	-	-
percentage	16.5%	0.3%	1.9%	0.2%	0.0%	0.0%
	62,889	51,676	62,352	(50,313)	14,615	(3,304)
Cumulative (gains) / losses recognised	218,290	155,401	103,725	41,373	91,686	77,071

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 2023 apportioned to this Council is £10.067m (£10.486m in 2021/22). 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 2022	Principal Repaid	31 March 2023
	£000	£000	£000
Ex- Avon loan debt principal repayment	10,486	(419)	10,067
Split Between Short-Term & Long-Term:			
Short-Term Liability	419		403
Long-Term Liability	10,067		9,664
Total	10,486		10,067

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 £9.174m calculated as follows:

	2022/23	2021/22
	£000	£000
Provision for capital expenditure incurred before 1st April 2008	599	587
Provision based on estimated useful life of new assets since 2008	8,575	7,773
Total Minimum Revenue Provision (MRP)	9,174	8,360

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 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:

	2022/23 Exp. £'s	2022/23 Income £'s	2022/23 Assets £'s	2022/23 Liabilities £'s
Alice Park Trust	40,383	(40,383)	171,393 *	
Total	40,383	(40,383)	171,393	0

* Includes external investments valued at £18,216

	2021/22 Exp. £'s	2021/22 Income £'s	2021/22 Assets £'s	2021/22 Liabilities £'s
Alice Park Trust	41,441	(41,441)	189,552 *	
Total	41,441	(41,441)	189,552	0

* Includes external investments valued at £18,159

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:

	2022/23 Exp. £'s	2022/23 Income £'s	2022/23 Assets £'s	2022/23 Liabilities £'s
Educational Funds		(809)	37,871	
Graves / Memorial maintenance		(292)	12,984	
Twinning Fund	75	(598)	26,598	
Bequests		(1,268)	37,585	
Total	75	(2,967)	115,038	0

	2021/22 Exp. £'s	2021/22 Income £'s	2021/22 Assets £'s	2021/22 Liabilities £'s
Educational Funds		(66)	37,062	
Graves / Memorial maintenance		(24)	12,692	
Twinning Fund		(49)	26,075	
Bequests		(69)	36,317	
Total	0	(208)	112,146	0

45 CONTROLLED COMPANIES

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. ADL is a 100% subsidiary of AGHL.

The company's draft un-audited accounts to 31st March 2023 show a turnover of £1,681,432, a net profit of £217,035, net current liabilities of £12,675 and net assets of £2,014,071. (Turnover of £1,348,065, a net profit of £298,047, net current liabilities of £274,088 and net assets of £369,137 in the company's audited 2021/22 accounts). These figures include outstanding loans made to the company by the Council of £5,973,417 (£6,140,934 2021/22).

Aequus Construction Ltd (ACL)

ACL, which is a 100% subsidiary of AGHL, 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 2023 show a turnover of £8,056,920, a net profit of £321,299, net current assets of £4,420,047 and net assets of £2,821,567 (a turnover of £5,556,680, a net profit of £364,600, net current assets of £4,267,995 and net assets of £3,669,268 in the company's audited 2021/22 accounts). These figures include outstanding loans made to the company by the Council of NIL (£3,450,000 in 2021/22).

Aequus Group Holdings Ltd (AGHL)

The Council set up a company as a holding company for Aequus Developments Ltd (ADL) and Aequus Construction Ltd (ACL) in 2022/23.

The company is 100% owned by the Council and as a non-trading holding company does not have a turnover, with £100 share capital. Its accounts are reported under FRS101 Reduced Disclosure Framework.

A copy of the AGHL, ADL & ACL accounts can be obtained from Aequus Developments Ltd, Cambridge House, Henry Street, Bath, England, BA1 1BT.

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 these have 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.

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

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.

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 2022	(64,833)	(1,819)	0	0
Receipts into the Pool in-year:				
- Growth sums payable by Councils to BRP in-year	(30,955)	(885)	514	0
Distributions out of the Pool in-year:				
- Tier 1 no worse off	10,535	316	0	(316)
- BRP Management Fee	63	16	0	0
- EDF Management Fee	75	19	0	0
- Tier 2 EDF funding	4,049	76	0	(319)
- Tier 3 Demographic and service pressures	3,150	88	0	(233)
Funds held by the BRP at 31 March 2023	(77,917)	(2,191)		
Analysed between:				
Uncommitted cash (Tier 2 incl. Contingency)	(2,651)	(55)	10	n/a
Committed cash not yet allocated	(75,266)	(2,135)	362	n/a
	(77,917)	(2,191)		
Expenditure / (Revenue) recognised			885	(868)

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 (£2.191m) 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 £4.049m on behalf of the EDF in 2022/23.

The council itself has recognised revenue income of £868,000 (2021/22: (£472,000)) from the BRP and expenditure of £885,000 (2021/22: £550,000) to the BRP for the year.

NOTES TO MAIN FINANCIAL STATEMENTS

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

Restatement of Service Income & Expenditure

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income & Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2022/23 Code requires that authorities present expenditure and income on services on the bases of its reportable segments. These reportable segments are based on the Authority's reporting structure. The Authority's reportable segments are the Cabinet Portfolios, and following a change to the Cabinet structure during 2022/23, the Portfolios of responsibility are structured differently to those included in the 2021/22 Statement of Accounts. This note shows how the net expenditure and income has been restated.

	As originally reported in the CIES 2021/22 £'000	Adjustments between Cabinet Portfolio structure £'000	As Restated 2021/22 £'000
NET EXPENDITURE			
Cabinet Portfolio			
Economic Development & Resources	26,093	(26,093)	-
Leader	-	1,530	1,530
Resources	-	22,421	22,421
Economic Development, Regeneration & Growth	-	1,431	1,431
Adult Services & Council House Building	56,641	-	56,641
Children & Young People, Communities & Culture	45,825	(45,825)	-
Children and Young People & Communities	-	47,425	47,425
Climate & Sustainable Travel	(3,384)	62	(3,322)
Planning & Licensing	2,166	-	2,166
Neighbourhood Services	31,298	(951)	30,347
Transport	153	-	153
Cost of Services	158,792	-	158,792
GROSS EXPENDITURE			
Cabinet Portfolio			
Economic Development & Resources	89,152	(89,152)	-
Leader	-	14,955	14,955
Resources	-	69,962	69,962
Economic Development, Regeneration & Growth	-	3,321	3,321
Adult Services & Council House Building	103,178	-	103,178
Children & Young People, Communities & Culture	125,404	(125,404)	-
Children and Young People & Communities	-	127,339	127,339
Climate & Sustainable Travel	4,735	491	5,226
Planning & Licensing	6,855	-	6,855
Neighbourhood Services	46,863	(1,507)	45,356
Transport	14,210	(5)	14,205
Cost of Services	390,397	-	390,397
GROSS INCOME			
Cabinet Portfolio			
Economic Development & Resources	(63,059)	63,059	-
Leader	-	(13,425)	(13,425)
Resources	-	(47,541)	(47,541)
Economic Development, Regeneration & Growth	-	(1,890)	(1,890)
Adult Services & Council House Building	(46,537)	-	(46,537)
Children & Young People, Communities & Culture	(79,579)	79,579	-
Children and Young People & Communities	-	(79,914)	(79,914)
Climate & Sustainable Travel	(8,119)	(429)	(8,548)
Planning & Licensing	(4,689)	-	(4,689)
Neighbourhood Services	(15,565)	556	(15,009)
Transport	(14,057)	5	(14,052)
Cost of Services	(231,605)	-	(231,605)

NOTES TO MAIN FINANCIAL STATEMENTS

50 CLEAN AIR ZONE

The Council operate a Class C Clean Air Zone (CAZ) within Bath, which came into operation in March 2021. Details of this, including the Bath Clean Air Zone Charging Order 2021, can be viewed on the Council's website. This disclosure note meets the Council's requirements of the accounting provisions covered under Schedule 12, paragraph 6, of the Transport Act 2000.

Clean Air Zone Income & Expenditure

	2022/23		2021/22	
	£'000	£'000	£'000	£'000
CAZ Income		(6,186)		(5,597)
Expenditure	2,470		2,564	
<i>less Grant Funding</i>	(58)		(2,109)	
Expenditure net of Grant Funding		2,412		455
(Surplus) / Deficit transferred to Earmarked Reserve		(3,774)		(5,142)

Clean Air Zone Earmarked Reserves

	31 March	transfers	transfers	31 March
	2022	to	from	2023
	£'000	£'000	£'000	£'000
Smoothing Reserve	2,793	431		3,224
Decommissioning Reserve	377			377
Decommissioning Monitoring and Modelling Reserve	250			250
Transport Investment Reserve	1,797	3,343	(35)	5,105
Total Clean Air Zone Reserves	5,217	3,774	(35)	8,956

The Clean Air Zone Reserves will be used for decommissioning costs once the scheme has finished, as well as smoothing the income over the life of scheme to match the expenditure. This is due to income forecast to decrease as vehicle compliance rates improve, without expenditure reducing.

COLLECTION FUND 2022/23

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	2022/23 £'000	2021/22 £'000
INCOME				
Council Tax	2	(133,197)		(127,932)
Income collectable from business ratepayers	3	(62,160)		(49,334)
			(195,357)	(177,266)
EXPENDITURE				
Council Tax - Precepts and demands				
Bath & North East Somerset		109,964		104,986
Avon & Somerset Police	1	17,045		16,091
Avon Fire	1	5,289		5,099
			132,298	126,176
National Non-Domestic Rates (NNDR)				
Central share payment to Government		-		-
Local share payment to Bath & North East Somerset		52,886		61,727
Local share payment to WECA		2,813		3,283
Local share payment to Avon Fire Authority		563		657
Transfer of City Deal Growth Disregard to General Fund	6	603		-
Transfer of Renewable Energy Growth Disregard to General Fund		13		17
Cost of Collection Allowance		268		269
			57,146	65,953
Impairments of debts/Appeals provision				
Contribution to Provision for Bad Debts	4		879	172
Contribution to Provision for NNDR Appeals	5		2,492	2,537
Contributions				
Contribution towards previous year's estimated Collection Fund Surplus/(Deficit)			(19,946)	(43,070)
			172,869	151,768
(Surplus)/Deficit for the Year			(22,488)	(25,498)
(Surplus)/Deficit Brought Forward as at 1 April			16,390	41,888
(Surplus)/Deficit as at 31 March	7		(6,098)	16,390
Council Tax Surplus / (Deficit) to be refunded to Police & Fire Authorities			15	320
NNDR Surplus / (Deficit) to be refunded / charged to Government, WECA & Fire Authority			361	(1,097)
Bath & North East Somerset (Surplus)/Deficit			(5,722)	15,613

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	Surplus / (Deficit)	Precept	Surplus / (Deficit)
	2022/23	2022/23	2021/22	2021/22
	£'000	£'000	£'000	£'000
The Avon & Somerset Police Authority	17,045	288	16,091	(12)
The Avon Fire Authority	5,289	90	5,099	(4)

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 67,853.70 (66,711.90 for 2021/22). This amount of Council Tax for a Band D property £1,949.75 (£1,891.36 - 2021/22) is multiplied by the proportion specified for the particular band to give an individual amount due.

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

	Discounted Properties	Ratio to Band D	Band D Equivalents
Band A - Disabled Relief	10	5/9	6
Band A	6,675	6/9	4,450
Band B	16,671	7/9	12,966
Band C	18,069	8/9	16,061
Band D	12,737	9/9	12,737
Band E	9,182	11/9	11,223
Band F	5,275	13/9	7,620
Band G	4,663	15/9	7,772
Band H	385	18/9	771
			73,606
Overall Adjustment for Council Tax Support and Technical Changes			(5,752)
Council Tax Base			67,854

The increase in the Council Tax base between financial years is mainly due to an increase in the number of chargeable dwellings.

The income for 2022/23 is receivable from the following sources:-

	2022/23	2021/22
	£'000	£'000
Billed to Council Tax payers	(133,153)	(127,890)
Localism Act Discounts funded from General Fund	(6)	(2)
DWP Benefits funded from General Fund	8	4
Foster Carers Locally Defined Discount funded from General Fund	(12)	(15)
Care Leavers Locally Defined Discount funded from General Fund	(37)	(27)
Council Tax Covid-19 Hardship Relief funded from General Fund	2	(2)
	(133,198)	(127,932)

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 2022/23 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 £62.160 million for 2022/23 (£49.334 million for 2021/22) resulted from a total rateable value at 31 March 2023 of £183.371 million (2021/22: £184.883 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 surplus on the business rates retention scheme in 2022/23 is £6.008m (£18.294m deficit in 2021/22). The surplus 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.

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:

	2022/23 £'000	2021/22 £'000
Council Tax		
Balance at 1 April	1,374	1,478
Write-offs during the year	(170)	(213)
Contributions to provisions during the year	465	109
Net Increase/(Decrease) in Provision	295	(104)
Balance at 31 March	<u>1,669</u>	<u>1,374</u>
NNDR		
Balance at 1 April	1,044	1,164
Write-offs during the year	(256)	(186)
Contributions to provisions during the year	414	66
Net Increase/(Decrease) in Provision	158	(120)
Balance at 31 March	<u>1,202</u>	<u>1,044</u>
Total		
Balance at 1 April	2,418	2,642
Write-offs during the year	(426)	(399)
Contributions to provisions during the year	879	175
Net Increase/(Decrease) in Provision	453	(224)
Balance at 31 March	<u>2,871</u>	<u>2,418</u>

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 2022.

	2022/23 £'000	2021/22 £'000
Balance at 1 April	14,474	13,650
Cost of Appeals settled during the year	(3,377)	(1,715)
Contributions to provisions during the year	2,492	2,539
Net Increase/(Decrease) in Provision	(884)	824
Balance at 31 March	<u>13,590</u>	<u>14,474</u>

The net reduction in appeals provision is mainly due to the impact of settled appeals in respect of the 2017 rating list which have been determined by the Valuation Office Agency (VOA) during 2022/23. Provision for appeals on the 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 2023, the balance on the Collection Fund stood at an overall surplus of £6.099m

The credit balance for Council Tax, due to the Council, Police and Fire Authority, and the credit balance for Non-Domestic Rates, due to the Council, the West of England Combined Authority and the Fire Authority, is as follows:

	Council Tax	NDR	Total
	£'000	£'000	£'000
Central Government	-		-
Bath & North East Somerset	(76)	(5,647)	(5,723)
West of England Combined Authority (WECA)	-	(300)	(300)
Avon & Somerset Police	(13)	-	(13)
Avon Fire Authority	(2)	(60)	(62)
	<u>(91)</u>	<u>(6,008)</u>	<u>(6,099)</u>

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 2022 to 31 March 2023. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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 2023, 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)

Both ACL and ADL are 100% owned subsidiary of Aequus Group Holdings Limited (AGHL), which is a non-trading parent company. As AGHL is 100% owned by the Bath & North East Somerset Council, both ADL & ACL 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 2022/23

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	2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
	Gross Exp £'000 Restated	Gross Inc £'000 Restated	Net Exp £'000 Restated		Gross Exp £'000	Gross Inc £'000	Net Exp £'000
				Expenditure on Services			
	14,955	(13,425)	1,530	Leader	15,981	(19,272)	(3,291)
	68,435	(47,446)	20,989	Resources	67,353	(47,662)	19,691
	3,321	(1,890)	1,431	Economic Development, Regen. & Growth	3,396	(1,847)	1,549
	103,178	(46,537)	56,641	Adult Services & Council House Building	115,384	(45,491)	69,893
	127,339	(79,914)	47,425	Children and Young People & Communities	137,282	(90,668)	46,614
	5,226	(8,548)	(3,322)	Climate & Sustainable Travel	5,896	(7,461)	(1,565)
	6,855	(4,689)	2,166	Planning & Licensing	7,144	(4,889)	2,255
	45,356	(15,009)	30,347	Neighbourhood Services	45,090	(8,829)	36,261
	14,205	(14,052)	153	Transport	9,600	(14,903)	(5,303)
	5,117	(4,883)	234	Activities of Subsidiaries	7,939	(6,803)	1,136
	393,987	(236,393)	157,594	Cost of Services - continuing Operations	415,065	(247,825)	167,240
			9,536	Other Operating Expenditure			7,514
			2,621	Financing and Investment Income & Expenditure			24,297
		(168,625)		Taxation and Non-Specific Grant Income			(182,156)
			1,126	(Surplus) or Deficit on Provision of Services			16,895
		(50,955)		(Surplus) or Deficit on Upward Revaluation of Non-current Assets			(25,034)
			10,479	(Surplus) or Deficit on Downward Revaluation of Non-current Assets			2,661
		(54,443)		Remeasurement of the net defined benefit liability			(234,365)
		(94,919)		Other Comprehensive Income & Expenditure			(256,738)
		(93,793)		Total Comprehensive Income & Expenditure			(239,843)

GROUP MOVEMENT IN RESERVES STATEMENT 2022/23

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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>	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of reserves of subsidiaries	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022	111,323	8,518	22	119,863	50,614	170,477	4,075	174,551
Movements During 2022/23:								
Adjustment to Opening Balance				-		-	(37)	(37)
Total Comprehensive Income & Expenditure	(16,265)			(16,265)	255,310	239,045	797	239,843
Adjustments between group accounts and authority accounts	1,169			1,169		1,169	(1,169)	-
Net Increase/ (Decrease) before transfers	(15,096)	-	-	(15,096)	255,310	240,214	(372)	239,843
Adjustments between accounting basis and funding basis under statutory provisions	(11,432)	524	(22)	(10,930)	10,930	-	-	-
Increase / (Decrease) during year	(26,528)	524	(22)	(26,026)	266,240	240,214	(372)	239,843
Transfers to / (from) earmarked reserves	(1,169)			(1,169)		(1,169)	1,169	-
Balance at 31 March 2023	83,626	9,042	-	92,668	316,855	409,522	4,836	414,358
<u>Comparative Year</u>								
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021	120,163	6,645	22	126,831	(49,228)	77,603	3,178	80,780
Movements During 2021/22:								
Adjustment to Opening Balance				-		-	(23)	(23)
Total Comprehensive Income & Expenditure	(653)			(653)	94,667	94,014	(221)	93,793
Adjustments between group accounts and authority accounts	(1,141)			(1,141)		(1,141)	1,141	-
Net Increase/ Decrease before transfers	(1,794)	-	-	(1,794)	94,667	92,873	920	93,793
Adjustments between accounting basis and funding basis under statutory provisions	(7,046)	1,873	(1)	(5,174)	5,174	-		-
Increase / (Decrease) during year	(8,840)	1,873	(1)	(6,968)	99,841	92,873	920	93,793
Transfers to / (from) earmarked reserves				-				
Balance at 31 March 2022	111,323	8,518	22	119,863	50,614	170,477	4,075	174,551

GROUP BALANCE SHEET as at 31 MARCH 2023

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 2022 £'000		31 March 2023 £'000
	231,060	Property, Plant & Equipment:	
	1,558	Land & Buildings	262,210
	22,048	Community Assets	4,335
	72,302	Vehicles, Plant & Equipment	22,095
	3,543	Assets under Construction	61,126
	104,407	Surplus assets	3,428
	48,382	Infrastructure	133,532
G4	265,229	Heritage Assets	48,564
	767	Investment Property	264,431
G6	1,592	Intangible Assets	649
	-	Long Term Debtors	1,678
	<u>750,888</u>	Deferred tax asset	-
		Long Term Assets	802,048
	35,406	Short Term Investments	13,960
G5	5,096	Inventories	3,132
G6	47,423	Short Term Debtors	48,688
	52,990	Cash and Cash Equivalents	31,980
	871	Assets Held for Sale	170
	<u>19</u>	Deferred tax asset	<u>12</u>
	141,805	Current Assets	97,942
	(5,029)	Short Term Borrowing	-
	(84,412)	Short Term Creditors	(76,299)
	(2,066)	Grants Receipts In Advance - Revenue	(1,600)
	<u>(23,465)</u>	Grants Receipts In Advance - Capital	<u>(19,573)</u>
	(114,972)	Current Liabilities	(97,472)
	(13,908)	Long Term Creditors	
	(216,732)	Provisions	(15,532)
	-	Long Term Borrowing	(214,184)
	(337,099)	Deferred tax liability	(35)
	(35,431)	Other Long Term Liabilities	(126,372)
	<u>(603,170)</u>	Grants Receipts In Advance - Capital	<u>(32,037)</u>
		Long Term Liabilities	(388,160)
	<u>174,551</u>	Net Assets	414,358
	123,937	Usable reserves	97,505
	50,614	Unusable Reserves	316,853
	<u>174,551</u>	Total Reserves	414,358

GROUP CASH FLOW STATEMENT

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period.

2021/22 £'000	See Note G7 for further details	2022/23 £'000
(1,126)	Net surplus or (deficit) on the provision of services	(16,895)
73,114	Adjustment to surplus or deficit on the provision of services for non cash movements	61,435
<u>(47,118)</u>	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>(48,059)</u>
24,870	Operating Activities	(3,520)
(11,041)	Investing Activities	(8,710)
(18,981)	Financing Activities	(8,780)
<u>(5,152)</u>	Net Increase/(decrease) in cash equivalents	<u>(21,010)</u>
58,142	Cash & cash equivalents at the beginning of the reporting period	52,990
52,990	Cash & cash equivalents at the end of the reporting period	31,980

NOTES TO GROUP FINANCIAL STATEMENTS

G1 Accounting policies

The Group Financial Statements summarise the Council's and its Group's transactions for the 2022/23 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 supported by International Financial Reporting Standards (IFRS).

Members within the Group have been classified as subsidiaries as they are 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.

G2 Bodies not consolidated

The following have not been consolidated in to the Group Financial Statements for 2022/23.

Entity	Reason
Aequus Group Holdings Limited (AGHL)	Immaterial subsidiary - Non-Trading Holding Company

Aequus Group Holdings Limited (AGHL)

The Council set up a company as a holding company for Aequus Developments Ltd (ADL) and Aequus Construction Ltd (ACL) in 2022/23.

The company is 100% owned by the Council and as a non-trading holding company does not have a turnover, with £100 share capital. It's accounts are reported under FRS101 Reduced Disclosure Framework.

NOTES TO GROUP FINANCIAL STATEMENTS

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 is a wholly owned subsidiary of Aequus Group Holdings Limited (AGHL), established to develop, deliver, own and manage existing properties on behalf of Bath & North East Somerset Council (the Council). The principle activity of ADL in the year under review was that of an investment property company.

The draft accounts for the year to 31 March 2023 for ADL have been summarised below, with comparator figures for the previous reporting period.

Aequus Developments Ltd (ADL)	Year ended 31 March 2022 (from audited accounts) £000	Year ended 31 March 2023 £000
Profit for the year	298	351
Other Comprehensive Income	220	(134)
Total Comprehensive Income	518	217
Net assets	369	2,014

Aequus Construction Ltd (ACL)

ACL is as a wholly owned subsidiary of Aequus Group Holdings Limited (AGHL), 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 2023 for ACL have been summarised below, with comparator figures for the previous reporting period.

Aequus Construction Ltd (ACL)	Year ended 31 March 2022 (from audited accounts) £000	Year ended 31 March 2023 £000
Profit for the year	365	321
Other Comprehensive Income	-	-
Total Comprehensive Income	365	321
Net assets	3,669	2,821

G4 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.

	2022/23 £'000	2021/22 £'000
Rental Income from Investment Property	(16,228)	(17,480)
Direct operating expenses arising from Investment Property	1,886	1,733
Net gain/(loss)	<u>(14,342)</u>	<u>(15,747)</u>

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

	2022/23 £'000	2021/22 £'000
Balance at start of year	265,229	268,774
Adjustment to opening balance	-	-
Additions of expenditure	2,688	724
Disposals	(153)	(16)
Net gains/(losses) from fair value adjustments	(20,805)	(3,718)
Transfer (to)/from Property, Plant & Equipment	17,472	(535)
Balance at end of the year	<u>264,431</u>	<u>265,229</u>

The Council carries out annual valuations of all investment properties. The valuer's report identified a total valuation of £256.4m, being all level 2 in the hierarchy outlined in policy 1.17 of the single entity accounts.

The fair value of investment properties held by Aequus Development Limited are reviewed annually based on a 20% sample of properties across the portfolio, with a full property revaluation done every 4 years. The 2023 reviewed identified a total valuation of £8m, being all level 2 in the hierarchy outlined in accounting policy 1.17 of the single entities accounts.

Both 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.

