Bath & North East Somerset Council

Improving People's Lives

Corporate Audit Committee

Date: Wednesday, 15th March, 2023
Time: 4.00 pm
Venue: Council Chamber - Guildhall, Bath

Agenda

To: All Members of the Corporate Audit Committee

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

Independent Member: John Barker

Chief Executive and other appropriate officers

Press and Public

The agenda is set out overleaf.

Enfys Hughes
Democratic Services
Lewis House, Manvers Street, Bath, BA1 1JG
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Web-site - http://www.bathnes.gov.uk
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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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Further details of the scheme can be found at:

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Additional information and Protocols and procedures relating to meetings

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

Corporate Audit Committee-Wednesday, 15th March, 2023

at 4.00 pm in the Council Chamber - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

   The Chair will draw attention to the emergency evacuation procedure as set out under Note 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 4.4 Appendix 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. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

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

8. MINUTES - 7TH FEBRUARY 2023 (Pages 7 - 12)

9. ANNUAL ACCOUNTS 2021/22 - PRESENTATION (NO PAPERS) (15 minutes)

10. AUDIT FINDINGS REPORTS FOR COUNCIL AND AVON PENSION FUND AND AUDITED STATEMENT OF ACCOUNTS 2021/22 (30 - 45 minutes) (Pages 13 - 276)

The Audit Findings Report for the Council and Avon Pension Fund will be presented by the External Auditor.

Followed by the Letter of Representation and Informing the Audit Risk Assessment Appendices (approx – 15 Mins)

The Committee will then approve the Accounts.

11. INTERNAL AUDIT PLAN 2023/24 (Pages 277 - 292)

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

BATH AND NORTH EAST SOMERSET COUNCIL

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Tuesday, 7th February, 2023, 4.00 pm

Councillors: Mark Elliott (Chair), Andrew Furse, Colin Blackburn and Lucy Hodge
Independent Member: John Barker
Officers in attendance: Jeff Wring (Service Director - Commercial and Governance), Andy Rothery (Chief Finance Officer (S151)), Gary Adams (Head of Financial Management) and Andy Cox (Head of Audit and Assurance (One West))

Guests in attendance: Peter Barber (Grant Thornton – External Auditor)

40 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer drew attention to the emergency evacuation procedure.

41 ELECTION OF VICE-CHAIR

No Vice-Chair was appointed.

42 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Councillor Brian Simmons sent his apologies.

43 DECLARATIONS OF INTEREST

There were none.

44 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

46 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

47 MINUTES - 24TH NOVEMBER 2022

RESOLVED – that the minutes of the meeting on 24th November 2022 be confirmed as a correct record and signed by the Chair.

48 EXTERNAL AUDIT - UPDATE

The External Auditor presented an update on their work and progress towards auditing the Council's Accounts for 2021/22. He informed Members that with regard to the national issue of infrastructure, that as expected, CIPFA had issued an override which came into effect on Christmas Day 2022.

He explained that the company was still struggling to finalise the accounts for 2021/22 due to staff sickness, the need for more resources and an inability to recruit. The intention now was to bring the accounts to the March Committee.

He provided an update on the Avon Pension Fund audit for 2021/22. He highlighted 2 further agreed adjustments to the draft 2021/22 to statements in respect of Note 23 – Nature and extent of risks arising from financial standing and asked for these to be minuted. Specifically, within the interest risk disclosure the impact of a 1% movement in rates had been incorrectly recorded and in the credit risk disclosure the value of investments held within one credit rating banding had been missed out. Both these points were corrected in the final version of the financial statements. The External Auditor explained that neither of these adjustments impact on any of the primary statements and are purely disclosure in nature.

During discussion the following points were clarified:

- With regard to £232m land and buildings and £257m investment properties in the balance sheet, the External Auditor explained that BANES had significant fixed assets, with a larger investment property holding than most other local authorities, which resulted in more work for the auditors;
- With respect to Council undertaking borrowing to invest in investment assets, the External Auditor highlighted there was a need to be risk aware but if managed correctly with due diligence this was satisfactory;
- The material land and building adjustment highlighted in the "Valuation of land and buildings and Investment Properties" section (Page 24) and the material adjustment referred to in the "Financial Statements" section (Page 22) were the same thing and not separate issues. There had been an adjustment in the current and previous year, both above materiality;
- Concern was raised about the further delay in the accounts being ready for sign-off, nearly 12 months on from the accounting period, and this should be put in writing. It was highlighted that with elections being held in May there was the possibility of changes to Audit Committee membership, along with a period of purdah in the run up to the elections. This affected the Committee's ability to be effective in scrutinising the 2021/22 accounts;
- BANES was not alone as there were other local authorities in a similar position of not having their accounts signed off;
- The Section 151 Officer explained the governance threshold for Whole of Government Accounts (WGA) returns has been lowered to accept unaudited returns by 31st March 2023. If sign-off of the accounts slipped into April there was some capacity though resources should be focussed on budget setting for 2024/25;
- The implications of the delay for the next 12 months on the audit cycle, should also be referred to in the letter.

On a motion from Councillor Elliott, seconded by Councillor Furse it was

RESOLVED

1) to note the update report and current position with regards to the Council's audit of its Accounts for 2021/22; and
2) that the Chair of the Committee, liaising with the Section 151 Officer, write to the external auditors Grant Thornton to voice concern about the further delay with the audit of the Council's accounts for 2021/22.

49 TREASURY MANAGEMENT STRATEGY STATEMENT 2023/24

The Head of Financial Management presented the report on the strategy statement for 2023/24. The report would go to Cabinet following this committee and then for approval to Full Council on 21 February 2023.

He outlined the main issues:

- The increase in interest rates from 0.5% - 4% due to inflation. The 11% peak inflation is forecast by the Bank of England to reduce to 2% within the next 2 years;
- Continuing pressure on the economy;
- Credit outlook – including bank risks, pressure on bank assets due to the weakening economic picture whilst net income and profitability would be strengthened by higher interest rates. Banks and credit ratings would be closely monitored;
- The forecast from Arlingclose advisers for Uk Bank Rate was to increase to 4.25% this year before gradually reducing to 3.25% by 2025;
- Gilt yields were expected to remain broadly stable;
- He explained the new 'liability benchmark' measure and stated BANES was a long term borrower. The borrowing strategy had not changed;
- The key principal investments were focussed on security, liquidity and yield;
- There was a change to a 5 year time limit in respect of investment with UK Government and Local Authorities;

During questions the following issues were raised:

- The £79m reserve figure quoted included both earmarked and unearmarked reserves. This was a requirement of the Code to set out levels of reserves that could cover an investment loss if necessary;
- It was noted that Long Term strategic investment (including ESG) was £10m and had been £5m a few years ago. It was reported that the Code of Practice stated that Council's which have a long term borrowing need should only undertake long term investments to manage treasury risks so £10m was an appropriate level;
- With regard to the liability benchmark, the Council had already being using this tool, but was now required to publish it in the treasury management strategy.

Proposed by Councillor Furse, seconded by Councillor Hodge it was

RESOLVED that the Corporate Audit Committee agrees to;

1) recommend the actions proposed within the Treasury Management Strategy Statement (Appendix 1) to Council;
2) note the Treasury Management Indicators detailed in Appendix 1; and
3) recommend Council approves the adoption of the Treasury Management Clauses (Appendix 3).

50 ANNUAL GOVERNANCE STATEMENT 2022/2023

The Head of Audit and Assurance explained that the Committee had already had discussions related to the delays in the External Auditor completing their work on the 2021/22 Statement of Accounts and this impacts on finalising the Annual Governance Statement 2021/22. The report being presented was related to the Annual Governance Statement 2022/2023 and the process and timelines. He referred to Committee's terms of reference on its responsibilities on preparing the Statement and monitoring and promoting good corporate governance including review of the Council's Code of Corporate Governance.

The Delivering Good Governance Framework and the Council's Local Code of Corporate Governance (approved in 2018) aims amongst other things to ensure resources are directed according to priority to meet the Council objectives and agreed policy. He advised that the Code will be reviewed as part of the Governance Review and asked the Committee for their input/comments on whether the Code should record expected or adopted behaviours/actions.

The current Code records expected behaviours to comply with good governance principles and sub-principles.

RESOLVED to note the report on the process to produce the Annual Governance Statement 2022/23.

51 INTERNAL AUDIT PLAN 2023/2024 - CONSULTATION

The Head of Audit and Assurance presented the report which sought areas or themes the Committee would like to be considered in relation to the Internal Audit Plan for 2023/24. The list in appendix 1 gave a flavour of the audits that could be carried out and wasn't a finalised listing of audits for review.

During discussion the following items were raised:

- The Business Change Hub Programme had been considered by Corporate Scrutiny Panel and it would be useful to see how effective it was through an internal audit;
- Sustainable transport – useful to see if the walking and cycling initiatives were achieving specified aims and provided value for money;
- Liveable neighbourhood strategy – a review of outcomes
- Spending on the climate emergency, key to know if the Council objectives were being delivered;
- Planned maintenance of the Council's commercial estate in addition to the corporate estate;

- How the B&NES Audit Plan is developed and prepared in relation to other Audit Plans prepared by Audit West for other clients;
- BANES Plan is also informed by other networking e.g. West of England Chief Auditors Group and Devon Audit Partnership.

RESOLVED

1) to note the areas or themes the Committee would like to be considered in relation to the Internal Audit Plan for 2023/24; and
2) to note the intention to keep the plan under review, including a formal re-assessment of the Plan at the half year point. Any changes would be reported to Committee.

The meeting ended at 5.22 pm

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services

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Bath & North East Somerset Council	
MEETING:	**Corporate Audit Committee**
MEETING DATE:	**15th March 2023**
TITLE:	**Audit Findings Reports for Council and Avon Pension Fund, and Audited Statement of Accounts 2021/22**
WARD:	All
AN OPEN PUBLIC ITEM	

List of attachments to this report:

Appendix 1 – Audit Findings Report for Bath & North East Somerset Council
Appendix 2 – Audit Findings Report for Avon Pension Fund
Appendix 3 – Bath & North East Somerset Council Audited Statement of Accounts 2021/22

Appendix 4 – Bath & North East Somerset Letter of Representation 2021/22
Appendix 5 – Avon Pension Fund Letter of Representation 2021/22

Appendix 6 – Informing the Audit Risk Assessment

1 THE ISSUE

1.1 The Audit Findings Report summarises the results of Grant Thornton's audit of the 2021/22 accounts. It includes the issues arising from the audit of the financial statements, and those issues which they are formally required to report to you under the Audit Commission's Code of Practice and International Standard of Auditing (UK & Ireland) – 'Communication of audit matters with those charged with governance'.

1.2 The Annual Governance Statement (AGS) is required by the Accounts and Audit Regulations 2015 to be published with the Council's Statement of Accounts and to be formally approved and signed by the Leader of the Council and the Chief Executive. The AGS for 2021/22 has been completed in accordance with the framework previously agreed by the Corporate Audit Committee.

1.3 Whilst the Audit is effectively complete there are some finalisation checks still to be completed by the External Auditor as identified in the Audit Findings report. If any final changes are required to the Statement of Accounts they 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 and informing the Audit Risk Assessment for both Bath & North East Somerset Council and the Avon Pension Fund for 2021/22, are approved.

3 THE REPORT

Council's Accounts

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

3.2 The work carried out by Grant Thornton as part of the audit of the financial statements has so far resulted in agreed changes relating to categorisation across the property, plant and equipment headings within Long Term Assets, an incorrect split of revaluations between land and buildings, and a number of 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 still ongoing, Grant Thornton are currently proposing to issue an audit report including an unqualified audit opinion on the Council's 2021/22 Financial Statements. Grant Thornton have not yet completed the Value For Money assessment work, so are not in a position to issue their Auditor's Annual Report. The National Audit Office's revised deadline requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

3.4 Due to delays in the conclusion of external audit work, there is a risk that the Audit Findings Report may not be finalised prior to the Committee meeting. If the work is not completed by the date of the meeting, Grant Thornton will provide an update on the process for approval of the accounts at the meeting.

3.5 Following the publication of the Sir Tony Redmond's Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting, the Accounts and Audit (Amendment) Regulations 2021 extended the deadlines for the publication of the 2021/22 Draft and Final Statement of Accounts. There was a two month extension to the publication deadline for the Draft Statement of Accounts, and a four month extension to the deadline for the Final Statement of Accounts.

3.6 Details of these deadlines are given in the table below, showing that the Council were able to publish & provide Grant Thornton with the Draft 2021/22 Statement of Accounts before the revised statutory deadline of 31st July 2022.

	Original Timescales	**Revised 2021/22 Requirement** Accounts & Audit (Amendment) Regulations 2021	**2021/22 Actual Date Achieved**
Draft Statement of Accounts Certified & Issued by Council	31st May	31st July 2022	22nd July 2022
Final Audited Accounts Certified & Issued	31st July	30th November 2022	15th March 2023

Avon Pension Fund's Accounts

3.7 There have been some minor changes to the Avon Pension Fund accounts that were authorised for draft issue. This includes some minor adjustments to audit fees and cash deposit breakdowns, along with some narrative and presentational changes.

3.8 The Avon Pension Fund has adequate liquidity to meet all liabilities due in the 12-month period from signing of the accounts. The expected payments due to be paid in the period are £216.5m offset by expected contributions of £236.5m giving a net inflow of £20.0m. The excess of contributions, over expected payments, is because of the expectation that employers will pay their deficit three years in advance. At 31 March 2022 the Fund has assets of £5.8bn of which £298m 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 £2.1bn in listed equity assets which are also highly liquid and can be sold for cash within a short timeframe. (Note: at 30 September 2022 the Fund value had fallen to £5.4bn with £88m in highly liquid assets). 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 99.45% of contributions received on time for the quarter ending 31 March 2022.

3.9 The Funding level (i.e. the ratio of the Fund's assets to liabilities) was 94% at the last valuation in 2019. By March 2020 the funding level fell due to the fall in equity markets but has fully recovered to 100% by 31 March 2022. The strategic asset allocation is set to deliver the investment returns required to achieve full funding over a reasonable period.

3.10 It is therefore concluded that based on this evidence the Avon Pension Fund is a going concern with no material uncertainties.

3.11 Grant Thornton are proposing to issue an audit report including an unqualified audit opinion on the Pension Fund's 2021/22 Financial Statements.

Annual Governance Statement

3.12 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.

3.13 The draft statement was reported to the Committee last June and it was reported that there were no new significant governance failures or control issues identified during the 2021/22 year which satisfy the recommended criteria. However, three areas were noted of significant impact on the Council's Governance –

A) Financial Challenge - Impact of increasing Energy Costs

B) Adult Social Care - The sale of Virgin Care to HCRG and subsequent decision to Insource

C) Special Educational Needs - Increasing SEND costs and assessment numbers.

The detail of each of these was reported to the Committee last June 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.

Informing the Audit Risk Assessment

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

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

3.15 The Council's responses are attached at Appendix 6 for consideration by the Committee as part of the sign-off and approval of the Accounts.

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 2021/22 financial year, together with the Balance Sheet and all related supporting information.

6 RISK MANAGEMENT

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

7 CLIMATE CHANGE

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

8 OTHER OPTIONS CONSIDERED

8.1 None

9 CONSULTATION

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

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

Grant Thornton

The Audit Findings for Bath and North East Somerset Council

Year ended 31 March 2022

Bath and North East Somerset Council

8 March 2023

Contents

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.

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Your key Grant Thornton team members are:

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Engagement Leader
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Ellie Nicholls
Assistant Manager
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The Key Audit Partner(s) for Authority's Material Subsidiaries are:

Nathan Coughlin
Firm: Bishop Fleming

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

Name : Peter Barber
For Grant Thornton UK LLP
Date : 8 March 2023

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Bath and North East Somerset Council Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

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

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

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

We commenced our post-statements remote audit in September 2022 and as at 8 March 2023 our work is substantially complete. Our findings to date are summarised on pages 5 to 20.

We have identified 3 material errors in the draft accounts presented to audit including a prior period adjustment. These errors all relate to land and buildings and also impact on both the Council's Comprehensive Income and Expenditure Statement and balance sheet with further details set out on page 9 of the report.

We have made agreed a number of other more minor adjustments to improve the presentation of the financial statements.

Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

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.

Subject to the completion of the remaining audit procedures set out on page 5, we anticipate issuing an unqualified audit opinion by the 3 March 2023 following the Corporate Audit Committee meeting on 15 March 2023.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness; - Financial sustainability; and - Governance	We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix E to this report. Given the delay in reporting our VFM findings for 2021/22 and the end of 2022/23 fast approaching, we are proposing to undertake the VFM work for both years simultaneously commencing in May 2023. This should ensure the reporting is more timely and provides additional added value to the council and its stakeholders.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We expect to certify the completion of the audit upon the completion of our work on the WGA group audit procedures and the Council's VFM arrangements which will be reported in our Annual Auditor's report in May 2023.
Significant Matters	As highlighted in our Progress Update presented to the Corporate Audit Committee in February 2023, during the course of the audit both your finance team and our audit team faced audit challenges this year, in respect of remote working arrangements and staff sickness. This resulted in us having to carry out additional procedures in respect of remote working; including remote viewing of financial systems, video calling, physical verification of assets, and the need to verify the completeness and accuracy of information provided remotely produced by the entity. Further we note that there are a number of ongoing queries in respect of Property, Plant and Equipment including Infrastructure. This resulted in us having to carry out significant additional audit procedures, as summarised in Appendix D, to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

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

Conclusion

Our audit of your financial statements our work is substantially complete but subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion in March 2023 as detailed in Appendix E.