NOTES TO GROUP FINANCIAL STATEMENTS

G5 Inventories

2021/22 £'000		2022/23 £'000
498	Consumable stores	520
4,598	Work in progress	2,611
<u>5,096</u>		<u>3,131</u>

G6 Debtors

2021/22 £'000	Amounts falling due in one year:	2022/23 £'000
11,041	Central Government bodies	8,209
7,639	Other local authorities	12,796
3,570	NHS bodies	3,902
10,895	Other entities and individuals (Trade Debtors)	10,845
11,723	Other entities and individuals (Non-Trade Debtors)	9,925
<u>2,554</u>	Prepayments	<u>2,783</u>
<u>47,422</u>	Total - Current Assets	<u>48,460</u>
£'000	Amounts falling after one year:	£'000
<u>1,592</u>	Other entities and individuals	<u>1,678</u>
<u>1,592</u>	Total - Long Term Assets	<u>1,678</u>

G7 Cash Flow Statement

Note A to the cash flow statement

	2022/23 £'000	2021/22 £'000
Net Surplus or (Deficit) on the Provision of Services	<u>(16,895)</u>	<u>(1,126)</u>
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>		
Depreciation	14,340	14,566
Impairment and downward valuations	2,659	9,145
Amortisation	223	223
Impairment allowance on service loans	(55)	(137)
Adjustment for internal interest charged	109	8
Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss a/c	-	-
Adjustments for effective interest rates	(6)	(6)
Increase/Decrease in Interest Creditors	(49)	(271)
Increase/Decrease in Creditors	(7,809)	9,595
Increase/Decrease in Interest and Dividend Debtors	29	(6)
Increase/Decrease in Debtors	(1,404)	11,888
Increase/Decrease in Inventories	1,965	643
Pension Liability	24,041	19,965
Pension Fund Gains on Past Service Costs	-	-
Contributions to/(from) Provisions	1,624	773
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	-	-
	2,264	4,763
Movement in investment property values	20,872	3,718
Other movements	1,103	(865)
Total adjustments on the provision of services for non cash movements	<u>61,435</u>	<u>73,114</u>
<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	(44,790)	(43,494)
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	-	-
	(3,269)	(3,624)
Total adjustments on the provision of services that are investing or financing activities	<u>(48,059)</u>	<u>(47,118)</u>
Net Cash Flows from Operating Activities	<u>(3,520)</u>	<u>24,870</u>

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

	2022/23 £'000	2021/22 £'000
Operating activities within the cash flow statement include the following cash flows relating to interest		
Ordinary interest received	1,564	600
Other adjustments for differences between Effective Interest Rates and actual interest receivable-Long Term Debtors	-	-
Opening Debtor	118	64
Closing Debtor	(89)	(71)
Interest Received	<u>1,593</u>	<u>593</u>
Interest charge for year	(7,416)	(7,881)
Adjustment for difference between effective interest rates and actual interest payable	(6)	(6)
Adjustment for impairment loss on service loans	-	-
Adjustment for internal interest charged to balance sheet funds	109	8
Opening Creditor	(1,914)	(2,186)
Closing Creditor	1,865	1,914
Interest Paid	<u>(7,362)</u>	<u>(8,151)</u>

NOTES TO GROUP FINANCIAL STATEMENTS

Note C to the Cash Flow Statement - Cash Flows from Investing Activities	2022/23	2021/22
	£'000	£'000
Property, Plant and Equipment Purchased	(65,610)	(40,115)
Purchase of Investment Properties	(2,688)	(724)
Other Capital Payments	(151)	(39)
Opening Capital Creditors	(8,966)	(4,562)
Closing Capital Creditors	8,070	8,966
Purchase of Property, Plant and Equipment, investment property and intangible assets	(69,345)	(36,474)
Purchase of short term investments	(25,000)	(45,000)
Long term loans granted	(49)	-
Capital Grants Repaid	(2,200)	(4,012)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	3,362	3,631
Proceeds / (Purchase) from short term investments	45,000	30,000
Proceeds from long term investments	-	-
Other capital cash receipts	39	9
Capital Grants Received / (Repaid)	39,483	40,805
Other Receipts / (Payments) from Investing Activities	39,522	40,814
Total Cash Flows from Investing Activities	(8,710)	(11,041)
Note D to the Cash Flow Statement - Cash Flows from Financing Activities	2022/23	2021/22
	£'000	£'000
Cash receipts of long term borrowing	-	18
Billing Authorities - Council Tax and NNDR adjustments	322	5,609
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	-	-
Other receipts from Financing Activities	(1,169)	-
Repayment of Short-Term and Long-Term Borrowing	(7,933)	(24,608)
Payments for the reduction of a finance lease liability	-	-
Total Cash Flows from Financing Activities	(8,780)	(18,981)
Note E - Makeup of Cash and Cash Equivalents	2022/23	2021/22
	£'000	£'000
Cash and Bank Balances	4,591	3,766
Cash Investments - regarded as cash equivalents	27,389	49,224
Bank Overdraft	-	-
	31,980	52,990

PENSION FUND ACCOUNTS 2022/23

Fund Account

For the Year Ended 31 March 2023

	Notes	2022/23 £'000	2021/22 £'000
Dealing with members, employers and others directly involved in the fund			
Contributions Receivable	4	(202,854)	(185,761)
Transfers In		(15,070)	(13,598)
		<u>(217,924)</u>	<u>(199,359)</u>
Benefits Payable	5	197,821	192,395
Payments to and on account of Leavers	6	14,572	9,112
		<u>212,393</u>	<u>201,507</u>
Net (additions) / withdrawals from dealings with member		(5,531)	2,148
Management Expenses	7	25,338	36,948
Net (additions)/withdrawals including fund management expenses		19,807	39,096
Returns on Investments			
Investment Income	8	(61,908)	(25,683)
Profits and losses on disposal of investments and change in value of investments	9	474,883	(526,695)
Net Returns on Investments		412,975	(552,378)
Net (Increase) in the net assets available for benefits during the year		432,782	(513,282)
Opening Net Assets of the Fund		5,821,992	5,308,710
Closing Net Assets of the Fund		5,389,210	5,821,992

Net Assets Statement at 31 March 2023

	Notes	31 March 2023 £'000	%	31 March 2022 £'000	%
INVESTMENT ASSETS					
Property Pooled Investment vehicles		612,977	11.4	708,665	12.2
Non Property Pooled Investment Vehicles	10	4,624,767	85.8	4,954,039	85.1
Cash Deposits		113,597	2.1	170,915	2.9
Derivative Contracts (Foreign Exchange hedge) - Gross Asset		36,669	0.7	-	-
Derivative Contracts: FTSE Futures - Gross Asset		361	0.0	676	0.0
Long-Term Investments		707	0.0	838	0.0
Other Investment balances		12,732	0.2	98,478	1.7
Total Investment Assets		5,401,810		5,933,611	
INVESTMENT LIABILITIES					
Derivative Contracts (Foreign Exchange hedge) - Gross Liability		(19,873)	(0.4)	(31,203)	(0.5)
Derivative Contracts: FTSE Futures - Gross Liability		-	-	-	-
Other Investment balances		(282)	(0.0)	(74,787)	(1.3)
Total Investment Liabilities		(20,155)		(105,990)	
TOTAL NET INVESTMENT ASSETS	10	5,381,655		5,827,621	
Long Term Debtors	12a	272	-	218	
Net Current Assets					
Current Assets	12	17,773	0.3	19,663	0.3
Current Liabilities	12	(10,490)	(0.2)	(25,510)	(0.4)
Net assets of the scheme available to fund benefits at the period end		5,389,210	100.0	5,821,992	100.0

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 2023. The actuarial present value of these liabilities is disclosed in note 15.

Notes to Accounts - Year Ended 31 March 2023

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 2022 to 31 March 2023.

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 2022/23 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 1.21. They do not take account of liabilities to pay pensions and other benefits in the future.

1.4 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 2022. The key elements of the funding policy are as follows:

- Ensure sufficient funds are available to meet all benefits as they fall due for payment
- Recover any shortfall in assets relative to the value of accrued liabilities over a reasonable timeframe
- Keep employer contributions as stable as possible and at reasonable cost whilst achieving and maintaining fund solvency, taking into account the risk appetite of the administering authority and scheme employers
- Maximise the return from investments within acceptable risk parameters

The market value of the Fund's assets at the valuation date was £5,822m. The Actuary estimated that the value of the Fund was sufficient to meet 96% of its expected future liabilities of £6,060m in respect of service completed to 31 March 2022, with a deficit of £238m.

1.5 At the 2022 valuation the average deficit recovery period for the Fund overall was set at 12 years.

1.6 The 2022 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)	5.1% per annum	4.60% per annum
Rate of pay increases (long term)	4.6% per annum	4.6% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	3.1% per annum	3.1% per annum

1.7 The 2022 triennial valuation was completed during 2022/23 using market prices and membership data as at 31 March 2022. This 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 2023. The discount rate used in the 2022 valuation is based on CPI plus a real investment return of 1.5% p.a. for past service (the secondary contribution rate) and CPI plus 2.0% p.a. for future service (the primary contribution rate). The discount rate for the lower risk investment strategy was 2.55% p.a..

1.8 The Actuary has estimated that the funding level is 95% as at 31 March 2023 based on the 2022 valuation financial assumptions.

1.9 The 2022 valuation includes the estimated cost of McCloud Judgement, based on the proposed remedy. The estimated cost is an increase in the past service liabilities at the valuation date of £70m. This represents 1.2% of total past service liabilities and is included in the liability figure and secondary contribution rate stated above.

Remedial regulations have not yet been implemented but are expected to take effect from October 2023 with a retrospective effect back to April 2014 and a remedy end date of 31 March 2022. As the remedy date end is 31 March 2023 the primary contribution rate effective from 1 April 2023 does not include an allowance for McCloud.

PENSION FUND ACCOUNTS 2022/23

- 1.10 **Note 15** to the accounts shows the actuarial present value of promised retirement benefits for the purposes of IAS26 using the assumptions and methodology of IAS 19. The discount rate referenced for IAS19 is the Corporate Bond yield. The discount rate used for the Actuarial Valuation references the Fund's investment strategy.
- 1.11 The Fund's Funding Strategy Statement can be found on the Fund's website www.avonpensionfund.org.uk (search Funding Strategy Statement) 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

- 1.12 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 (search Investment Strategy Statement) and is summarised within the Fund's Annual Report. The ISS is updated following strategic reviews.
- 1.13 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. 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.

All the Fund's listed and liquid assets have transferred to Brunel with only illiquid legacy mandates remaining directly managed by the Fund. For the assets that have transferred, Brunel is responsible for appointing and monitoring managers and other investment related operational aspects of the Fund.

- 1.14 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 Option Index Swaps.
 - (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

- 1.15 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

- 1.16 Investments are shown in the accounts at fair value, which has been determined as follows:
- i) Quoted Securities have been valued at 31 March 2023 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, unutilised 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 2023 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. Valuations are also subject to an external audit.
 - 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 2023.
 - 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

- 1.17 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 2022/23 relate to the 2019 valuation and the employer contribution rates range from 12.3% 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 2023. The deficit contribution is expressed as a cash sum, and ranges from £0 to £2.4 millions.
- 1.18 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

- 1.19 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.
- 1.20 Benefits payable and refunds of contributions have been brought into the accounts as they fall due.
- 1.21 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.
- 1.22 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

- 1.23 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

- 1.24 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.
- 1.25 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

- 1.26 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

1.27 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
Unlisted Assets	The Hedge Fund (£23m), Infrastructure (£634m), Private Debt (£129m) and Property Limited Partnerships (£440m) 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 +/- £124m 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 2023 is £6,160 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 2022 actuarial valuation results: <ul style="list-style-type: none"> • a 0.25% per annum reduction in the real investment return assumption would increase deficit by £261m (to £499m) • a 0.25% per annum increase in the assumed pensionable salary growth would increase the deficit by £32m (to £270m) • a 0.25% per annum increase in the long term improvement rate in life expectancy would increase the deficit by £45m (to £283m)

Events After the Balance Sheet Date

1.28 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

1.29 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

1.30 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

1.31 IFRS 16 Lease Accounting will apply to CIPFA Accounts for the financial year 24/25 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

1.32 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.

PENSION FUND ACCOUNTS 2022/23

2 MEMBERSHIP

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

	31 March 2023	31 March 2022
Employed Members	40,290	39,559
Pensioners	38,796	36,951
Members entitled to Deferred Benefits	44,058	43,396
Undecided Leavers	11,531	10,237
TOTAL	<u>134,675</u>	<u>130,143</u>

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:-

	2022/23 £'000	2021/22 £'000
Employers' normal contributions		
Scheduled Bodies	117,529	106,331
Administering Authority	12,780	11,269
Admission Bodies	7,380	7,864
	<u>137,689</u>	<u>125,464</u>
Employers' deficit Funding		
Scheduled Bodies	12,052	11,690
Administering Authority	-	-
Admission Bodies	742	336
	<u>12,794</u>	<u>12,026</u>
Total Employer's normal & deficit funding	<u>150,483</u>	<u>137,490</u>
Employers' contributions - Augmentation		
Scheduled Bodies	1,000	737
Administering Authority	1	349
Admission Bodies	84	348
	<u>1,085</u>	<u>1,434</u>
Members' normal contributions		
Scheduled Bodies	43,531	39,587
Administering Authority	4,923	4,316
Admission Bodies	2,235	2,416
	<u>50,689</u>	<u>46,319</u>
Members' contributions toward additional benefits		
Scheduled Bodies	508	400
Administering Authority	82	105
Admission Bodies	7	13
	<u>597</u>	<u>518</u>
Total	<u>202,854</u>	<u>185,761</u>

The increase in Employers' contributions between 2021/22 and 2022/23 is due to the effect of phased/stepped contributions and the local government pay award of £1,925 on all NJC pay points. This pay award was announced in November 2022.

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 Legal & General, 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 2022/23

5 BENEFITS PAYABLE

Analysis of Gross Benefits Payable by Type:-

	2022/23 £'000	2021/22 £'000
Retirement Pensions	168,770	159,686
Commutation of Pensions and Lump Sum Retirement Benefits	25,402	30,068
Lump Sum Death Benefits	3,649	2,641
	<u>197,821</u>	<u>192,395</u>

Analysis of Gross Benefits Payable by Employing Body:-

	2022/23 £'000	2021/22 £'000
Scheduled & Designating Bodies	161,405	155,477
Administering Authority	19,967	20,226
Admission Bodies	16,449	16,692
	<u>197,821</u>	<u>192,395</u>

6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

Leavers

	2022/23 £'000	2021/22 £'000
Refunds to members leaving service	978	672
Individual Cash Transfer Values to other schemes	13,594	7,490
Group Transfers	-	950
	<u>14,572</u>	<u>9,112</u>

PENSION FUND ACCOUNTS 2022/23

7 MANAGEMENT EXPENSES

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

	2022/23	2021/22
	£'000	£'000
Administrative Costs	3,227	2,746
Oversight & Governance Costs	2,405	1,945
Investment Management Expenses	19,706	32,257
	<u>25,338</u>	<u>36,948</u>

Further Analysis of Management Expenses:-

Administrative Costs

Management Costs	2,144	1,926
Administration and Processing	891	606
Service from Administrating Body	508	491
Fees and Income	(316)	(277)
	<u>3,227</u>	<u>2,746</u>

Oversight & Governance Costs

Management costs	872	765
Specialist advice and Governance	1,642	1,438
Actuarial recharges	(177)	(317)
Audit Fees	49	52
Audit Related Services	19	7
	<u>2,405</u>	<u>1,945</u>

Investment Management Expenses (Note 7a)

	19,706	32,257
	<u>25,338</u>	<u>36,948</u>

Management costs in Oversight & Governance Costs include investments, actuarial and accounting staff costs. Audit fees include; the £0.041m external audit fee (2021/22 £0.042m), -£0.011m grant from the DLUHC and £0.019m internal audit charge from Bath & North East Somerset Council (2021/22 £0.020m). The audit related service of £0.019m is for an additional external fee relating to information provided to the actuary regarding individual employers' IAS19 disclosures in 2022/23.

7a INVESTMENTS MANAGEMENT EXPENSES

2022/23	Total	Management Fees	Performance related fees	Transaction costs
	£'000	£'000	£'000	£'000
Equity	-	-	-	-
Pooled Property	(1,475)	2,663	(4,138)	-
Private Infrastructure	3,165	3,165	-	-
Derivatives	432	429	-	3
Pooled Investments *	17,529	12,216	5,182	131
	<u>19,651</u>	<u>18,473</u>	<u>1,044</u>	<u>134</u>
Custody Fees	55			
Total	<u>19,706</u>			
2021/22	Total	Management Fees	Performance related fees	Transaction costs
	£'000	£'000	£'000	£'000
Equity	-	-	-	-
Pooled Property	6,201	2,844	3,357	-
Private Infrastructure	2,564	2,564	-	-
Derivatives	456	456	-	-
Pooled Investments *	22,985	13,943	8,878	164
	<u>32,206</u>	<u>19,807</u>	<u>12,235</u>	<u>164</u>
Custody Fees	51			
Total	<u>32,257</u>			

* Included within Pooled Investments is £1.514m (£1.219m in 21/22) paid to Brunel Pension Partnership for core investment services.

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 22/23 represent a decrease in the provision for pooled property of £4.310m and a payment in year of £0.172m. For Pooled investments there is a payment in year of £6.533m and decrease in provision of £1.351m. The current total provision for performance fees is included in note 12 Current Asset and Liabilities.

Of the £19.7m of investment management fees, £12.0m relates to the fees paid to the underlying managers of the portfolios managed by Brunel. Due to the fall in asset values fees were lower than 2021/22 especially performance related fees.

PENSION FUND ACCOUNTS 2022/23

8 INVESTMENT INCOME

	2022/23 £'000	2021/22 £'000
Dividends from equities	45	343
Income from pooled Property Investments	20,037	15,281
Income from other pooled investment vehicles	38,626	10,064
Interest on cash deposits	3,200	(5)
Other Income (including Stock Lending)		-
TOTAL	61,908	25,683

Brunel operates a securities lending programme for its clients for select portfolios with their custodian, where eligible securities are lent to third parties in exchange for fees paid. The third parties provide collateral which is held for the duration of the loan(s). 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 £12.8m stock on loan, secured by collateral of £13.3m. During the year the Fund's share of stock lending income in this portfolio was £0.09m. The Fund does not operate a securities lending programme outside of the Brunel portfolios.

9 CHANGE IN TOTAL NET ASSETS

Change in Market Value of Investments	Value at	Purchases	Sales	Change in	Value at
	31/03/22	at Cost	Proceeds	Market	31/03/23
	£'000	£'000	£'000	Value	£'000
				£'000	
Bonds					-
Equities					-
Long Term Investments	838	-	-	(131)	707
Pooled Investments-					
- Property	708,665	259,921	(219,974)	(135,635)	612,977
- Non Property	4,954,039	774,915	(844,624)	(259,563)	4,624,767
Derivatives					
- Foreign Exchange Hedge	(31,203)	181,033	(69,921)	(63,113)	16,796
- FTSE Futures	676	2,111	(5,993)	3,567	361
Sub Total	5,633,015	1,217,980	(1,140,512)	(454,875)	5,255,608
Cash Deposits	170,915	2,913,842	(2,977,588)	6,428	113,597
Amount receivable for sales	97,069			(85,181)	11,888
Payable for purchases	(74,787)			74,505	(282)
Investment Debtors & Creditors	1,409			(565)	844
Total Investment Assets	5,827,621			(459,688)	5,381,655

Reconciliation to Fund Account:

	£'000
Change in market value of Investment Assets	(459,688)
Net Purchases & Sales	13,722
Movement in Long Term Debtors	54
Movement in Current Assets	13,130
Less Net Revenue of Fund	(42,101)
Profits and losses on disposal of investments and change in value of investments	(474,883)

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 (£19.807m) plus Investment income (£-61.908m) as shown in the Fund account.

PENSION FUND ACCOUNTS 2022/23

Change in Total Net Assets 2021/22

Change in Market Value of Investments	Value at	Purchases	Sales	Change in	Value at
	31/03/21	at Cost	Proceeds	Market	31/03/22
	£'000	£'000	£'000	Value	£'000
Bonds	-	408,717	(411,838)	3,121	-
Equities	-	381,484	(377,279)	(4,205)	-
Long Term Investments	768	-	-	70	838
Pooled Investments-					
- Property	534,294	764,028	(672,123)	82,466	708,665
- Non Property	4,584,191	2,379,836	(2,410,237)	400,249	4,954,039
Derivatives					
- Foreign Exchange Hedge	63,767	28,231	(85,402)	(37,799)	(31,203)
- FTSE Futures	(110)	394	(5,329)	5,721	676
Sub Total	5,182,910	3,962,690	(3,962,208)	449,623	5,633,015
Cash Deposits	117,641	798,411	(779,890)	34,753	170,915
Amount receivable for sales				97,069	97,069
Payable for purchases				(74,787)	(74,787)
Investment Debtors & Creditors	1,438			(29)	1,409
Total Investment Assets	5,301,989			506,629	5,827,621

Reconciliation to Fund Account:

	£'000
Change in market value of Investment Assets	506,629
Net Purchases & Sales	19,003
Movement in Long Term Debtors	5
Movement in Current Assets	(12,355)
Less Net Revenue of Fund	13,413
Total Net Assets	526,695

10 INVESTMENT ASSETS

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

	31 March 2023 £'000	31 March 2022 £'000
Non-Property Pooled Investment Vehicles		
Global Equity	1,897,256	2,176,034
Risk Management Strategy	1,300,555	1,119,140
Diversified Growth Funds	336,583	538,061
Infrastructure	633,970	653,396
Multi Asset Credit	304,609	315,433
Hedge Funds	22,891	109,262
Private Debt	128,903	42,713
	4,624,767	4,954,039
Other Investments		
Pooled Property Investments	612,977	708,665
Derivative contracts		
• Foreign Exchange Hedge	36,669	
• Derivative contracts: FTSE Futures	361	676
	650,007	709,341
Cash deposits	113,597	170,915
Investment Income due	844	1,409
Amounts receivable for sales	11,888	97,069
Total Investment Assets	5,401,103	5,932,773
Long Term Investments		
Equities	707	838
Investment Liabilities		
Derivative contracts		
• Foreign Exchange Hedge	(19,873)	(31,203)
• Derivative contracts: FTSE Futures		
Amounts payable for purchases	(282)	(74,787)
Total Investment Liabilities	(20,155)	(105,990)
Total Investment Assets	5,381,655	5,827,621

During the year a portion of the Fund's passive listed equities were redeployed to the BlackRock Qualified Alternative Investor Fund (QAIF) to ensure a stable liquidity position was maintained through the gilts crisis of September/October. The Fund's corporate bond cashflow matching strategy was topped up as a number of employers moved onto the low risk funding basis. Proceeds arising from the redemption of the Fund's hedge fund and core infrastructure mandates were used to fund existing investments in the Brunel Renewable Infrastructure, Secured Income and Private Debt Portfolios. Towards the end of the year a 3% allocation to a local impact portfolio and an increase to the passive equity strategic allocation was agreed by the Committee. These changes are due to take effect in the 2023/24 financial year.

The Long term investment of £0.707m 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 2022.

Included within the equity of Brunel is a Pension Reimbursement Asset (PRA) created in 19/20. 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 £0.10m. The Fund previously elected to declare 10% of the PRA as a contingent liability (see Note 13). The value of the PRA is no longer material and has therefore been removed.

PENSION FUND ACCOUNTS 2022/23

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	57,966	GBP	51,046	31	(100)
Up to one month	JPY	2,487,500	GBP	15,216	16	(71)
Up to one month	USD	134,079	GBP	109,382	429	(1,426)
Up to one month	GBP	15,753	JPY	2,487,500	593	-
Up to one month	GBP	51,667	EUR	57,966	691	-
Up to one month	GBP	104,550	USD	134,079	1,218	(5,052)
One to six months	EUR	15,936	GBP	14,090	59	(100)
One to six months	JPY	233,700	GBP	1,514	-	(78)
One to six months	USD	124,020	GBP	106,881	176	(6,940)
One to six months	GBP	227,080	EUR	257,506	844	(993)
One to six months	GBP	68,564	JPY	10,987,700	1,052	(280)
One to six months	GBP	481,870	USD	585,895	12,170	(3,225)
Six to twelve months	GBP	42,831	EUR	48,314	55	-
Six to twelve months	GBP	13,420	JPY	2,150,800	-	(18)
Six to twelve months	GBP	487,638	USD	580,946	19,297	-
Six to twelve months	USD	26,696	GBP	23,114	-	(1,589)
Six to twelve months	EUR	-	GBP	-	-	-
Six to twelve months	JPY	-	GBP	-	-	-
More than twelve months	GBP	74,526	USD	92,375	37	-
Total					36,668	(19,872)
Net forward currency contracts at 31st March 2023						16,796
Open forward currency contracts at 31 March 2022					10,012	(41,215)
Net forward currency contracts at 31st March 2022						(31,203)

Exchange Traded Derivatives held at 31 March 2023:-

Contract Type	Expiration	Book Cost £'000	Unrealised Gain / (Loss) £'000
FTSE equity futures	June 2023	8,785	361

Exchange Traded Derivatives held at 31 March 2022:-

FTSE equity futures	June 2021	20,811	676
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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 2022/23

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 2023		31 March 2022	
	£'000	%	£'000	%
Investments managed by Brunel Pension Partnership:				
BlackRock Risk Management Strategy	1,300,563	24.2	1,119,140	19.2
Brunel Renewables Portfolio	163,699	3.0	89,252	1.5
Brunel Secured Income Portfolio	435,092	8.1	468,845	8.0
Brunel Multi Asset Credit	304,609	5.7	315,433	5.4
Brunel Global Sustainable Equity	792,532	14.7	802,687	13.8
Brunel Paris Aligned Developed Equity	278,856	5.2	574,338	9.9
Brunel Diversified Returns Fund	336,583	6.3	538,061	9.2
Brunel UK Property	180,700	3.4	210,953	3.6
Brunel Global High Alpha Equity	698,860	13.0	695,906	11.9
Brunel Private Debt	128,903	2.4	42,713	0.7
Avon Transition Fund	5	0.0	137	0.0
	4,620,402	85.9	4,857,465	83.4
Investments managed outside Brunel Pension Partnership:				
Blackrock	127,088	2.4	105,135	1.8
Record	25,681	0.5	(10,360)	(0.2)
Partners Group	158,745	2.9	194,880	3.3
TT International	314	0.0	312	0.0
IFM Investors	313,207	5.8	427,128	7.3
Schroder Investment Management	13,473	0.3	13,510	0.2
JP Morgan	34,779	0.6	170,023	2.9
Custodian Cash	65,328	1.2	40,715	0.7
Long Term Investment	707	0.0	838	0.0
Treasury Management	21,931	0.4	27,975	0.5
	761,253	14.1	970,156	16.6
TOTAL INVESTMENT ASSETS	5,381,655	100.0	5,827,621	100.0

11 SINGLE INVESTMENTS OVER 5% OF THE FUND

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

Investments	Value at 31st March 2023		Value at 31st March 2022	
	£'000	% of Net Asset	£'000	% of Net Asset
Blackrock Liability SOL Mutual Fund	1,300,563	24.13%	1,119,140	19.22%
Brunel Global Sustainable Equity	792,531	14.71%	802,687	13.79%
Brunel Global High Alpha Equity Fund	698,860	12.97%	695,906	11.95%
Brunel Diversified Returns Fund	336,583	6.25%	538,061	9.24%
IMF Global Infrastructure (UK)	313,207	5.81%	427,128	7.34%
Brunel Paris Aligned Developed Equity	278,856	5.17%	574,338	9.86%

PENSION FUND ACCOUNTS 2022/23

12 CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2023.

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

	31 March 2023 £'000		31 March 2022 £'000	
CURRENT ASSETS				
Contributions Receivable				
- Employers	11,438		12,803	
- Members	4,214		3,610	
Discretionary Early Retirement Costs	489		214	
Other Debtors	1,632	17,773	3,036	19,663
CURRENT LIABILITIES				
Management Fees	(1,169)		(845)	
Provision for Performance Fees	(4,136)		(9,798)	
Lump Sum Retirement Benefits	(2,228)		(5,668)	
Contributions received in advance	-		(2,658)	
Other Creditors	(2,957)	(10,490)	(6,541)	(25,510)
NET CURRENT ASSETS		7,283		(5,847)

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 2023.

	31 March 2023 £'000		31 March 2022 £'000	
Reimbursement of lifetime tax allowances	272		218	
		272		218

The Lifetime tax allowance was introduced in 2006. 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. The LTA has been removed wef 6/4/23 and will be abolished altogether from 6/4/24.

13 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2023. (31 March 2022 £0.768m)

14 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2023 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 2023 (the 31 March 2022 assumptions are included for comparison):

	31st March 2023	31st March 2022
Rate of return on investments (discount rate)	4.8% per annum	2.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	3.4% per annum
Rate of pay increases*	4.2% per annum	4.9% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.8% per annum	3.5% per annum

*An adjustment has been made for the short term pay restraint in line with the 2019 actuarial valuation
 **An adjustment has been made for the short term pay restraint in line with the 2022 actuarial valuation

The demographic assumptions are the same as those used for funding purposes:

- the start of period assumptions are based on the 2019 actuarial valuation assumptions (but updated to the 2021 CMI future improvement tables)
- the end of period assumptions are based on the updated assumption adopted for the 2022 actuarial valuation, with a long-term rate of life expectancy

Full details of the demographic assumptions are set out in the formal reports to the respective valuations.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

	Liabilities
Start of period	£8,631m
Interest	£240m
Net benefits accrued/paid over the period*	£178m
Actuarial losses / (gains) - see below	(£2,889m)
End of period	£6,160m

*this includes any increase in liabilities arising as a result of early retirements

Key factors leading to actuarial gains above year are:

- Change in financial assumptions: Corporate bond yields increased significantly over the year, with a corresponding increase in discount rate to 4.8% p.a. from 2.8% p.a. In addition, there has been a reduction in long-term assumed CPI to 2.7% p.a. from 3.4%. In combination, these factors lead to a significant reduction in liabilities
- Change in demographic assumptions: As noted above, the assumptions have been updated to reflect the 2022 actuarial valuation assumptions, with a lower rate of long term improvement of 1.5%. This acts to reduce the liabilities
- Pension increases / high short-term inflation: The figures allow for the impact of the April 2023 pension increase of 10.1%, along with the high levels of CPI since September 2023 (which will feed into the 2024 pension increase). As current inflation is higher than the long term assumption, this increases the liabilities
- 2022 actuarial valuation: The year-end liabilities allow for the final 2022 valuation results, and so will allow for the difference between the assumptions and actual member experience over 2019/22. This will include factors such as the impact of actual pay increases awarded, actual rates of ill-health retirement, etc.

Additional considerations

- The "McCloud judgment": The figures above allow for the impact of the judgment based on the proposed remedy.
- GMP indexation: The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.
- Covid 19 / Ukraine: The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The impact of COVID deaths over the period 2019/22 will be included in the actuarial gains / losses item above. The mortality assumption includes no specific adjustment for COVID as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.
- Current high inflation: The period-end above figures allow for the impact of actual known CPI at the accounting date as noted above. The period-end assumptions then allow for expected (market implied) CPI from that point.

PENSION FUND ACCOUNTS 2022/23

16 TRANSFERS IN

During the year there were no group transfers into 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.

	2022/23 £'000	2021/22 £'000
Benefits Paid and Recharged	<u>5,497</u>	<u>5,562</u>

The Fund also administers £30.9m pension payments on behalf of the Fire Service and the Teachers' pension schemes. (£26.5m in 2021/22). In 2022/2023 there were £3.1m more pension payments, compared to the previous year. 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. From January 2023 the main provider moved from Aviva to Legal & General. There are members still with Aviva or Utmost Life & Pensions due to their type of investments, however.

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

	Contributions Paid 2022/23 £'000	Market Value 31 March 2023 £'000	Contributions Paid 2021/22 £'000	Market Value 31 March 2022 £'000
Legal & General	136	4,787	-	-
Aviva	549	445	583	5,103
Utmost Life & Pensions	-	77	-	607
	<u>685</u>	<u>5,309</u>	<u>583</u>	<u>5,710</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.

PENSION FUND ACCOUNTS 2022/23

19 RELATED PARTIES

Committee Member Related:-

In 2022/23 £36,922 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£38,722 in 2021/22). 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 2021/2022. (Eight voting members and one non-voting member in 2021/2022, including three B&NES Councillor Members).

Independent Member Related:-

Three Independent Members were paid allowances of £14,822, £15,701 and £13,689 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 2022/23 the Fund paid B&NES Council £536,575 for administrative services (£518,585 in 2021/22). Various Employers paid the Fund a total of £224,911 for pension related services including pension's payroll and compiling data for submission to the actuary (£283,170 in 2021/22).

Pension Board Related:-

In 2022/23 £7,714 was charged to the Fund in respect of Allowances and expenses paid to the Members of the Pension Board (£7,306 in 2021/22). Six members of the Pension Board were members of the LGPS during 2022/2023 (seven members in 2021/2022).

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 administering authorities, including Bath & North East Somerset Council own 10% of BPP Ltd. In 2022/23 the Pension Fund paid BPP £1,513,855 (2021/22 £1,218,692).

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 & Pensions, Head of Pensions and the Divisional Director Risk and Assurance. It does not include the Director of Finance (S151).

	31 March 2023 £'000	31 March 2022 £'000
Proportion of salary Recharged to Avon Pension Fund	87	52
Proportion of employers contributions recharged to Avon Pension Fund	19	11
	<u>106</u>	<u>63</u>

21 OUTSTANDING COMMITMENTS

As at 31 March 2023 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 £772.0m (31 March 2022 £468.2m)

22 FINANCIAL INSTRUMENTS

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

2022/23	Fair Value through Profit and Loss	Assets at amortised cost	Financial liabilities at amortised cost
	£'000	£'000	£'000
Financial Assets			
Long Term Investments	707		
Pooled Investments (Non-Property)	4,624,767		
Pooled Property Investments	612,977		
Derivative Contracts Futures	361		
Derivative Contracts FX Hedge	36,669		
Derivative Contracts Equity Options	-		
Cash	11,469	102,128	
Other investment balances		12,732	
Debtors		18,045	
Total Financial Assets	5,286,950	132,905	-
Financial Liabilities			
Other investment balances			(282)
Derivative Contracts Futures	-		
Derivative Contracts FX Hedge	(19,873)		
Creditors			(10,490)
Total Financial Liabilities	(19,873)	-	(10,772)
Total Net Assets	5,267,077	132,905	(10,772)
2021/22			
	Fair Value through Profit and Loss	Assets at amortised cost	Financial liabilities at amortised cost
	£'000	£'000	£'000
Financial Assets			
Long Term Investments	838		
Pooled Investments (Non-Property)	4,954,039		
Pooled Property Investments	708,665		
Derivative Contracts Futures	676		
Derivative Contracts FX Hedge	-		
Derivative Contracts Equity Options	-		
Cash	26,120	144,795	
Other investment balances		98,478	
Debtors		19,881	
Total Financial Assets	5,690,338	263,154	-
Financial Liabilities			
Other investment balances			(74,787)
Derivative Contracts Futures	-		
Derivative Contracts FX Hedge	(31,203)		
Creditors			(25,510)
Total Financial Liabilities	(31,203)	-	(100,297)
Total Net Assets	5,659,135	263,154	(100,297)

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 2023 £'000	31st March 2022 £'000
Financial assets		
Fair value through profit & loss	3,567	491,627
Amortised Cost - realised gains on derecognition of assets		
Amortised cost - unrealised gains	(20,008)	77,072
Financial Liabilities		
Fair value through profit & loss	(458,442)	(42,004)
Amortised Cost - realised losses on derecognition of assets		
Amortised cost - unrealised losses		
	(474,883)	526,695

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 Fund. Policies are reviewed regularly to reflect changes in activity and in market conditions.

As at 31 March 2023 Brunel Pension Partnership (Brunel) manages £4.62 billion of the Fund's assets while the remaining assets are managed by other 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 there is sufficient manager diversification within the Fund.

(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 investment portfolio to all these risks. The level of risk 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 underlying 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., international conflict, 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 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 covenants underpin 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 is structured 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 Paris Aligned 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 Paris Aligned 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 2022/23

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 2023. 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 2023:

Asset Type	Value	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
Global Equities	1,897,617	13.8%	2,159,488	1,635,746
Risk Management Strategy	1,300,555	20.3%	1,564,568	1,036,542
Diversified Return Funds	336,583	7.8%	362,836	310,330
Multi Asset Credit	304,609	7.5%	327,455	281,763
Property	612,977	7.1%	656,498	569,456
Fund of Hedge Funds	22,891	4.0%	23,807	21,975
Infrastructure	633,970	12.8%	715,118	552,822
Private Debt	128,903	7.5%	138,571	119,235
Long Term Investment	707	15.0%	813	601
Cash & Equivalents	142,843	0.3%	143,272	142,414
Total Investment Assets	5,381,655		6,092,424	4,670,885

The analysis for the year ending 31 March 2022 is shown below:

Asset Type	Value	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
Global Equities	2,176,710	13.6%	2,472,743	1,880,677
Risk Management Strategy	1,119,140	15.4%	1,291,488	946,792
Diversified Return Funds	538,061	8.4%	583,258	492,864
Multi Asset Credit	315,433	8.2%	341,299	289,567
Property	708,665	3.8%	735,594	681,736
Fund of Hedge Funds	109,262	5.5%	115,271	103,253
Infrastructure	653,396	17.3%	766,434	540,358
Private Debt	42,713	9.6%	46,813	38,613
Long Term Investment	838	15.0%	964	712
Cash & Equivalents	163,403	0.1%	163,566	163,240
Total Investment Assets	5,827,621		6,517,429	5,137,813

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 and Multi Asset Credit (MAC) portfolio.

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 2023	31st March 2022
	£'000	£'000
Cash and Cash Equivalents	142,843	163,402
Multi Asset Credit	304,609	315,433
Risk Management Strategy	1,300,555	1,119,140
Total	1,748,007	1,597,976

PENSION FUND ACCOUNTS 2022/23

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 and MAC portfolio as at 31 March 2023 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 2023	Change in net assets		
	Value £'000	+100 bps £'000	-100 bps £'000
Cash and Cash Equivalents	142,843	-	-
Multi Asset Credit	304,609	(6,884)	6,884
Risk Management Strategy	1,300,555	(286,252)	286,252
Total	1,748,007	(293,136)	293,136

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 2022 is shown below:

As at 31 March 2022	Change in net assets		
	Value £'000	+100 bps £'000	-100 bps £'000
Cash and Cash Equivalents	163,402	-	-
Multi Asset Credit	315,433	(9,403)	9,403
Risk Management Strategy	1,119,140	(181,860)	181,860
Total	1,597,976	(191,263)	191,263

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). The Multi Asset Credit (MAC) portfolio also holds some assets originally denominated in foreign currencies, but as this is fully hedged at the underlying manager level a breakdown of exposures by currency was not provided for 2022/23. 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 2023	Asset value as at 31st March 2022
	£'000	£'000
Global Equities	2,107,722	1,791,741
Global Property Funds	144,114	169,986
Multi Asset Credit	-	52,733
Fund of Hedge Funds	22,891	109,262
Infrastructure Funds	44,133	34,427

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 2023. 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. Currency exposure and risk was reported for MAC in 2021/22 as the Fund doesn't actively hedge the portfolio, however, as currency risk is hedged at the individual underlying investment manager level, the net result is no exposure for the fund. The infrastructure assets are not currently hedged due to the relatively small exposures they contain.

A strengthening / weakening of Sterling against the various currencies by one standard deviation (expressed as a percentage) at 31 March 2023 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 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Global Equities	2,107,722	4.30%	2,198,354	2,017,090
Infrastructure	44,133	6.80%	47,134	41,132

The same analysis for the year ending 31 March 2022 is shown below:

Currency Risk by Asset Type:

Asset Type	Value (£) £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Global Equities	1,791,741	4.00%	1,863,958	1,719,525
Multi Asset Credit	52,733	5.30%	55,552	49,913
Infrastructure	34,427	6.90%	36,795	32,058

(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 Risk Management Strategy 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).

Credit Rating	Value £'000
AAA	20,085
AA+ to AA-	326
A+ to A-	9,584
BBB+ to BBB-	48,066
BB+ to BB-	70,538
B+ to B-	113,738
CCC+ to C-	30,574
Unrated	11,699

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 £1.6m for 2022/23 (£3.0m for 2021/22)

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 2023 was £111.3m. This was held with the following institutions:

	31st March 2023		31st March 2022	
	Rating	Balance £'000	Rating	Balance £'000
Custodian's Liquidity Fund				
State Street Global Services	AAA	89,454	AAA	100,279
Money Market Funds				
Goldman Sachs Global Treasury Fund	AAA	2,519	AAA	1,420
Aberdeen Liquidity Fund	AAA	970	AAA	6,570
Federated Investors	AAA	30	AAA	8,840
State Street Global Advisors	AAA	950	AAA	950
CCLA - The Public Sector Deposit Fund		7,000		8,340
Bank				
NatWest Special Interest Bearing Account	A+	410	A+	1,840
Handelsbanken	AA	10,000		-
NatWest Current Account	A+	-	A+	6

The balance on the Custodian's Liquidity Fund includes cash held across all mandates.

Brunel may conduct security lending within pooled equity portfolios. For the year ending 31 March 2023 the market value of shares on loan totalled £12.8m, which generated £0.09m in income. Lending was conducted solely through the Brunel Global High Alpha portfolio.

(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 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, although this is rarely utilised.

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, private debt 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 2023 the value of the illiquid assets was £1,399m, or 26% of the total Fund assets (31 March 2022: £1,514m which represented 26% 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 the 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.
Private Debt	Level 3	Private Debt investments are valued at the end of each quarter by the underlying fund manager and annually appraised by a 3rd party for appropriateness. The valuation method employed for each asset is at the discretion of the 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.	Initial recognition cost, principal repayments, effective interest method, impairment reductions	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cash flows and any differences between audited and unaudited accounts.
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 Fund's own reporting date, by changes to expected cash flows and by any differences between the audited and unaudited accounts.

PENSION FUND ACCOUNTS 2022/23

Fair Value Hierarchy (Continued)

Description of Asset	Fair Value Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
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 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 regularly by the underlying manager, and appraised annually by 3rd parties for appropriateness, or by independent valuation firms. The valuation method is employed for each asset at the discretion of the appointed 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 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 Fund's own reporting date, by changes to expected cash flows and any differences between audited and unaudited accounts.

The following sets out the Fund's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31 March 2023.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled Investments:-				
Equities	127,009	1,770,247		1,897,256
Risk Management Strategy	-	1,300,555		1,300,555
Fund of Hedge Funds	-	-	22,891	22,891
Diversified Return Funds	-	336,583	-	336,583
Multi Asset Credit	-	304,609		304,609
Property	-	173,098	439,879	612,977
Infrastructure	-	-	633,970	633,970
Private Debt	-	-	128,903	128,903
Long Term Investment	-	-	707	707
Cash	113,597	-		113,597
Derivatives: Forward FX	-	16,796		16,796
Derivatives: Futures	361			361
Investment Debtors/Creditors	12,450			12,450
	253,417	3,901,888	1,226,350	5,381,655

The fair value hierarchy as at 31 March 2022 was:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled Investments:-				
Equities	103,102	2,072,932		2,176,034
Risk Management Strategy	-	1,119,141		1,119,141
Fund of Hedge Funds	-	-	109,262	109,262
Diversified Return Funds	-	538,061	-	538,061
Multi Asset Credit	-	315,433		315,433
Property	-	202,979	505,686	708,665
Infrastructure	-	-	653,396	653,396
Private Debt	-	-	42,713	42,713
Long Term Investment	-	-	838	838
Cash	170,915	-		170,915
Derivatives: Forward FX	-	(31,203)		(31,203)
Derivatives: Futures	676			676
Investment Debtors/Creditors	23,690			23,690
	298,383	4,217,343	1,311,895	5,827,621

PENSION FUND ACCOUNTS 2022/23

Reconciliation of Fair Value measurements within Level 3

Level 3	Market Value 01 April 2022 £'000	Transfer into Level 2 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Unrealised gains / losses £'000	Realised gains / losses £'000	Market value 31 March 2023 £'000
Property	505,686		43,003	(12,309)	(100,455)	3,954	439,879
Fund of Hedge Funds	109,262		-	(126,634)	2,509	37,754	22,891
Infrastructure	653,396		82,411	(159,235)	57,390	8	633,970
Private Debt	42,713		89,594	(341)	(3,063)		128,903
Long Term Investment - Equities	838				(131)		707
	1,311,895	-	215,008	(298,519)	(43,750)	41,716	1,226,350

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 2023.

	Assessed valuation range +/-	Value at 31 March 2023 £'000	Value on increase £'000	Value on decrease £'000
Property	10%	439,879	483,867	395,891
Fund of Hedge Funds	10%	22,891	25,180	20,602
Infrastructure	15%	633,970	729,066	538,876
Private Debt	15%	128,903	148,238	109,568
Long Term Investment	15%	707	813	601
Total		1,226,350	1,387,164	1,065,537

The same analysis for 31 March 2022:

	Assessed valuation range +/-	Value at 31 March 2022 £'000	Value on increase £'000	Value on decrease £'000
Property	10%	505,686	556,254	455,117
Fund of Hedge Funds	10%	109,262	120,189	98,336
Infrastructure	15%	653,396	751,406	555,387
Private Debt	15%	42,713	49,120	36,306
Long Term Investment - Equities	15%	838	964	713
Total		1,311,895	1,477,933	1,145,859

25 EMPLOYING BODIES

As at 31 March 2023 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 College
 Bath Spa University
 City of Bristol College
 Offender Learning Services (part of Weston College)
 Restart Employment and Skills Limited (part of Weston College)

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
 Banwell Primary School
 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 Farm Primary School
 Bridge Learning Campus
 Bristol Cathedral School Trust
 Bristol Free School
 Broadlands Academy
 Broadoak Academy
 Brook Academy
 Burrington C of E Primary School
 Cabot Learning Federation
 Cabot Primary School
 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
 Chestnut Park Primary School
 Chew Magna Primary School
 Chew Stoke Church School
 Chew Valley School
 Chipping Sodbury School
 Christ Church C of E Primary School (Bristol)
 Christ Church C of E Primary School (WSM)
 Churchill Academy
 Churchill C of E Primary School
 City Academy
 Clevedon School
 Clutton Primary School
 Combe Down C of E Primary School
 Compass Point South Street Primary School
 Corpus Christi Catholic 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

E-Act (Central Functions)
 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
 Golden Valley Primary School
 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
 Lime Hills 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
 Montpellier High School
 Moorlands Infant School
 Moorlands Junior School
 Mulberry Park Educate Together Primary
 Nailsea School
 New Siblands School
 North Star 2407

North Star 82°
Northleaze C of E Primary School
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
Sandford Primary School
Severn Beach Primary School
SGS Pegasus School
Shoscombe Church School
Sir Bernard Lovell Academy
Snowdon Village
Somerdale Educate Together Primary Academy
Soundwell College
St Andrews C of E Primary School
St Andrew's Church School
St Anne's C of E VA Primary School
St Bede's Catholic College
St Bernard's Catholic Primary School
St Francis Catholic Primary School
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)
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 Church School
St Nicholas of Tolentine Catholic School
St Patrick's Catholic Primary School (Bristol)

Designating Bodies

Aequus Developments Limited
Almondsbury Parish Council
Backwell Parish Council
Bitton Parish Council
Bradley Stoke Town Council
Bristol Waste Company
Charter Trustees of the City of Bath
Churchill Parish Council
Clevedon Town Council
Congresbury Parish Council
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

St Peter's C of E Primary School
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
St Werburghs Primary School
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
The Mendip Studio School
The Sky Academy
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
Winscombe 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
Wrighton C of E Primary School
Writhlington School
Yate Academy
Yatton C of E Junior School
Yatton Infant School
Yeo Moor Primary School

Oldland Parish Council
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
Futura Commercial Services 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
Destination Bristol
Merlin Housing Society Ltd (New Staff Since 2007)
Merlin Housing Society Ltd (SGC)

Play Station Nursery Ltd - Barley Close (SGC)
Sirona Care & Health (Telecare Service)
The Care Quality Commission
The Park Community Trust Ltd
University of Bath
Writhlington Trust

Transferee Admission Bodies

ABM Catering Limited - Athelstan Trust
ABM Catering Limited - SGC Schools
Access Your Care Ltd (North Somerset Council)
Active Community Engagement Limited (Bristol City Council)
Active Nation UK Limited (Filton Town Council)
Adapt Business Services Limited - North Somerset Council Campus Schools
Agilisys Limited (North Somerset Council)
Agilisys Limited 2015 (North Somerset Council)
Alliance Homes - Ebdon Court
Alliance in Partnership Limited - Beacon Rise (SGC)
Alliance in Partnership Limited - Bowsland Green Primary School
Alliance in Partnership Limited - Parkwall Primary School
Alliance in Partnership Limited - St Anne's CEVC Primary School
Alliance in Partnership Limited - St Mary's CE Primary School
Alliance in Partnership Limited - The Park Primary School
Alliance in Partnership Limited - Westbury on Trym C of E Academy
Aspens Services Limited - Academies Enterprise Trust
Aspens Services Limited - Blackhorse Primary School
Aspens Services Limited - Bristol City Council PFI Contract
Aspens Services Limited - Cabot Learning Federation
Aspens Services Limited - Castle Primary School (Keynsham)
Aspens Services Limited - Cathedral Schools Trust
Aspens Services Limited - Culverhill School
Aspens Services Limited - E-ACT
Aspens Services Limited - Elmlea Schools Trust
Aspens Services Limited - Extend Learning Academies Network
Aspens Services Limited - Hanham Primary Federation
Aspens Services Limited - Kaleidoscope MAT
Aspens Services Limited - The Tynings School
Aspens Services Limited - Venturers Trust
Aspens Services Limited - Warmley Park Primary School
Atalian Servest Food Company Limited - City of Bristol College
Ategi limited (South Gloucestershire Council)
BAM Construction UK Limited (Bristol City Council)
Bespoke Cleaning Services Limited - Olympus Academy Trust
Bespoke Cleaning Services Limited - South Gloucestershire & Stroud C
Cater Link Limited - Castle Schools Education Trust
Cater Link Limited - Cotham School
Churchill Contract Services Ltd - Futura Learning Partnership
Churchill Contract Services Ltd - Westhaven School
Circadian Trust (South Gloucestershire Council)
City Leap Energy Partnership Limited
Clever Chefs Limited - BAM Construction
Compass Contract Services (UK) Ltd - Bath and Wells MAT
Compass Contract Services (UK) Ltd - Bristol City Council
Compass Contract Services (UK) Ltd - Four Acres Academy
Compass Contract Services (UK) Ltd - North Star Academy Trust
Compass Contract Services (UK) Ltd - Palladian Academy Trust
Compass Contract Services (UK) Ltd - St Bede's Catholic College
Compass Contract Services (UK) Ltd - St Bernards Catholic Primary School

Compass Contract Services (UK) Ltd - St Mary's C of E Primary School, Writhlington
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 - St Werburgh's Primary School (BCCfw)
Compass Contract Services (UK) Ltd - Waycroft MAT (BCCfw)
Compass Contract Services (UK) Ltd - Westbury Park Primary School
Creative Youth Network - South Gloucestershire Council Youth Service
Direct Cleaning Services (South West) Limited - DBAT MAT
Direct Cleaning Services (South West) Limited - Palladian MAT
Direct Cleaning Services (South West) Limited - St Gregory's Catholic College
Dolce Ltd - Mangotsfield C of E Primary School
Edwards and Ward Ltd - Henleaze Academy
Edwards and Ward Ltd - Paulton Infant School
Edwards and Ward Ltd - St Keyna Primary School
Expedite Complete Business Solutions Ltd - Clevedon Learning Trust for Active
Future Stars Coaching Limited - High Down Schools
Glen Cleaning Company Limited - City of Bristol Council (2020)
Glen Cleaning Company Limited - Excalibur Academies Trust
Greenwich Leisure Ltd - Bath & North East Somerset Council
HCRG Care Services Limited (Bath & North East Somerset Council)
Home Life Carers Limited (North Somerset Council)
Imperial Cleaning Services - The Tynings Primary School
Innovate Services Ltd - Cathedral Schools Trust
Innovate Services Ltd - Gatehouse Green Learning Trust
KGB Cleaning (South West) Ltd - Cathedral Schools Trust
KGB Cleaning South West Ltd - Cabot Learning Federation
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)
Prestige Cleaning & Maintenance Limited - Circadian Trust
Purgo Supply Services Ltd - Castle School Education Trust
Purgo Supply Services Ltd - E-ACT
Purgo Supply Services Ltd - Gatehouse Green Learning Trust
Purgo Supply Services Ltd - Lighthouse Schools Partnership
Ridge Crest Cleaning Ltd - Bristol City Council
Sansum Solutions Group Limited - ELAN
Sansum Solutions Group Limited - St Bede's Catholic College
Shaw Healthcare - The Granary
Skanska Rashleigh Weatherfoil Ltd (Bristol City Council)
SLM Community Leisure Trust (Bristol City Council)
SLM Fitness & Health Ltd (Bristol City Council)
Sodexo Ltd - Diocese of Bristol Academies Trust (DBAT)
Taylor Shaw - Olympus Academy Trust
The Brandon Trust
Weston Support Services - Ashcombe Primary School
Weston Support Services - The Priory Learning Trust
Xerox (UK) Limited
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 the B&NES Council public 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 (amended 2022), 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 2023, and up to the date of the approval of the statement of accounts.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK - BACKGROUND AND OVERVIEW FOR 2022/23

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.



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 21st July 2022 agreed to adopt an updated constitution including changes proposed by the Constitution Working Group. It was highlighted at the July meeting that further rationalisation work related to Council's Financial Regulations and Contract Standing Orders by the Working Group was required. Another Council meeting on 16th March 2023 resulted in the Financial Regulations and Budget Scheme being moved to the library and agreement was agreed on minor changes to the Contract Standing Orders.

The Council's Local Code of Corporate Governance aims to ensure that in conducting its business the Council:

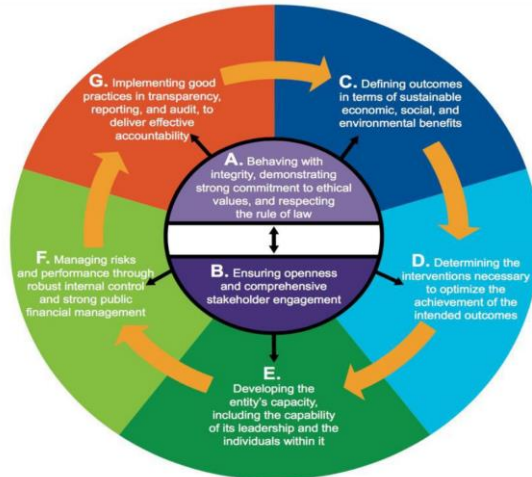
- operates in a lawful, open, inclusive and honest manner
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage and control risk
- secures continuous improvements in the way it operates.

The Code comprises the systems and processes, culture and values and structures by which the Council is directed and controlled. The Code records activities required to enable the Council to engage with, account to and lead the communities it serves. It enables the Council to set its strategic objectives and manage the achievement of agreed objectives.

The system of internal control is a significant part of the Local Code and it 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.

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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

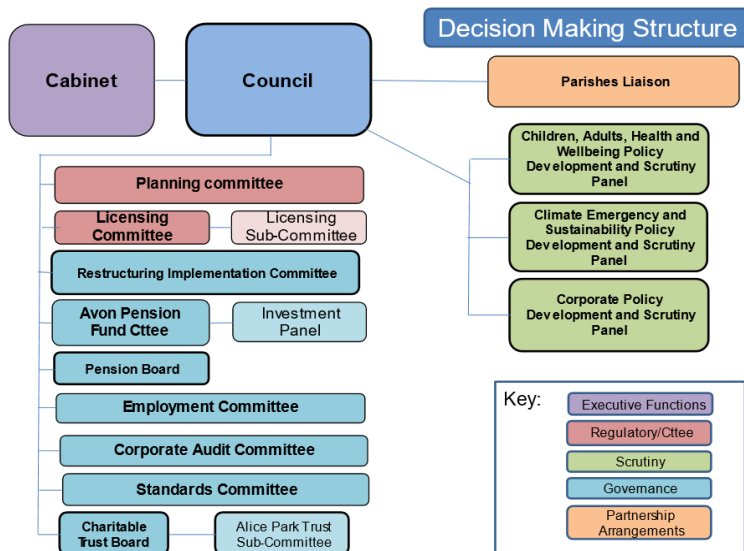
The governance framework and a Local Code of Corporate Governance has continued to be in place at Bath & North East Somerset Council for the year ended 31 March 2023 and up to the date of approval of the Council's Statement of Accounts.

3. KEY ELEMENTS OF OUR CODE OF CORPORATE GOVERNANCE - OUR FRAMEWORK

The Council's Constitution is kept under constant review and updated through the work of the Constitution Working Group. It clearly defines the purpose of the Constitution and the roles of Councillors and Officers, and it provides a framework for effective working relationships.

The Policy and Budget Framework (PBF) within the constitution is a collection of plans and strategies determined by Full Council that collectively form the decision-making framework.

Part 2 of the Constitution – 'Responsibility for Functions and Delegation Schemes' records a diagram of Council's decision-making bodies:



Key Corporate Management Groups

These groups are responsible for advising and recommending on all strategic and operational decisions in compliance with the Council's Policy and Budget framework, and their membership includes officers with delegated responsibility powers:

Informal Cabinet - Cabinet Members meeting with Senior officers, to give political steer and direction on key issues - Formal Decisions are required through the democratic process, i.e., full Cabinet.