These outstanding items include:

- completion of our testing of the valuation of land and buildings assets,
- completion of our testing of infrastructure balances following the issue of the statutory instrument on 25 December 2022,
- final review and quality checks by the audit manager and engagement lead,
- 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.

2. Financial Statements

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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 have increased from those reported in our audit plan, due to the increased gross expenditure reported in the draft accounts compared to the 2020/21 balances.

We detail in the table to the right our determination of materiality for Bath and North East Somerset Council at both the Group and Council level.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£7,500,000	£7,450,000	Materiality has been based on 1.9% of the gross cost of services.
Performance materiality	£5,200,000	£5,200,000	Low Level of deficiencies in control environment and quality of financial statements in prior years.
Trivial matters	£375,000	£375,000	Based on a percentage of headline materiality.
Materiality for remuneration of Senior Officer Remuneration	£28,000	£28,000	Based on the value of remuneration in year

2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
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. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine 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 made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. • Subject to completion of our final checks on our journals sample, we have identified no issues in relation to management override of controls. We have identified no issues in relation to management override of controls. Our detailed testing has not identified any issues with the appropriateness of the journals. We have, however, raised two improvement recommendations in respect of journal controls as detailed in Appendix A.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Improper revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. For Bath and North East Somerset Council, we have concluded that the greatest risk of material misstatement relates to 'Other Fees and Charges Income' and 'Income from Investment Estate'. We have therefore identified the occurrence and accuracy of 'Other Fees and Charges and Investment Estate' income as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter. We have rebutted this presumed risk for the other revenue streams of the group and Authority because: • 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.	For 'Income from Other Fees and Charges, and Income from Investment Estate' we have: • 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: • 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. Our audit work has not identified any issues in respect of revenue recognition.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Land and Buildings The group revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£247.3m in the Authority's balance sheet at 31 March 2022) 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. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the 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. Our work is well progressed in this area. Our findings to date has identified: • a reconciling difference between the valuation report and the balance in the Note. This difference was because a number of assets had been included in the report which had not been revalued, due to being under construction. In total, three assets had incorrectly been included in Other Land and Buildings, instead of Assets Under Construction. The adjustment resulted in a correction to the accounts totalling £14.574m; and a prior period adjustment was required, totalling £9.674m. • two car parks with a number of errors. These included errors in the recording of the Land and Buildings split; and errors in the way that the balances had been recorded in the asset register. Two adjustments were required, with two reclassifications required in the balance sheet of £10.166m and £0.175m (£10.341m total) and a further impact on Gain/Loss on Revaluation and the Capital Adjustment Account. • that the car park split between Land and Buildings has changed for three assets from 60%/40% in prior year to 95%/5% in current year. The Valuer has provided a reasonable explanation. We have raised a recommendation noting that the Council should consider any change in the % split between land and buildings when the report is received from the Valuer and seek appropriate justification for such changes. In this context, we note that our work is ongoing in the following areas: • The final assessment of the Assets Under Construction error as noted above, is due to be provided to us by the Council, to identify the impact on areas such as Reserves. • We have provided the Council with a detailed list of queries arising from our Internal Expert's review of the Council's Valuers. Our work in this area is not yet complete. • The Council will provide a revised set of accounts with revised Infrastructure balances as per the Statutory Instrument issued on 25 December 2022. Our work in this area is not yet complete as this revised set of accounts will be subject to review. • Our work in respect of Infrastructure Useful Economic Lives is incomplete, subject to receipt of the revised Infrastructure balances above. Our audit work to date has identified 4 adjustments to the balance of Land and Buildings assets, one of which requires a prior period adjustment. Details of these adjustments are set out in Appendix A. Our work in this area is not yet complete due to the outstanding queries above which are awaiting resolution.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Investment Properties The group revalues its Investment Properties annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£257.1m in the Authority's balance sheet at 31 March 2022) and the sensitivity of this estimate to changes in key assumptions.. We therefore identified valuation of investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • write to the valuer 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 • evaluating 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. Our audit work in this area is almost complete. We have provided the Council with a detailed list of queries arising from our Internal Expert's review of the Council's Valuers. Subject to the satisfactory responses in this area, we have not identified any issues in respect of the valuation of investment properties. .

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£325.6m in the Authority's balance sheet at 31 March 2022) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and 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 • agreed the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures. • obtained assurances from the auditor of Avon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Our audit work has not identified any issues in relation to the valuation of the pension fund net liability. We have specifically commented on the reasonableness of the assumptions used on page 13.

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2. Financial Statements - Other risks

Risks identified	Commentary
Valuations of Infrastructure Assets The CIPFA Code of Practice on Local Authority Accounting states that Infrastructure assets shall be measured at depreciated historical cost. Historical cost is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment. We identified a risk that the carrying value of infrastructure assets is not appropriate given the nature of how the assets are held on the balance sheet and monitored through the asset register.	The inherent risks which we identified in relation to infrastructure assets were: • an elevated risk of the overstatement of Gross Book Value and accumulated depreciation figures, due to lack of derecognition of replaced components • a normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairment of infrastructure assets and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UELs) in calculating depreciation charges. We have been working with CIPFA and the English Government to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions are being put in place in the interim. These short-term solutions include the issue of a Statutory Instrument (SI) by government. The English SI was laid before Parliament on 30 November 2022 and came into force in late December 2022. CIPFA issued an update to the Code for infrastructure assets in November 2022 and is planning to issue further guidance later in January 2023 in relation to useful economic lives (UELs). We have completed the following work focusing on the Council's current year's infrastructure assets: - Reviewed and challenged the arrangements that the Council has in place around impairment of infrastructure assets - Evaluated management's processes and assumptions for the calculation of the estimate including review of in-year depreciation and associated UELs - Evaluated the competence, capabilities and objectivity of any management expert relied upon - Challenged the information and assumptions used to inform the estimate Our work in this area is ongoing and subject to receipt of the revised Statement of Accounts: - Considered whether there has been any replacement of assets that have not been fully depreciated and evaluated the subsequent derecognition of the replaced assets.

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

Component	Component auditor	Findings	Group audit impact
Aequus Construction Ltd	Bishop Fleming	An unqualified audit opinion of Aequus Construction Ltd was issued by Bishop Fleming on 22 September 2022. No significant issues were identified.	No impact on the group audit.
Aequus Development Ltd	Bishop Fleming	An unqualified audit opinion of Aequus Development Ltd was issued by Bishop Fleming on 22 September 2022. 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
Land and Building valuations – £247.3m	Other land and buildings comprises £77m of 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 (£170m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged their internal valuer as well as three external valuers to complete the valuation at either 31 December 2021 or 31 March 2022 on a five yearly cyclical basis. Approximately 79% of total assets were revalued during 2021/22. Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2021 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. The total year end valuation of land and buildings was £247.3m, a net increase of £25.1m from 2020/21 (£222.2m).	The valuation of other land and buildings valued by the valuer has resulted in a net increase of £25.117m from the prior year. Management has considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 December 2021, through a review of local conditions and the application of indices, to determine whether or not there has been a material change in the total value of these properties. Management's assessment of assets not revalued identified a change to the valuation totalling £4.493m, and this change, as it was not material, was not incorporated within the property values in the draft accounts. From our review of management's processes and assumptions for the calculation of the estimate, we are satisfied that this does not give rise to a risk of material misstatement. 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 a number of issues with the underlying source data including: • Three assets had incorrectly been included in Other Land and Buildings, instead of Assets Under Construction. The adjustment resulted in a correction to the accounts totalling £14.574m; and a prior period adjustment was required, totalling £9.674m. • Our work identified two car parks with a number of errors. • Our work identified that the car park split between Land and Buildings has changed for three assets from 60%/40% in prior year to 95%/5% in current year. The total misstatement identified in respect of car parks was £10.341m and the total misstatement in respect of Assets Under Construction was £24.248m as set out on page 9 and 28. The total misstatement identified, to date, in respect of Other Land and Buildings, is £34.589m. Our work is ongoing in this area as set out in more detail on page 9.	Blue

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £257.093m	Investment property comprises £257.1m of assets held for the purpose of capital appreciation and/or income generation, which are required to be valued at fair value at the year end. The Council has engaged their internal valuer as well as two external valuers to complete valuations at 31 March 2022. All properties held by the Council have been valued in year, giving a year end value of £257.093m which is a £3.822m decrease from 2020/21 (£260.915m). An additional £8.136m of investment properties are held by Aequus Development Ltd (ADL), which are consolidated into the group financial statements at year end.	We have carried out the following work in relation to this estimate: • reviewed the revised ISA540 requirements in guidance note; • 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. We identified no issues in relation to the valuation of the Council's investment property in year, subject to the outstanding work set out on page 10. In the prior year, we reported that the material balance of investment properties held by ADL had not been revalued in year in line with the requirements of the CIPFA Code of Practice. As reported in Appendix B, our recommendation has been implemented and in 2021/22 these properties have been revalued in line with the Code of Practice.	Light Purple

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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
Valuation of defined benefit pension net liability – £325.622m	The Council's total net pension liability at 31 March 2022 is £325.622m (PY £359.929m) comprising the Avon Pension Fund Local Government Pension Scheme Obligation and unfunded defined benefit pension scheme obligations in relation to the Teachers Pension Scheme. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019/20. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £34.307m net actuarial gain during 2021/22.	• 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. • 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. Our work to date has identified no issues in relation to the estimation of the defined benefit pension net liability, subject to final review. We raised one minor point in relation to the estimation uncertainty disclosure on pensions which the Council has agreed to amend to reflect the sensitivity analysis and triennial valuation.	Light Purple

Assumption	Actuary Value	PwC range	Assessment
Discount rate (LGPS and TPEN)	2.8%	2.7%-2.8%	●
Pension increase rate (LGPS/TPEN)	3.4%/3.5%	3.0%-3.5%	●
Salary growth (LGPS only)	4.9%	3.9%-5.9%	●
Life expectancy – Males currently aged 45 / 65 (LGPS and TPEN)	24.6/23.1	22.2 – 24.8 / 20.7 – 23.3	●
Life expectancy – Females currently aged 45 / 65 (LGPS) and 65 (TPEN)	25.3/27.3 or 25.3	23.8 – 25.5 /25.7-27.5	●

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessmen t
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.	We have reviewed the Council's calculation of the estimate and concluded that it is reasonable. We have considered the assumptions made by the Council and assessed these as reasonable.	Light Purple
Pooled Budgets	The Council is the lead commissioner under the Section 75 Pooled Funding Arrangement.	We have reviewed the Council's judgement and concluded that it is reasonable. We have considered the assumptions made by the Council and assessed these as reasonable.	Light Purple
Group Accounts	The Council produces Group Accounts with Aequus Developments Ltd and Aequus Construction Ltd.	Unqualified audit opinions for Aequus Construction Ltd and Aequus Development Ltd were issued by Bishop Fleming on 22 September 2022. No significant issues were identified.	Light Purple

Assessment

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

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Corporate Audit Committee. We have not been made aware of any 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, including specific representations in respect of the Group, which is included in the Corporate Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banker and those institutions with which the Council hold investments and borrowing. This permission was granted, and the requests were sent. These requests were returned with positive confirmations.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. We made one recommendation in relation to the major sources of estimation uncertainty, as detailed in Appendix C.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided.

2. Financial Statements - other communication requirements

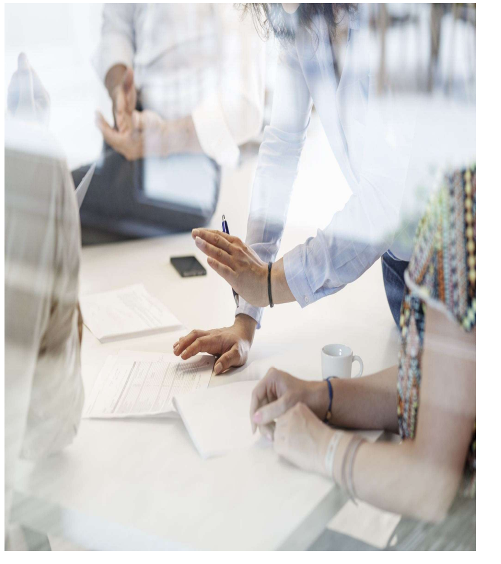
Our responsibility

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

Issue	Commentary
Going concern	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. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • 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. 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: • 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. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • 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	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. One inconsistency has been identified but has been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to appendix E.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not 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 or weaknesses. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. The work in this area has not yet been completed as we are awaiting guidance from the NAO.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of Bath and North East Somerset Council in the audit report, as referred to in Appendix E, due to ongoing VFM work and the submission of the WGA Assurance Statement.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by May 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. No such risks of significant weakness were identified in our Audit Plan, and this is unchanged as at the date of this Audit Findings Report.

4. Independence and ethics

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

In this context, we disclosed the following to you in our Audit Plan presented to Corporate Audit Committee on 4 May 2022: a member of our wider public sector assurance team is related to a member of staff within the Council's subsidiaries Aequus Developments Ltd and Aequus Construction Ltd. She does not work on this audit engagement so we consider that this fact has had no bearing on our audit judgement or independence. The member of staff is an audit trainee and we have safeguarded the perceived threat to independence by ensuring the member of staff is not involved with the audit, with IT controls around the audit file and other documentation to ensure the individual cannot access them.

Subsequently the individual has left Grant Thornton, and therefore there is no longer an independence threat as at the date of this ISA 260 Audit Findings Report.

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

Details of fees charged are detailed in Appendix D.

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

Details of fees charged are detailed in Appendix D.

Transparency

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

4. Independence and ethics

Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	£7,500	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 £7,500 in comparison to the total fee for the audit of £168,444 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Claim	£34,850	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 £34,850 in comparison to the total fee for the audit of £168,444 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.

Appendices

A. Action plan – Audit of Financial Statements

Controls

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

We have identified 6 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 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Journals with a value below £500k do not require authorisation. This represents a controls weakness which could lead to a material error in aggregate.	Management should ensure that all journals are authorised before posting. Management response Posting of journals is restricted to the Finance Teams and random samples of journals below £500k are reviewed monthly by Finance Managers. We will carry out a review of authorisation levels during the next 12 months.
Medium	20 journals containing approximately 1,279 low value entries that had been posted with a blank description, as Agresso does not require a description to be included by default.	We recommend that all journals should include a description of their intended purpose. Management response Finance staff will be reminded of the requirement for adequate narratives when posting journals.
Medium	Our work identified that the car park split between Land and Buildings has changed for three assets from 60%/40% in prior year to 95%/5% in current year. The Valuer has provided a reasonable explanation.	We have raised a recommendation noting that the Council should consider any change in the % split between land and buildings when the report is received from the Valuer and seek appropriate justification for such changes. Management response The Council will continue to develop validation checks of asset values reported in the valuation report. This will include reflecting justification for material changes advised by External Valuers.
Low	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.	Where valuations of heritage assets reflect an increase in valuation above their currently insured value, management should seek to renew insurance coverage to reflect this amount in order to reduce the risk of being under-insured. Management response The Council ensures valuation changes during the year are reflected in insurance sums at the next Policy Renewal Date. The sums insured is across heritage assets are in a block policy and are not insured by individual asset.

A. Action plan – Audit of Financial Statements

Controls

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

We have identified 6 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 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Low	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 should ensure that all records are maintained appropriately. Management response A review of how HR documentation is secured & stored will take place, and clear guidance and protocols developed and shared with HR Operations staff by 30th April 2023.
Low	There are a number of fully depreciated 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.	Assets with nil value/UEL should be disposed of. If they are still in use the UELs should be revised to reflect their continuing economic lives. Similar assets should have consistent UELs and be depreciated on the same basis. Management response We will continue to give attention to existence testing of assets at and near the end of their useful life.

B. Follow up of prior year recommendations

We identified the following issues in the audit of Bath and North East Somerset Council's 2020/21 financial statements, which resulted in two recommendations being reported in our 2020/21 Audit Findings report. We will follow up on the implementation of our recommendations as part of our audit work.

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	In our work on the consolidation of the group accounts, we identified that the investment properties (a material balance of £7.8m) held by Aequus Development Ltd are not revalued annually in line with the requirements of the CIPFA Code of Practice and IFRS 13. We were therefore required to perform additional work to gain assurance that this balance was not materially misstated once it was consolidated in the group financial statements. We recommended that in future, the investment properties should be included in the annual revaluations programme, to ensure that the consolidated balance in the group accounts is in line with the requirements of the Code in this area.	The valuations in year have been included in the annual revaluation programme and performed in line with the requirements of the CIPFA Code of Practice and IFRS 13. We therefore consider this recommendation to have been implemented in full.
X	We identified errors in the valuation of land and buildings in year, which were adjusted. A disclosure requirement was required for two assets which had been included in the valuation report as if they had been revalued when no valuation was completed, and an adjustment to the Balance Sheet was required due to double-counting of componentised assets. Additionally, immaterial errors were identified for three assets where the inaccurate source data had been used, and we continue to recommend that processes to improve the integrity of this data be improved as in the prior year. We recommended that officers implement processes to ensure that all assets included in the valuation report had valuations performed in year, and to ensure that double-counting of components does not occur.	No double-counted assets or assets included in the valuation report but not valued in year have been identified from our work on property, plant, and equipment valuations. However, our work in respect of Other Land and Buildings has identified a number of adjustments due to inaccurate source data, and our work has also identified a number of incorrectly classified Assets Under Construction, detailed on page 9. Therefore we continue to recommend that officers implement processes to ensure that all assets included in the valuation report had valuations performed in year, and to ensure that incorrect classification of components does not occur. We further continue to recommend that processes to improve the integrity of this data be improved as in the prior year.