Strategic Leadership Team - Responsible for maintaining oversight, advising, and recommending strategic decisions, and the Chief Executive's management team meeting.

Corporate Management Team - Responsible for maintaining oversight, advising, and recommending on decisions within the Council's policy and budget framework, that require Director engagement.

Oversight Groups

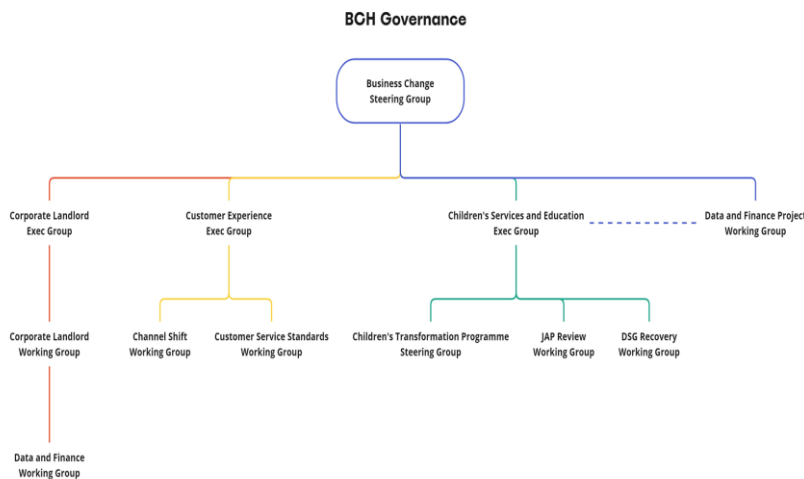
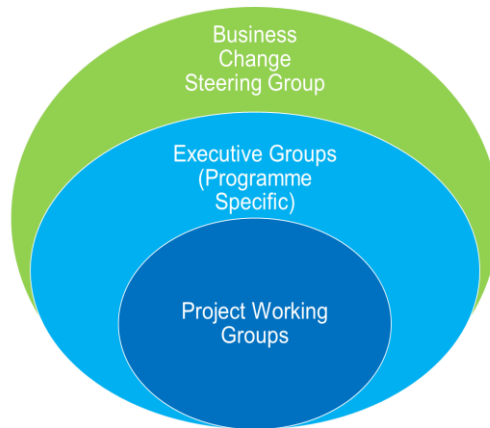
Capital Strategy Group - Approving provisional capital schemes into the budget, and oversight and management of the Capital Programme.

Infrastructure Development Group - Ensure alignment in outcomes and strategic oversight on our key priorities across property, regeneration, planning and highways investment plans.

Corporate Advisory & Steering Groups

These groups perform an important supporting role, providing advice, guidance, and direction, especially to the operational side of the Council and include - Property Board; IT Steering Group, Business Change Steering Group, Procurement Steering Group, Health Safety and Wellbeing Steering Group, Risk Management Steering Group, Equality Diversity and Inclusion Steering Group.

Included in the list above is the Business Change Steering Group, a component of the Business Change Hub governance framework. The following diagrams provide an example of Programme / Project governance.



Key Partnerships

West of England Combined Authority

Since 2017 B&NES Council has been part of the West of England Combined Authority which was created by The West of England Combined Authority Order 2017 which covered three local authorities:

- Bath & North East Somerset Council
- Bristol City Council
- South Gloucestershire Council

It operates with a directly elected Mayor (last elected May 2021) and is responsible for a number of Local Transport, Strategic Planning, Skills and Economic Growth functions.

The Combined Authority operates an executive model with a Cabinet comprising:

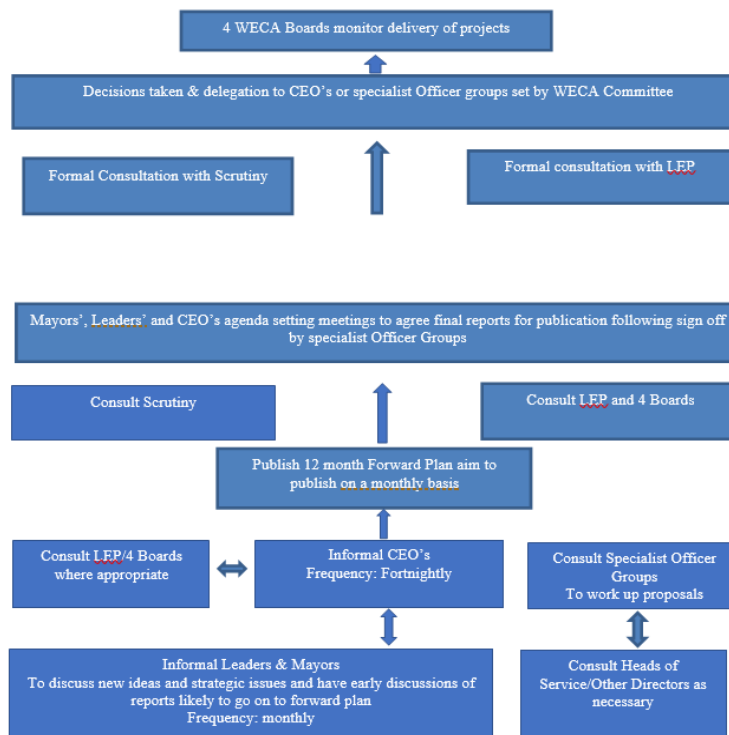
1. Elected Mayor
2. Constituent Councils representatives
3. Chair of the West of England Local Enterprise Partnership

West of England Joint Committee

This Joint Committee is responsible for functions that fall outside of the Combined Authority Order and provides cross boundary engagement with all the Unitary Authorities in the West of England including North Somerset Council.

B&NES Council's Leader is the Council's appointed member of both the Combine Authority and the Joint Committee.

West of England Combined Authority Regional structure:



Avon Fire Authority (Avon Fire & Rescue Service)

The geographical area covered by the Avon Fire & Rescue Service is the four Unitary Councils (B&NES, Bristol, South Gloucestershire & North Somerset). The Authority membership comprises 20 Elected Members. B&NES Council holds 3 places.

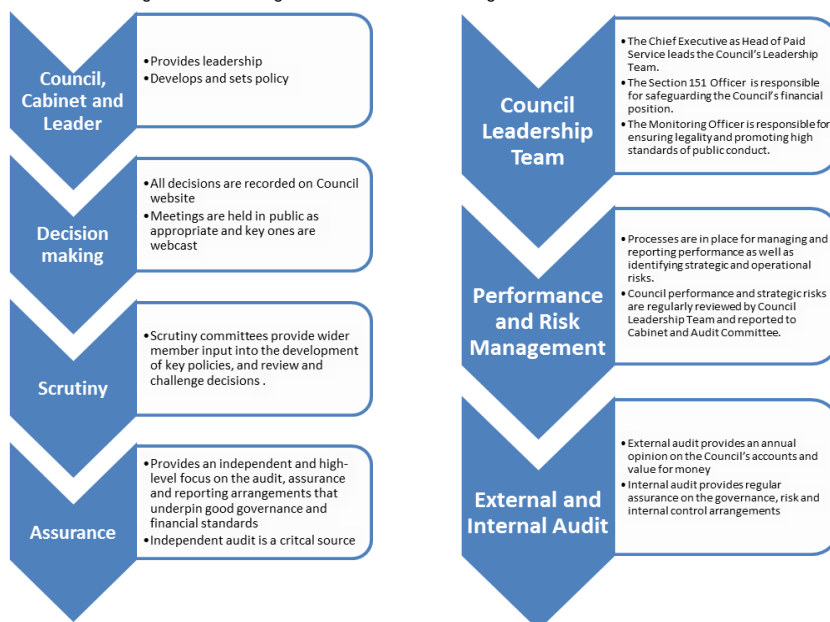
The Fire Authority has overall responsibility for the strategic direction, establishment, budget and functions of a fire and rescue service and over the acquisition, disposal and alteration of premises and appliances.

Avon & Somerset Police and Crime Panel

B&NES Council is one of 8 unitary and district local authorities on the Panel. The Panel has 15 elected members (including 2 B&NES Members) and 3 independent co-opted members of the public. The purpose of the panel is to hold the Police and Crime Commissioner to account.

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The wider elements of the framework of our governance arrangements at the Council during 2022/23 were:



Council Business 2022/23 – Key Governance Decisions

12th May 2022 - Council's Annual General Meeting 2021 - Appointment of Council Chair / Vice Chair & Leader of the Council

At the Council's Annual General Meeting Councillors Lisa O'Brien and June Player were appointed Chair and Vice Chair respectively for the Council year 2022/23. Councillor Kevin Guy remained elected Council Leader until May 2023.

Cabinet Members & Portfolios Appointments

Cllr Kevin Guy Council Leader	<ul style="list-style-type: none"> • Responsible for Cabinet direction and decision making. • Representation on external bodies such as WECA • Democratic Reform • Connecting Communities, Community relations and involvement, Resident Engagement and communication
Cllr Richard Samuel Deputy Council Leader	Cabinet Member for Resources
Cllr Sarah Warren Deputy Council Leader (Statutory)	Cabinet Member for Climate & Sustainable Travel
Cllrs Alison Born & Tom Davies (Job Share)	Adults & Council House Building
Cllr Dine Romero	Cabinet Member for Children & Young People, Communities
Cllr David Wood	Cabinet Member for Neighbourhood Services
Cllr Manda Rigby	Cabinet Member for Transport
Cllr Tim Ball	Cabinet Member for Planning & Licencing

21st July 2022 – Election of Vice Chair Sarah Moore for remainder of Council Year 2022/23

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:

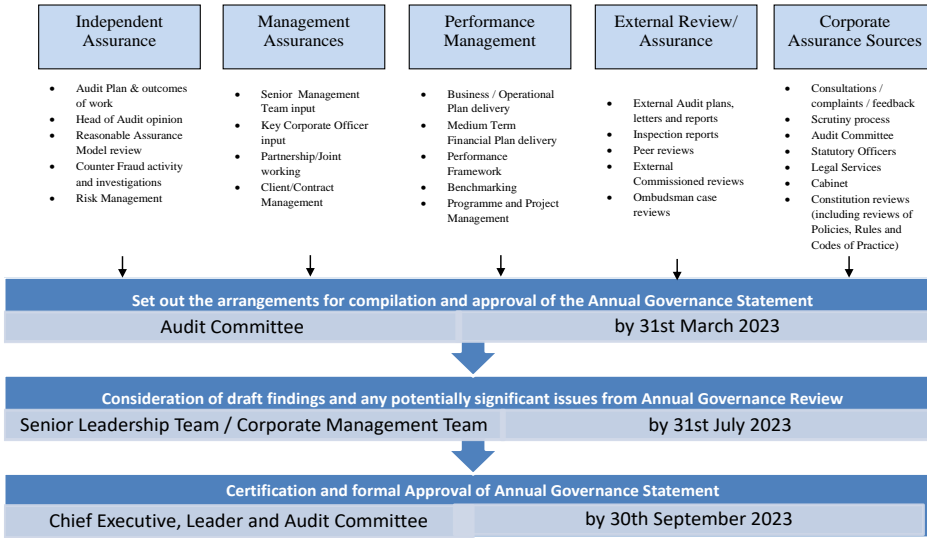
- reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance.
- thereby assessed the effectiveness of the Council's Local Code of Corporate Governance.
- Taken into consideration 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 2022/23 however it is not intended to be exhaustive.

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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 Member's Code is recorded within the Council's Constitution (Part 4). The Employees Code of Conduct is accessible through the Council's intranet (HR + Payroll / HR Policies) and this was revised and updated in June 2021.

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 3 of the Constitution records the 'Procedural Rules' of the Council. 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. Councillors receive an annual reminder from the Monitoring Officer about the need to review and update their register of interests and that it is a legal requirement to declare and register all disclosable pecuniary interests - under the Localism Act 2011, failure to register any disclosable interests within 28 days is potentially a criminal offence.

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. The Council maintains electronic registers of interests and gifts & hospitality for staff.

Demonstrating strong commitment to ethical values

Bath & North East Somerset Council maintain a Standards Committee which under the Constitution (Part 2) 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 governor representatives,
- Oversee the effectiveness of the Council's Constitutional arrangements from an ethical perspective and make recommendations to the Council on any 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 (2021/22) was submitted to the 13th October 2022 Council Meeting. It recorded that the 12 members (5 B&NES Councillors, 1 Parish Councillor {2 vacancies} and 3 independents {4 served during the year - 1 serving part year and 1 appointed March 2022}) and 2 Independent Persons met on three occasions – 13th April 2021, 12th October 2021 and 22nd February 2022 - 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 number of complaints increased to 18 in 2021/22 from 7 in 2019/20 but this was only returning to approximately average number of cases per annum.

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). In July 2021, B&NES Council adopted the New Local Government Association (LGA) Model Code following consideration of the LGA version by the Council's Standards Committee.

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 Part 2 of the Constitution – Responsibility for Functions and Delegation Schemes. 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 there is a separate 'Equalities' section. The 'Statutory Considerations section should contain details of any relevant considerations regarding specific Council statutory responsibilities and also more general legal requirements. This section is required to specify the legal power or duty that authorises any decision requested by the report to be made. Specific Report Writing guidance is available to Officers to provide clarification of actions required.

Councils have a key role to play in tackling modern slavery, including in identifying and supporting victims and working in partnership locally. Their role is to:

- 1) Help identify and refer victims,
- 2) Support victims – safeguarding children and adults with care / support and provide housing services,
- 3) Provide community safety services,
- 4) Ensure supply chains used for procurement of goods and services are free from modern slavery.

At the Cabinet meeting of 20th May 2021, a Modern Slavery Statement was agreed. This Statement signed by the Leader of the Council and Chief Executive is published on the Council's public website.

All Council contracts must comply with the Council's Contract Standing Orders and guidance from specialist procurement and legal Officers is available to comply with legal requirements, e.g., The Public Procurement (Amendment etc) (EU Exit) Regulations 2020.

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. 13th October 2022 Liberal Democrat Group motion on the reduction of bus services within the area and calling on the West of England Combined Authority Mayor to take action.

ANNUAL GOVERNANCE STATEMENT 2022/23

ii. Ensuring openness and comprehensive stakeholder engagement

Openness and engaging with individual citizens and service users effectively

Part 3 of the Constitution (Procedural Rules) records the 'Access to Information Procedural Rules'. 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. Part 1 of the Constitution records the 'Residents Rights & Responsibilities' summarises the public's right to attend meetings, make submissions to meetings / Cabinet Members and inspect documents.

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 Refugee Host Support (31/01/2023), Local Plan launch (18/10/22) and The Future of B&NES Bus Services (24/08/2022). A weekly e-connect newsletter is produced and can accessed through the public website. Council Staff also receive a weekly communications e-mail.

Engaging Comprehensively with Institutional Stakeholders

Our strategic partnership landscape has changed significantly with the Health Clinical Commissioning Groups transitioning to Integrated Care Boards, further development of the West of England Combined Authority and an Area Forum structure in place and operating 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:

- Liveable Neighbourhood schemes such affecting Church Street (Widcombe), Queen Charlotte Lane (Whitchurch Village) and Southlands (Weston)

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 Integrated Care Board (ICB) 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 ICB 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.

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 affect 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

A full member induction programme will be provided to all members elected on the 4th May 2023. The focus for new Councillors will be to understand how the Council works and the key services it provides. Tailored training will form part of the training programme to assist members in carrying out their roles and responsibilities.

For Council managers 'Leading and Managing Together' sessions are held weekly to provide a networking and communication forum.

In May 2022 a new Performance Management and Personal Development portal called Clear Review was launched and this is now in use Council wide. This system is to support staff across the organisation in objective setting and identifying ways to support staff in their personal development and growth. The Clear Review platform is very user friendly and can be configured to meet our organisational service delivery objectives as well as incorporating individual personal and professional goals and feedback.

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.

The new officer Corporate Risk Management Group met for the first time on 26th January 2022. Its purpose as recorded in its Terms of Reference is to have oversight of risk management activity on behalf of the Corporate Management Team; maintain an overview of the Risk Management Strategy; review risk registers maintained – Corporate, Directorate and Projects; and to receive reports from legal, insurance, information governance, complaints and Internal Audit to monitor issues and potential risks.

The Council has developed a Cyber Security (CySec) Governance Framework for managing risks that are posed by ever increasing cyber threats. The strategy and governance for cyber security across B&NES is set by the IT Steering Group, which reports to the Corporate Management Team. Tactical and operational management of cyber security is overseen by the Cyber Security Operational Group (CySoG) which was established in July 2021.

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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.

The Council has introduced a new Integrated Reporting Framework (IRF) which is a set of PowerBI dashboards which are now being successfully used as the portal for all corporate business intelligence. The IRF is on the Council intranet and all officers have access, it includes the following information.

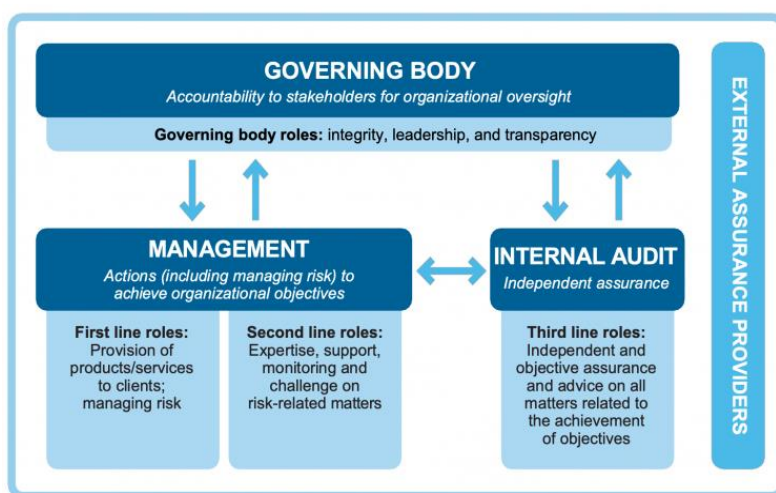
- Directorate Dashboards inc. Key performance indicators
- Corporate and Directorate Risk Registers
- Contracts and Commissioning intentions
- People HR data
- GIS
- Local Facts and Figures

The IRF is used by Directors to successfully manage their services and feeds into the corporate reporting process. This year the Council new appraisal system Clear Review will be linked to the dashboards, this will allow us to report on successful management of officer's performance and personal objectives as well as the delivery of the Council Service Plans.

Each quarter a key set of strategic indicators is reported to Cabinet, this basket of 22 key indicators is used to give an overall picture against the delivery of the Council Corporate strategy. The corporate Scrutiny Panel also receive corporate performance reports align with the Cabinet reports.

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 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.

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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 compiled with in performing their duties. The S151 Officer is a member of the Strategic Leadership Team and Corporate Management Team. Membership of these groups ensures the Chief Financial Officer can develop and implement strategic objectives and influence material business decisions. The Chief Financial Officer is a CIMA / AAT 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.

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 2021/22 were presented to the 15th March 2023 meeting of Corporate Audit Committee. The Council's external auditor reported to inform members that the infrastructure asset accounting requirements had impacted on the completion of the audit. Work was still to be completed to adjust the accounts (useful asset life depreciation) but an unqualified opinion was expected to be issued. It was resolved:

- 1) that the audited Statement of Accounts, including the Letters of Representation and informing the Audit Risk Assessment for both Bath & North East Somerset Council and the Avon Pension Fund for 2021/22, be approved, subject to, any amendments necessary upon quantification of the impact of any issues arising from the ongoing work by the external auditors.
- 2) The Chair of the Corporate Audit Committee and the Chief Finance Officer make arrangements to sign the Statement of Accounts for 2021/2022 as representing a "true and fair view" of the financial position as at 31st March 2022, following any amendments necessary upon quantification of the impact of any issues arising from ongoing work by the external auditors.

The External Auditors Annual Report on the Council was presented to the Corporate Audit Committee meeting held on 22nd November 2023. Under the Local Audit & Accountability Act 2014 (and National Audit Office Code of Audit Practice) the external auditor is required to satisfy themselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to record any significant weaknesses found relating to components of the Value for Money arrangements and / or any improvement recommendations.

The Budget and Council Tax 2023/24 and Financial Outlook Report was taken to Council at its 21st February 2023 meeting by the Chief Financial Officer. 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. The Medium-Term Financial Strategy (MTFS) was approved in September 2021 and outlined how the budget would be delivered over the medium to long-term. This incorporated the ongoing impact of the Covid pandemic on Council finances. The MTFS covers five years to indicate the likely longer-term picture. The 2023/24 Budget takes into account the forecast out-turn for 2022/23 and estimates for 2023/24. Director's produce Robustness Statements outlining savings and delivery risks which are incorporated into a corporate wide assessment. The Chief Financial Officer concluded that the estimates for 2023/24 were robust, the budget was lawful, and levels of balances improved and would be adequate and reasonable in meeting the Council risks.

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 Council delegates to the Corporate Audit Committee responsibilities and these are recorded in its Terms of Reference which is accessible through the Council's public webpages. Responsibilities include:

- Approving the Council's Statement of Accounts and Annual Governance Statement.
- Approving the External Auditors Plan, monitors its delivery and considers findings and recommendations.
- Approving the Internal Audit Plan and monitoring its delivery.
- Review risk management arrangements and key governance policies and procedures.

The Committee reports annually to Council on its work.

The Corporate Audit Committee are aware of the Public Sector Internal Audit Standards (2016) and the need to amongst other requirements to agree and approve an Internal Audit Charter. The Charter is reviewed each year and updated as necessary and is formally approved by the Committee. The Internal Audit Charter states that the Chief Audit Executive (Head of Internal Audit) and Internal Audit is responsible for carrying out an appraisal of all Council activities, carrying out audits and other assurance work to be able to deliver an annual audit opinion.

Annually the Chief Audit Executive reviews compliance with the Public Sector Internal Audit Standards (PSIAS) and evaluates internal auditor's compliance with the Code of Ethics. A self-assessment exercise was carried out in 2022 and this was subject to external independent review in line with best practice which requires an external assessment every 5 years. The Devon Audit Partnership report provided a 'Generally Conforms' assessment which is the top rating and means that the internal audit service has a charter, and policies and processes that are judged to be in conformance to the Standards.

In terms of contracting out service provision one of the most significant contracts is with Health Care Resourcing Group (HCRG) to provide community health and care services for children, young people and adults. HCRG purchased Virgin Care in November 2021 and took over a 7-year contract which started in 2016/17. The Council took a decision not to extend the contract by a further three years and so services will be re-commissioned or provided in-house with effect from 1st April 2024. A governance framework is in place to monitor the current 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.

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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 Council's Corporate Risk Register has been maintained throughout the year and includes 26 risks as at Quarter 4 2022/23 linked to the following themes –

- Partnership Working
- Public Transport
- Home to School Transport
- Housing
- Infrastructure
- Project Delivery
- Climate Emergency – Adaptation & Resilience
- Statutory Compliance – landlord responsibilities
- Safeguarding
- Social Care
- Resource Management
- Transformation
- Customer Contact
- Commercial Income
- Information Technology
- Procurement
- Financial Planning & Management
- Workforce Development / Resilience
- Health & Safety
- Public Health
- Pension Fund Stability
- Corporate Governance

Chief Audit Executive - Internal Audit Opinion

In forming an opinion on the internal control framework, I have considered the work of the Audit & Assurance function as well as consideration of the wider governance framework, other assurances we can place reliance on and performance of the Council.

It is my opinion that up to the end of March 2023 the Council's internal control framework and systems to manage risk had not altered significantly from the previous year.

- Reasonable assurance can be provided over the council's systems of internal control, helping to ensure corporate priorities can be achieved.
- There were not any significant reported breaches of Council's policies, including Financial Regulations and Contract Standing Orders.
- Managers throughout the Council were aware of the importance of maintaining adequate and effective governance arrangements.
- Appropriate arrangements were in operation to prevent and detect fraud and audit reviews and investigations did not identify any systemic failures.
- Senior Management - led by the Chief Operating Officer as risk management sponsor – demonstrate a pro-active approach to the fundamental themes of good governance and risk management.
- There were no fundamental system failures or control breakdowns to business - critical functions.

Flexible / hybrid working continues and this is now an established method of working in B&NES Council. There are advantages in providing internal audit services remotely including saving time and expense to commute to client locations. There are also some disadvantages, for example auditors not being able to observe behaviours and conversations in the workplace which provide a unique insight related to the activity being audited.

It has been agreed that the Internal Audit Plan should be flexible to be able to respond to unplanned events / issues enabling internal resource to be utilised when required to respond. There have been minor amendments to the 2022/23 Plan.

The pandemic, the conflict in Ukraine and the related increase in cost of goods and services continue to place the Council under further financial pressure. The Council has responded effectively and proportionately to the challenge and a robust Internal Audit service continues to be an important component of the Council's governance systems.

Signed:



Andy Cox
Chief Audit Executive
26th May 2023

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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 2022/23. 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

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DATE: 22nd November 2023

6 SIGNIFICANT GOVERNANCE ISSUES 2022/23

Issue in 2022/23	Commentary & Mitigating actions for 2023/24
<p>1. Financial Challenge – Inflationary Pressures</p> <p>The Council's 2023/24 Medium Term Financial Strategy recognised the budgetary impact of rising inflation on the cost of Council services. The Consumer Prices Index (CPI) rose by 10.1% in the 12 months to September 2022, up from 9.9% in August 2022. On a monthly basis, CPI rose by 0.5% in September 2022, compared with a rise of 0.3% in September 2021.</p> <p>The CPI rate to March 2023 was 10.1%.</p> <p>The high levels of inflation have impacted on the cost of running the Council and its budgets, resulting in an increase in staffing costs for employed and contracted employees, also on its supplies and services provided through contracts.</p> <p>Financial recovery plans were put in place to enable the Council to respond to the budgetary pressure from rising costs, the material areas of inflation include the Council's pay bill c£2.6m, pressures in Children's Services c£4.8m and Home to School Transport £0.8m.</p>	<p>The Council's 2023/24 budget has rebased budgets in service areas that are at risk of rising demand and increases in contract costs.</p> <p>The material items requiring additional funding on top of annual budget adjustments are listed below, this illustrates some of the economic and financial challenges the Council is facing post pandemic and as a result of rising inflation.</p> <ul style="list-style-type: none"> • Investment in Neighbourhoods services £1.9m • Children's Services budget rebasing £2.46m • Education Services budget rebasing £1.6m • Home to School Transport £1.1m <p>In total the 2023/24 budget had £17.52m of adjustments for inflationary pressures, budget rebasing and demand changes.</p> <p>Due to the risk exposure and volatility in the current economic climate the Council undertook an assessment of unfunded budgetary risk on its reserve levels and set a unearmarked general reserve of £12.58m. This is held as a corporate mitigation in the event of an over budget position, the first step will be to mitigate any unfunded pressures through cost and income recovery plans from within the current approved budget.</p> <p>The budget rebasing and inflationary pressures income and savings plans (totalling £14.38m) was made up of:</p> <ol style="list-style-type: none"> 1) Income generation plans of £5.09m. 2) Cost reduction plans of £9.29m. <p>Due to the level of income and savings plans required to balance the budget, the Council's Corporate Management Team are regularly reviewing and monitoring delivery against these targets so risks can be identified and managed accordingly.</p>

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Issue in 2022/23	Commentary & Mitigating actions for 2023/24
<p>2. Children Services – Service Demand and Increasing Costs</p> <p>At the end of December 2022, the Council was predicting a £4.8m overspend in Children's Services.</p> <p>The pressures on the service and the Council are nationally recognised and many Councils are reporting significant overspends.</p> <p>The factors contributing to this Children services issue are well documented and include:</p> <ul style="list-style-type: none"> • Demand for early help services outstripping commissioned service capacity • Increase of 32% in number of children being looked after • Increase in Unaccompanied Asylum-Seeking Children (UASC) • Increased costs of residential places and Independent Fostering Agencies and shortage of supply • Demand on home/school budget • Increased turnover of qualified staff and failure to recruit leading to increase in use of agency staff (in England it has increased by 38% during 2022/23). <p>In terms of responding to this significant issue three high level points of focus were identified to help manage the service provision and financial risks:</p> <ol style="list-style-type: none"> 1) Recovery Board Activity 2) Due Diligence: CIPFA engagement 3) Budget setting for 2023/24 <p>The Chartered Institute of Public Finance & Accountancy (CIPFA) were requested to carry out a project review during November and December 2022 and this involved both Officers and key Members. It resulted in a presentation to the Recovery Board at the beginning of January 2023 setting out a recovery programme with short, medium and long-term objectives supporting a recovery programme.</p> <p>It was reported that short term measures related to the aim / objective of increasing financial awareness and accountability across the service to deliver in year savings. Operational changes included:</p> <ul style="list-style-type: none"> • Greater Finance Department input into decision making panels. • Limiting discretionary spend at team manager level to £500 and reducing all support packages by 10%. • Increasing regularity and level of finance partner input into management meetings. • Continuing regular review of all financial packages of support and care with commissioning colleagues. • Finance training programme for managers linked to the delivery of the Directorate plan is being rolled out. <ul style="list-style-type: none"> • Review of threshold documentation and decision making to provide assurance of adherence to standards. • Budget targets incorporated into DCS objectives for 23/24. • Systematic review of all Directorate budgets to deliver £520,000 in year savings. 	<p>In addition to those measures already implemented the CIPFA project work recommended the following:</p> <ul style="list-style-type: none"> • Potential to deliver additional savings through further interrogation of Children with Disabilities budgets. • Further examination of processes including ratio of "administrative" to "social work" tasks. • Completion of finance and data project to enable better forecasting (appointment now in place). • Manage down agency overspend – options to include: <ol style="list-style-type: none"> 1) short term - reallocation of work; other staff to take safeguarding work; use of 'Golden Hello' offer. 2) Interim term – appoint a recruitment consultant; develop / enhance offer / employment terms. 3) Medium term (Corporate led) – consortium of Councils to negotiate agency rates; partner with training institute; develop an apprenticeship scheme for care leavers <p>Additional objective and measures</p> <p>Medium term:</p> <ol style="list-style-type: none"> 1) Aim – to continue to take action to avoid further escalation of costs whilst agreeing an overall strategy and transformation programme to deliver real and sustainable savings: <ul style="list-style-type: none"> • Locate all transformation activities in one plan and place. • Establish transformation programme and fund from flexible use of capital receipts strategy (this could include repurpose of surplus buildings to increase capacity for LAC placements). • Corporate Transformation Team to oversee all elements of change programme including objectives, targets and outcome framework. • Develop Business Management function within the Children's Services Department to drive efficiencies and continue to develop a more business-like and commercial approach. 2) Aim – to implement a system wide service transformation to deliver real and sustainable savings: <ul style="list-style-type: none"> • Review early help and social work practice and reunification models to ensure focus is on families' strengths. • Complete discussions with DfE regarding entering Safety Valve programme. • Complete work to deliver additional supported lodgings and other housing options for care leavers and UASC. • Complete Care Cubed review of transitions and high-cost packages for children with disabilities and move to open book approach with suppliers. • Develop proposals for in house "out of hours" service to reduce dependency on agency staff. • Ensure implementation of JAP review recommendations 2023 onwards. <p>Long term:</p> <ol style="list-style-type: none"> 3) Aim – to implement and consolidate a system wide service transformation to deliver real and sustainable savings: <ul style="list-style-type: none"> • Review "Connecting Families" grant funded programme with a view to mainstreaming and expanding this service. • Consider a "community strengths-based approach" to early help. • Ensure delivery of new children's home and SEND alternative provision. • Embed new social work practice and reunification models. • Continue to review performance (financial and non-financial) against achievement of strategic objectives. <p>Transformation Activity to consider:</p> <p>Early Help - Develop in-house out of hours early help service. - Evaluate taking externally commissioned Children's Centre back in house. - Consider commissioning additional services with partners.</p> <p>Children In Need - Consider commissioning additional services with partners. - Develop in-house out of hours family support service. - Review practice model.</p> <p>Looked After Children - Review reunification model and social work practice to maximise opportunities. - Review of fostering and targets to increase resource. - Review of contact arrangements to deliver efficiencies.</p>

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7 UPDATE ON SIGNIFICANT GOVERNANCE ISSUES 2021/22

Issue in 2021/22	Update on Mitigating Actions																																																								
<p>1. Financial Challenge – Significant Increase in Energy Supply Costs</p> <p>The market for energy is currently very volatile and this has been worsened because of the war in Ukraine and the need of European countries to find new sources of gas. This has resulted in material price increases that will have a significant budgetary impact on the Council.</p> <p>The Council's street lighting contract expired in September 2021 and was extended until end of March 2022 with the objective of bringing in line all gas and electricity contracts. Short term contracts were put in place (ending 1st July 2022) to mitigate against the cost of going off contract and to allow the market to stabilise.</p> <p>However, based on world events the cost of energy is going to be significantly higher and this has financial implications for future years.</p> <p>Financial Implications:</p> <p>Table 1</p> <table border="1" data-bbox="167 645 659 745"> <thead> <tr> <th>2022/23 Budget Service</th> <th>Service Budgets (£)</th> <th>Corporate Contingency (£)</th> <th>Total Budget (£)</th> </tr> </thead> <tbody> <tr> <td>Budgets</td> <td>941,563</td> <td>800,000</td> <td>1,741,563</td> </tr> <tr> <td>Corporate</td> <td>248,183</td> <td>180,000</td> <td>428,1843</td> </tr> <tr> <td>Contingency</td> <td>438,088</td> <td>270,000</td> <td>708,088</td> </tr> <tr> <td>Total</td> <td>1,627,834</td> <td>1,250,000</td> <td>2,877,834</td> </tr> </tbody> </table> <p>Table 2</p> <table border="1" data-bbox="167 763 659 976"> <thead> <tr> <th>2022/23 Forecast*</th> <th>April – June 2022 Cost (£)</th> <th>July 2022 – March 2023 Costs (£)</th> <th>Annual Cost (£) 2022/23</th> <th>2021/22 Costs</th> <th>Increase</th> </tr> </thead> <tbody> <tr> <td>Electricity – Half hourly</td> <td>415,652</td> <td>1,309,348</td> <td>1,725,000</td> <td>716,000</td> <td>141 %</td> </tr> <tr> <td>Electricity Non-Half Hourly</td> <td>178,000</td> <td>453,000</td> <td>631,000</td> <td>248,000</td> <td>154%</td> </tr> <tr> <td>Gas</td> <td>195,000</td> <td>814,000</td> <td>1,009,000</td> <td>224,000</td> <td>350%</td> </tr> <tr> <td>Street Lighting</td> <td>184,000</td> <td>819,000</td> <td>1,003,000</td> <td>613,000</td> <td>64%</td> </tr> <tr> <td>TOTAL Energy</td> <td>972,652</td> <td>3,395,348</td> <td>4,368,000</td> <td>1,801,000</td> <td>143%</td> </tr> </tbody> </table> <p>*Forecast is based on April to June extension rates being applied to remainder of year. A contract extension greater than a 3-month period would expect to generate more favourable rates and therefore this forecast equates to the current worst-case scenario.</p> <p>Comparing the worst case full year forecast £4.368m against total available budget £2.878m results in a £1.490m budget pressure.</p> <p>It should be noted that the £1.250m corporate contingency is only built into the 2022/23 budget as a one-off. Should the length of contract go beyond 31/03/2023 then additional costs are being committed to for future years' budgets in advance of formal budget setting and would require reserve funding.</p>	2022/23 Budget Service	Service Budgets (£)	Corporate Contingency (£)	Total Budget (£)	Budgets	941,563	800,000	1,741,563	Corporate	248,183	180,000	428,1843	Contingency	438,088	270,000	708,088	Total	1,627,834	1,250,000	2,877,834	2022/23 Forecast*	April – June 2022 Cost (£)	July 2022 – March 2023 Costs (£)	Annual Cost (£) 2022/23	2021/22 Costs	Increase	Electricity – Half hourly	415,652	1,309,348	1,725,000	716,000	141 %	Electricity Non-Half Hourly	178,000	453,000	631,000	248,000	154%	Gas	195,000	814,000	1,009,000	224,000	350%	Street Lighting	184,000	819,000	1,003,000	613,000	64%	TOTAL Energy	972,652	3,395,348	4,368,000	1,801,000	143%	<p>The financial risk has been recorded in the Council's Corporate Risk Register for action monitoring purposes.</p> <p>There are two main issues that the Council needs to address: -</p> <ol style="list-style-type: none"> 1) Putting new contracts in place from the 1st July 2022 that demonstrate value for money and can be managed within the agreed Council budget. The initial plan was to go out to the market and use the West Mercia Energy framework which is PCR2015 compliant. Unfortunately, because of the uncertainty in the energy market the Council could not obtain any bids. Therefore, based on time pressure and volatility in pricing the Chief Executive signed off a decision to directly award a contract to the Council's current suppliers until 31st March 2024. This action ensured the Council did not move to an off-contract tariff. Bids using the West Mercia Energy Framework will be considered again to replace the current contract in April 2024. 2) Mitigation measures to reduce the use of electricity and gas across Council buildings. <p>The Council will monitor the impact of UK Government Energy schemes. The Energy Bill Discount Scheme (EBDS) was operating until the 31st March 2023 when it was replaced by the Energy Bill Relief Scheme (EBRS) which will operate until March 2024. The EBRS is targeted at users paying higher price for electricity and gas and provides a discount above a specified threshold (£302/MWh electricity £107/MWh gas).</p> <p>Under the new scheme it is estimated that Council sites will benefit from a small discount for gas but not electricity.</p>
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ANNUAL GOVERNANCE STATEMENT 2022/23

Issue in 2021/22	Update on Mitigating Actions
<p><u>2. Adult Health & Social Care Contract - Virgin Care Services Limited sold to Health Care Resourcing Group (Twenty20 Capital Limited)</u></p> <p>On the 1st December 2021 the Council and Clinical Commissioning Group (CCG) were informed of the sale of Virgin Care Limited to T20 Pioneer Holdings which is held by Twenty20 Capital Limited. The change took place on the 30th November 2021.</p> <p>In the period of time around November 2021 the Council was having talks with Virgin Care Limited about the extension of the contract – an additional 3 years taking the contract up to 31st March 2027. It had been mutually agreed that the Adult Social Care safeguarding element of the contract would be taken back in house by the Council, i.e. a contract amendment.</p> <p>The Commissioners took a decision on 11th November 2021 (through the Council Cabinet and CCG's Governing Body) to approve the extension of the contract for the 3 year period. The Council decision in addition to extending the contract gave delegation to the Director of Adult Social Care in consultation with the Member for Adult Services to serve notice "to extend the contract once assurance that the total price for the contract as varied is agreed and affordable".</p> <p>Based on the sale of Virgin Care Limited the Council and CCG due diligence work was required to consider the transfer of the contract and the potential agreement to extend the contract to 2027. Bevan Brittan and BDO United Kingdom have advised the Council, including advice on the company structure, personnel and financial standing of Twenty20 Capital Limited and the Health Care Resourcing Group.</p> <p>There was mutual agreement to extend the contract extension decision date from 31/3/22 to 30/6/22.</p> <p>It should also be noted legislation (commencing in Feb 2021 with the white paper for a Health and Care Bill 'Working together to improve health and social care for all') received Royal Assent on 28th April 2022 resulting in integrated care systems and the creation of the Bath & North East Somerset, Wiltshire and Swindon (BSW) Partnership.</p>	<p>At the Cabinet meeting on 26th May 2022, it was decided to allow the contract to end without extension beyond 31/3/24.</p>
<p><u>3. Special Educational Needs (SEND) Increasing Assessment Numbers and Costs</u></p> <p>The Dedicated Schools Grant (DSG) in 2021/22 overspent by £8m, plus an overspend of £5.42m carried forward from 2020-21 based on significant SEND pressures. The SEND pressures are associated with pupils identified with Education, Health and Care (EHC) Plans.</p> <p>The deficit has arisen due to significant increases in the numbers of EHCPs along with a growth in the complexity of the assessments over the past 2 years.</p> <p>Any overspend on the DSG is currently ringfenced to the grant allocation and the Department for Education (DFE) have issued guidance to restrict the supporting of the pressures from council revenue funding.</p> <p>The DFE have issued guidance on the expectation of LA's with deficits to produce recovery plans and where necessary enter into a safety valve agreement with the DFE to support the LA with the cumulative position.</p>	<p>The LA has entered the DFE safety valve programme and have agreed recovery plans which includes actions to limit the growth in EHCPs by creating additional support for schools.</p> <p>Bidding for a new Special school and a new Alternative Provision school.</p> <p>The creation of more local provision to avoid expensive external independent provision.</p> <p>Reviewing spend on current provision to ensure efficient use of resources.</p> <p>Schools Forum have been kept informed of the strategy to ensure future schools buy in to the actions required.</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 2023.

SIGNED:

Chief Finance Officer (s.151 Officer)

DATE: 22nd November 2023

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 22nd November 2023.

SIGNED:

Chair, Corporate Audit Committee

DATE: 22nd November 2023

Councillor David Biddleston

The Statement of Accounts were authorised for issue on 22nd November 2023.

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 (NDR) 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

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.

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

www.bathnes.gov.uk

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Date: 22 November 2023

Our ref:

Your ref:

Dear Sirs,

**Bath and North East Somerset Council
Financial Statements for the year ended 31 March 2023**

This representation letter is provided in connection with the audit of the financial statements of Bath & North East Somerset Council and its subsidiary undertakings, Aequus Group Holdings Limited, Aequus Construction limited and Aequus Developments limited for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022/23 ("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. 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 We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii We have considered whether the Council is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised on the grounds that:
 - a) A Collective Agreement was reached in May 2000 with the recognised trade unions as part of the Single Status Agenda.
 - b) The Council has adopted the equality proofed National Joint Council (NJC) for Local Government's Job Evaluation Scheme which ensures that work of equal value is allocated to the same salary banding, progression within which is determined by performance. The scheme is regularly updated to comply with equal pay legislation
 - c) The Council's Pay Policy Statement determines its approach to pay and the Remuneration Committee ensures the provisions set out in the statement are applied consistently throughout the Council.
 - d) Roles and working arrangements whereby individuals or groups may work less time than their contracted hours do not exist in the Council as services where these practices might arise have been contracted out.
- xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

- xv 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.

- xvi The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

- xvii 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, from whom you determined it necessary to obtain audit evidence.
- xviii We have communicated to you all deficiencies in internal control of which management is aware.
- xix All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xx 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.
- xxi 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.
- xxii 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.
- xxiii 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.
- xxiv 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.
- xxv 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

- xxvi 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

- xxvii 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 **22nd November 2023**.

Yours faithfully

Name Andy Rothery
Position Chief Finance Officer (S151)
Date 22nd November 2023

Name Cllr David Biddleston
Position Chair of Corporate Audit Committee
Date 22nd November 2023

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

Tel: 01225 477000

Email: avonpensionfund@bathnes.gov.uk

Fax: 01225 395259



Grant Thornton UK LLP
2 Glass Wharf
BS2 0EL

Date:

Dear Sirs

Avon Pension Fund Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Avon Pension Fund for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022/23 ("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. 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. We have not made any changes to the estimation process. 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. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end. The financial statements 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 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 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 have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- 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 22 November 2023.

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:	22nd November 2023	AGENDA ITEM NUMBER
TITLE:	External Audit – Annual Report – 2021/22 & 2022/23	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Annual Report		

1 THE ISSUE

1.1 The External Auditor will present a summary of the outcomes from their work including their assessment of VFM at the Council for the years 2021/22 and 2022/23 and issues for the Audit Committee to consider.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to –

Note the Annual Report including the VFM conclusions and the recommendations arising.

3 FINANCIAL IMPLICATIONS

3.1 There are no new financial implications from this report directly.

4 THE REPORT

4.1 Appendix 1 details the External Auditor’s Annual Audit Report which summarises the work undertaken by them over the years 2021/22 and 2022/23. The External Auditor has previously detailed the background reasons for the delays to the year 2021/22 and why two years assessments were carried out at the same time.

4.2 For reference the Committee have previously been updated around the changed approach to the review of VFM by the External Auditor and Appendix 1 provides specific details around the approach, methodology and outcomes of this work for the years 2021/22 and 2022/23.

4.5 The External Auditor will provide a fuller briefing at the meeting on the report and its outcomes and Officers will be present to update the Committee on the Council's response to this work.

5 RISK MANAGEMENT

5.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance in relation to the recommendation. There are no new significant risks or issues to report to the Committee as a result of this report.

6. EQUALITIES

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

7 CONSULTATION

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

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

Auditor's Annual Report For Bath and North East Somerset Council

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2021/22 and 2022/23

13 November 2023



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

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 required to report their commentary on the Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. This report provides a combined commentary on the Council's arrangements for 2021/22 and 2022/23.

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. Our conclusions are summarised in the table below.

Both 2021/22 and 2022/23 have had their challenges with COVID-19 rates remaining high in 2021/22 and 2022/23 seeing the start of the 'cost of living crisis'. In 2022/23 demand for services has continued to increase, in particular within Children's Services and inflation has increased to rates not seen for some considerable time.

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Criteria	Risk assessment for 2021/22 and 2022/23	2020/21	2021/22	2022/23	Auditor Judgement	Direction of travel
Financial sustainability	Risk identified: <ul style="list-style-type: none"> increasing deficit for the DSG 				A significant weakness has been identified relating to the Council managing its Dedicated Schools Grant (DSG) within the recovery plan it agreed with the Department for Education. Because of this, a key recommendation has been raised, along with three improvement recommendations.	↓
Governance	Risk identified: <ul style="list-style-type: none"> Introduction of new governance structure for the wholly owned companies within the Aequus Group. 				No significant weaknesses in arrangements identified, but seven improvement recommendations made.	↔
Improving economy, efficiency and effectiveness	No risks identified at the planning stage				No significant weaknesses in arrangements identified, but five improvement recommendations made.	↔

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

The Council has delivered a surplus revenue position in both 2021/22 and 2022/23. This has been achieved through appropriate financial management, the rebasing of budgets and some movement in reserves. The Council has in place a Medium Term financial Strategy and understands the financial risks and pressures. Whilst the Council has received funding from the Department for Education it does not have effective arrangements to manage the Dedicated Schools Grant within its agreed recovery plan and we have identified this as a significant weakness in arrangements. The high needs block (children with special educational needs and disability) at the end of 2022/23 was £1.53m behind plan. And at quarter two (2023/24) the Council reported a forecast year end overspend position of £3m. Based on these projections the DSG would not be in balance until 2033/34. We have also identified three improvement recommendations, including that the Council should:

- monitor and report on the amount of non-recurrent savings planned and delivered each year
- ensure it takes advantage of the Transformation Programme to consider service redesign and identify savings for 2024/25 and beyond
- strengthen the Medium Term Financial Strategy by including more detailed sensitivity and scenario analysis of the key financial risks and key demand pressures facing the Council.

Further detail on financial sustainability can be found on pages 10 to 19.



Governance

We have not identified any significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks. We have discussed with management the implications relating to working practices within a small part of its workforce and will continue to appraise members if issues develop.

We have identified six improvement recommendations, including that the Council should ensure:

- its Corporate Risk Register is regularly reviewed by members
- that member decisions are supported by risk assessments
- it considers and records within a risk register the risks in relating to the Aequus Group
- the Aequus Group business plan is reviewed by members annually
- performance management arrangements are improved for the Aequus Group
- it works closely with West of England Combined Authority (WECA) to support (within its remit) the implementation of the required improvements to the governance of WECA (as set out in Grant Thornton's previous governance report on the Combined Authority).

Further detail on governance can be found on pages 20 to 30.

Executive summary



Improving economy, efficiency and effectiveness

We have not identified any significant weaknesses in the Council's governance arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified three improvement recommendations, that the Council should:

- ensure that Cabinet receives quarterly performance reports on the Council's strategic objectives, as set out in the Corporate Strategy
- define its key partnerships and establish a register of key partnerships
- the Council should consider reviewing its process for approval of contract waivers, to ensure appropriate independence. In order to ensure transparency and financial oversight the number and extent of waivers should be reported periodically to members at a public meeting, such as Corporate Audit Committee.

Further detail can be found on pages 31 to 37.

Avon Pension Fund

The Council is the administering authority for Avon Pension Fund and we are required to consider the VfM arrangements in relation to the fund. Based on our review we are satisfied that proper arrangements are in place and we have not identified any evidence of significant weakness or improvement recommendations.

Further detail can be found on page 38.

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2021/22

We have completed our audit of your financial statements and issued an unqualified audit opinion on 29 March 2023, following the Corporate Audit Committee meeting on 15 March 2023. Our findings are set out in further detail on page 42.

2022/23

We have substantially completed our audit of your financial statements and plan to issue an unqualified audit opinion following the Corporate Audit Committee meeting on 22 November 2023. Our findings are set out in further detail on page 43.



Key recommendation



Key Recommendation

The Council needs to take action to address the shortfall in the DSG recovery plan.

Audit year

2022/23

Why/impact

Action is required to reduce the deficit and remain within the plan agreed with the Department of Education, to ensure funding is not withdrawn.

Auditor judgement

The Council has an agreed recovery plan in place with the Department for Education (DfE) and has received funding from the DfE, however at the end of 2022/23 the Council is behind its agreed recovery plan and in 2023/24 at the end of quarter two, forecasts that it will be £3m behind plan. Based on this position we consider that the Council does not have effective arrangements to manage the Dedicated Schools Grant and have identified this as a significant weakness in arrangements.

Summary findings

The Council has had a Dedicated Schools Grant (DSG) deficit since 2019/20. The Council has been working with the DfE to reduce the deficit and achieve a sustainable financial position. The DfE has established two programmes to support councils; the Safety Valve (SV) and the Delivering Better Value (DBV) programmes. In 2022/23 the Council was accepted as part of the SV programme and secured additional funding of £19.2m over the next seven years. The first part of which was received in 2022/23 of £7.68m.

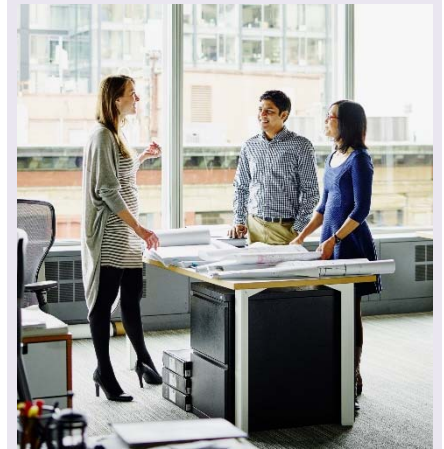
The SV programme required agreement of a recovery plan which modelled and projected over the next seven years the costs, savings and additional funding received to deliver a breakeven position by 2028/29. However, at the end of 2022/23 the Council was £1.53m behind plan and in 2023/24 at quarter two the Council reported a forecast year end overspend of £3m. Based on these projections the DSG would not be in balance until 2033/34.

See page 11 for more detail.

Management Comments

See the next page.

The range of recommendations that external auditors can make is explained in Appendix C.



Key recommendation continued



Key Recommendation

The Council needs to take action to address the shortfall in the DSG recovery plan.

Management Comments

The Council will work with the Department for Education (DFE) to submit a new Safety Valve Plan by March 23. In the lead up to this deadline the Council will:

- deliver a commissioned external review of our plan/recommendations – including a series of additional budget lines to explore, with a scale of risk vs acceptability
- accelerate development of SEND Alternative Provision (AP) Advice Line – to increase early help and reduce need for Education, Health and Care Plan (EHCP) assessments
- review of all SEND packages of care – Provide Assurance that the Council is not over providing, utilising external expertise
- review overhead provision
- capital investment – 7 New Resource bases, 2 Free Schools, AP & SEND (1 to be finalised) 1 Residential School. The Council is also building a 16-25 residential facility at a SEND Further Education (FE) college facility. The Council is providing additional capital investment and land as part of its commitment to SEND in our local area and to reduce independent placement costs
- ensure the SEND team is fully staffed to enable robust decision making and leadership of Safety Valve workstreams
- further recovery actions to be reviewed and agreed by 31/12/23.

The range of recommendations that external auditors can make is explained in Appendix C.



Use of auditor's powers

We did not need to apply the following powers in either 2021/22 or 2022/23:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Council 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).



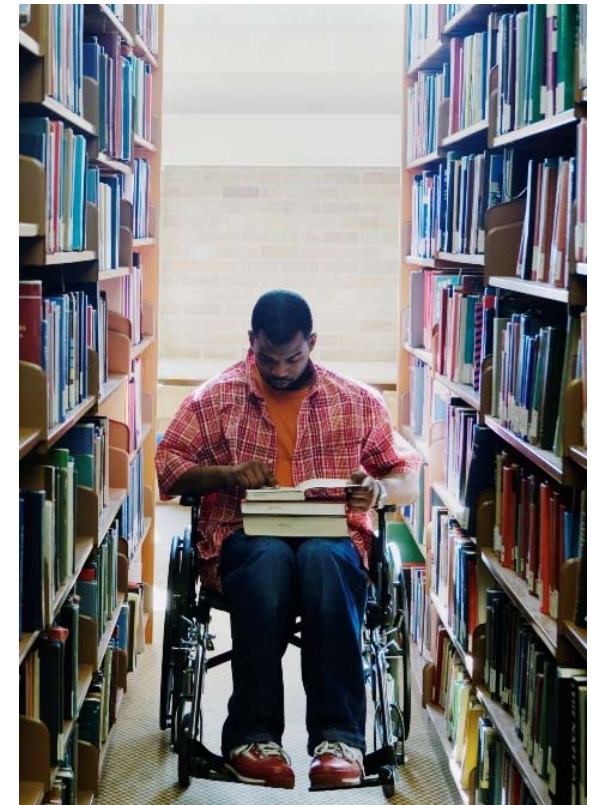
Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 10 to 34. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

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Financial performance 2021/22

In July 2022 the revenue financial outturn position was reported to Cabinet, an underspend of £4.03m, against a revenue budget of £128.29m. This underspend was transferred into the Council's corporate earmarked reserves to smooth potential income and energy inflation risks in future years.

Within the individual service areas there was a mix of overspends and underspends, with the following service areas overspending:

- Economic Development and Resources, the overspend being attributable to a reduction in income at its heritage sites
- Children and Young People and Community, the main driver being increased costs in the demand-led placements and packages for children and young people
- Neighbourhood services, due to additional support for leisure services and increased energy prices.

These overspends were compensated by an underspend within Adults Social Care Services, as the anticipated number of placements was below expectations.

The Council set a capital budget of £96m and spent £58.3m in year, an underspend by £37.7m, 39% of the budget. This underspend was largely attributable to slippage as capital projects were not completed within the original timeframe.

Financial performance 2022/23

The Council also achieved an underspend in 2022/23 of £0.06m, despite costs of the pay award being in the region of £2.6m and continued pressures within Children and Young People and Community portfolio.