Assessment

- ✓ Action completed
- X Not yet addressed

C. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
Our work on PPE valuations identified that a number of assets were included as "Other and buildings" but were not currently operational. These assets should properly be disclosed as assets under construction. This error was identified as affecting both the current and prior years (adjustments of £14,574k and £9,674k respectively). These are material adjustments to the face of the Balance Sheet for both 2021/22 and 2020/21; however, there is no impact on the net position of the Balance Sheet or on the CIES.	0	14,574 (14,574) 9,674 (9,674)	0
Our work identified two car parks with a number of errors. These included errors in the recording of the Land and Buildings split; and errors in the way that the balances had been recorded in the asset register. Two adjustments were required, with two reclassifications required in the balance sheet of £10.166m and £0.175m and a further impact on Gain/Loss on Revaluation and the Capital Adjustment Account. However, there is no impact on the net position of the Balance Sheet or on the CIES. In addition, the balancing adjustments in the CIES do not alter the totals in this statement.	(7,193) 175	10,166 (10,166) 175 (175)	(7,193) 175
Overall impact	(7,018)	0	(7,018)

C. Audit Adjustments

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

Impact of unadjusted misstatements

There are no unadjusted misstatements in year.

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the prior year.

C. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
The Revaluations (GBV) table accompanying note 12 which sets out the annual revaluations cycle does not reconcile to the main disclosure note 12.	The revaluation table should be updated to reconcile correctly. Management response Adjustment has been made in line with this recommendation.	✓
Note 37 Capital expenditure and financing does not reconcile to the other notes in the accounts.	Note 37 should be amended to reconcile to the other accounts notes. Management response Adjustment has been made in line with this recommendation.	✓
The Narrative Report includes a disclosure of revaluation gains which does not reconcile to the revaluation gains disclosed in Note 12.	The Narrative Report should be amended so that its disclosures reconcile to those in Note 12. Management response Adjustment has been made in line with this recommendation.	✓
Honorarium payments in Note 30 had been calculated incorrectly, creating a trivial difference.	Note 30 should be amended to correct the disclosure error. Management response Adjustment has been made in line with this recommendation.	✓
The critical judgments note included a disclosure relating to group accounts, which was not in line with the requirements of IAS 1.	The note should be amended to comply with the requirements of IAS 1. Management response Adjustment has been made in line with this recommendation.	✓
The critical judgments note did not include disclosure of the judgment in relation to the treatment of the Covid-19 Sales, Fees, and Charges Income Compensation Grant.	The note should be amended to disclosure the treatment and the Council's judgement supporting it. Management response Adjustment has been made in line with this recommendation.	✓
Minor disclosure errors were identified within Note C to the Cash Flow Statement whereby the note was not internally consistent with Note 14 Investment Properties.	The note should be amended to correct the error. Management response Adjustment has been made in line with this recommendation.	✓
Note 41 pension liability - the estimation uncertainty disclosure was updated to reflect the sensitivity analysis and triennial valuation.	All disclosure errors should be amended. Management response Adjustment has been made in line with this recommendation.	✓

C. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
A number of other minor disclosure corrections were required, including a number of typos, an update to the Accounting Policies wording to align with the CIPFA Code of Practice, and other minor typos and changes throughout including removal of dashes/adding zeros where required; removal of asterisks where not required, layout corrections, and correction of minor spelling and grammatical errors.	All disclosure errors should be amended. Management response […].	✓

D: Indicative Fees

We set out below our latest indicative fees for 2021/22 subject to completion of our 2021/22 VFM work.

Audit fees	Proposed fee	Revised fee
Audit Scale Fee	£101,351	£101,351
Additional Fees previously raised*	£67,313	£67,313
Post-statements Additional Fees:		
- Additional work required this year as a result of the significant level of material errors requiring further testing and prior year restatement. This additional work, in the main related to Property, Plant and Equipment disclosures.		£9,000
Total audit fees (excluding VAT)	£168,664	£177,664

*Additional fees re those recurrent fees reported to Corporate Audit Committee in July 2022 in our Progress Report.

Non-audit fees for other services	Indicative fee	Final fee
Audit Related Services		
Certification of Housing Benefit	£26,100*	£34,850
Certification of Teacher's Pension	£7,500	£7,500
Total non-audit fees (excluding VAT)	£33,600	£42,350

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

The proposed fee reconciles to the External Audit Fee note in the financial statements for 2021-22 as reported in Note 33, subject to a £10k reconciling item for the remote working fee and final post-statements additional fees.

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E. Audit letter in respect of delayed VFM work

The Corporate Audit Committee
Bath and North East Somerset Council
The Guildhall,
Bath,
BA1 5AW

27 January 2023

Dear Sirs,

Under the 2020 Code of Audit Practice, at local government bodies we are required to issue our Auditor's Annual Report at the same time as our opinion on the financial statements or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the impact of the pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We expect to publish our report by the end of May 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours sincerely

Peter Barber
Key Audit Partner & Engagement Lead for Bath and North East Somerset Council

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Grant Thornton

The Audit Findings for Avon Pension Fund

Year ended 31 March 2022

Avon Pension Fund

2 March 2023

Contents

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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.

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 2022 for those charged with governance.

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 position of the Pension Fund and its 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 commenced our post-statements audit in June and as at November 2022 our audit is substantially complete. This year we adopted a hybrid approach involving a combination of on-site and remote working. Our findings are summarised on pages 6 to 14.

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 C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

The draft financial statements were presented for audit in accordance with the agreed timetable. 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 2021/22 as set out in Appendix D.

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

Our anticipated audit report opinion will be unmodified.

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.

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;
- 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 audit.

These outstanding items include:

- receipt of management representation letter; and
- review of the Annual report
- review of the final set of financial statements
- Completion of the 2021/22 Bath and North East Somerset Council audit.

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 26 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.

We detail in the table to the right our determination of materiality for Avon Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	59,000,000	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	44,250,000	We have determined this using 75% of materiality. This is considered an appropriate benchmark as we have not identified a history of significant deficiencies in the control environment or a large number of significant misstatements in prior year audits. In addition, the management and finance team remain stable.
Trivial matters	2,950,000	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'.

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
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. The Fund faces external scrutiny of its stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • 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. 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 A relating to our journals work.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Improper revenue recognition (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	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. Our audit work has not identified any issues in respect of improper revenue recognition.
Valuation of Level 3 investments The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£1,312 million) and the sensitivity of this estimate to changes in key assumptions Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and custodians as valuation experts to estimate the fair value as at 31 March 2022. We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes for valuing Level 3 investments • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met • independently requested year-end confirmations from investment managers and custodians • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2021 with reference to known movements in the intervening period • in the absence of available audited accounts, we have evaluated the competence, capabilities and objectivity of the valuation expert • tested revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register • where available reviewed investment manager service auditor report on design effectiveness of internal controls. Our audit work has not identified any significant issues in relation to the risk identified. As highlighted above, our audit focuses on looking at external confirmations from both investments managers and the custodian, and as a result there will always be differences in when information is received compared to the information available when management are estimating the values for the accounts. This year, two individual differences identified were above our trivial threshold and these are detailed on page 10. The total aggregate difference identified for Level 3 investments was £8.6m.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Expenditure recorded includes fraudulent transactions (rebutted) Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states: "As most public bodies are net spending bodies, then the risk of material misstatement due to fraud elated 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.	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. Our audit work has not identified any issues in respect of improper expenditure recognition.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £1,312m	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 2022 at £1,312m. These investments are not traded on an open exchange/market and the valuation of the investments is highly subjective due to a lack of observable inputs. In order to determine the value, management has employed expert fund managers who have the necessary experience and technical expertise to ensure the correct valuation of these investments in the year end accounts. The fund are also supported by investment advisors who are independent from the fund managers who can advice on the performance of this type of investments. The performance of these investments are scrutinised by the pension fund investment board. The value of the investment has increased by £158m in year, and level 3 investments and now account for 22.5% of the fund.	As outlined in our testing of the valuation of level 3 investments 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. 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 overstatement of the estimates by £8.6m. Two differences identified were individually greater than our trivial threshold: • A difference of £3.4m in the Brunel Secured Income Standard Life Fund when compared to the latest available audited accounts of the fund; and • A difference of £6.7m in the Brunel Secured Income Greencoat Fund when compared to the latest available audited accounts of the fund	Blue

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Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £4,217m	The Pension Fund investments in level 2 on the balance sheet as at 31 March 2022 total £4,217m. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management has employed expert fund managers who have the necessary experience and technical expertise to ensure the correct valuation of these investments in the year end accounts. The fund are also supported by investment advisors who are independent from the fund managers who can advise on the performance of this type of investments. The performance of these investments are scrutinised by the pension fund investment board. The value of the investments has increased by £297m compared to the prior year.	Similar to our approach for level 3 investments, 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. Our findings in relation to the testing of Level 2 investments identified some estimation differences. Most of the individual differences identified were not above our trivial threshold. The total aggregate difference identified for Level 2 investments was a potential understatement of the estimates by £9.3m. Only one difference identified was greater than our trivial threshold: - A difference of £7m in the Brunel Global Sustainable Mutual Fund when compared to the latest available audited accounts of the fund.	Blue

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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
Valuation of Pension Fund Liability	The fund has elected to take 'option B' from IAS 26 when considering the actuarial present value of promised retirement benefits, and as such presents this as a note to the accounts. Management have obtained this information from the actuary for the fund. The actuary has been provided with all of the necessary information using the annual returns required, which results in the actuary producing the valuation and required reporting paragraphs. The principal assumptions used by the actuary are in respect of mortality (longevity at 65 for current and future pensioners) and financial assumptions: rate of CPI inflation, rate of increase in salaries, rate of increase in pensions and rate for discounting scheme liabilities. The Council's Pension & Investments Manager communicates with the externally appointed actuary throughout the year and the year-end report is considered by management prior to inclusion in the financial statements.	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.

Page 63

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 - 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
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 2021/22 as set out in Appendix D.	Additional work was required due to the following issues: - The Purchases and Sales populations did not reconcile to the draft financial statements - We encountered reconciliation issues with the Benefits population provided to us, which resulted in delays in being able to select our sample of benefits paid. - We identified two potential prior period errors that we discussed with the financial statements team and our financial reporting colleagues in order to determine whether prior period adjustments were required. Neither error impacted the primary statements. One presentational error was adjusted and the other was not material. - We experienced difficulties obtaining IT audit evidence, which required additional time input to resolve. - The derivatives population did not easily reconcile to the draft financial statements, and we identified some adjustments that were required to the disclosure.

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

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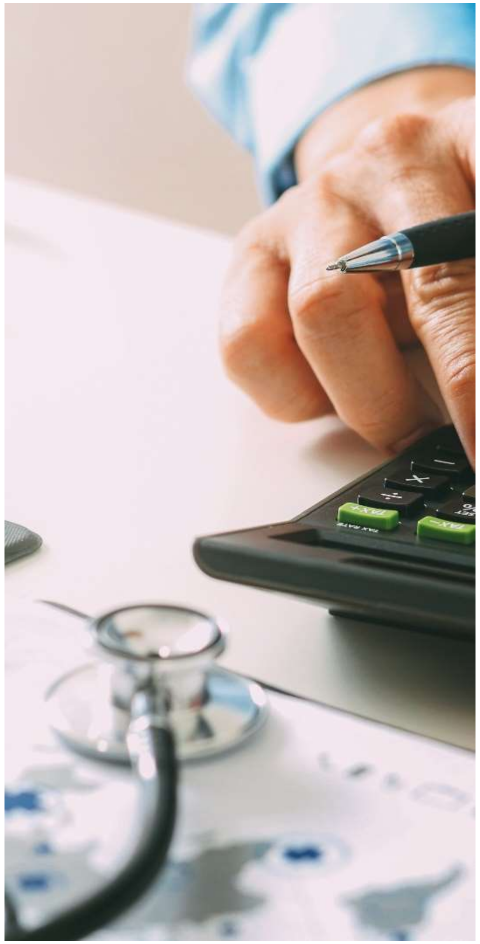
Our responsibility

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).

Issue	Commentary
Going concern	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. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • 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. 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: • 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. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • 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
Disclosures	Our review of the Pension Fund Annual Report is underway, but has not yet been completed.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report at the same time as our audit opinion.



3. Independence and ethics

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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

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Details of fees charged are detailed in Appendix D

Transparency

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

3. Independence and ethics

Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
Audit related			
Audit of Brunel Pension Partnership Limited (BPP)	40,000	None	We do not consider the audit of BPP as a threat to our independence as Avon Pension fund cannot exercise control over BPP. The audit of BPP is carried out by a specialist team, authorised by the Financial Standards Authority. The fee of £40,000 is not significant compared to the audit fees of the ten participating pension funds. Please note this fee is not included in the financial statement of Avon Pension Fund as is payable by BPP.
Non-audit Related			
Provision of IAS 19 Assurances to Scheme Employer auditors	12,000 (Estimated)	Self review	This is not considered a significant threat as we are not reviewing any information that we have prepared. As this is an audit related service, it is acceptable for the audit team to carry out this work. In addition, we have not prepared the financial information on which our assurances will be used by the requested auditors to rom an opinion on as part of their opinion on the financial statements of the admitted body.
		Management	This is not considered a significant threat as the scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will not be making any recommendations as part of this work.
		Self interest	This is not considered a significant threat as the fee is recurring but not significant to the audit of the financial statements; further, it is fixed based on the number of admitted bodies.

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

Appendices

A. Action plan – Audit of Financial Statements

We have identified 11 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 2022/23 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.

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Assessment	Issue and risk	Recommendations
Medium	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.	We recommend that journal reviews are undertaken monthly rather than at year end and that reviews of user listings are undertaken monthly rather than quarterly. **Management response** Agreed - journal reviews and user reviews will be undertaken monthly instead. Journal reviews are not the only way that issues are identified, though. Budget monitoring, contributions monitoring, bank reconciliations and reporting to the Actuary will often pick up issues more promptly. User reviews are not the only check on user access. The B&NES Financial Systems Team have processes around starters and leaver access.
Medium	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.	We recommend that further checks are performed prior to publication of final audited statements to ensure that all audit adjustments have been reflected. It is the audited body's responsibility to publish the appropriate statements. Through our financial statements review where prior year comparator figures are referenced through to published prior year statements, there were some inconsistencies within the Related Parties and Financial Instruments notes. These figures had been updated in the BANES accounts, however the final published APF annual report still displayed 20/21 draft figures. **Management response** Agreed - the post audit adjustments should have been reflected in the Annual Report. Further checks will be implemented to ensure that this doesn't happen in the future.

Controls

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

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	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.	We recommend that this adjustment is moved onto the ledger in the future. Management response Agreed - for completeness this adjustment will be posted to the ledger in 22/23. The adjustment relates to tax on lifetime allowances. When a member takes their benefits, if the capital value of those benefits is more than the lifetime allowance, tax has to be paid on the excess. APF offer to pay the tax upfront and are reimbursed from pension deductions over time (creating a long term debtor in the Accounts). The current lifetime allowance is £1,073,100, so this affects very few members when they retire.
	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 recommend that where errors are identified in LGPS 50's their either new ones are submitted by the admitted body, or that these are explained as reconciling items and that the reconciliations are not amended. We also recommend the fund implements a form of exception report which identifies when members contributions are out of line with the matrix. Management response Agreed – a reconciling item should have been added instead for this. To put this into context, the value of the adjustment was relatively small, £1,279.44 (monthly contributions of £9m). Also, it is not possible to change the original LGPS50 form, this was an amendment to a csv download file, used in the contributions reconciliation.
	We identified that management are not reporting their derivative assets and liabilities gross, but are accounting for them net.	While the difference is not material in the current period, we recommend that management reports gross assets and liabilities moving forward. Management response Agreed - derivative assets will be reported gross from 22/23 onwards.
	We identified that management are not updating cyber security policies	While the policies are readily accessible by staff, we recommend that they are updated on a regular basis to ensure they remain relevant. Management response Agreed. This is something we are aware of and we are taking active steps to address this at the moment. For instance, the council is implementing a cyber resilience roadmap, is engaging with an external partner to deliver a cyber response plan, is updating its intranet pages on cyber security and has started an internal policy working group who are currently reviewing all IT policies.

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A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	Inadequate oversight around generic user in Agresso application 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. **Risk:** 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. 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.	It is recommended that: • Where possible, generic accounts should be removed, and individuals should have their own uniquely identifiable user accounts created to ensure accountability for actions performed. • Alternately, the Council should implement suitable controls to limit access and monitor the usage of these accounts (i.e. through increased use of password vault tools / logging and periodic monitoring of the activities performed). • Where monitoring is undertaken this should be formally documented and recorded. **Management response** The admin user ID is assigned to overnight processes and automated processes. Individuals with systems access have their own systems admin access that they use, they have no need to log in as the admin user and this is actively discouraged. In addition amendment logging is activated which gives an audit trail of actions the individual has performed on the database.
	Lack of controls over granting new user access within Altair application **Altair** 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. **Risk** User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.	It is recommended that the Council ensure that all requests for user permissions are specifically defined in the new user creation form in order to provide a suitable audit trail. **Management response** The front-end user would have little knowledge of the back-office roles. The roles would be assigned by systems admin based on the requested team and job title on the request form. A new user request form is in development that will ensure the requester has sufficient knowledge of the roles the new user will be assigned to.