The overspend within the Children and Young People and Community portfolio was largely offset by an underspend within the Resources portfolio.

In 2022/23 the capital budget was £106.9m and spent £74.2m in year, an underspend by £32.7m, 31 % of the budget. This was a slight improvement on the amount of slippage from the previous year.

The Council recognise that when the capital budgets are set there is a tendency to be overly optimistic and assume a greater proportion of the budget will be spent than is often the case.



Financial sustainability



Dedicated Schools Grant Deficits

On 12th December 2022, the UK Government announced that it would be extending statutory override for the Dedicated Schools Grant (DSG) in England for the next 3 years, from 2023-24 to 2025-26. By the time this period elapses, the statutory override will have been in place for six years.

Recent estimates put the total national deficit for local authorities in tens of billions by March 2023. Whilst statutory override remains in place, there is no requirement to make provision from general reserves for repaying the deficit. Reforms and savings targets have been agreed with those local authorities with the biggest deficits. However, all local authorities need to focus on managing (and reducing) their deficits.

Within DSG, the High Needs Block has proved particularly problematic. The Block is there to support children with special educational needs (SEN), which means providing more teaching staff and resources. However, there is often a significant gap between funding granted per child and the actual cost of the teaching and other resources needed.

Every parent has the right to apply for support for their child. An expensive appeal process also exists. There are significant regional differences in numbers of plans granted by local authorities and cost management on those plans once they are granted. Managing (and reducing) the growing DSG deficits that arise as a result are a challenge both for financial sustainability and for maintaining the overall quality and effectiveness of service provision.

Dedicated Schools Grant (DSG)

The DSG is a ring fenced budget which is allocated in four blocks; schools, early years, high needs and central school services. Since 2019/20 the Council has spent more than the funding provided and has been in a deficit (overspend) position. This deficit is attributable to the high needs block, ie to fund services to those with special educational needs and disabilities.

The Department for Education (DfE) has established two programmes to support councils who have large deficits within their DSG high needs block; the Safety Valve (SV) and the Delivering Better Value programmes. Both programmes work with local authorities to develop recovery plans to achieve financial sustainability. The SV programme includes financial support from the DfE.

In 2021/22 the Council began discussions with the DfE as part of the SV programme and was focused on understanding the issues and developing solutions to reduce the demand and cost. The challenge for the Council has been the significant rise in Education Health and Care Plans (EHCP) and a lack of suitable provision within the Council's own geographical area.

In 2022/23 the Council was successful in being accepted into this programme and the SV agreement and recovery plan were agreed with the DfE in January 2023, with ministerial approval granted in March 2023.

The Council was successful in securing £19.22m. The Council received £7.68m in March 2023 and the remainder is payable in stages over the next six years.

Throughout the process of the development of the plan the Schools' forum have been involved and fully briefed on progress. This process required the Council to understand why they were overspending and the demand pressures within the service to be able to develop effective actions.

The DSG recovery plan includes 7 discrete actions, which includes:

- Cultural change from within the schools to increase support within schools and thereby reduce the need to raise an EHCP. This is a key risk and will take time to have an effect.
- Increase supply of appropriate places, so that more suitable and lower cost placements are available within the local area. The Council plans to open a new special school in 2025.
- Review of the Joint Agency Plan (JAP). The JAP oversees the joint agency pooled budget which is a funding stream to support the placement and funding of children and young people with complex needs. Its membership includes Health (a representative from the Integrated Care Board), Children's Social Care and Education. A review has been commissioned and negotiations are underway to resolve and implement the findings of this review, which the Council considers will reduce the spend on the DSG.

Financial sustainability

Dedicated Schools Grant (DSG) continued

The DSG recovery plan is a detailed financial plan which models and plans the expected financial position over a seven year period. The intention is that the funding provided by the DfE is equivalent to the amount by which costs and activity need to reduce, so that at the end of the seven year period when all the funding has been received, the Council would be in a sustainable position and no longer have a deficit. Based on these assumptions the recovery plan assumed that the Council would end 2022/23 with a deficit position of £19.6m, excluding funding. However as illustrated opposite the cumulative deficit would have been £21.13m without the SV funding of £7.68m. Indicating that the Council was £1.53m behind plan at the end of 2022/23.

In addition, monitoring of the 2023/24 position has identified a forecast 2023/24 yearend overspend of £3m. Based on these additional overspends the Council anticipate that it would not be in balance until 2033/34. This position has been reported and communicated to the DfE. The DfE have not formally responded to this position.

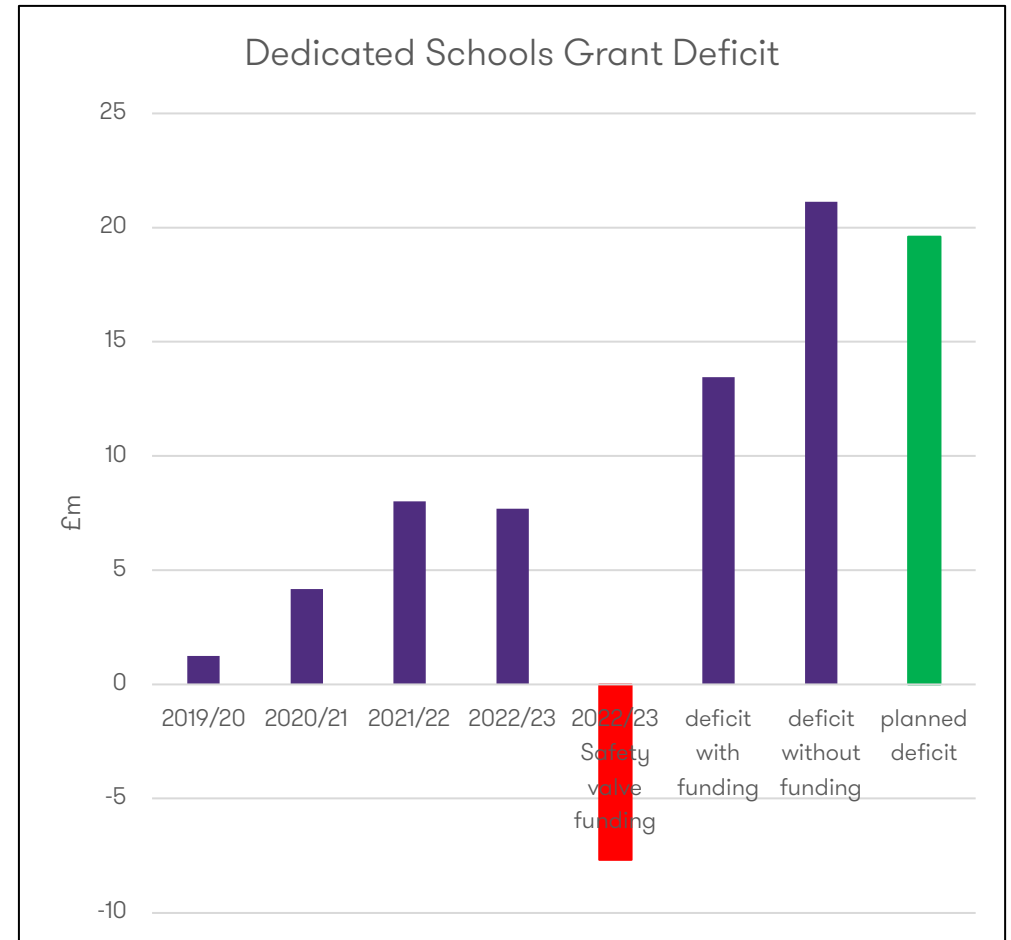
The additional costs are as a result of the increased demand for EHCPs and the Council's actions (as identified on the previous page) not yet having an impact.

This is a significant weakness in arrangements in 2022/23 as the Council did not have proper arrangements in place to reduce the costs within the DSG to achieve is planned recovery. The recovery plan was behind at the end of 2022/23 and forecasts an overspend position of £3m for 2023/24. We have raised a key recommendation on page 6.

Within the Council, the DSG recovery plan is monitored by a sub-group of the Children's Service and Education Transformation Board and the Senior Leadership Team. An action log is maintained by management.

The DSG deficit position has been reported in the Council's Annual Governance Statement in 2021/22 and 2022/23 and has been reported within the Council's corporate risk register. Senior management are able to articulate the most significant risks in relating to delivery of the recovery plan and the specific actions, but have not yet begun the process of recording the risks in line with it's the Council's risk management policy.

We understand that this is being developed and as a result have not raised an improvement recommendation.



Financial sustainability

Delivery of planned savings

The amount of savings planned for each financial year are agreed as part of the budget setting process, which is discussed in more detail on page 23.

The chart opposite illustrates that the amount of saving required has increased year on year and shows that in 2021/22 the Council delivered 93% of the planned target and 90% in 2022/23. Within both years we identified that non-recurrent (one-off) savings were included within the planned savings and were also delivered in year to mitigate shortfalls, such as staff vacancies. In 2022/23 the Council planned and delivered a non-recurrent saving of £1.3m (2% vacancy factor savings across the organisation to account for in-year turnover).

Staff vacancies are non-recurrent savings as staff posts are held vacant with the intention to fill the post at a later stage or just held vacant for a short period of time. If staff posts were permanently removed from the establishment, such as through a staff restructure, then the saving would be a recurrent saving.

We note **that the Council has not reported or identified the amount of non-recurrent savings planned and delivered.** Non-delivery of recurrent savings and reliance on non-recurrent savings increases the amount of savings required the following year. We have the following improvement recommendation:

The Council should monitor and report on the amount of non-recurrent savings planned and delivered each year. This information could be included in the outturn reporting.

The Council's track record for delivering savings is illustrated in the chart opposite.

Transformation Programme

The Council has established a transformational programme, which has four workstreams:

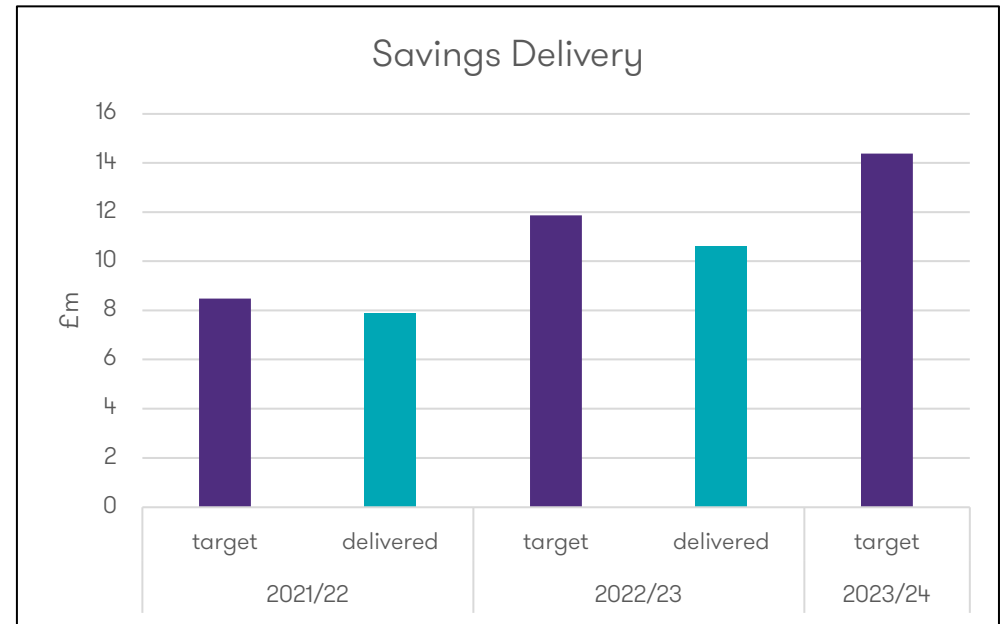
- Customer experience
- Children's services and education
- Adoption of the corporate landlord model for property asset management
- Working well together

In 2022/23 the Council created a Business Change Hub to support business change proposed through the Transformation Programme.

The Transformation Programme is in the early stages of development and has not yet identified savings which would contribute to funding gaps within its financial plans (MTFS), other than the savings required within the DSG.

The Council is applying flexible use of its capital receipts to fund transformation, as set out in the MTFS.

Going forward **the Council should ensure it takes advantage of the Transformation Programme to consider service redesign and identify savings for 2024/25 and beyond.**



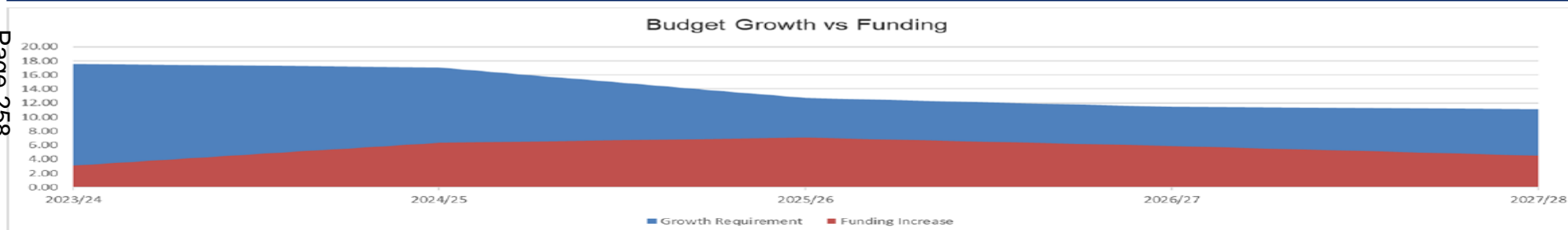
Financial sustainability

2023/24 budget pressures

The Council has a Medium-Term Financial Strategy (MTFS) which is reviewed and updated annually. The Council's current MTFS, 2023/24 to 2027/28 was reviewed and agreed by Cabinet in November 2022. It identified the **projected budget funding gap for 2023/24 of £17.11m. With the cumulative funding gap from 2023/24 to 2027/28 of £33.45m.** This subsequently reduced to **£26.64m in the budget setting process.** This is illustrated below, from the Council's 2023/24 budget report.

Budget Planning	Future years assumptions £m					Total
	2023/24	2024/25	2025/26	2026/27	2027/28	
Growth Requirement	17.52	17.02	12.69	11.48	11.09	69.80
Funding Increase	3.14	6.37	7.09	5.91	4.53	27.05
Annual Funding gap	14.38	10.65	5.60	5.57	6.56	42.76
Savings Proposals	14.38	0.69	1.05	0.00	0.00	16.12
Remaining Funding Gap	0.00	9.96	4.55	5.57	6.56	26.64

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The MTFS included a range of assumptions, such as pay inflation, council tax and growth in demand in adults and children's social care. We are satisfied that the MTFS for both 2021/22 and 2022/23 sufficiently reflected the risks and pressures faced by the Council at the point of publication and that these risks and pressures were then updated for agreement of each annual budget.

The Council faced, and continues to face, increased service demand within its Children's Social Care Service, Adult Social Care, inflationary pressures, and a reduction in income, from both its heritage assets and parking income. In order to manage these pressures the Council has identified additional in year (2022/23) mitigations as well as adjusting its base budgets to allow for growth and reduced income.

The MTFS for both 2022/23 and 2023/24 set out the amount of reserves set aside to act as a contingency and to mitigate unforeseen risks, and the risk of savings not being delivered. In 2022/23 there was planned use of £3m of reserves to mitigate reduced income and in 2023/24 £0.43m. This is viewed to be sustainable and reserves are considered in more detail on the next page.

Financial uncertainty and risk can be better understood by providing scenarios and sensitivity analysis. These scenarios can illustrate possible financial outcomes should costs increase or decrease by varying amounts. The MTFS in 2021/22 and 2022/23 included a limited amount of scenario testing, identifying three scenarios in each year.

We consider that the MTFS could be strengthened by the inclusion of more detailed sensitivity and scenario analysis of the key financial risks and key demand pressures. For example, forecasting the budget gap if pay costs were to increase by 1, 2 or 3%.

Financial sustainability

Reserves

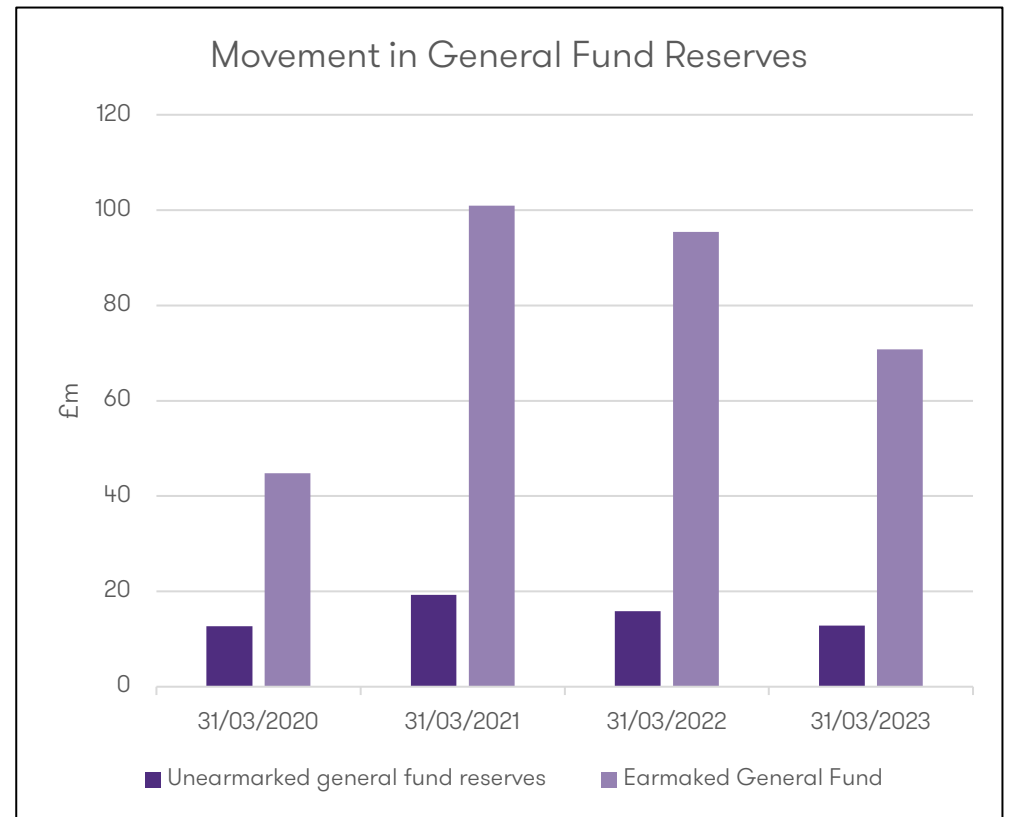
The purpose of unearmarked general fund reserve is to meet costs arising from any unplanned or emergency events such as unforeseen financial liabilities or natural disasters. These reserves also act as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves are set aside for specific purposes.

The Council in both 2021/22 and 2022/23 has set aside reserves to mitigate unforeseen risks, and the risk of savings not being delivered. The Council calculated the reserve risk each year, as part of the budget setting process. This is a quantifiable amount of the risks and estimates within the budget and is used to gauge the amount of funds required within the unearmarked general reserves. The level of unearmarked reserves at the end of 2021/22 and 2022/23 was in line with the Council's reserves risk assessment for both financial years.

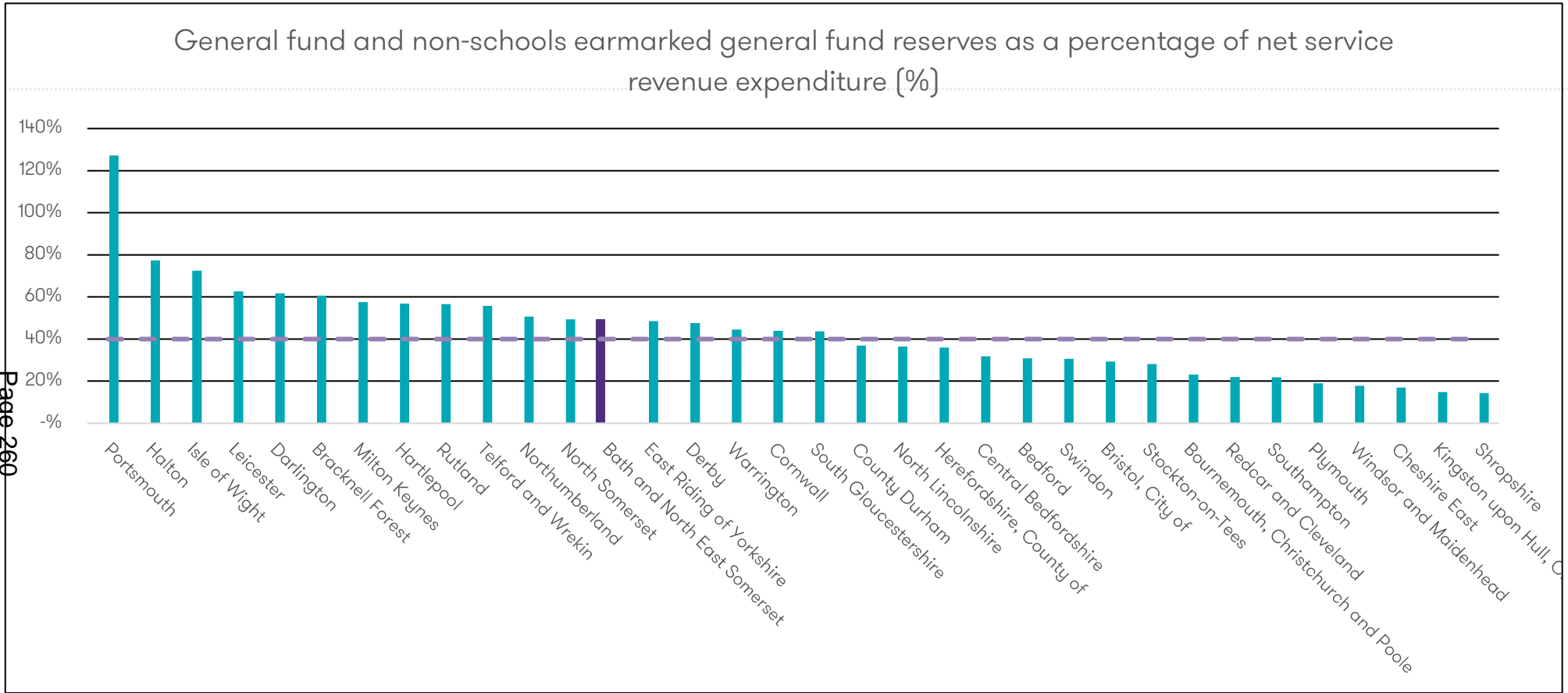
The table below illustrates the level and movement of general fund reserves over the past four years. It should be noted that the increase in earmarked reserves in 2020/21 was largely attributable to COVID-19 funding.

The budget papers for 2021/22 and 2022/23 included the Chief Finance Officer's Section 25 statement of the Local Government Act 2003. This statement sets out the adequacy of the reserves and the robustness of the estimates within the budget. These statements confirmed the adequacy of reserves and were based on 'robustness statements' produced by the individual Directors of the Council. The Section 25 statement also set out the amount set aside within contingency funds to manage risk and that the Council had benchmarked its level of reserves with other unitary authorities and was satisfied that it had sufficient levels of reserves.

Based upon the current level of reserves and the Council's projected funding requirements and gaps, as set out in the MTFs, we consider that the Council has proper arrangements in place in respect of its level and management of reserves.



Financial sustainability



Page 260

Reserves continued

The chart above illustrates the Council’s level of earmarked reserves in comparison to other unitary authorities, this confirms **that the Council does not appear to be in an adverse position compared to others and has a reasonable level of reserves taking into account the financial challenges it faces.**

Improvement recommendations



Financial sustainability

Improvement Recommendation 1

The Council should monitor and report on the amount of non-recurrent savings planned and delivered each year. This information could be included in the outturn reporting.

Audit year

2021/22 and 2022/23

Why/impact

This would enable the Council to more actively manage the extent to which it is reliant on non-recurrent savings.

Auditor judgement

The Council has delivered the majority of its planned savings, so we do not consider this to be a significant weakness in arrangements.

Summary findings

In 2021/22 and 2022/23 the Council has not clearly identified the proportion of non-recurrent savings that were included within the planned savings and were delivered in year - both as part of the plan but also to mitigate shortfalls in other areas as the year progressed.

Reliance upon non-recurrent savings increases the financial pressure in future years.

Further detail is provided on page 13.

Management Comments

The split between recurrent and non-recurrent savings will be included in the 2023/24 Outturn reports and subsequent quarterly budget monitoring reporting to Cabinet.



Improvement recommendations



Financial sustainability

Improvement Recommendation 2

Going forward the Council should ensure it takes advantage of the Transformation Programme to consider service redesign and identify savings for 2024/25 and beyond.

Audit year

2022/23

Why/impact

This should enable the Council to identify larger savings based on transformational design.

Auditor judgement

Although the Transformation Programme is not yet part of the solution to identify savings in 2024/25, we do not consider this to be a significant weakness in arrangements.

Summary findings

The Transformation Programme is at the early stages of development and has not yet identified savings or contributing to savings within the MTFS, other than the savings required within the DSG.

Further detail is provided on page 13.

Management Comments

The Council's Business Change function during 2023/24 has completed in depth reviews across Children's Services, Estates and Property and Customer Services – as a result we are now agreeing and taking forward opportunities that will create operational efficiencies and delivery ongoing revenue budget savings. Once fully quantified and evidenced these will be put forward as emerging budget savings plans.



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The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Improvement Recommendation 3

The MTFS should be strengthened by the inclusion of more detailed sensitivity and scenario analysis of the key financial risks and key demand pressures facing the Council.

Audit year

2021/22 and 2022/23

Why/impact

This should enable members to better understand the financial pressures and risks facing the Council and the impact of these risks should they materialise in line with the modelled assumptions.

Auditor judgement

The Council has an appropriate MTFS in place which is updated annually, the inclusion of more detailed sensitivity and scenario analysis would improve the MTFS, so we do not consider this to be a significant weakness in arrangements

Summary findings

The MTFS in 2021/22 and 2022/23 included a limited amount of scenario testing. In each year the MTFS identified three scenarios in each year, and each scenario included a number of different changing factors.

We consider that modelling a greater range of factors and situations across a broader range of potential outcomes would provide decision makers with a better understanding of the financial risks and how changes impact upon the financial situation.

Further detail is provided on page 14.

Management Comments

The 2024/25 MTFS has incorporated a +/- tolerance on variable contract and demand pressures to test budget sensitivity, this will be built on for future years budget planning.



The range of recommendations that external auditors can make is explained in Appendix C

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services
- approached and carried out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships.

Risk management

The Council has a Risk Management Strategy for 2019-2024 which sets out the Council's approach to risk management. It operates a corporate risk register, alongside service and operational risk registers. Risks were recorded and logged on its risk registers during 2021/22 and 2022/23 and it uses its Integrated Reporting Framework (IRF) to do this. Officers have access to this system but members do not.

The Corporate Audit Committee has responsibility within its terms of reference for overseeing the risk management framework of the Council. However, we found that in both 2021/22 and 2022/23 the Corporate Audit Committee did not receive any risk management updates, or review the corporate risk register. The only member review of the risk management arrangements and the corporate risk register was undertaken by the Corporate Policy Development and Scrutiny Panel, which received a risk management update in July 2022. Whilst we understand that the Council did not want to duplicate the work undertaken by this Scrutiny Panel and that chair and vice chair of the Corporate Audit Committee attended the meeting, this would still not enable the Corporate Audit Committee to discharge its responsibilities.