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A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	Lack of controls over user access amendments within Altair and Agresso application 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. 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. 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. Risk 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.	It is recommended that the Council should develop formal user access management procedures to ensure activities are consistently performed, logged and monitored. Where user access is modified, Council should proactively review existing user access prior to additional access rights being granted. This should ensure only access required for the user's new role remains assigned and that no segregation of duty threats are created. It is also recommended that Council ensure that all requests for user permissions are specifically defined in the user amendment form in order to provide a suitable audit trail. Management response In Altair a new user form will be adapted to revise the process and further define access rights that should be assigned to the user. In Agresso it Is noted that on this one occasion the line managers approval was not sought. Staff will be reminded of this within the financial systems team and budget reporting team. The access modification date is available within Agresso, but you would need access to amendment logging and the knowledge of how to interrogate the database to retrieve this information. It is available and can be reported on, but non privileged users can't see this.
	Lack of review of security/audit logs in Agresso It was noted that whilst security/audit logs are enabled in Agresso, they are not proactively monitored or reviewed. Risks Without formal and routine reviews of security event logs, inappropriate and anomalous activity may not be detected and resolved in a timely manner.	It is recommended that security/audit event logs are reviewed on a regular basis for example daily or weekly, ideally by an IT security personnel/team who are independent of those administrating Agresso. Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence. Management response Key alerts are already set up on Agresso and are called intel agents and are ran automatically for things such as amendments to Bank accounts, pay runs. Which are reviewed externally. These intel agents will be reviewed.

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B. Follow up of prior year recommendations

We identified the following issues in the audit of [insert client name] Pension Fund's 2020/21 financial statements, which resulted in one recommendation being reported in our 2020/21 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	At the time of concluding our audit of the Fund for 2019-20, we were alerted to a breach of the Fund's requirement to submit pension savings statements. Whilst this was not reported in 2019-20, we recommended that management ensure there were no further breaches through late submissions of statements. We confirmed at the time that there were no breaches during 2020-21.	We followed up on the previous breaches and identified that there have been no significant breaches identified in 2021/22.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

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

Impact of adjusted misstatements

There were no adjusted misstatements above trivial for the year ending 31 March 2022.

Misclassification and disclosure changes

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

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Disclosure omission	Auditor recommendations	Adjusted?
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.	✓
Our testing of Note 9 identified that Cash Deposits Purchases at Cost, Sales Proceeds and Change in Market Value were calculated using the 20/21 purchases and sales report not 21/22. The values were adjusted by the following amounts: Purchases at Cost: £286,461k Sales Proceeds: £249,288k Change in Market Value -£37,173	We recommended that management adjust for the error, which they did.	✓

C. Audit Adjustments

Misclassification and disclosure changes continued

Disclosure omission	Auditor recommendations	Adjusted?
Note 9 disclosure was updated for the property pooled investments disclosure as the draft disclosure did not include the Unitised Insurance Policies. The values were adjusted by the following amounts: Purchases at Cost: £575,000k Sales Proceeds: £574,903k	We recommended that the note was updated and management appropriately adjusted for the omission.	✓
In the Fund's draft financial statements, Note 25 incorrectly included Aramark Limited - South Gloucestershire and Stroud College as an employer however they are no longer an admitted body of the fund.	This was included as the fund were not notified of their leaving until after the accounts were produced. We recommended the note was updated and management	✓
Our testing of the draft Derivatives Note (Note 10) identified the following errors: Transposition errors between currency bought and currency sold for those instruments with a settlement date of 6-12 months. Misclassification of some investments as having a settlement date of within one month of year end, when in fact they had a settlement date of 28/04/23, which is >1 year.	Client agreed this was a mistake and amended the disclosure. The net value of derivatives was unchanged. The note was adjusted to remove £77m bought, £101m sold and £257k net gain out of the GBP to USD less than one month line to create a new line in the table.	✓
Our contributions testing identified some reconciliation differences between monthly i-connect payroll listings and transaction listing for employee contributions. The total difference was £3.5m.	The differences have not been adjusted for as their cause is unknown.	✓
The sensitivity of assets valued at Level 3 which was disclosed in the draft version of Note 24 included incorrect calculations. The 'Property' and 'Fund of Hedge Funds' 10% value on increase and 10% value on decrease were incorrectly stated.	We recommended that these were adjusted and management processed the amendment.	✓
Our testing of Note 23 (Financial Instrument risk disclosures) identified that within the Interest rate risk disclosure the incorrect duration of investment was used in the Interest Rate bps increase/decrease disclosure. This lead to a £32.6m disclosure adjustment. In the Credit risk disclosure, incomplete information was received from Brunel with regard to the credit ratings of the Multi Asset Credit portfolio, meaning that the disclosure in the draft accounts was incomplete and only represented 79% of the MAC portfolio. Credit ratings of CCC+ to C- were excluded in the draft accounts.	We recommended that this was adjusted, and management processed the amendment.	✓
In the draft version of Note 24, we identified that the pooled investments title had slipped below the Equities line.	We recommended that this was adjusted for clarity of disclosure, and management processed the amendment.	✓

C. Audit Adjustments

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Impact of estimation differences

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

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Testing of Level 2 investments identified a potential understatement of the estimate	9,289	9,289	9,289	Amount is not an error, but estimation difference
Testing of Level 3 investments identified a potential overstatement of the estimate	-8,640	-8,640	-8,640	Amount is not an error, but estimation difference
Overall impact	£649	£649	£649	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the prior period.

D. Fees

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

Audit fees	Proposed fee	Final fee
Pension Fund Audit Scale Fee	22,180	22,180
Additional Fees previously raised*	19,475	19,475
Additional Fees:		
Reconciliation issues: benefits, Purchases & Sales		5,000
Prior period Adjustment discussions		2,500
Difficulty obtaining IT evidence		1,000
Derivatives		3,500
Total audit fees (excluding VAT)	£41,655	£53,655

*Additional fees previously raised relate to those included in the prior period and are as a result of increased requirements of the regulator, new ISAs and new audit approaches.

Reconciliation of Audit Fees to Financial Statements

The Fund disclosed Audit Fees relating to 2021/22 of £41,655 in it's statements (included within the Audit Fee note as part of External and internal Audit costs).

Our proposed fees for 2021/22 are £53,655.

The difference of £12,000 relates to the proposed additional fees included in this report.

Non-audit fees for other services	Proposed fee	Final fee
IAS 19 work	7,000	12,000
Total non-audit fees (excluding VAT)	£7,000	£12,000

The Fund disclosed Audit Related Fees for 2021/22 of £7,000 in it's statements.

Our proposed fees for 2021/22 are £12,000

The difference of £5,000 relates to the proposed additional fees included in this report.

The proposed fees for our IAS 19 letters of assurance to admitted body auditors has increased by £5,000 since planning. This reflects the additional work undertaken this year to enable us as the Pension Fund auditor to respond to the increased number of areas for assurance sought by the admitted body auditors. We anticipate these higher fees to continue going forward.

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BATH & NORTH EAST SOMERSET COUNCIL

STATEMENT OF ACCOUNTS 2021/22

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NARRATIVE REPORT

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 2022.

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 2021/22, 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.

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.

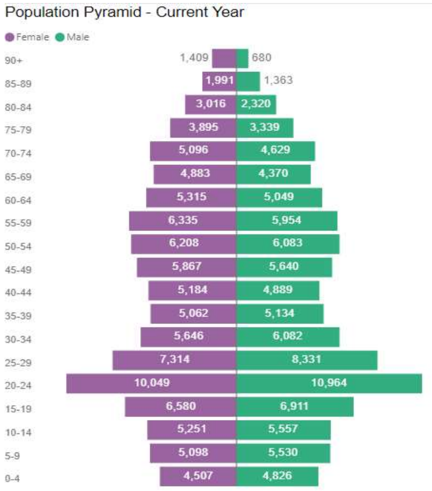
Keynsham lies to the west of Bath. A traditional market town with a population of just over 9% of the total population of B&NES. Midsomer Norton and Radstock are small historic market towns, located in the south of the district with approximately 6% of the total population split between them. They both 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)

The Next Twelve Months & Medium Term Outlook

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 incorporates the ongoing impact of the Covid pandemic on Council finances. The MTFS for B&NES spans two years with a further three added to show the likely longer-term picture.

The Council needs to deliver a balanced budget over the term of the plan. A balanced budget means that revenue reserves are not used to meet on-going expenditure commitments. The updated plan shows a balanced budget for 2022/23 and a current projected budget gap for 2023/24 and beyond although this is expected to reduce once the impacts of returning income and further efficiencies are factored in to budget planning. The figures include all estimates for pay awards, pension costs, Council Tax, Business Rates, Government grant, and inflation. The revenue budget contingency has been increased by £2m in recognition of pressures on Children's and Adult's Social Care and a one off Covid risk reserve of £5m has been maintained as a contingency for 2022/23.

The budget has been developed considering how to manage the financial impact of the Covid pandemic whilst delivering the Corporate Strategy to meet our key principles and commitments. After taking account of ongoing service cost pressures and new funding requirements, the starting point for the 2022/23 budget was a funding gap of c£17m. The proposed budget meets this funding gap in two ways:

1) A savings and income generation package of £11.87m, and
2) One-off use of reserves of £5.2m (£3m corporate revenue, £2.2m release of service reserves), full repayment of the corporate revenue reserves has been built into the five year budget planning period.

The ongoing impact of Covid on the Council has created a material imbalance in how the Council funds its services, Council tax and Business rates alone do not fully fund the Council's services – they are also funded by external income. Income budgets were rebased and reduced by £13.24m in 2021/22 from a £33.17m net income budget. The 2022/23 budget has increased income expectations on Parking by £2.5m to align with the 2021/22 increased activity, other areas such as the Roman Baths are taking longer to bounce back.

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 from the ongoing impact of the Covid pandemic.

•Corporate contingency for Social Care £2m
•Contract inflation risks £1.67m
•Pay contingency £1m
•Home to School Transport £0.8m

The other items include rebasing budgets where service running costs and budgets have become misaligned, this includes additional investment into IT, Property Services, Recycling and Children's Services. The budget has also recognised that investment is needed into frontline services to ensure the staffing budgets are appropriate to deliver core services such as Waste, City Centre Security and Educational Psychology.

In addition, there has been £0.95m earmarked against the £5m Covid contingency for one-off investment into Neighbourhoods Services to help manage demand pressures and the delivery of service priorities.

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

Savings plans total £14.19m over the next two years with plans to deliver £11.87m in 2022/23 and a balanced budget, with a further £2.32m planned for 2023/24 leaving a gap of £8.78m. This will be reviewed early in the 2022/23 financial year to enable early budget planning to develop robust and deliverable proposals for the 2023/24 budget. The MTFS also currently estimates further savings requirements of £8.61m covering the three year period from 2024/25 to 2026/27. The Council has a good track record of delivering proposed savings, in relation to the 2021/22 approved savings of £8.5m, 93% (£7.9m) were delivered in full and a further 6% (£0.5m) were mitigated by one-off underspends in year.

An updated Efficiency Strategy was approved in February 2022, 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 £0.2m of capital receipts to fund one-off costs of delivering savings in 2021/22 and has budgeted to utilise up to £3.4m in 2022/23 and future years.

The Local Government Finance Settlement for 2022/23 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 2022/23. This provides a significant financial benefit to the Council with estimated benefits of c.£3.2 million factored into the Councils budget in 2022/23.

• A further delay in the Fairer Funding Review and Business Rate Retention changes until 2023/24 at the earliest.

• Introduction of a new 2022/23 Services Grant of £1.63m to provide funding to all tiers of local government in recognition of the vital services delivered at every level of local government.

• Confirmation of a further £1.73m Social Care grant funding which will be combined with the continuation of the existing Social Care Support grant (Total £5.99m). This funding is assumed as recurrent in the base budget.

• New grant funding for 2022/23 of £0.493m through the Market Sustainability & Fair Cost of Care Grant. This funding is assumed as recurrent in the base budget.

• Confirmation that the existing improved Better Care Fund social grant will include a 3% inflationary uplift and for B&NES this will mean an increase of £0.14m to £4.9m. This will protect the Better Care Fund schemes that have committed this funding on an annual basis and form part of the additional resources for adult social care within the settlement.

• In recognising the continued pressures facing Adult Social Care (ASC) authorities, a further 1% per annum allowance for the Adult Social Care Council Tax increase through the three year spending review period from 2022/23 to 2024/25 was announced.

• A general council tax increase cap of 2% for 2022/23 (this excludes the Adult Social Care Council Tax increase).

The Budget agreed for 2022/23 included the following key proposals:

- An increase of 1% to Council Tax for the Adult Social Care Precept in recognition of the current demands and financial pressures on this service.

- An increase in general Council Tax of 1.99% in 2022/23.

- The Band D Council Tax for Bath and North East Somerset Council next year, including the Adult Social Care Precept increase, is £1,575.30 (£1,529.57 in 2021/22) an overall increase of 2.99% and £45.73 per Band D (£0.88 per week).

- A General Fund net revenue budget of £126.74m for 2022/23 and an approved Capital Programme for 2022/23 of £96.064m.

Corporate Strategy

The 2022/23 budget focusses on delivery of the Corporate Strategy which is set within the following framework:

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

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

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

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.
•Focus on supporting the local economy to recover from the impact of the pandemic, regenerate local high streets and increase the diversification of the economy away from dependence on retail, hospitality and tourism.
•Support the “Preparing for the Future” programme to modernise the council with a focus on improved asset management and flexible working

Total Resources Available for the Capital Programme

The table below summarises the approved resources available for the 2022/23 Capital Programme and the indicative programme for the next five years. This level of resource ensures that overall planned spending and funding are in balance.

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Total Schemes	**196,077**	**55,003**	**53,814**	**18,231**	**16,502**
Funding Sources					
Grant	53,405	16,973	17,151	8,595	8,439
Capital Receipts	7,013	5,500	0	0	0
Revenue	632	0	0	0	0
Borrowing	126,224	31,714	36,663	9,636	8,063
3rd Party (incl. s106 & CIL)	8,803	816	0	0	0
Total Funding	**196,077**	**55,003**	**53,814**	**18,231**	**16,502**

Revenue Outturn and Balances 2021/22

The Council’s net revenue budget was set at £130.072m with an increase of 4.99% in its part of the 2021/22 Council Tax (split 3% for the Adult Social Care precept and a 1.99% general increase). Dedicated Schools Grant funding of £45.603m separately supports expenditure on schools.

Total net spending amounted to £125.291m against a revised budget of £128.582m, giving a year end under budget position of £3.292m on the general fund before transfers to reserves. After allowing for the net overspend carry forwards of £0.740m, the final outturn position is an underspend of £4.032m. The Cabinet Outturn report approved the transfer of the £4.032m to corporate earmarked reserves to smooth park & ride contract annual income risks during the Covid recovery period and to provide for the significant increase in energy inflation in 2022/23. These transfers and carry forwards will be reflected in the 2022/23 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 2021.

Schools balances have decreased by £0.144m to £1.086m 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. There has been improvement against the Quarter 3 forecast from increased under budget positions in Adult Social Care and capital financing costs, together with higher parking income. As referenced above the one-off benefits are proposed to be transferred to reserves to support the Council in dealing with contract and energy inflation costs in 2022/23.

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

Economic Development & Resources - over budget by £1.780m - The impacts of government restrictions at the start of the financial year and the Omicron Covid variant over the winter period has limited visitor numbers and consequently revenue generation in Heritage Services. After rebasing the 2021/22 budget as a response to the pandemic, the service still ended the year with an adverse outturn position of £1.45m. Income from the Thermae Bath profit share has also been reduced by £0.25m compared to budget (after allowing for sales, fees and charges compensation grant). The Preparing for the Future programme continues to develop new approaches to ways of working and how we use our Corporate Estate, but a £1.24m pressure from unachieved income targets, staffing pressures and unbudgeted costs associated with the Bath Community Academy site at Culverhay could not be avoided. On-going pressures have been addressed in the 2022/23 budget. Dividend payments due from the Council's housing company for 2020/21 and 2021/22 will be released in the 2022/23 financial year, this was signed off by Aequus Board (14th June 2022). This is following the company structure changes approved at the March 2022 Council meeting, and as such the outturn position showed a £1.20m adverse variance due to this timing difference. A carry forward has been included to move this overspend to 2022/23 to match when the dividend will be received. These pressures are partially offset by recovery of pension deficit costs and temporary high levels of cash balances, which are delaying the need to borrow and result in a favourable £1.53m capital financing and corporate budgets underspend.

Children & Young People, Communities & Culture - over budget by £2.793m - The Children and Young People segment of this Portfolio continued to be affected by the Covid 19 Pandemic during 2021/22. The main driver of this over budget position is due to increased costs in the demand-led placement and package budgets. In total, this area was £1.90m over budget including the £0.75m of Covid costs. Joint Agency Panel (JAP) and Residential placements account for £1.40m of the over budget position in this area. Increased spend is a result of placement numbers rising in both these areas versus 2020/21, with contextual safeguarding increasing Residential placement requirements. In addition, increased costs of existing packages due to the increased needs our Children and Young People are presenting with, many because of Covid, have added further financial pressure. There are also increased costs as a result of the complex packages of care needed for those with the highest need in the Disabled Children's Team of £0.29m. Staffing pressures across the frontline areas of Children's Social Care total £0.36m. This is the result of covering absences within teams, whilst also responding to increasing demand levels and complexity of need. There is also a £0.23m one-off pressure this year from the Year One costs of delivering the transformation projects, this will enable future savings in 2022/23 and beyond of circa £1m per year. The Home to School Transport (HTST) service includes a £0.74m over budget position. This significant pressure has been experienced since the start of the 2021/22 academic year. Service pressures including reduced availability of drivers, increased fuel costs and reduced tendering activity for many routes. In addition, the Council has had to absorb increased statutory duty in transporting pupils. This pressure has been addressed in the budget for 2022/23.

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

Transport Services - under budget by £4.480m - Parking budgets were rebased by £3.5m reducing the income target in 2021/22 to mitigate the continued expected income losses resulting from the on-going pandemic. Contrary to expectations earlier in the year, parking income has recovered much quicker than anticipated with the impact of the pandemic increasing preference for personal car use over public transport, resulting in a favourable outturn variance of £3.54m. Street Works and Traffic Management income was £0.27m in excess of budget, which added to over £0.37m of staffing underspend resulted in a £0.61m favourable variance in Network and Traffic Management.

Adults & Council House Building - under budget by £4.067m - The outturn position for Adult Social Care is an underspend variance of £3.92m. This reflects the reduced number of package placements first seen during 2020/21 and continuing throughout 2021/22. Health funding arrangements for hospital discharges were in place all year, the impact of the expected demand from the ending of these arrangements was reduced. These arrangements came to an end at the end of this financial year and discussions and schemes are underway regarding ongoing requirements in 2022/23. The long-reaching impact of the ongoing pandemic is still being felt and future demand on Adult Social Care is expected to return to previously seen levels. This expectation also carries a risk of additional demand being seen when these levels return, in both package numbers and complexity of social care cases.
The level of future demand is still undetermined but is expected to cause pressure on budgets. To balance this, work continues on the delivery of the service transformation plans to ensure services can be provided to meet and sustain this demand.
Housing ended the year with a favourable outturn position of £0.15m due to additional grant funding for domestic abuse services and a small underspend in supported lodgings' costs.

Schools Outturn & Balances

The overall Dedicated Schools Grant for 2021/22 was £160.577m, however of this sum £114.975m was returned to the DFE to be allocated to academies, £12.335m was allocated to schools through funding formula, with the remaining £32.268m (after the prior year overspend of £5.424m) 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 £8.013m, 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 £5.424m giving a total overspend to be carried forward of £13.437m. In line with Government guidance any overspend is carried forward for recovery against future DSG funding. Therefore, the Council cannot fund this pressure from its own non DSG funding (unless permission is given by the Secretary of State to disregard the requirement to fund from the DSG). Year-end budgets have been adjusted to reflect the transfer of the £8.013m overspend into a specific unusable reserve for recovery against future DSG funding. This treatment is in line with recently announced government guidance stating that DSG in-year and cumulative deficits should no longer be held as a negative earmarked reserve and should instead be held in an unusable reserve called the Dedicated Schools Grant Adjustment Account. This accounting treatment has the effect of separating schools budget deficits from the Councils' general fund and covers the period of three financial years from 1st April 2020 to 31st March 2023.

A recovery plan to bring spending in line with budget over the next 5 years has been completed and is being reviewed by the DFE. The DFE will look to enter a Safety Valve Agreement (a process set up to support Local Authorities with DSG deficits) with the Local Authority (LA), 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. Initial discussions have been held and further work on the agreement will be made in 2022/23 with a planned agreement in place for 2023/24.

Schools balances decreased by £144k to £1.086m 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 practise guidance. All schools with balances deemed to be excessive are challenged to explain their position. Most large balances are retained as part of plans for capital projects in schools.

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

Service (based on Cabinet Portfolios)	Budget £'000	Actual £'000	(Under)/ Over Budget £'000
Economic Development & Resources	5,612	7,392	1,780
Adults & Council House Building	56,903	52,836	(4,067)
Children & Young People, Communities & Culture	40,948	43,741	2,793
Climate & Sustainable Travel	1,103	775	(328)
Planning & Licensing	2,118	2,489	371
Neighbourhood Services	24,802	25,442	640
Transport Services	(2,904)	(7,384)	(4,480)
Total (before carry forwards and t/f to reserves)	**128,582**	**125,291**	**(3,292)**
Carry Forward Requests (Underspends)			**429**
Carry Forward Requests (Overspends)			**(1,169)**
Total (Including Carry Forwards and Transfers to Reserves)			**(4,032)**

The Economic Development & Resources Portfolio is made up of Finance, Information Technology, Audit & Procurement, Human Resources, Legal & Democratic Services, Property Services, Traded Services, and Corporate & Agency budgets, as well as Heritage, 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 & Young People, Communities & Culture 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) and Customer Services (including Libraries).

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

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

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

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

COVID-19 Business Support Grants

The Council continued to be responsible for the administration and processing of Business Grants to support local businesses on behalf of the Government during 2021/22. The table below outlines the type and value of the grants which the Council administered and paid during the financial year. Following the receipt of a grant the Council had to determine whether in administering the grant it was acting as an agent or principal.

Where the Council was acting as agent the following conditions applied:
• It was acting as an intermediary between the recipient and the Government Department;
• It did not have “control” of the grant conditions and there was no flexibility in determining the level of grant payable.

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

	Balance as at 31/03/21 £'000	Grants Received In Year £'000	Distributed - Council acting as Agent £'000	Distributed - Council acting as Principal £'000	Total Distributed 2021/22 £'000	Repaid to Govt. during 2021/22 £'000	Balance as at 31/03/22 £'000
Small Business Grants Fund /Retail, Leisure and Hospitality Grant Fund	-	**-**	59	-	**59**	-	**59**
Local Authority Discretionary Fund Grant	10	**-**	-	-	**-**	-	**10**
Local Restrictions Support Grants (LRSG)							
LRSG Closed - November Lockdown	1,348	**-**	(159)	-	**(159)**	(1,173)	**16**
LRSG Additional Restrictions	1,046	**1,887**		(2,926)	**(2,926)**		**7**
LRSG Open Tier 2/3	220	**-**		(67)	**(67)**	(148)	**5**
LRSG Closed Tier 2	(96)	**114**	(8)	-	**(8)**	-	**10**
LRSG Closed (Addendum): 5 January Onwards	4,394	**3,020**	(726)	-	**(726)**	-	**6,688**
LRSG Closed Business Lockdown Payment	4,260	**-**	(638)	-	**(638)**	(3,565)	**57**
COVID Restart Grant	-	**14,604**	(14,363)	-	**(14,363)**	(233)	**8**
Omicron Hospitality & Leisure Grant	-	**3,060**	(2,686)	-	**(2,686)**	-	**374**
Total	**11,182**	**22,685**	**(18,521)**	**(2,993)**	**(21,514)**	**(5,119)**	**7,234**

Collection Fund

As part of the 2022/23 budget setting, an estimate was made on the position of the Collection Fund as at 31st March 2022. The estimate is split into two elements, one relating to Council Tax and the other relating to Business Rates. The estimated and actual position for each is shown in the following table. The figures relate to the Council's share of the surplus / deficit, excluding any preceptor and central government shares. At an overall level, the outturn position on the Collection Fund position improved by £4.850m over the estimated position. The difference will be taken into consideration when estimating the closing 2022/23 Collection Fund as part of the 2023/24 budget process.

The year end deficit balance of £15.612m is largely due to the additional reliefs which were awarded to business ratepayers during 2021/22 due to the COVID Pandemic, primarily the extended Retail Relief. The Council's share of the deficit that relates to the extended retail relief was £18.9m. The impact of the loss of Business Rate income from granting the relief was compensated for by government through the award of a s31 revenue grant which was received in 2021/22. Due to the technical accounting requirements and timing of funding the Collection Fund deficit, the s31 compensation grant has been transferred to the Business Rate Reserve in 2021/22 so it is available in 2022/23 to offset the recovery of this element of the deficit. The surplus on the Council Tax element of the Collection Fund was due to a reduction in the number of Local Council Tax Support Scheme claimants and an increase in the number of chargeable dwellings above those forecast when setting the Council Tax base.

The technical accounting treatment in relation to the s31 compensation grant continues to temporarily increase the level of the Council's earmarked revenue reserves reported as at 31st March 2022. The Council's reserves position is detailed at Note 23 to these accounts.

	Estimated surplus / (deficit)	Actual surplus / (deficit)	Difference
	£'000	£'000	£'000
Council Tax	1,329	1,585	256
Business Rates	(21,791)	(17,197)	4,594
Total	**(20,462)**	**(15,612)**	**4,850**

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 £160.6m.
This reconciles to the General Fund spending reported above as follows:

.	£'000	£'000
Total net spending by departments		125,291
Add:		
Charges related to capital assets:		
- depreciation and impairments	23,621	
- revenue expenditure funded from capital under statute	16,883	
- loss / (gain) on revaluations	6,994	
		47,498
Offset by:		
Grant funded revenue expenditure funded from capital under statute	(15,279)	
Unapportioned pensions contributions	(13)	
Levy payments	(5,450)	
Interest received and paid	(6,872)	
Non-Ringfenced Government Grants	30,126	
Other movements on funds and balances	(4,786)	
Minimum Reserve Payment (MRP)	(8,360)	
Net transfers to reserves	5,472	
		(5,162)
Cost of services - continuing operations		**167,627**

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.

Capital Expenditure

Capital expenditure in 2021/22 totalled £58.4m. Overall capital spending was 61% 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 and Resources	43,272	23,547	(19,725)
Climate Emergency & Sustainable Travel	9,500	7,984	(1,516)
Adult Services & Council House Building	8,065	4,232	(3,833)
Children and Young People, Communities and Culture	9,205	5,163	(4,042)
Neighbourhood Services	20,492	14,774	(5,718)
Transport Services	5,537	2,705	(2,832)
	96,071	58,405	(37,666)

Capital expenditure was financed by: -

	£'000
Capital Receipts	1,758
Grants	37,949
Borrowing	11,960
3rd Party Contributions	149
Revenue	1,193
S.106 / CIL contributions	5,396
	58,405

Capital spend on developments for the Bath Quays North Site, South Site and Bridge was £8.4m, £4.7m on the Bath Western Riverside and £2.7m Housing Delivery Schemes. Capital spend of £11.2m was on Highways infrastructure with £2.5m on Keynsham High Street Public Realm, £1.7m of spend was incurred on New Technology for improved staff working with £0.8m on office re-configuration. The projects for new Archway Centre upgrade to the Roman Baths Museum, £0.7m, and Improvements to Sydney Gardens, £2.3m, neared completion.

Property, Plant & Equipment

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

Transfers of £12.389m from Assets Under Construction reflecting projects becoming operational in the year:-

	£'000
Archways Centre	5,430
Western Riverside	5,677
Bath Quays	1,122
Other	160
	12,389

Net Property Revaluation gain of £16.533m for Other Land and Buildings and Surplus Assets for the following classes of assets:-

	£'000
Schools Primary	8,671
Leisure Centres	6,268
Community Centres	3,790
Schools Secondary	2,472
Land	2,676
Refuse Sites	1,825
Offices	(2,110)
Car Parks	(2,745)
Heritage	(3,917)
Other	(397)
	16,533

Infrastructure Assets - Accounting changes in the year

The disclosure of historic cost of Highways network infrastructure assets under the Code of Practise on Local Government Accounting has changed to require only the Net Book Value of infrastructure assets, rather than separate disclosure of accumulated cost and depreciation. This is because historical information deficits meant that this information is unlikely to faithfully represent what it purports to represent. This change has no impact on the overall Value of the Council's Balance Sheet.

Investment Property Assets Values

Investment Properties were subject to new valuations in 2021/22 and reflected a valuation basis of market value.
A £4.0m reduction in Investment Property values has occurred since the last full valuation was undertaken (31st March 2021).

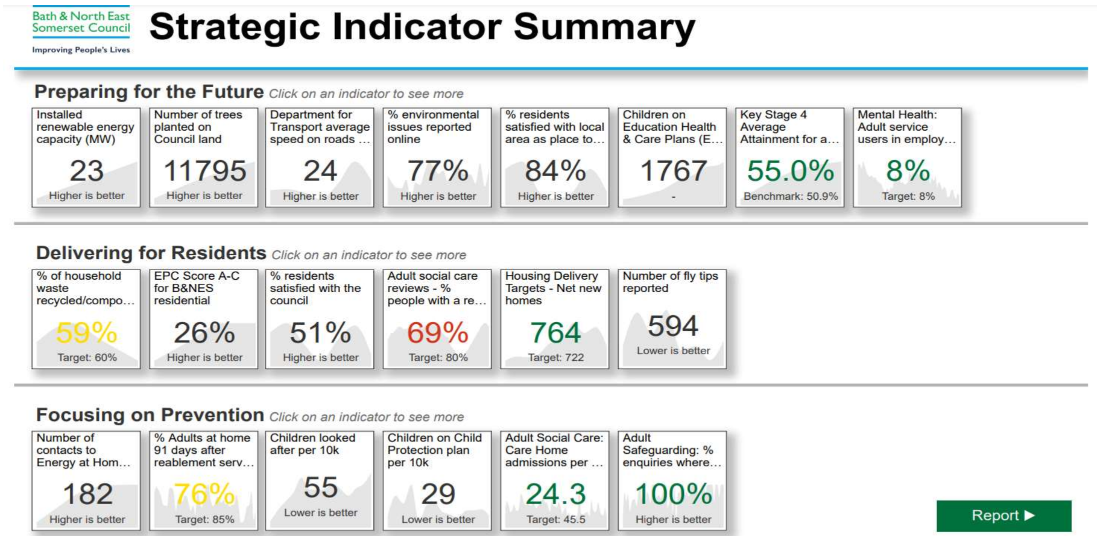
Non Financial Performance of the Council

Council Priorities

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

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

The Council collects and monitors a wide range of key performance indictors 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.



Progress against the delivery of the Corporate Strategy and some aspects of service delivery has been significantly impacted by the COVID-19 pandemic during 2021/22 and the need to reallocate resources (staffing and finance) away from addressing these priorities. Despite this, good progress has been made during the year and is highlighted below:

- 77% of environmental issues are now being reported online through Fix mystreet. This dataset is updated daily giving the service near real time information. It is hoped that this will improve even further as it becomes part of the work for the Council's new Customer Contact strategy.

- Children on an Education and Health Care Plans (EHCP) has increased since the beginning of the year to 1,767 plans. In common with other local authorities, B&NES continues to see an increase in the number of children on plans.

- During November 2021 the Council undertook its annual Residents Survey (Voicebox), The survey is a random sampled statistically valid postal survey of 3750 residents across the whole of Bath and Northeast Somerset. 84% of residents are happy with the local area as a place to live (compared to 78% nationally), and 51% satisfied with the Council. The reduction in satisfaction with the Council from 2021 is 13%, down from 64% to 51% (compared to 64% nationally). Surveys of this nature can show material year to year variations and so individual year's figures should be considered as part of longer-term trends.

- We are on target for supporting adult service users in employment. Employment is a significant factor in improving people's mental health and this demonstrates how well we are supporting some of our most vulnerable adults.

- Q4 waste performance in terms of recycling / composting is slightly under target, this is impacted by seasonal variation, as garden waste volumes decreased. When this is considered alongside the amount of waste produced per household, the service is progressing towards its zero-waste ambition.

- We have a statutory responsibility to ensure that people's needs are being met by, as a minimum, an annual review of Adult Social Care (ASC). Our current performance is 69% against our target of 80%. Despite this, performance has steadily improved during the year irrespective of the significant and ongoing pressures on the ASC service because of the pandemic during 2021/22. However, the list of due reviews is actively triaged so that those with the greatest need are reviewed first.

- We have made very good progress reducing ASC admission rates and are comfortably under our target for Q4, which is still considered to be a difficult time for social care.

- The number of children looked after by the Council has started to increase. This can be attributed to a small number of larger families and an increase in the requirements to support unaccompanied asylum-seeking children.

- The number of children with Child Protection plans remains consistent and is low compared to similar local authority areas.

- There has been a steady increase in the number of contacts to the Energy at Home Information Centre, which means more residents are being given vital information on how to improve the energy efficiency of their homes.

- In January 2022, the Council was asked to undertake another round of Business Grants. Payments for a new Leisure and Hospitality grant and an ARG grant started to be processed mid-January and were completed by the end of March 2022

Non Financial Performance of the Council (cont.)

Service Activity Levels 2021/22

- Adult social care services to over 1,600 residents looked after in care homes, or the community, and 869 Care Act assessments completed
- Almost 10,000 child social care contacts, including over 200 children looked after and nearly 1,400 referred to Early Help services
- Over 2,200 planning applicants processed and decided
- Clearance of 1,675 fly tips within the area
- Average of over 369kg of household waste recycled per household
- Over 300,000 items issued at the Council libraries
- Over 1,000 households signed up to the Homes for Ukraine scheme.