The corporate risk register was only reviewed once by members in 2021/22 and 2022/23 and is not available on the Council's website. In order to demonstrate the Council's commitment to openness and transparency we consider that the corporate risk register should be more easily accessible to the public.

The improvement recommendation raised in 2020/21 remains outstanding:- **The highest ranked corporate risks should be included annually in the Corporate Audit Committee agenda and include links to the Council's Corporate Strategic Policies and Principles.**

This recommendation remains outstanding and should be implemented to ensure the Corporate Audit Committee complies with its terms of reference. This recommendation is discussed further on page 40.

We have also raised an additional improvement recommendation for 2021/22 and 2022/23:- **The corporate risk register should be regularly reviewed by members, either by Cabinet or the Corporate Audit Committee in a public meeting, so that it is more easily accessible to the public.**

In 2021/22 the Council strengthened its risk management arrangements through the introduction of its Risk Management Steering Group of officers, which met for the first time in October 2021. The Group met four times per year, its purpose is to have oversight of risk management activity on behalf of the Corporate Management Team.

Informed decision-making

Risk management is a key part of informed and effective decision-making. If those making the decisions are not fully aware of the risks and the importance of the risks they may not make the most appropriate decision.

We note that the supporting reports provided to Cabinet, which routinely set out the background for all Cabinet decisions, include a risk management section. The standard practice is not to document and set out the key risks, which the decision maker should be aware of, but to document that 'a risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance.'

The risk assessment was also not included within the reports pack to support the decision.

Governance

Informed decision-making continued

The risk management arrangements to support decisions should therefore be strengthened and we have raised an improvement recommendation:- The Council should ensure the risk assessment undertaken to support a member decision is included within the supporting papers. The supporting member report should also set out the key risks relating to the decision.

We have discussed with management the implications relating to working practices within a small part of its workforce and will continue to appraise members if issues develop.

Informed decision-making – Aequus Group

In 2021/22 (July 2021) the Council commissioned a review of the Aequus Group, which included Aequus Developments Ltd (ADL) and Aequus Construction Ltd (ACL). This review included a range of recommendations to improve the governance arrangements. These arrangements culminated into a restructure and changes to the governance structure which was agreed by Full Council in March 2022. This decision was made by Full Council. Full Council also agreed the business plan for the Aequus Group, which covered 2021/22 to 2023/24.

It is unclear why the business plan was approved at the end of the first year (2021/22), as this period had already commenced. Ideally the business plan should be approved ahead of the period to which it applies and should be approved on an annual basis.

The decision was discussed with key officers and directors of the Aequus Group, prior to the decision being presented to Full Council. The Corporate Policy Development and Scrutiny Panel was updated on the changes, but this was after the decision had been made in April 2022 and also included the business plan.

We have raised the following improvement recommendation:- **The business plan for the Aequus Group should be reviewed and approved by members on an annual basis, ahead of the period to which it applies. If the Corporate Policy Development and Scrutiny Panel is to have an effective scrutiny role, its members should have the opportunity to scrutinise the business plan prior to its approval by Full Council.**

The revised structure included the establishment of a holding company and changes to the reserved matters (matters/decisions that require approval by the shareholder, the Council). Legal and financial advice was obtained and jointly instructed so that both the Council and the Aequus Group could rely upon it. The supporting paper was clear on the decision to be taken, the advice obtained and the reasons for the decision. However, the report did not include the key risks to be considered as a part of the decision and officers have subsequently been unable to provide evidence of any risk assessments which were undertaken to support the decision making process.

We have not raised an additional improvement recommendation as this is covered by the previous recommendation.

In addition, the Council has confirmed that the Aequus Group and any related risks associated with the Group are not recorded on any of the Council's risk registers, either Corporate/Directorate or Operational Risk registers. This is a weakness in arrangements and should be addressed, and we have raised an improvement recommendation:- **The Council should identify the risks in relation to being a shareholder of the Aequus Group and record these risks on an appropriate risk register and manage them accordingly.**

The Leader of the Council is the designated shareholder of the companies. Decisions relating to individual projects and developments are taken by the Leader of the Council as a single member decision. These decisions are recorded in the same manner as all other single member decisions, in line with the Council constitution. Business cases are provided for each of these decisions and reviewed by officers and the various groups and forums as described below, prior to final approval by the Leader of the Council.

Performance management of the Aequus Group

The Council has developed a company protocol to support the governance arrangements and has established the following which provide oversight and performance manage the Aequus Group:

- Officer working group – this group should meet monthly and include officers from the Council and from Aequus Group as follows; the Aequus Managing Director, Aequus Executive Director of Operations, Director of Regeneration and Housing, Monitoring Officer and the Head of Housing. These meetings aim to discuss tactical transactional matters. We have been told that the meetings should review the site tracker and finance dashboard, but minutes were not taken.

Governance

- Investment forum – these meetings should be quarterly and should include only officers and members from the Council; the Chief Executive, Chief Finance Officer, Monitoring Officer, Director of Regeneration and Housing, the Leader of the Council, Deputy Leader (Resources) and Cabinet member for Housing. This forum is not a decision making group, but will discuss issues prior to a formal decision and undertakes a performance management role. Actions undertaken include review of the site tracker, business plan and review of performance against the business plan key performance indicators. Minutes are taken for these meetings.
- Shareholder advisory group - these meetings should be quarterly and include officers of the Council and members from across the political parties of the Council, including the Leader of the Council. This group is not a decision making group and its intention is to ensure all political parties understand what the Aequus Group is doing and why. Minutes are not recorded for the meetings.

However, we have established that the above meetings were not held as frequently as set out in the Council's protocol for governance of local authority trading companies, especially in 2021/22:

	Expected frequency	2021/2022	2022/2023
Officer working group	12	4	12
Investment forum	4	3	5
Shareholder advisory group	4	1	1

In addition to the arrangements set out above a number of member committees are in place, as follows:

- Corporate Audit Committee – in line with the Committee's terms of reference the Committee reviewed the audited accounts of Aequus Development Limited and Aequus Construction Limited in 2021/22 and 2022/23
- Corporate Policy Development and Scrutiny Panel – the companies protocol requires that the Council's companies will report their performance on a six monthly basis to scrutiny. This did not occur in 2021/22 and only two updates were reported in 2022/23.

Whilst we recognise that scrutiny can have a role in performance management it does not have the authority to ensure action is taken if there are issues regarding under performance, as such issues would have to be escalated to Cabinet.

We note that performance of the Aequus Group was not reported to Cabinet in 2021/22 or 2022/23.

The Aequus Group has been successful in delivering its expected financial returns in line with its business plan for 2021/22 and 2022/23 and the indications are that individual projects are progressing as planned, however performance management could be improved and we have raised an improvement recommendation:- **The Council should improve the performance management arrangements for the Aequus Group. Specifically, it should:**

- determine which formal and informal member committees and groups should be involved in the performance management of the Aequus Group, what information should be reviewed, the frequently and if Cabinet should be involved**
- ensure officer performance management is undertaken on a regular basis in line with the Council's own protocol for governance of local authority trading companies.**

Confidential item – informed decision-making

We have identified a confidential item relating to decision making. This is not a significant weakness, but an improvement recommendation has been raised.

Internal Audit

The Council's internal audit service has continued to be delivered by One West in 2021/22 and 2022/23, a trading arm of the Council. With over 80% of the reviews completed and reasonable assurance opinions provided in both years. Regular update reports were provided to the Corporate Audit Committee throughout the two years and we did not identify any issues to suggest that proper arrangements were not in place during 2021/22 and 2022/23.

Monitoring standards

The Council has a range of policies and procedures in place against which standards could be guided and assessed. These were reviewed and updated by the Corporate Audit Committee in 2022. During our review we did not identify any issues to suggest that proper arrangements were not in place during 2021/22 and 2022/23.

Governance

Budget setting and monitoring

Revenue

The setting of revenue followed a similar process in 2021/22 and 2022/23.

The process begins with a review of cost and demand pressures and priorities. The Finance Team will then work with Directorates to achieve a balanced budget through the development of savings proposals. Reserves were identified and set aside to manage the risks within the budget and non-delivery of savings. Benchmarking was undertaken and provided to Directors to support their identification of savings.

In both years budgets have been adjusted for cost growth and reduction in income.

For each year the overall budget was presented and discussed informally with members before being considered by Scrutiny, Cabinet and final agreement by Full Council. A formal consultation process with local people and businesses was also undertaken.

Budget monitoring was undertaken by the Corporate Management Team and budget reports are provided to budget holders on a quarterly basis, with monthly reporting undertaken for more volatile/demand led service areas.

For both years Cabinet received quarterly budget monitoring reports. In addition, treasury management reports were also provided.

Capital

The capital budgets were agreed alongside revenue budgets. Capital financing requirements were included within the budget for 2021/22 and 2022/23, including projections for the next four years.

The Council has introduced an internal capital monitoring dashboard in 2022/23, which considers each capital project and RAG rates timeliness, deliverability and budget for each scheme to reduce the amount of slippage. This dashboard was considered by the Council's Capital Strategy Group, in order to assess the progress and performance of individual projects.

Overall we identified no significant weaknesses in the Council's approach to budget setting and monitoring.



Governance

Partnership Governance - West of England Combined Authority (WECA)

The Council is a voting member of WECA. WECA delivers a number of services, including transport, on a regional basis and is also a means by which devolved government funding is obtained and distributed among the constituent councils for infrastructure and other development projects. The governance of WECA is overseen by the West of England Combined Authority Committee, which comprises the leaders of the member authorities (Bath and North East Somerset Council, South Gloucestershire Council and Bristol City Council) and is chaired by the directly elected West of England Combined Authority Mayor.

The Mayor and Chief Executive of the West of England Combined Authority, and the Leaders and Chief Executives of the three constituent unitary councils, have acknowledged that the relationships between members of the Combined Authority are currently strained. This is partly attributable to inherent tensions between the West of England Mayor's mandate to create and deliver a regional strategy and the desire of individual authorities to retain and protect their own political and strategic areas or remits. The dynamic is further complicated by local circumstances, that include the existence in parallel of a separately constituted Joint Committee that includes North Somerset Council as an additional member but outside of the Combined Authority; the co-existence of the West of England Mayor and the Bristol City Mayor over part of the same footprint, and; the constitutional requirement for significant elements of Combined Authority business to require unanimous voting, which effectively allows any member to veto a decision.

It is in this context that we note the external auditor has issued a critical report on the governance of WECA that identifies five significant weaknesses in governance and includes three statutory recommendations. This relates to events that took place during the financial year 2021/22. Two of the statutory recommendations place an obligation on the members of WECA to work together to improve working relationships and the level of engagement on key decisions.

The two statutory recommendations that directly impact on the Council are as follows:

- The Mayor and members of the Combined Authority represented by the Council Leaders, must commit to improving their working relationship and demonstrate that significant progress has been made within a reasonable timeframe to be determined by the Mayor and Combined Authority. This should include a role for independent mediation and the constructive consideration of advice arising from this process (SR1).

- A formal protocol should be agreed between member organisations within the Combined Authority to commit to consultation on key proposals, that they should define, at an earlier stage. Combined Authority members should engage effectively in this process, to help mitigate points of contention before they are published and debated in public. This should include a commitment to deliver proposals on a reasonable timetable (SR2).

A constructive and collaborative working relationship between partners is fundamental to the ability to continue to reach consensus, approve the use of devolved funding and attract funding and deliver value to the region, in addition to the ongoing delivery of key regional services including local bus services. The report recognises that the day-to-day business of the Combined Authority in regard to its budget and financial allocations to projects has continued effectively in 2021 and to date in 2022. In addition, we note that significant new funding has been brought into the region and been allocated to approved projects, including those impacting on individual unitary authorities via the Investment Fund. This provides assurance that the Combined Authority has not become dysfunctional and has continued to deliver benefit to residents in the region.

However, the WECA external auditor expresses concern that the ongoing poor state of relationships could limit the ability of all parties to work together to optimise strategic opportunities in future. External perceptions of disfunction could also affect the reputation of the Combined Authority with central government and other partners., ultimately affecting the ability to raise further funding and undermining public confidence.

While we recognise that the onus is on WECA, as a separate statutory body, there is a key role for the Council to work with the WECA management team to ensure that all the required improvements are made. We have raised the following improvement recommendation:- **The Council should work closely with the West of England Combine Authority (WECA) to support (within its remit) the implementation of the required improvements to the governance of WECA (as set out in the Combined Authority's governance report).**

Since the issue of the statutory recommendations to WECA, the Combine Authority has been supported by SOLACE, who undertook a review of partnership arrangements. As a result, a transformational plan has been developed.

Improvement recommendations



Governance

Improvement Recommendation 4

The corporate risk register should be regularly reviewed by members, either by Cabinet or the Corporate Audit Committee in a public meeting, so that it is more easily accessible to the public.

Audit year

2021/22 and 2022/23

Why/impact

Elected members, have ultimate responsibility over the management of risk and require access and input into the corporate risk register to fulfil this role.

Auditor judgement

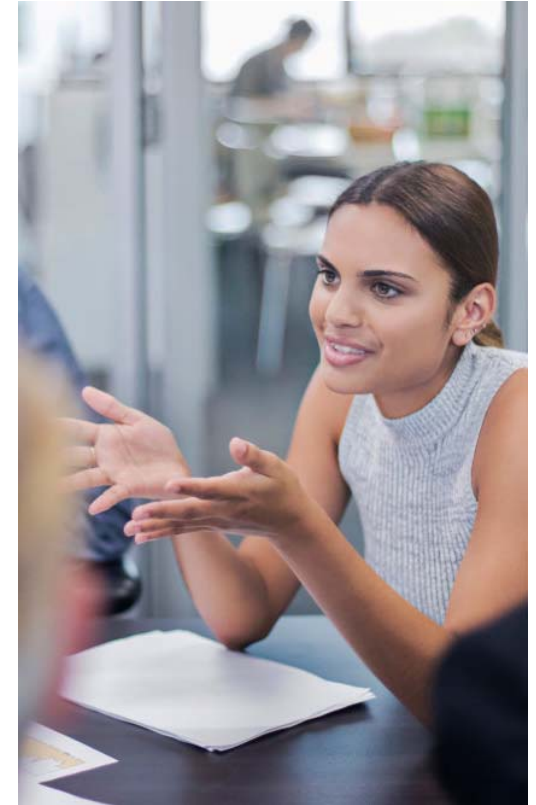
This is not a significant weakness, but an improvement recommendation and would enable elected members, who have ultimate responsibility over the management of risk to be aware and understand the risks faced by the Council in order to fulfil this function.

Summary findings

The Corporate Audit Committee has responsibility within its terms of reference for overseeing the risk management framework of the Council. However, we found that in both 2021/22 and 2022/23 the Corporate Audit Committee did not receive any updates or review the corporate risk register. Whilst a review was undertaken by the Corporate Policy Development and Scrutiny Panel in July 2022, this still did not enable the Corporate Audit Committee to discharge its responsibilities. Further detail is provided on page 20.

Management Comments

A regular report will be taken to the Audit Committee with regards to risk management which includes updates on the corporate risk register. This will be actioned by February 2024



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Improvement Recommendation 5

The Council should ensure the risk assessment undertaken to support a member decision is included within the supporting papers. The supporting member report should also set out the key risks relating to the decision.

Audit year

2021/22 and 2022/23

Why/impact

This will ensure a risk assessment is undertaken and a record maintained.

Auditor judgement

As risk assessments are undertaken but not routinely provided to support decisions, we do not consider this is a significant weakness in arrangements, but an improvement recommendation.

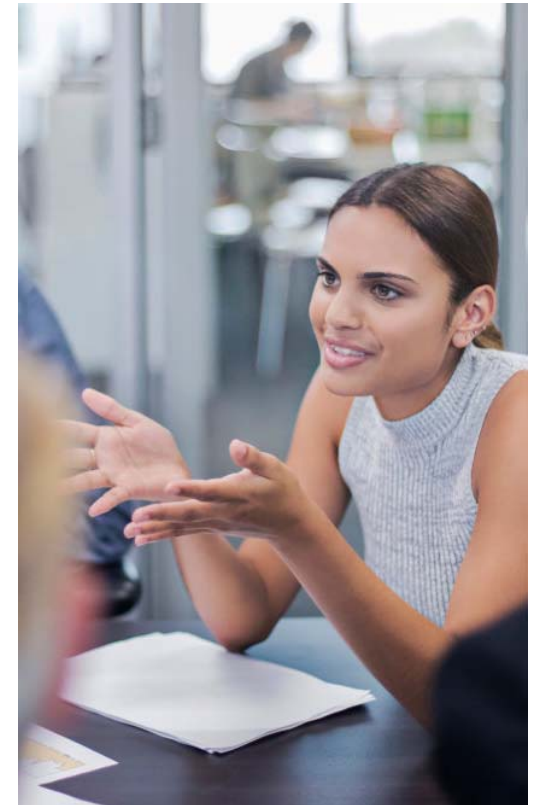
Summary findings

The risk management section within member reports does not document the key risks and the papers do not include the risk assessment.

Further detail is provided on page 21.

Management Comments

The council is due to review its Risk Management Strategy during 2023/24 and will ensure that the existing guidance and process in relation to risk management within the decision making process is refreshed as part of this work. This will include a requirement to attach the formal risk assessment to Cabinet papers where a key decision is being made and appropriate training and guidance will be developed to ensure this is fully operational by April 2024.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Improvement Recommendation 6

The business plan for the Aequus Group should be reviewed and approved by members on an annual basis, ahead of the period to which it applies. If the Corporate Policy Development and Scrutiny Panel is to have an effective scrutiny role, its members should have the opportunity to scrutinise the business plan prior to its approval by Full Council.

Audit year

2021/22 and 2022/23

Why/impact

This will ensure members can scrutinise and agree the business plan on a more timely and regular basis.

Auditor judgement

The business plan was reviewed by members, but not on an annual basis, so do not consider this to be a significant weakness in arrangements, but an improvement recommendation.

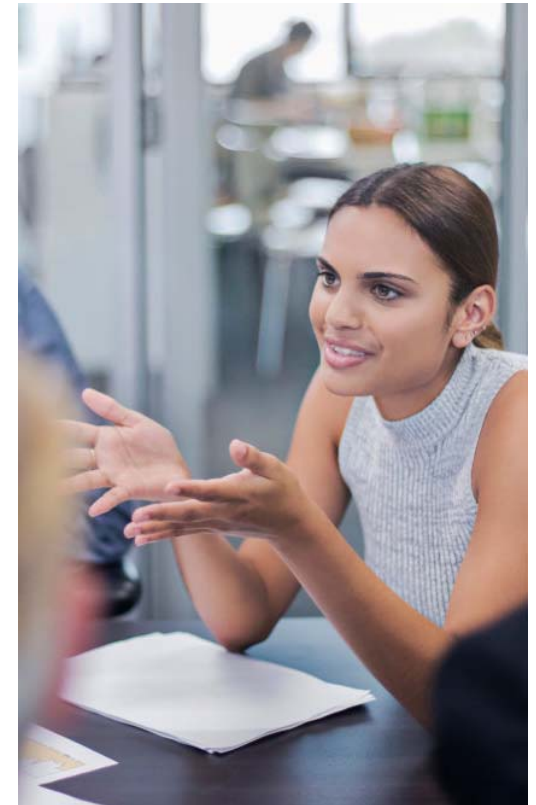
Summary findings

The risk management section within member reports does not document the key risks and the papers do not include the risk assessment.

Further detail is provided on page 21.

Management Comments

The Council will organise for annual scrutiny of interim business plan updates by the Corporate Scrutiny Panel. Approval of the business plan is a Shareholder Reserved Matter (as an executive function) considered via Council as part of Budget setting. Current Company articles currently require this to be approved on a 3 year business plan cycle not annually. In light of the recommendation for an annual Business Plan, we propose the Company provides the shareholder with Interim Business Plans for its approval.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Improvement Recommendation 7

The Council should identify the risks in relation the Aequus Group and record these risks on an appropriate risk register and manage them accordingly.
The risks are likely to include both reputational risks as a shareholder, as well as financial risks.

Audit year

2021/22 and 2022/23

Why/impact

This will ensure the risks are understood and managed appropriately.

Auditor judgement

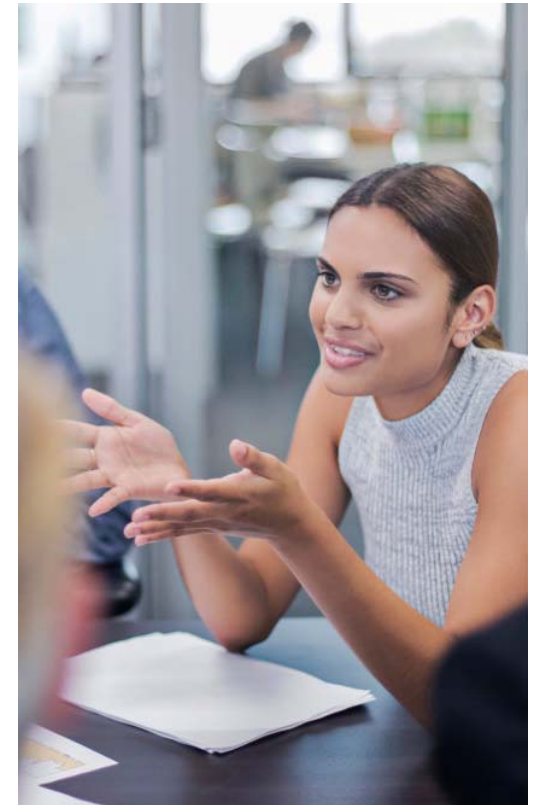
We consider that proper arrangements are in place and as a result do not consider this to be a significant weakness, but an improvement recommendation.

Summary findings

The Aequus Group and any related risks associated with the Group are not recorded on any of the Council's risk registers, either Corporate/Directorate or Operational Risk registers. Further detail is provided on page 21.

Management Comments

Agree, these risks will be added to the appropriate risk register.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Improvement Recommendation 8

The Council should improve the performance management arrangements for the Aequus Group. Specifically, it should:

- determine which formal and informal member committees and groups should be involved in the performance management of the Aequus Group, what information should be reviewed, the frequency and if Cabinet should be involved
- ensure officer performance management is undertaken on a regular basis in line with the Council's own protocol for governance of local authority trading companies.

Audit year

2021/22 and 2022/23

Why/impact

This will ensure performance is effectively monitored and corrective action can be taken as required.

Auditor judgement

We consider that proper arrangements are in place and as a result we do not consider this to be a significant weakness, but an improvement recommendation.

Summary findings

The Aequus Group has been successful in delivering its expected financial returns in line with its business plan for 2021/22 and 2022/23 and the indications are that individual projects are progressing as planned, however performance management could be improved.

Performance has not been reviewed by Cabinet and has been limited to the Corporate Policy Development and Scrutiny Panel in 2022/23 only and to internal officer and member groups. The Officer Working Group and the Investment Forum have not met as frequently as expected in 2021/22 although frequency has improved in 2022/23.

Further detail is provided on page 22.

Management Comments

Agree and this will be reviewed.

A review of current adopted Company Governance provisions will be undertaken with the Monitoring Officer and S151. Role of Scrutiny and Audit Committees in relationship to Shareholder actions to be undertaken as the Shareholder is an executive function of the Council. Clarity on the relationships between existing Governance Arrangements for Investment Forum, Shareholder Advisory Board, O&S Panel and Audit Committee to be reviewed and set out more clearly.

Performance Management is undertaken via monthly Officer-Director meetings and quarterly Investment Forum and Shareholder Advisory Group (if called upon to consult Shareholder Decisions) in line with the adopted Company protocol. Frequency of quarterly considered appropriate to maintain oversight and performance of Company via its agreed business plan KPI's.

The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Improvement Recommendation 9

The Council should work closely with the West of England Combine Authority (WECA) to support (within its remit) the implementation of the required improvements to the governance of WECA (as set out in the Combined Authority's governance report)

Audit year

2021/22 and 2022/23

Why/impact

A constructive and collaborative working relationship between partners is fundamental to the ability to continue to reach consensus, approve the use of devolved funding and attract funding and deliver value to the region, in addition to the ongoing delivery of key regional services including local bus services.

Auditor judgement

This is not a significant weakness from the perspective of Bath and North East Council, but the Council has a key role to play in ensuring that the required improvement to this key partnership are made.

Summary findings

The Council is a voting member of WECA. WECA delivers a number of services, including transport, on a regional basis and is also a means by which devolved government funding is obtained and distributed among the constituent councils for infrastructure and other development projects. The governance of WECA is overseen by the West of England Combined Authority Committee, which comprises the leaders of the member authorities (Bath and North East Somerset, Bristol City, and South Gloucestershire Councils and is chaired by the directly elected West of England Combined Authority Mayor.

We note the external auditor has issued a critical report on the governance of WECA that identifies five significant weaknesses in governance and includes three statutory recommendations. This relates to events that took place during the financial year 2021/22. Two of the statutory recommendations indicate that the members of WECA should work together to improve working relationships and increase the level of engagement on key decisions.

Further detail is provided on page 24.

Management Comments

The Council continues to work very actively at all levels with WECA on key programmes within the transformation programme, and has engaged with the Solace work commissioned by the Combined Authority. As highlighted, the audit success will rely on the joint work of all parties.

The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance management

The Council adopted its four-year Corporate Strategy in 2020 which set out its strategic priorities and how it intends to deliver and measure them over the four-year term. The Corporate Strategy included a list of commitments under three corporate principles :

1. Preparing for the Future
2. Delivering for Local Residents
3. Focusing on Prevention.

During 2021/22 quarterly performance information was provided to senior management and presented to Cabinet. These reports included a dashboard which included a summary dashboard and RAG rated performance for 21 indicators.

For 2022/23 Cabinet did not receive quarterly reporting and only received the quarter three report in March 2023 and a detailed end of year report in May 2023. Regular performance reporting is important and should be re-introduced for 2023/24.

We have raised the following improvement recommendation:- **The Council should ensure that Cabinet receive quarterly performance reports on its strategic objectives as set out in the Corporate Strategy.**

In 2020/21 the Council began operating an interactive Integrated Reporting Framework (IRF). The IRF takes information from a range of business systems across the Council and through Power BI has developed an interactive system available to all officers, but not members.

IRF enables officers to access performance information at any point in time. Dashboards are available for each Directorate. 60% of the information and data on the IRF is automated and continues to be developed to expand the information it holds and how it is presented.

The Corporate Strategy 2023 -2027 was updated and agreed by Full Council in July 2023.

The Council's Data Strategy sets out the Council's commitment to ensuring strategic decisions are informed by quality data. The data quality is assured by processes in place to review the dashboards and reports by senior officers and Directors prior to release and publication.

Benchmarking and learning from others

In 2021/22 and 2022/23 the Council has carried out unit cost benchmarking centrally. This benchmarking was shared with the Directors of each service area. It was the responsibility of each individual Director to review and ensure action was taken as necessary.

Improving economy, efficiency and effectiveness

Benchmarking and learning from others continued

Benchmarking was undertaken as part of our VfM work using our management tool 'CFO Insights', based on 2021/22 revenue outturn (RO) data. This identified the following high cost areas:

- Planning and development, due to high unit costs for economic research, environmental initiative and other planning policy
- Children's Social Care, due to high unit costs for children looked after and other children and families' service
- Public Health – these high unit costs were discussed with officers and confirmed why their understanding of why the cost might appear high and how costs might be reduced following a re-procurement exercise.

In January 2023 the Council undertook detailed benchmarking using revenue outturn information and the Local Government Associations (LGA) VfM profile tool. This review identified the following potential areas where costs could be reduced. We are satisfied that the Council is undertaking sufficient benchmarking, and that the information is shared with management to inform their decision-making processes.