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. A report presented to Cabinet on 5th May 2022 highlighted the work undertaken to deliver the Corporate Strategy in 2021/22 as well as key elements of the Council's pandemic response.

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

A new Corporate Risk Management Group has been established and met for the first time in November 2021. Its purpose is to have oversight of the Risk Management Strategy and the related processes and activity. The Group will receive reports from Customer Feedback & Standards (complaints); Health Safety & Wellbeing (including HSE reported incidents); Legal challenges; Insurance claims, Security (Information) and data breaches; Internal & External Audit reporting; and other external review agency findings. The Group and its Chair (Chief Operating Officer) have high level responsibility for the co-ordination of both departmental and corporate risks reporting to the Strategic Leadership Team.

Work to manage risk in 2021/22 has continued to focus on –

- How we plan for and meet the ongoing Financial Challenge facing the public sector
- Supporting and stimulating Economic Growth and Regeneration
- Safeguarding children and vulnerable adults in our community
- Delivering joined up commissioning of social care with the CCG and partners
- Working across the West of England to stimulate housing needs, skills and employment and support major transport projects
- Managing and investing in the key infrastructure and assets of the area and tackling major transport issues

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

Pension Fund

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

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

Pension Liabilities

The Council itself has a liability of £325.6m 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 2021/22 is mainly due to gains and losses from changes in the Actuary's assumptions in valuing the assets and liabilities, as detailed in Note 41.

In 2020/21, the Council made an up-front payment of the LGPS deficit contributions for the three years 2020/21 - 2022/23 totalling £7.082m. The up-front payment took advantage of the independent actuary's calculation of the return these contributions could achieve once invested by the Pension Fund. The discount calculated by the actuary for making the up-front payment, rather than the normal approach of monthly payments in arrears over the three year period was £0.499m, reducing total payments from £7.531m to £7.082m. The return was judged to be far greater than could have been achieved by investing the amounts as part of the Council's treasury management strategy and the approach represented good value for money for the Council.

Group Accounts

There is now a requirement to consider a consolidation of group accounts under the Local Authority Statement of Recommended Practice (SORP) 2010. The Council has group relationships with 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 ACL being a 100% subsidiary of ADL.
The turnover and assets held by Aequus Developments Ltd (ADL) and Aequus Construction Ltd. (ACL), as detailed in Note 45, is considered significant enough to produce Group Accounts. These Group Financial Statements are included in these Statement of Accounts.

Further Information

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

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 adapt to the new ways of hybrid working. The publication of the draft set of accounts reflects the exceptional commitment and hard work undertaken by Finance staff and other service teams across the Council. My thanks go to all Finance staff and Council Officers for their assistance in the preparation of these accounts and for their support throughout the year.

Andy Rothery
Chief Finance Officer (Section 151 Officer)

Date: **15th March 2023**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2021/22

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 49	2020/21 Gross Exp Restated £'000	2020/21 Gross Inc Restated £'000	2020/21 Net Exp Restated £'000	Expenditure on Services	2021/22 Gross Exp £'000	2021/22 Gross Inc £'000	**2021/22 Net Exp £'000**
	83,745	(76,591)	7,154	Economic Development & Resources	89,267	(63,059)	**26,208**
	101,032	(45,990)	55,042	Adults & Council House Building	103,178	(46,537)	**56,641**
	113,336	(75,532)	37,804	Children & Young People, Communities & Culture	125,404	(79,579)	**45,825**
	2,752	(1,436)	1,316	Climate & Sustainable Travel	5,314	(8,119)	**(2,805)**
	6,441	(4,264)	2,177	Planning & Licensing	6,855	(4,689)	**2,166**
	45,454	(6,570)	38,884	Neighbourhood Services	53,559	(15,565)	**37,994**
	14,736	(12,585)	2,151	Transport Services	15,655	(14,057)	**1,598**
	367,496	(222,968)	144,528	**Cost of Services - continuing Operations**	**399,232**	**(231,605)**	**167,627**
9			12,351	Other Operating Expenditure			**8,405**
10			53,545	Financing and Investment Income & Expenditure			**2,211**
11			(177,026)	Taxation and Non-Specific Grant Income			**(168,746)**
			33,398	**(Surplus) or Deficit on Provision of Services**			**9,498**
12, 13 & 14			(15,078)	(Surplus) or Deficit on Upward Revaluation of Non-current Assets			**(50,955)**
12, 13 & 14			19,841	(Surplus) or Deficit on Downward Revaluation of Non-current Assets			**10,479**
41			30,467	Remeasurement of the net defined benefit liability			**(54,191)**
			35,230	**Other Comprehensive Income & Expenditure**			**(94,667)**
			68,628	**Total Comprehensive Income & Expenditure**			**(85,169)**

MOVEMENT IN RESERVES STATEMENT 2021/22

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 2021	19,244	100,919	**120,163**	6,645	23	**126,831**	(49,228)	**77,603**
Movements During 2021/22:								
Total Comprehensive Income & Expenditure	(9,498)	-	**(9,498)**	-	-	**(9,498)**	94,667	**85,169**
Adjustments between accounting basis and funding basis under statutory provisions	658	-	**658**	1,873	(1)	**2,530**	(2,530)	**-**
Increase / (Decrease) during year	(8,840)	-	**(8,840)**	1,873	(1)	**(6,968)**	92,137	**85,169**
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**	**42,910**	**162,773**

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 2020	12,667	44,801	**57,468**	4,997	14	**62,479**	83,754	**146,233**
Adjustment to Opening Balance: DSG Reserve (See Note 24)	-	1,250	**1,250**	-	-	**1,250**	(1,250)	**-**
Movements During 2020/21:								
Total Comprehensive Income & Expenditure	(33,398)	-	**(33,398)**	-	-	**(33,398)**	(35,230)	**(68,628)**
Adjustments between accounting basis and funding basis under statutory provisions	94,846	-	**94,846**	1,648	8	**96,502**	(96,502)	**-**
Increase / (Decrease) during year	**61,447**	**-**	**61,447**	**1,648**	**8**	**63,103**	**(131,732)**	**(68,628)**
Transfers to / (from) earmarked reserves	(54,868)	54,868	**-**	-	-	**-**	-	**-**
Balance at 31 March 2021	**19,244**	**100,919**	**120,163**	**6,645**	**23**	**126,831**	**(49,228)**	**77,603**

BALANCE SHEET as at 31 MARCH 2022

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 2021 £'000		**31 March 2022 £'000**
49	Restated		
12		Property, Plant & Equipment:	
	212,509	Land & Buildings	**232,726**
	1,395	Community Assets	**1,558**
	21,978	Vehicles, Plant & Equipment	**21,934**
	63,013	Assets under Construction	**71,767**
	2,624	Surplus assets	**3,543**
12a	90,920	Infrastructure	**95,679**
13	39,002	Heritage Assets	**48,382**
14	260,915	Investment Property	**257,093**
15	952	Intangible Assets	**767**
19	10,443	Long Term Debtors	**8,241**
	703,752	**Long Term Assets**	**741,690**
16	19,480	Short Term Investments	**35,406**
18	571	Inventories	**498**
19	64,181	Short Term Debtors	**50,555**
20	53,243	Cash and Cash Equivalents	**49,979**
17	68	Assets Held for Sale	**871**
	137,543	**Current Assets**	**137,310**
16	(20,251)	Short Term Borrowing	**(5,023)**
21	(63,989)	Short Term Creditors	**(83,913)**
35	(4,509)	Grants Receipts In Advance - Revenue	**(2,066)**
35	(36,144)	Grants Receipts In Advance - Capital	**(23,465)**
	(124,893)	**Current Liabilities**	**(114,467)**
22	(13,135)	Provisions	**(13,908)**
16	(225,836)	Long Term Borrowing	**(216,732)**
41&42	(370,415)	Other Long Term Liabilities	**(335,689)**
35	(29,414)	Grants Receipts In Advance - Capital	**(35,431)**
	(638,800)	**Long Term Liabilities**	**(601,760)**
	77,602	**Net Assets**	**162,773**
23	126,830	Usable reserves	**119,863**
24	(49,228)	Unusable Reserves	**42,910**
	77,602	**Total Reserves**	**162,773**

The accounts were authorised for issue on 15th March 2023

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

Date: 15th March 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.

	2020/21	**See Note 25 for further details**	**2021/22**
	£'000		**£'000**
	(33,398)	Net surplus or (deficit) on the provision of services	**(9,498)**
A	69,362	Adjustment to surplus or deficit on the provision of services for non cash movements	**81,440**
A	(45,681)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**(47,118)**
	(9,717)	Operating Activities	**24,825**
C	26,928	Investing Activities	**(9,207)**
D	8,611	Financing Activities	**(18,882)**
	25,822	**Net Increase/(decrease) in cash equivalents**	**(3,264)**
E	**27,419**	**Cash & cash equivalents at the beginning of the reporting period**	**53,243**
E	**53,243**	**Cash & cash equivalents at the end of the reporting period**	**49,979**

NOTES TO MAIN FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end 31 March 2022. 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 2021/22 (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.

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

1.9 Government Grants and Contributions

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

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

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

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

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

1.10 Employee Benefits

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

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

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

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
- Unitised Securities - average of the bid and offer rates
- Property - market value.

The change in the net pensions liability is analysed into the following components:

Service Costs:

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

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

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

Remeasurements of the Net Defined Benefit Liability (asset) comprising:

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

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

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

Benefits Paid - payments to discharge liabilities directly to pensioners.

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

In 2020/21, the Council made an up-front payment of the LGPS deficit contributions for the three years 2020/21 - 2022/23 totalling £7.082m. The up-front payment took advantage of the independent actuary's calculation of the return these contributions could achieve once invested by the Pension Fund. The discount calculated by the actuary for making the up-front payment, rather than the normal approach of monthly payments in arrears over the three year period was £0.499m, reducing total payments from £7.531m to £7.082m. The return was judged to be far greater than could have been achieved by investing the amounts as part of the Council's treasury management strategy and the approach represented good value for money for the Council.

Discretionary Benefits

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

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 all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

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

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (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 of the basis of Existing Use Value, Market Value or, in the case of specialised properties on the basis of, Depreciated Replacement Cost in accordance with the RICS Valuation Standards. Valuations are reviewed and signed off by Richard Long FRICS (Registered Valuer), Head of Property Services. The carrying value of asset in the Balance Sheet ahead of new valuations can be different due to both depreciation, an assumed diminution in value, as well as new capital spend.

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.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties) by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. Changes to depreciation charges to reflect revaluations and additions are made a year in arrears.

Depreciation is calculated on the following bases:
* other buildings - straight-line allocation over the life of the property as estimated by the valuer
* vehicles, plant and equipment - straight-line allocation over the life of the asset as advised by a suitably qualified officer
* community assets - straight line allocation over the life of the property as estimated by the valuer
* ~~infrastructure - straight-line allocation over 10 - 50 years.~~
* assets under construction - assets are not depreciated until they become operational.

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

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

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

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

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

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

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

Charges to Revenue for Property, Plant & Equipment

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

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

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement in accordance with its approved Minimum Revenue Provision (MRP) Policy. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

1.13a 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 are assessed by the Council's Designated Traffic Manager, using industry standards where applicable, as follows:-

Part of Highway Network	Useful Life
Pedestrian Schemes	10
Cycle Schemes	10
Traffic & Safety Schemes	10
Public Transport Facilities	10
Drainage	10
Resurfacing	10
Stabilisation & Structures	20
Street Lighting	20

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.

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.

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.

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.

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 2021/22 the Authority had two controlled companies - 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 a Foundation School, and has included all income and expenditure and liabilities for these schools in the accounts.

The recognition of Community Schools Non-current Assets within the Property Plant and Equipment Land and Building Valuations is in accordance with usual Service provision and is generally straightforward, with the Council being the freeholder of land and buildings. However, for other Maintained Schools (Voluntary Aided, Voluntary Controlled Schools and Foundation Schools) the accounting is a little more complex, in particular where ownership with the Trustee is not formalised. A further consideration is that the ownership of these school sites can be split into areas of Playing Fields and Buildings, and individual buildings.
A review of Land Registry records has established ownership of the asset by Trustees. However, there is no formal documentation that assigns control of economic benefits and service potential from Trustees to the schools. This arrangement is termed by CIPFA in LAAP101 as a "mere license", terminable by a Trustee at any time without causal action and the Diocese of Clifton has confirmed this as their view for the Catholic schools. It was concluded that "mere licenses" under a lease accounting analysis would not be recognised as assets.

The substance of the arrangement was further tested under IAS16 and IAS17. We considered the tests for legal ownership and future economic benefit, especially with regard to sale proceeds, were clearly determined by matching to Land Registry records held, a view endorsed by valuers that the cost or value of the asset could be measured reliably. We further considered service control tests and we recognise that both parties have influence on decision making, with on balance Trustees being the ultimate decision makers, especially in the longer term. Also in reality the Council has never had cause to challenge Trustee decision making. Our judgement therefore, was to value Trustee schools as Council assets only if their transfers had not been completed. The Land Registry record is the substance of the arrangement as to whether the value of non-current assets should be included in our financial statements.

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

1.26 Group Accounts

Group Accounts are covered by IFRS Standard 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities, IAS27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures. An assessment of the criteria for the completion of Group Accounts has been undertaken and the conclusion reached that the turnover and assets held by Aequus Developments Ltd (ADL) and Aequus Construction Ltd. (ACL) is considered significant enough to produce Group Accounts, and have therefore been consolidated with the accounts of Bath & North East Somerset Council in the group accounts section of the Statement of Accounts.

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

1.27 Joint Working Arrangements

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

1.28 Pooled Budget Arrangements

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

1.29 Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date that the Statement of Accounts is authorised for issue. Two types of events can be identified:
1) those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
2) those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.
Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.30 City Region Deal

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

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

Income
Income receivable by B&NES from the BRP is recognised as revenue in the year it occurs.

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

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 2022/23 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2022. If these had been adopted for the financial year 2021/22 there would be no material changes. These changes are:

Amendments to IAS16 Property, Plant & Equipment - Proceeds before intended use

Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

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.

COVID-19 Sales, Fees & Charges Income Compensation Grant

In both 2020/21 and 2021/22, the Council received COVID-19 Income Compensation Grant from the Government. The amount of grant received in 2021/22 was £4.270m and provided for 75% of budgeted income lost in the first quarter of the financial year when national restrictions were still in place. This included service income streams but excluded income from investments or investment properties.

In the Statement of Accounts, this grant has been credited to the associated services in the Comprehensive Income and Expenditure Statement. This is because the conditions of the grant meant the amount received was directly related to the performance of the service in the year, the purpose of which was to reduce the net expenditure pressure on the service as a result of COVID-19 restrictions.

The judgement made on the disclosure of the grant is that the income was more appropriate to be credited to these services, as opposed to the alternative of crediting it to the Taxation & Non-Specific Grant Income line in the Comprehensive Income & Expenditure Statement.

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 2021/22 financial year and based on the estimates of group financials for our 100% owned companies. With turnover of Aequus Construction Ltd. (ACL) of £5.556m and Aequus Developments Ltd (ADL) of £1.348m 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 2022 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 2019. The next triennial valuation is due to be completed as at 31 March 2022.

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 2022 is £325.6m.

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 £2.0m change for Surplus Properties and Other Land and Buildings (Note 12).

5 MATERIAL ITEMS OF INCOME AND EXPENSE

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

6 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Finance Officer (Section 151 Officer) on 15th March 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 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this situation.

Academy Schools

These accounts reflect the transfer of assets and liabilities in respect of those schools which became Academies during the 2021/22 financial year. The following schools have submitted applications to convert to Academy status.

St Mary Bath Catholic Primary
St Johns Bath Catholic Primary

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.

2021/22	As reported for Resource Management £'000	Adjustment to arrive at the new amount chargeable to the General Fund Balance (Note 7a) £'000	Net Expenditure charged to the General Fund Balance £'000	Adjustments Between Accounting & Funding Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
Economic Development & Resources	7,392	27,905	35,297	(9,089)	26,208
Adults & Council House Building	52,836	102	52,938	3,703	56,641
Children & Young People, Communities & Culture	43,741	(116)	43,625	2,200	45,825
Climate & Sustainable Travel	775	(5,018)	(4,243)	1,438	(2,805)
Planning & Licensing	2,489	(78)	2,411	(245)	2,166
Neighbourhood Services	25,442	(4,013)	21,429	16,565	37,994
Transport Services	(7,384)	(286)	(7,670)	9,268	1,598
Net Cost Of Services	**125,291**	**18,496**	**143,787**	**23,840**	**167,627**
Other Income & Expenditure	(105,051)	(29,896)	(134,947)	(23,184)	(158,130)
(Surplus) or Deficit on Provision of Services	**20,240**	**(11,400)**	**8,840**	**656**	**9,498**
Opening General Fund Balance at 31 March 2021			120,163		
Closing General Fund Balance at 31 March 2022			**111,323**		

2020/21 (Restated)	As reported for Resource Management £'000	Adjustment to arrive at the new amount chargeable to the General Fund Balance (Note 7a) £'000	Net Expenditure charged to the General Fund Balance £'000	Adjustments Between Accounting & Funding Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
Economic Development & Resources	(3,690)	8,290	4,600	2,554	7,154
Adults & Council House Building	51,511	128	51,639	3,403	55,042
Children & Young People, Communities & Culture	35,248	19	35,267	2,537	37,804
Climate & Sustainable Travel	709	(102)	607	709	1,316
Planning & Licensing	2,069	(21)	2,048	129	2,177
Neighbourhood Services	25,799	(3,418)	22,381	16,503	38,884
Transport Services	(6,184)	(164)	(6,348)	8,499	2,151
Net Cost Of Services	**105,462**	**4,732**	**110,194**	**34,334**	**144,528**
Other Income & Expenditure	(122,869)	(48,771)	(171,640)	60,511	(111,129)
(Surplus) or Deficit on Provision of Services	**(17,407)**	**(44,039)**	**(61,446)**	**94,845**	**33,398**
Opening General Fund Balance at 31 March 2020*			58,717		
Closing General Fund Balance at 31 March 2021			**120,163**		

* After DSG opening balance adjustment (See Note 24)

7a NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2021/22	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**
Economic Development & Resources	16,965	30,724	(16,267)	(3,517)	27,905
Adults & Council House Building				102	102
Children & Young People, Communities & Culture				(116)	(116)
Climate & Sustainable Travel				(5,018)	(5,018)
Planning & Licensing				(78)	(78)
Neighbourhood Services				(4,013)	(4,013)
Transport Services				(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**
Economic Development & Resources	1,445	(2)	(10,532)	(9,089)
Adults & Council House Building	1,241	2,462	-	3,703
Children & Young People, Communities & Culture	(865)	3,148	(83)	2,200
Climate & Sustainable Travel	1,438	-	-	1,438
Planning & Licensing	(759)	514	-	(245)
Neighbourhood Services	13,812	2,753	-	16,565
Transport Services	7,942	1,326	-	9,268
Net Cost of Services	24,254	10,201	(10,615)	23,840
Other Income & Expenditure	(24,203)	7,399	(6,379)	(23,183)
Surplus or Deficit	51	17,600	(16,994)	657

2020/21 (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**
Economic Development & Resources	11,165	55,163	(15,185)	(42,853)	8,290
Adults & Council House Building				128	128
Children & Young People, Communities & Culture				19	19
Climate & Sustainable Travel				(102)	(102)
Planning & Licensing				(21)	(21)
Neighbourhood Services				(3,418)	(3,418)
Transport Services				(164)	(164)
Net Cost of Services	11,165	55,163	(15,185)	(46,411)	4,732
Other Income & Expenditure	(11,165)	(55,163)	7,836	9,721	(48,771)
Surplus or Deficit	-	-	(7,349)	(36,690)	(44,039)

	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**
Economic Development & Resources	(3,808)	(222)	6,584	2,554
Adults & Council House Building	3,232	171		3,403
Children & Young People, Communities & Culture	2,352	208	(23)	2,537
Climate & Sustainable Travel	685	-	24	709
Planning & Licensing	57	72		129
Neighbourhood Services	16,365	162	(24)	16,503
Transport Services	8,408	90	1	8,499
Net Cost of Services	27,291	481	6,562	34,334
Other Income & Expenditure	13,572	7,388	39,552	60,512
Surplus or Deficit	40,863	7,869	46,114	94,846

(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.

8 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2021/22	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000's	£'000's	£'000's	£'000's
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for depreciation of Non-Current Assets	23,398			(23,398)
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	3,632			(3,632)
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	**657**	**1,873**	**(1)**	**(2,529)**

2020/21	Usable Reserves General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000's	£'000's	£'000's	£'000's
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for depreciation of Non-Current Assets	23,732			(23,732)
Revaluation gains / Impairments on Property Plant & Equipment	7,105			(7,105)
Movements in the Market Value of Investment Properties	48,332			(48,332)
Amortisation of Intangible Assets	160			(160)
Capital Grants & Contributions Applied	(5,041)			5,041
Revenue expenditure funded from Capital under Statute	5,468			(5,468)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	5,878			(5,878)
Impairment allowance for capital expenditure loans	95			(95)
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:				
Statutory provision for the financing of capital investment expenditure charged against the General Fund	(6,894)			6,894
Principal repayment of Avon Loan	(455)			455
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(38,369)		38,369	
Application of grants to capital financing transferred to the Capital Adjustment Account			(38,361)	38,361
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	(2,269)	2,269		
Use of the Capital Receipts Reserve to finance new capital expenditure		(644)		644
Capital expenditure financed from revenue	(503)			503
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	-	-		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		23		(23)
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	4,174			(4,174)
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.	31			(31)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	22,862			(22,862) -
Employer's pensions contribution and direct payments to pensioners payable in the year	(14,993)			14,993
Adjustments primarily involving the Collection Fund Adiustment 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	42,102			(42,102)
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	(22)			22
Other movements	3,623			(3,623)
Total Adjustments	**94,846**	**1,648**	**8**	**(96,502)**

9 OTHER OPERATING EXPENDITURE

	2021/22 £'000	2020/21 £'000
(Gain) / Loss on disposal of non-current assets	9	4,386
Parish Precepts	2,946	2,889
Levy payments to joint bodies	5,450	5,076
	8,405	12,351

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2021/22 £'000	2020/21 £'000
Interest Payable & Premiums	7,470	7,836
Interest & Investment Income	(598)	(498)
Net Deficit/(Surplus) on Trading Services	350	632
Income & expenditure in relation to Investment properties and changes in fair value	(11,386)	38,118
Impairment of Financial Instruments	(137)	38
Loss / (Gain) on Financial Instruments carried at Fair Value through Profit or Loss	(887)	31
Net Interest on the Net Defined Benefit Liability (Asset)	7,399	7,388
	2,211	53,545

11 TAXATION AND NON-SPECIFIC GRANT INCOME

	2021/22 £'000	2020/21 £'000
Council Tax Income	(106,358)	(99,996)
Non-Domestic Rates Income & Expenditure*	(4,047)	15,996
Non-ringfenced Government grants	(30,126)	(54,665)
Capital grants and contributions	(28,215)	(38,361)
	(168,746)	(177,026)

* The change in the 2021/22 Non-Domestic Rates figure reflects the Collection Fund Deficit position (£17.197m) arising in year mainly due to the extension of the Business Rate Retail Relief scheme which resulted in a reduction in Business Rate income accounted for in the Collection Fund. The impact of the loss of income was compensated for by the government through payment of s31 revenue grant. The grant funding has been transferred to an earmarked reserve, so it is available in 2022/23 to offset the recovery of this element of the Collection Fund deficit.

12 PROPERTY, PLANT & EQUIPMENT

Movement in 2021/22:

	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 (exc Infrastructure) £'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	(3,395)	-	(1,557)		(310)	-	**(5,262)**
Assets reclassified to/from Held for sale	(800)	-	-	-	(45)	-	**(845)**
Reclassifications - other	2,013	-	173	(7,489)	-	-	**(5,303)**
Other Movements	(719)		-	(1,307)	(113)	-	**(2,139)**
Valuation as at 31 March 2022	**233,762**	**1,558**	**44,600**	**71,767**	**3,543**	**48,382**	**403,612**
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	131	-	1,494	-	3	-	**1,628**
Other Movements in Depreciation & Impairment	-	-	-	-	-	-	**-**
Accumulated depreciation at 31 March 2022	**(1,037)**	**-**	**(22,666)**	**-**	**-**	**-**	**(23,702)**
Balance sheet amount 31 March 2022	**232,726**	**1,558**	**21,934**	**71,767**	**3,543**	**48,382**	**379,910**
Revaluations (GBV)							
Carried at Historic Cost	4,844	1,558	44,600	57,193	1		108,196
Heritage Valuations (Insurance or Curatorial)						48,382	48,382
Surplus Properties at Fair Value							
Valued at Current value as at:							
Y/E 31/03/2022	192,973			4,900	2,579		200,452
Y/E 31/03/2021	21,879				812		22,691
Y/E 31/03/2020	2,060				4		2,064
Y/E 31/03/2019	4,947			7,750	22		12,719
Y/E 31/03/2018	7,059			1,924	125		9,108
Y/E 31/03/2017	-					-	
Y/E 31/03/2014	-						
Y/E 31/03/2013	-						
Total Cost or Valuation	**233,762**	**1,558**	**44,600**	**71,767**	**3,543**	**48,382**	**403,612**

Comparative Movements in 2020/21:

	Other Land & Buildings **Restated** £'000	Community Assets £'000	Veh'cls,Plant & Equipment £'000	Assets Under Construction **Restated** £'000	Surplus Assets £'000	Heritage Assets £'000	**Total Property, Plant & Equipment** (exc Infrastructure)
Cost or valuation as at 1 April 2020	218,644	1,337	35,632	49,674	2,141	38,997	**346,425**
Additions	9,243	58	5,706	26,121	94	-	**41,222**
Revaluations increases/decreases recognised in the Revaluation Reserve	(9,430)	-	-	-	445	5	**(8,980)**
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(8,499)				42	-	**(8,457)**
De-recognition - Disposals	(5,648)	-	(950)			-	**(6,598)**
Assets reclassified to/from Held for sale		-	-	-		-	**-**
Reclassifications - other	12,782	-	1,181	(10,770)	-	-	**3,192**
Other Movements	(1,520)		-	(2,012)	(94)	-	**(3,625)**
Valuation as at 31 March 2021	**215,571**	**1,395**	**41,569**	**63,013**	**2,627**	**39,002**	**363,179**
Accumulated Depreciation and Impairment							
Accumulated depreciation as at 1 April 2020	(1,133)	-	(16,739)	-	(3)		**(17,875)**
Depreciation charge in year	(7,283)	-	(3,667)	-	-		**(10,950)**
Depreciation written out to the Revaluation Reserve	4,217	-	-	-	-		**4,217**
Depreciation written out to the Surplus/Deficit on Provision of Services	997	-	0	-	-		**997**
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-		**-**
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services	-		-	-	-		**-**
De-recognition - disposals	186	-	815	-	-		**1,001**
Other Movements in Depreciation & Impairment	(47)	-	0	-	-		**(47)**
Accumulated depreciation at 31 March 2021	**(3,063)**	**-**	**(19,591)**	**-**	**(3)**	**-**	**(22,657)**
Balance sheet amount 31 March 2021	**212,509**	**1,395**	**21,978**	**63,013**	**2,624**	**39,002**	**340,522**

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

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 2021/22 were carried out to the value of £200.5m. Along with existing valid valuations, acquisitions and disposals this gave a total valuation of £248.3m. 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 2022 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years estimated to cost £13.021m.

These are detailed below:

	2021/22	2020/21
	£'000	£'000
Bath Western Riverside Phase 2	**3,331**	4,630
Bath Quays	**2,018**	3,614
Cleveland Bridge	**147**	1,800
Education & Children's Services	**1,658**	1,301
Radstock Healthy Living Centre	**7**	1,123
Resources (Property) Schemes	**1,932**	1,118
Sydney Gardens	**389**	997
Clean Air Zone	**504**	821
Waste and Cleaning Vehicles	**1,173**	571
Archway Centre	**74**	225
Other	**1,788**	1,800
Total	**13,021**	18,000

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.

	2021/22	2020/21
	£'000	£'000
Net book Value at 1 April	90,920	93,504
Additions	12,032	11,093
Depreciation	(13,111)	(12,558)
Impairment		
Reclassifications	5,838	(1,297)
Other Movements		177
Net book Value at 31 March	95,679	90,920

13 HERITAGE ASSETS

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

2021/22	Victoria Art Gallery	Roman Baths	Fashion Museum	Chandeliers	Records Office	Library	**Total**
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
1st April	**16,135**	**9,996**	**4,123**	**1,800**	**4,137**	**2,811**	**39,002**
Additions							**-**
Disposals							**-**
Revaluations			8,077		1,303		**9,380**
Impairment Losses/(reversals)							**-**
recognised in the Reval Reserve							**-**
Impairment Losses/(reversals)							**-**
recognised in the Surplus or							**-**
Deficit on Provision of Service							**-**
31st March	**16,135**	**9,996**	**12,200**	**1,800**	**5,440**	**2,811**	**48,382**

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

2020/21	Victoria Art Gallery	Roman Baths	Fashion Museum	Chandeliers	Records Office	Library	**Total**
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
1st April	16,135	9,996	4,118	1,800	4,137	2,811	**38,997**
Additions							**-**
Revaluations			5				**5**
31st March	**16,135**	**9,996**	**4,123**	**1,800**	**4,137**	**2,811**	**39,002**

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.

	2021/22	2020/21
	£'000	£'000
Rental Income from Investment Property	16,965	11,165
Direct operating expenses arising from Investment Property	(1,577)	(951)
Net gain/(loss)	15,388	10,214

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.

	2021/22	2020/21
	£'000	£'000
Balance at start of year	260,915	310,762
Adjustment to opening balance		
Additions of expenditure	715	632
Disposals	-	(252)
Net gains/losses from fair value adjustments	(4,002)	(48,332)
Transfer to/from Property, Plant & Equipment	(535)	(1,895)
Balance at end of the year	257,093	260,915

The Council carries out annual valuations of all investment properties. The valuer's report identified a total valuation of £257.1m, 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.

	2021/22	2020/21
	£'000	£'000
Cost or valuation as at 1 April	1,468	2,135
Purchases	39	289
Transfers	-	-
Disposals	-	(956)
Net gains/losses from fair value adjustments		-
Cost or valuation as at 31 March	1,507	1,468
Accumulated Amortisation as at 1 April	516	1,312
Amortisation for the period	223	160
Amortisation Write Back (Disposals)	-	(956)
Accumulated Amortisation at 31 March	739	516
Net Carrying amount at 31 March	767	952

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 2021 £'000	**31 March 2022 £'000**	31 March 2021 £'000	**31 March 2022 £'000**
Financial liabilities at amortised cost - loans	223,901	**214,841**	20,000	**5,000**
Accrued Interest (1)			2,186	**1,914**
Financial liabilities at amortised cost trade creditors			18,477	**21,609**
Total borrowings	223,901	**214,841**	40,663	**28,523**

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

	31 March 2021 £'000	**31 March 2022 £'000**	31 March 2021 £'000	**31 March 2022 £'000**
Financial assets held at amortised cost *	-	**-**	67,500	**74,200**
Accrued Interest (1) *			64	**118**
Financial assets held at fair value through profit and loss			4,424	**10,311**
Cash			735	**755**
Loans & receivables - Loans	8,853	**6,659**	2,452	**2,950**
Loans & receivables - trade debtors			16,193	**14,068**
Total Investments	8,853	**6,659**	91,368	**102,402**

(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 £49.224m as at 31st March 2022, with the remaining £25.094m being short term investments. (£52.408m Cash Equivalents as at 31st March 2021, with £15.156m being short term investments).

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

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

Financial Instruments Gains & Losses

	Financial Liabilities 31 March 2021 Liabilities measured at amortised cost £'000	Financial Assets 31 March 2021 Loans & Receivables £'000	Total £'000	**Financial Liabilities 31 March 2022** Liabilities measured at amortised cost **£'000**	**Financial Assets 31 March 2022** Loans & Receivables **£'000**	**Total £'000**
Interest Expense *	(7,264)	-	(7,264)	**(6,921)**	**-**	**(6,921)**
Impairment Losses		(38)	(38)		**137**	**137**
Net Gain / (Loss) on Financial Assets Measured at Fair Value Through Profit or Loss		(31)	(31)		**887**	**887**
Interest payable & similar charges	(7,264)	(69)	(7,333)	**(6,921)**	**1,024**	**(5,897)**
Interest Income	-	498	498	**-**	**598**	**598**
Interest & investment Income	-	498	498	**-**	**598**	**598**
Net gain/(loss) for the Year	(7,264)	429	(6,835)	**(6,921)**	**1,622**	**(5,299)**

* The Council also paid £0.99m (of which £0.44m related to principal), in respect of its share of debt relating to the former Avon County Council which is managed by Bristol City Council.

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. IFRS 13 reporting has required fair values to be disclosed, defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the balance sheet date.

Our valuations of assets and liabilities represent present value of the cash flows that will take place over the remaining term of the instruments. Valuations also have the following specific features:

+ cash flows arising from Public Works Loan Board loans have been discounted on an IFRS13 basis, so that the fair value equals the amount at which the authority could repay its loans on balance sheet date.

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

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

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

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

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

Fair values are shown in the table below, split by their level in the fair value hierarchy:
Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

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

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

		31 March 2021		**31 March 2022**	
	Fair Value Level	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
		£'000	£'000	**£'000**	**£'000**
Financial liabilities held at amortised cost:					
Financial Liabilities - PWLB Loans (Long Term Borrowing)	2	199,961	234,068	**195,886**	**204,651**
Financial Liabilities - Local & Police Authority Loans (Long Term Borrowing)	2	5,023	5,147		
Financial Liabilities - Market Loans (Long Term Borrowing)	2	20,852	34,231	**20,846**	**30,581**
Total		225,836	273,446	**216,732**	**235,232**
Liabilities for which fair values are not disclosed:					
Financial Liabilities - Local & Police Authority Loans (Short Term Borrowing)		20,251		**5,023**	
Financial Liabilities - trade creditors (see Note 21)		18,477		**21,609**	
Total Financial Liabilities		264,564		**243,364**	

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 2022 on the Council's portfolio of loans is higher than the carrying amount because the interest rate payable is higher than the premature repayment rates available for similar loans at the Balance Sheet date. This commitment to pay interest above market exit prices increases the amount that the Council would have to pay if it requested early repayment of the loan.