Star rating	3 Stars	4 stars	5 stars
3 stars - £2m - £5m 4 stars - £5m - £10m 5 stars over £10m	Parking Services	Children Looked After	Children's Social Care
	Mental health support	Environmental and Regulatory Services	Management Support Services (under Non-Distributed Costs)
	Regulatory Services	Central Services	
	Environmental Protection, Noise & Nuisance	Recycling	
	Waste Management Service		

Inspections from external regulators provide an opportunity for the Council to better understand and improve its services. The Children's Social Care Services were last inspected by Ofsted in March 2022 and the Council received an overall rating of 'Good'.

Improving economy, efficiency and effectiveness

Partnerships

The Council's Corporate Strategy recognises the importance of partnerships and that a number of joint outcomes are being delivered through joint delivery plans. The Council was and continues to be involved a range of statutory and voluntary partnerships.

The key partnerships are set out in the Councils Annual Governance Statement in 2021/22 and 2022/23, four partnerships were listed. The Council does not maintain a register of all its key/significant partnerships and has not defined what it considers to be a key partnership. This is not a significant weakness in arrangements, but we consider that arrangements could be improved through the adoption of the following improvement recommendation:-

The Council should define its key partnerships and establish a register of key partnerships. The partnership register should include:

- the strategic objectives to which the partnerships contribute**
- why the partnership is a significant partnership in line with the Council's definition.**

In order to assess the partnership arrangements in place we considered the partnership arrangements for the Council's Community Safety and Safeguarding Partnership. A statutory partnership under the Care Act 2014 to ensure that all public sector agencies work together to ensure that children, and adults with care and support needs are protected from abuse, harm, and neglect. We found that annual reports were produced for 2021/22 and 2022/23 on the work and performance of the partnership and presented to the Health and Wellbeing Board. Escalation procedures are in place and should the partnership objectives not be met, then the issue would be raised with the Senior Leadership Team and members as required.

In May 2022 the Local Government Association (LGA) completed a peer review of the Community Safety and Safeguarding Partnership. This review did not identify any areas of significant weakness but did identify areas for improvement. An action plan has been developed, which will be implemented and monitored by the partnership.

We have raised an improvement recommendation on the Council's partnership governance with WECA on page 30. In this section, we were also able to confirm that update and approval reports on WECA were presented to Cabinet in 2021/22 and 2022/23. These reports ensured that Cabinet were kept up to date and made aware of any issues of concern.

Members are also made aware of partnership performance through the annual Corporate Strategy year end review.

The 2022/23 Corporate Strategy year end review reported achievements of the Council in partnership with Bath College; Homeless Partnership Agencies; Landscape Partnership Scheme and the Community Safety and Safeguarding Partnership.

Contract management and procurement

The Council has a Procurement and Commissioning Strategy which is published on its website. It is the Council's intention to update its strategy for the new public procurement regulations which were published in 2022 and the new Procurement Act which is likely to come into force in October 2024.

The Council recognises that it needs to improve its contract management arrangements and has established the Procurement Steering Group in 2022/23. This group includes Directors and the Council's procurement and contracting specialists. It oversees the contract management arrangements across the Council. This group received a range of reports and information to enable them to improve and effectively manage their contracting and procurement function.

The Procurement Steering Group commissioned a contract management review by Local Partnerships in 2023/24, initial findings were reported to the Procurement Steering Group in July 2023 and has identified a range of areas for improvement including a lack of:

- consistency
- governance and oversight from above
- risk management and registers maintained for the contracts
- contract management capability and practice and understanding of what good looks like.

Based on these findings more detailed work has been undertaken by Local Partnerships, however, the findings have yet to be reported to the Council.

We do not consider the findings of the Local Partnerships review on contract management to be a significant weakness in arrangements in 2021/22 or 2022/23. The findings were interim findings and the detailed findings have yet to be reported to the Council. The review was undertaken in 2023/24 and we did not identify any significant procurement issues in either year, nor did our review of the contract registers identify any areas of concern. We will however, review in more detail the findings on this review as part of our 2023/24 VfM work.

Improving economy, efficiency and effectiveness

We have raised the following improvement recommendation:- **The Council should improve its contract management processes and address the issues identified in the review undertaken by Local Partnerships.**

A contract waiver, is where a contract is awarded without competition or a contract is not re-tendered at the end of the contract period. There are legitimate reasons for why a contract waiver is permissible, but equally contracts can be extended which are outside the Council's agreed policies and current legislation. It is important that the Council has appropriate authorisation processes and records the number and extent of contract breaches to ensure the level of contract breaches is understood and can be effectively managed.

However, we found that the authorisation is undertaken by the Director in the same Directorate as the waiver originated, increasing the opportunity for abuse of the system. Whilst we are not aware of any inappropriate or fraudulent practices, we recommend that authorisation should be undertaken by someone with greater independence, such as central finance.

In addition, we note that contract waivers were not regularly reported to members. In our experience contract waivers are regularly reported to a member committee, such as an audit committee, to enable comparisons and trends to be monitored and addressed.

We have raised the following improvement recommendation: **The Council should consider reviewing its process for approval of contract waivers, to ensure appropriate independence. In order to ensure transparency and financial oversight the number and extent of waivers should be reported periodically to members at a public meeting, such as Corporate Audit Committee.**



Improvement recommendations



Improving economy, efficiency and effectiveness

Improvement Recommendation 10

The Council should ensure that Cabinet receive quarterly performance reports on its strategic objectives as set out in the Corporate Strategy.

Audit year

2022/23

Why/impact

Regular performance reporting ensure Cabinet are aware of performance and can ensure action is taken as required.

Auditor judgement

This is not a significant weakness as officers have access to performance information, however, members have a key role in performance management so an improvement recommendation has been raised.

Summary findings

In 2022/23 Cabinet did not receive quarterly performance reports on its strategic performance indicators. Cabinet only received two reports which covered quarter three and year end.

Further detail is provided on page 31.

Management Comments

A regular report will be taken to Cabinet on performance which will also include the Council Annual Performance Report and Activity summary as we have done in previous years. The strategic performance report will report on a suite of strategic indicators which have been aligned to show the progress against the key deliverables within the Councils new Corporate Strategy and these will be reported for Q2, Q3 and Q4. This will be fully operational by April 2024.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

Improvement Recommendation 11

The Council should define its key partnerships and establish a register of key partnerships. The partnership register should include:

- the strategic objectives to which the partnerships contribute
- why the partnership is a significant partnership in line with the Council's definition.

Audit year

2021/22 and 2022/23

Why/impact

The partnership register should ensure all key partnerships are documented and recognised.

Auditor judgement

We do not consider this to be a significant weakness, as key partnerships are set out within the Annual Governance Statement.

Summary findings

The key partnerships are set out in the Council's Annual Governance Statement for 2021/22 and 2022/23, four partnerships were listed. The Council does not maintain a register of all its key/significant partnerships and has not defined what it considers to be a key partnership.

Further detail is provided on page 33.

Management Comments

The Council has reviewed and published the full list of Outside bodies and partnerships that it takes part in on the basis of the fit to the Corporate objectives and priorities of the Council. We are currently revising the advice given to nominees, Councillors or officers, that take part on their role in ensuring that the Council's interests are best represented in such arrangements. (list <https://democracy.bathnes.gov.uk/mgListOutsideBodies.aspx?bcr=1>)



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

Improvement Recommendation 12 The Council should consider reviewing its process for approval of contract waivers, to ensure appropriate independence. In order to ensure transparency and financial oversight the number and extent of waivers should be reported periodically to members at a public meeting, such as Corporate Audit Committee.

Audit year 2021/22 and 2022/23

Why/impact Improving the authorisation processes will reduce the opportunity for fraudulent practices. Introducing member oversight should ensure that any trends and inappropriate practices are identified and can be addressed.

Auditor judgement We do consider this to be a significant weakness, but arrangements could be improved by introducing oversight of the process and ensuring Directors are not able to approve waivers within their own directorates.

Summary findings Contract waivers are authorised by the Director in the same Directorate as the waiver originated, increasing the opportunity for abuse and fraudulent practices. In addition, contract waivers were not regularly reported to members. In our experience contract waivers are regularly reported to a member committee, such as audit committee to enable comparisons and trends to be monitored and addressed.

Further detail is provided on page 34.

Management Comments The current process for approving waivers is deemed effective based on the existing scheme of delegation, however we will refresh the process to ensure all waivers will now be co-authorised by the responsible Service Director and a senior manager within the Resources Directorate. We will also report a periodic update on contract waivers to the Audit Committee within its report on risk management as identified in an earlier recommendation. This will be fully operational by April 2024.

The range of recommendations that external auditors can make is explained in Appendix C.

Avon Pension Fund

Bath and North East Somerset Council is the administering authority for Avon Pension Fund (APF) and we are required to consider the Council's arrangements in respect of the governance and management of the pension fund. This requirement is for administering authorities only and as such we have undertaken a high-level review of arrangements in respect of:

- Governance
- Financial sustainability

Improving economy, efficiency and effectiveness.

The APF planned and managed its resources, monitored performance, and managed risk to ensure that it can continue to deliver its services. The following operated throughout 2021/22 and 2022/23:

- Avon Pension Fund Committee - the decision-making committee with delegated authority from the Council, met seven times in 2021/22 and four times in 2022/23. The committee received a range of performance information and agreed policies through the year.
- Avon Pension Board – its role is to ensure the effective governance of the Local Government Pension Scheme and compliance with regulations and legislation. It met five times in 2021/22 and three times in 2022/23.
- Avon Pension Investment Panel – the aim of the panel is to consider matters relating to management and investment of assets of the fund.

The Funding Strategy Statement is a key strategy to ensure that the APF is able to meet its liabilities and identifies how employer's pension liabilities are best met and seeks to ensure the solvency and long term cost efficiency of the APF. The APF have updated and in the process of consulting on its Funding Strategy Statement with a view to approving it in December 2023. The previous Funding Strategy Statement was agreed in September 2022.

In 2022/23 the three year actuarial valuation was undertaken and the findings were presented to the APF in March 2023. The report examined the outcome of the valuation process for the whole fund and highlighted the key changes that had occurred since the last valuation in 2019. It also set out the contribution rates for all employers for the next three years.

The valuation report set out that the deficit recovery period had reduced along with the overall deficit, as a result of an increase in the investment return.

We found that the risk register was a standard agenda item of Avon Pension Board and that annual governance reviews were undertaken each year for the Board and the Committee. In 2022/23 the review included the governance gap analysis undertaken by Hymans Robertson, which concluded that the arrangements were 'satisfactorily compliant', just one rating below full compliance. Arrangements and actions have been taken to address the gaps identified.

The service plan and budget were set in March of each year. The service plan included administrative KPIs against which performance was monitored through both years. Throughout this time the APF has under performed in a number of processing targets. The APF is aware of this issue and has been open and transparent in reporting where performance has been below target and is actively trying to address the issues by:

- actively trying to recruit and reduce the vacancy rate
- improve the management information to better understand the bottlenecks in the system
- introduce automation to reduce duplication.

Based on our review of the arrangements for administering the Avon Pension Fund we are satisfied that proper arrangements are in place and we have not identified any evidence of significant weakness or improvement recommendations.

Follow-up of previous recommendations

	Recommendation (FS)	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Council needs to explore and take appropriate actions to ensure that the DSG deficit is eliminated at the earliest practicable time	Improvement	May 2022	In 2021/22 the Council began discussions with the Department for Education (DfE) and in March 2022 was accepted as part of the 'Safety Valve' programme. This has resulted in the development of a management plan, which has been agreed by DfE and funding of £19.22m payable in tranches over the next six years. However, at the end of 2022/23 the Council was behind plan and as at quarter 2 of 2023/24 is forecasting to be £3m behind plan at the year end.	Ongoing	See key recommendation raised on page 6.
2	The Council must continue with its range of activities and mechanisms to deliver balanced budgets and ensure that risks to delivery are identified at an early stage so that appropriate and where possible, timely action can be taken. In particular to ensure that demand led services as far as possible, model and plan for future changes.	Improvement	May 2022	The 2022/23 base budgets were reviewed and rebased to take account for changes in demand and activity levels. This will remain a challenge in the existing economic climate.	Yes	No
3	Reference to the relationship between capital and revenue budgets should be included in the budget proposal, for example, the impact on revenue for future costs, such as repairs and maintenance	Improvement	May 2022	Budget reports for 2022/23 were presented to Corporate Policy and Scrutiny Panel which identified the additional cost to revenue (capital financing) for new capital schemes The revenue impacts of the capital programme arising from new schemes or scheme changes were assessed in terms of their financial impact and governed through the Council's capital strategy group chaired by the S151 Officer.	Yes	No
4	Using vacancies to deliver savings should be kept to a minimum and changes in staffing levels should be supported by service delivery model and workforce planning	Improvement	May 2022	The Council has continued to rely upon vacancies to deliver savings, in 2021/22 and 2022/23. vacancy savings have been delivered in both a planned way and unplanned way. These savings are non-recurrent and continue to place financial pressure on future years.	Ongoing	See improvement recommendation on page 17.

Follow-up of previous recommendations

	Recommendation (Gov)	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5	The highest ranked corporate risks should be included annually in the Corporate Audit Committee agenda and include links to the Council's Corporate Strategic Policies and Principles	Improvement	May 2022	The Corporate Audit Committee did not receive any updates or a copy of the corporate risk register in 2021/22 or 2022/23. Risk management reviews by scrutiny do not enable the Corporate Audit Committee to discharge its responsibilities in line with its terms of reference.	Outstanding	Implement original recommendation
6	The Audit and Assurance Annual Report refers to Whistleblowing and Investigations, Although it detailed numbers of incidents, it does not provide details on trends, learning and subsequent action, is appropriate taken by the Council in response to concerns raised by stakeholders	Improvement	May 2022	Internal audit were involved in investigating any whistleblowing cases that required their attention in 2021/22 and 2022/23. The numbers were too low to report on trends, learning and subsequent action.	Outstanding	No
	During the next review of the complaints and feedback policy, consider making some small presentational changes. For example, the initial Stage One process and what is expected from the complainant should be described with links to next steps and the commentary about how to give feedback or make a complaint could be included at the start of the document.	Improvement	May 2022	No action taken	Outstanding	Implement original recommendation
8	Treasury management performance reporting could be enhanced by 1) Bringing together the information on the overall impact (i.e., no further borrowing forecast in year, the budget implications with more detail about "re-phasing of capital spend") with the existing summary 2) Including the overall score (RAG rated) and some trend information in the Risk Register extract. The Council should also consider whether some further trend information on investment returns and borrowing would provide some context and further improves reporting.	Improvement	May 2022	The Council has considered and incorporated these changes in the 2023/24 treasury management performance reporting.	Yes	No

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
	9	The register of interests and declarations of gifts and hospitality completed by Members should be routinely updated annually.	Improvement	May 2022	Outstanding, same procedures remain in place as 2020/21	Outstanding	No
	10	The Integrated Reporting Framework should continue to be developed to provide a more sophisticated and joined up performance management framework. The Key Performance Indicators (KPIs) should be better aligned to objectives	Improvement	May 2022	This is an ongoing process, as the Council develop and improve its IRF system.	Ongoing	No
Page 285	11	Strengthen the existing benchmarking processes by developing and formalising a structured framework ensure that the information in the annual VFM heatmaps is acted on and that benchmarks are incorporated into the Integrated Reporting Framework	Improvement	May 2022	The arrangements remain unchanged. The heat maps were provided as part of the CIPFA VFM toolkit, however, the Council no longer subscribe to this service. Outstanding	Outstanding	Implement original recommendation
	12	Consider raising the profile of action planning and lessons learned from external inspection reports, such as Ofsted and the CQC by including an annual summary report to Council or Cabinet.	Improvement	May 2022	The arrangements remain unchanged. Outstanding	Ongoing	No
	13	Ensure that an appropriate response and action plan to the Aequus Governance review is delivered on a timely basis	Improvement	May 2022	The new structure was approved in March 2022.	Yes	We have raised a number of improvement recommendations. See pages 27, 28 & 29
	14	The Council should develop its contract management arrangements further, 1) It should ensure that staff have the appropriate skills and knowledge to manage contractual relationships with partners appropriately and consistently, using an agreed contract management framework. 2) The approach to monitoring, reporting and challenging service delivery , should be proportionate in line with the nature of the contract and the importance of the partner (perhaps through clearly identifying its key/significant partners).	Improvement	May 2022	This remains an area for improvement and the Council has commissioned a review by Local Partnerships. Improvements are to be made once this review has been received.	Outstanding	The Council is waiting for findings and recommendations from a third party review.

Opinion on the financial statements for 2021/22



Audit opinion on the financial statements

We gave an unqualified opinion or we qualified the opinion on the Council's financial statements on 29 March 2023.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 25 March 2023.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office (NAO).

The council is below the NAO's threshold. We have submitted assurance statements and did not identify any issues in the work undertaken.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

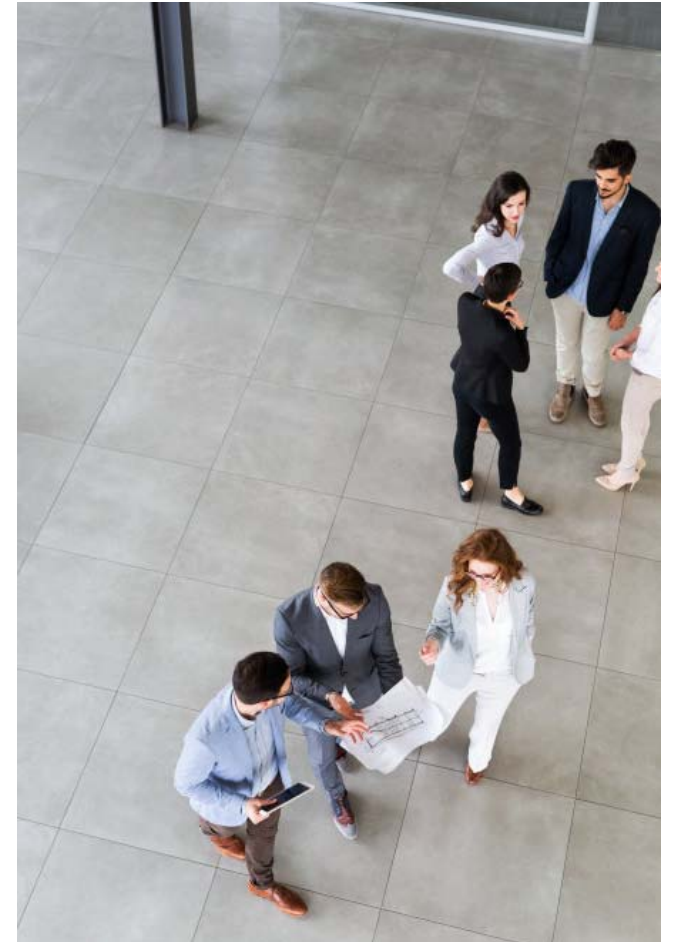
Issues arising from the accounts:

The key issues were:

- Control recommendations relating to journal processes and property valuation approach;
- Material adjustments to the financial statements relating to property, plant and equipment; and
- Several disclosure and misclassification errors, most of which have been adjusted for.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



Opinion on the financial statements for 2022/23



Audit opinion on the financial statements

We plan to give an unqualified opinion on the Council's financial statements following the corporate audit committee

Other opinion/key findings

Key findings are reported in the Audit Findings report, which accompanies this report to the Corporate Audit Committee.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

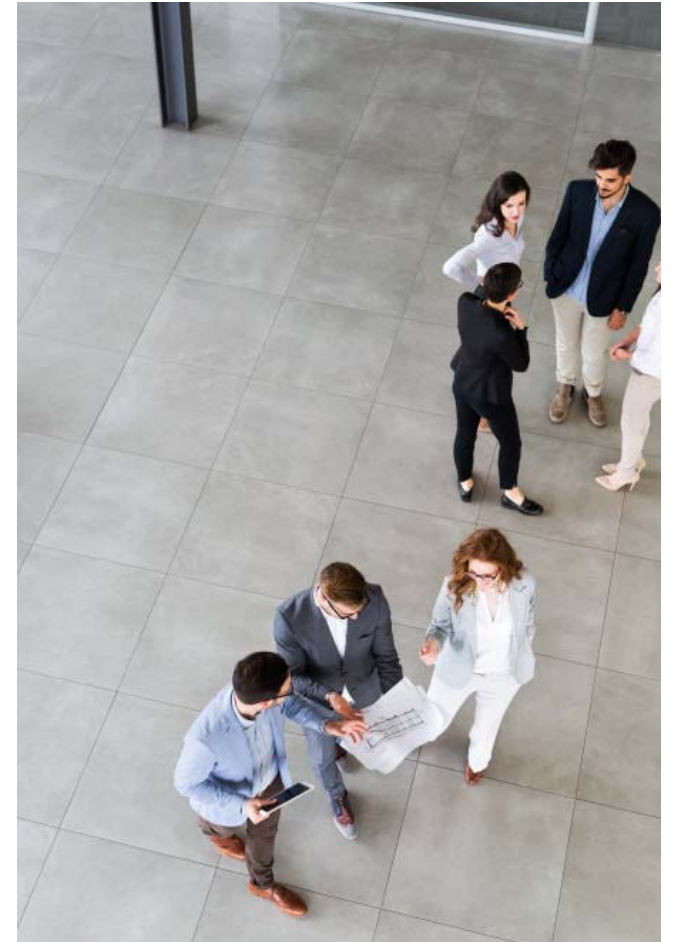
The council is below the NAO's threshold for detailed procedures, so our work involved reporting audit findings to the Whole of Government Accounts component auditor.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

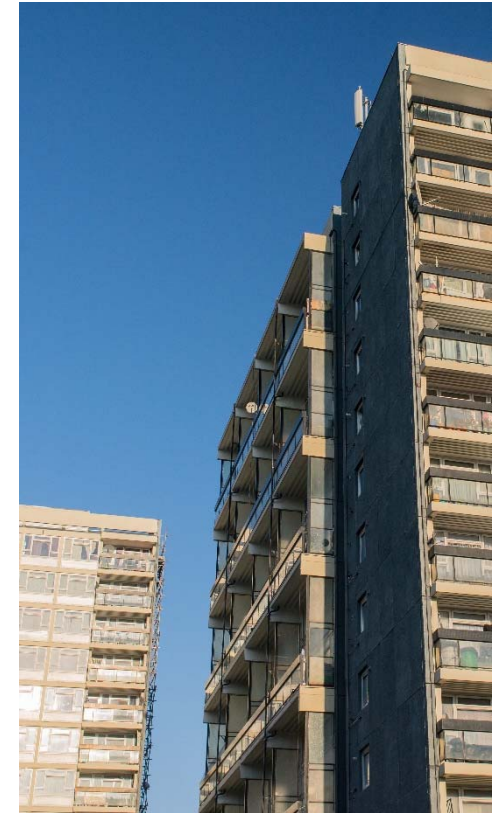
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer is responsible for the preparation of the financial statements and 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.

The Chief Financial Officer is required to prepare 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. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment 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 that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Year of audit	Risk of significant weakness	Procedures undertaken	Findings	Outcome
2021/22 and 2022/23	Financial sustainability was identified as a potential significant weakness, relating to the dedicated schools grant see page 11 for more details.	We considered the arrangements in place to reduce the deficit and the recovery plan agreed with the Department for Education.	This as a significant weakness in arrangements.	Appropriate arrangements not in place, one key recommendation raised.
2021/22 and 2022/23	Governance arrangements and how the Council makes decisions in relation to its companies (Aequus Group) was identified as a potential significant weakness, see page 21 for more details.	We considered the arrangements to make an informed decision when the Council restructured its companies and the arrangements in place to effectively performance manage the companies	We did not identify any significant weaknesses in arrangements.	Appropriate arrangements in place, three improvement recommendations raised.

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key Page 291	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	Yes	6
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	17 – 19 25 – 30 35 - 37



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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	22nd November 2023	AGENDA ITEM NUMBER
TITLE:	Audit Committee – Draft Workplan	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Draft Workplan 23/24		

1 THE ISSUE

1.1 The draft workplan for the Committee is attached at Appendix 1 for comment.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to –

Note the 2023/24 workplan for the Committee subject to any proposed amendments.

3 FINANCIAL IMPLICATIONS

3.1 There are no new financial implications from this report directly.

4 THE REPORT

4.1 The workplan for the Committee ensures that the terms of reference for the Committee are appropriately delivered. Appendix 1 details the current workplan which is kept under ongoing review and the Committee is asked to note this, subject to any comments or proposed amendments.

5 RISK MANAGEMENT

5.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance. There are no new significant risks or issues to report to the Committee as a result of this report.

6. EQUALITIES

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

7 CONSULTATION

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

Contact person	Jeff Wring, Director – One West (01225 477323)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Appendix 1 - CORPORATE AUDIT COMMITTEE WORKPLAN – 2023/24

Date of meeting	Report title	Requirement & Purpose
<i>5th July 2023</i>	External Audit Plan for Council 2022/23 Treasury Management Outturn 2022/23 Internal Audit Annual Report 2022/23 Audit Committee Annual Report 2022/23	To Approve – Oversight of work of External Auditor To Note – Oversight of Treasury Management (Financial Governance) To Note – Oversight of work of Internal Audit To Approve & Recommend to Council – Report back to Council on delegation of responsibility
<i>1st November 2023</i>	Annual Accounts 2022/23 – Informal Briefing ADL Accounts 2022/23 Update External Audit Plan for Pension Fund 2022/23 External Audit Plan for VFM Assessment 2021/22 & 2022/23 Treasury Management 6 month update 2023/24 IA 6 month Performance Report update 2023/24	To Note – Approval of Accounts & Oversight of Financial Governance To Note – Financial Oversight of Council Owned Companies To Note – Oversight of work of External Audit To Approve – Oversight of work of External Audit To Note – Oversight of Treasury Management (Financial Governance) To Note – Oversight of work of Internal Audit
<i>22nd November 2023</i>	2022/23 External Audit Findings & Accounts & Annual Governance Statement Approval 2021/22 and 2022/23 External Audit Annual Report (Including VFM Assessment Report)	To Note – Oversight of work of External Audit To Approve Accounts – Approve Accounts on behalf of Council To Note – Oversight of work of External Audit

<p><i>7th February 2024</i></p>	<p>Treasury Management Strategy 2024/25 Consultation</p> <p>Internal Audit Plan 2024/25 Consultation</p> <p>Counter-Fraud Annual Report & Presentation</p> <p>Risk Management Update Report</p> <p>Annual Governance Statement Update</p>	<p>To Recommend to Council/Cabinet – Oversight of Treasury Management (Financial Governance)</p> <p>To Note – Oversight of work of Internal Audit</p> <p>To Note – Oversight of work of Internal Audit (Financial Governance & Risk Management)</p> <p>To Note – Oversight of Risk Management arrangements</p> <p>To Note – Oversight of Annual Governance Statement process</p>
<p><i>1st May 2024</i></p>	<p>External Audit Plan for Council & Avon Pension Fund 2023/24</p> <p>Internal Audit 2023/24 Annual Report</p> <p>Internal Audit Plan 2024/25 Approval</p> <p>Risk Management Update Report</p>	<p>To Approve – Oversight of work of External Audit</p> <p>To Note – Oversight of work of Internal Audit</p> <p>To Approve – Oversight of work of Internal Audit</p> <p>To Note – Oversight of Risk Management arrangements</p>