		31 March 2021		**31 March 2022**	
	Fair value Level	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
		£'000	£'000	**£'000**	**£'000**
Financial assets held at fair value:					
Strategic Investment funds	2	4,424	4,424	**10,311**	**10,311**
Financial assets held at amortised cost:					
Money market funds and S/Term deposits	1	67,500	67,510	**74,200**	**74,181**
Total		71,924	71,934	**84,511**	**84,492**
Assets for which fair value is not disclosed:					
Accrued Interest		64		**118**	
Cash		735		**755**	
Loans & receivables - Loans		11,305		**9,609**	
Loans & Receivables - trade debtors (see Note 19)		16,193		**14,068**	
Total Financial Assets		100,221		**109,061**	

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 2021/22 sets the minimum credit ratings for the banks and financial institutions with which deposits can be made. The minimum credit ratings were Long Term rating BBB+ or equivalent for UK banks and Foreign banks. The Council also set additional criteria in relation to the time limit and amount of monies which will be invested with financial institutions based on the level of their credit rating with a maximum lending limit of £10m restricted to UK banks and foreign banks.
For operational reasons, the Treasury Management Strategy for 2021/22 permitted the overnight use of the Council's current bank account provider (NatWest), subject to maintaining a credit rating of not lower then BBB-.

Investments in foreign countries will be limited to those that hold a AAA or AA+ sovereign credit rating from all three major credit rating agencies, and to a maximum of £15m per country for those rated AAA and £10 million for those rated AA+ per country. Banks that are domiciled in one country but are owned in another country will need to meet the rating criteria of and will count against the limit for both countries. There is no aggregate limit on investments in the UK.
Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

IFRS9 Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 122% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. At 31st March 2022, £4K of loss allowances related to treasury investments and deemed not material. (2020/21 £2k).

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 2021/22

	Aequus Developm't Limited	Aequus Construction Limited	Aequus Working Capital	Other Loans	**Totals**
	£'000	£'000	£'000	£'000	**£'000**
Loans Brought Forward	6,217	4,950	250	101	**11,518**
New Loan Issued (*)	18	600	18	-	**636**
Repayments	(94)	(2,200)	(168)	(7)	**(2,469)**
Loans Balance at 31st March 2022	6,141	3,350	100	94	**9,685**
Cumulative IFRS 9 Loan Impairments at 31st March 2022	(17)	(56)	(2)	(1)	**(76)**

(*) The Aequus Working Capital loans is funded as revenue, the balance of £9.585m being capital expenditure loans

	2021 £'000	2020 £'000
Trade Debtors	**14,068**	16,193
Total debtors at 31st March (including trade debtors)	**50,555**	64,181

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 £14.1m outstanding at 31st March 2022 is all past its due date for payment.
The past due but not impaired amount can be analysed by age as follows:

	2021/22 £'000's	2020/21 £'000's
Less than three months	**9,393**	12,113
Three to six months	**438**	572
Six months to one year	**664**	539
More than one year	**3,573**	2,969
	14,068	16,193

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

	Amount at 31 March 2022 £'000's	%	Amount at 31 March 2021 £'000's	%
Loans & Receivables (Cash on Deposit) by Country Analysis				
UK Debt Management Office	**10,006**	**11.8%**	-	0.0%
UK Local Authorities	**5,005**	**5.9%**	15,012	20.9%
UK - Other Financial Institutions	**54,225**	**64.1%**	52,506	72.9%
Singapore	**5,004**	**5.9%**	-	0.0%
Sweden	**-**	**0.0%**	3	0.0%
Pooled funds not subject to credit risk	**10,389**	**12.3%**	4,467	6.2%
Total	**84,629**	**100%**	71,988	100%

Liquidity and Refinancing Risk

As the Council has ready access to borrowing from both the money market and the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 50% of loans are due to mature within 12 months, this is in line with the Treasury Management Strategy and is managed by careful planning when new loans are taken out or any debt restructuring takes place.

The maturity analysis of borrowing is as follows:

	31 March 2021 £'000	31 March 2022 £'000
Borrowing due for repayment:		
Under 1 year *	40,444	**25,438**
Between 1 and 2 years	5,000	**-**
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	8,573	**40,324**
Between 20 and 25 years	84,190	**49,025**
Between 25 and 30 years	9,314	**9,073**
Between 35 and 40 years	20,000	**20,000**
Between 40 and 45 years	5,000	**5,000**
Between 45 and 50 years	36,080	**35,681**
	243,901	**219,841**

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.

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 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	17
Increase in interest receivable on variable rate investments	(646)
Impact on Income and Expenditure Statement	**(629)**
Decrease in fair value of fixed rate investment assets (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	**(100)**
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	**(26,640)**

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

Price Risk

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £5m. A 5% fall in commercial property prices at 31st March 2022 would result in a £0.246m 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**	
	2021/22	2020/21	**2021/22**	2020/21
	£'000	£'000	**£'000**	£'000
Balance outstanding at start of year	**68**	98	**-**	-
Assets newly classified as held for sale:			-	-
Property, Plant & Equipment	**845**		-	-
Additions	**12**	(2)	-	-
Revaluation gains/(losses)	**(42)**		-	-
Assets declassified as held for sale:			-	-
Property, Plant & Equipment				
Assets sold		(30)		-
Other Movement	**(12)**	2		
Balance outstanding at year end	**871**	68	**-**	-

The Council carries out annual valuations of all Asset Held for Sale Properties. The valuer's report identified a total valuation of £871K 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 2021	Purchases	Recognised as expense in year	Written off Balances	**Balance 31st March 2022**
	£'000	£'000	£'000	£'000	**£'000**
Consumable Stores	571	41	(114)		**498**
Total Inventories	**571**	**41**	**(114)**	**-**	**498**

19 DEBTORS

Amounts falling due in one year:	2021/22 £'000	2020/21 £'000
Central Government bodies	**11,041**	12,705
Other local authorities	**7,639**	17,143
NHS bodies	**3,570**	4,529
Other entities and individuals (Trade Debtors)	**14,068**	16,193
Other entities and individuals (Non-Trade Debtors)	**11,718**	10,920
Prepayments	**2,519**	2,691
Total - Current Assets	**50,555**	64,181

Amounts falling after one year:	£'000	£'000
Other entities and individuals	**8,241**	10,443
Total - Long Term Assets	**8,241**	10,443

20 CASH AND CASH EQUIVALENTS

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

	2021/22 £'000	2020/21 £'000
Cash held by the Authority	**127**	132
Bank current accounts	**628**	603
Short-term deposits	**49,224**	52,508
Total cash and cash equivalents	**49,979**	53,243

21 CREDITORS

	2021/22 £'000	2020/21 £'000
Central government bodies	**25,278**	14,234
Other local authorities	**6,763**	5,289
NHS bodies	**1,887**	1,816
Other entities and individuals (Trade Creditors)	**21,609**	18,477
Other entities and individuals (Non-Trade Creditors)	**19,192**	15,372
Income Received in Advance	**4,666**	5,423
Pensions Fund	**4,518**	3,378
	83,913	63,989

22 PROVISIONS FOR LIABILITIES

Provisions comprise:	31 March 2021 £'000	New Provisions £'000	Utilised in Year £'000	Written Back £'000	**31 March 2022 £'000**
NNDR Appeals Provision	12,832	2,488	(1,715)		**13,605**
Ex-Avon Insurance Claim Provision	303				**303**
	13,135	2,488	(1,715)	-	**13,908**

* The NNDR Appeals Provision is for appeals made to the Valuation Office in respect of NNDR valuations.

* 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.

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 2021/22.

Unearmarked Reserves	31 March 2021 £'000	transfers to £'000	transfers from £'000	**31 March 2022 £'000**
General Fund Balances unearmarked	19,244	62,549	(65,917)	**15,876**

Earmarked Reserves	31 March 2021 £'000	transfers to £'000	transfers from £'000	**31 March 2022 £'000**
LMS Schools Balances*	1,230	-	(144)	**1,086**
Corporate Earmarked Reserves	84,794	37,895	(58,038)	**64,651**
Service Specific Reserves	2,669	1,075	(518)	**3,226**
General Service Earmarked Reserves	12,226	14,470	(212)	**26,484**
	100,919	53,440	(58,912)	**95,447**
Total General Fund Balances and Reserves	**120,163**	**115,989**	**(124,829)**	**111,323**
Other Usable Reserves				
Capital Receipts Reserve	6,645	3,631	(1,758)	**8,518**
Capital Grants Unapplied Reserve	23	38,097	(38,098)	**22**
Total Usable Reserves	**126,831**	**157,717**	**(164,685)**	**119,863**

* LMS Schools balances will be used by individual schools

Corporate Earmarked Reserves	31 March 2021 £'000	transfers to £'000	transfers from £'000	**31 March 2022 £'000**
Insurance Fund	913			**913**
Capital Financing Reserve	10,093	2,868	(3,000)	**9,961**
Revenue Funding of Capital	547	1,201	(976)	**772**
Financial Planning & Smoothing Reserve	7,059	4,608	(4,109)	**7,558**
Revenue Budget Contingency Reserve	6,238	804	(3,300)	**3,742**
Invest To Save Reserve	350	10	(148)	**212**
Revenue Grants Unapplied	725	120	(23)	**822**
Transformation Investment Reserve	3,130	703	(1,430)	**2,403**
Restructuring & Severance Reserve	2,183		(283)	**1,900**
Business Rates Reserve	6,495	156	(2,913)	**3,738**
S.31 Business Rate Relief Compensation Grant Reserve	39,045	18,506	(39,045)	**18,506**
City Region Sustainable Transport Settlement Reserve		3,000		**3,000**
COVID-19 Reserves	4,848	5,485	(2,803)	**7,530**
Other	3,168	434	(8)	**3,594**
	84,794	37,895	(58,038)	**64,651**

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 holds 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 has to be funded in 2022/23 under the Collection Fund statutory accounting requirements. The grant has been transferred to this new earmarked reserve in 2021/22 so it is 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.

General Service Earmarked Reserves	31 March 2021 £'000	transfers to £'000	transfers from £'000	**31 March 2022 £'000**
Information Technology Reserve	533		(62)	**471**
Finance VAT Advice Reserve	408			**408**
Leisure Reserves	80		(80)	**-**
Waste Reprovision Reserve	1,107		(64)	**1,043**
Public Transport Reserve	155			**155**
Combe Down Stone Mines Interpretation Centre Reserve	140		(6)	**134**
Care & Health Reserve	5,495	2,883		**8,378**
ICS Transformation Reserve	4,000	4,000		**8,000**
Commercial Estate Reinvestment Reserve		2,218		**2,218**
Clean Air Zone Reserves		5,217		**5,217**
Other Service Reserves	308	152		**460**
	12,226	14,470	(212)	**26,484**

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

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

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

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

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 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

	2021/22 £'000	2020/21 £'000
Revaluation Reserve	**177,553**	140,670
Capital Adjustment Account	**227,672**	225,994
Deferred Capital Receipts Reserve	**376**	384
Financial Instruments Adjustment Account	**(5,492)**	(5,662)
Dedicated Schools Grant Adjustment Account	**(13,437)**	(5,424)
Pooled Fund Adjustment Account	**311**	(576)
Accumulated Absences Account	**(550)**	(633)
Pensions Reserve	**(327,898)**	(364,489)
Collection Fund Adjustment Account	**(15,625)**	(39,492)
Total Unusable Reserves	**42,910**	(49,228)

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.

	2021/22 £'000	2020/21 £'000
Balance at 1 April	**140,670**	150,336
Adjustment to opening balance		1,604
Upwards revaluation of assets	**50,955**	15,078
Downwards revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	**(10,479)**	(19,841)
Impairment losses not charged to the Surplus/Deficit on the Provision of Services	**-**	-
Transfer of depreciation on re-valued assets	**(2,318)**	(2,961)
Written Back on asset disposal and transfer	**(1,275)**	(3,546)
Impairment of fixed assets - transfer		
Balance at 31 March	**177,553**	140,670

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set a side by the Authority as finance for the cost of acquisition, construction and enhancement.
The account contains accumulated gains and losses on Investment Properties.
The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.
Note 8 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2021/22 £'000	2021/22 £'000	2020/21 £'000
Balance at 1 April		225,994	263,586
Adjustment to opening balance		-	(1,604)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	(23,398)		(23,732)
Revaluation losses on Property, Plant & Equipment	(6,994)		(7,105)
Amortisation of intangible assets	(223)		(160)
Impairment allowance for capital expenditure loans	126		(95)
Revenue expenditure funded from capital under statute	(16,883)		(5,468)
Grant funding of revenue expenditure funded from capital under statute	15,279		5,041
		(32,093)	(31,519)
Adjusting amounts written out of the Revaluation Reserve			
Transfer of depreciation on re-valued assets		2,318	2,961
Transfer of revaluation reserve balance on asset disposal		1,275	3,546
Net written out amount of the cost of non-current assets consumed in the year		(28,500)	(25,012)
Capital financing applied in the year:			
Use of capital receipts reserve to finance new capital expenditure	1,758		644
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	28,215		38,361
Capital expenditure financed from revenue	1,193		503
Minimum Revenue Provision	8,360		6,894
		39,526	46,402
Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		(4,002)	(48,332)
Deferred liability - Repayment of Avon Loan Debt		437	455
Carrying value of fixed assets disposed of		(3,632)	(5,878)
Other movements		(2,151)	(3,623)
Balance at 31 March		227,672	225,994

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.

	2021/22 £'000	2021/22 £'000	2020/21 £'000
Balance at 1 April		(5,662)	(5,832)
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		(5,492)	(5,662)

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.

	2021/22 £'000	2021/22 £'000	2020/21 £'000
Balance at 1 April		(5,424)	-
Adjustment to Opening Balance			(1,250)
DSG (Over) / Underspend in year	(8,013)		(4,174)
Amount by which Dedicated Schools Grant funded expenditure charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.		(8,013)	(4,174)
Balance at 31 March		(13,437)	(5,424)

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.

	2021/22	2020/21
	£'000	£'000
Balance at 1 April	**(576)**	(545)
Amount by which the change in fair value of pooled funds charged to the Comprehensive Income & Expenditure Statement is different from that calculated for the year in accordance with statutory requirements.	**887**	(31)
Balance at 31 March	**311**	(576)

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.

	2021/22	2020/21
	£'000	£'000
Balance at 1 April	**(364,489)**	(326,153)
Remeasurements of the net defined benefit liability / (asset)	**54,191**	(30,467)
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	**(33,840)**	(22,862)
Employer's pensions contributions and direct payments to pensioners payable in the year	**16,240**	14,993
Balance at 31 March	**(327,898)**	(364,489)

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.

	2021/22	2020/21
	£'000	£'000
Balance at 1 April	**384**	407
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)**	(23)
Balance at 31 March	**376**	384

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.

	2021/22	2020/21
	£'000	£'000
Balance at 1 April	**(39,492)**	2,610
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**	(42,102)
Balance at 31 March	**(15,625)**	(39,492)

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.

	2021/22	**2021/22**	2020/21
	£'000	**£'000**	£'000
Balance at 1 April		**(633)**	(655)
Settlement or cancellation of accrual made at the end of the preceding year	**633**		655
Amounts accrued at the end of the current year	**(550)**		(633)
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**	22
Balance at 31 March		**(550)**	(633)

25 CASH FLOW STATEMENT

Note A to the cash flow statement	2021/22 £'000	2020/21 £'000
Net Surplus or (Deficit) on the Provision of Services	(9,498)	(33,398)
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	23,398	23,732
Impairment and downward valuations	9,145	10,823
Amortisation	223	160
Impairment allowance on service loans	(137)	38
Adjustment for internal interest charged	8	4
Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss a/c	(888)	32
Adjustments for effective interest rates	(6)	(6)
Increase/Decrease in Interest Creditors	(271)	188
Increase/Decrease in Creditors	9,570	1,498
Increase/Decrease in Interest and Dividend Debtors	(6)	128
Increase/Decrease in Debtors	12,040	(25,719)
Increase/Decrease in Inventories	73	44
Pension Liability	19,884	3,309
Pension Fund Gains on Past Service Costs		
Contributions to/(from) Provisions	773	921
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	3,632	5,878
Movement in investment property values	4,002	48,332
Other movements		
Total adjustments on the provision of services for non cash movements	81,440	69,362
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Capital Grants credited to surplus or deficit on the provision of services	(43,494)	(43,411)
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	(3,624)	(2,270)
Total adjustments on the provision of services that are investing or financing activities	(47,118)	(45,681)
Net Cash Flows from Operating Activities	24,825	(9,717)

Note B to the Cash Flow Statement - Operating Activities (Interest)	2021/22 £'000	2020/21 £'000
Operating activities within the cash flow statement include the following cash flows relating to interest		
Ordinary interest received	598	498
Other adjustments for differences between Effective Interest Rates and actual interest receivable-Long Term Debt	-	-
Opening Debtor	64	192
Closing Debtor	(71)	(64)
Interest Received	591	626
Interest charge for year	(7,470)	(7,836)
Adjustment for difference between effective interest rates and actual interest payable	(6)	(6)
Adjustment for impairment loss on service loans	-	38
Adjustment for internal interest charged to balance sheet funds	8	4
Opening Creditor	(2,186)	(91)
Closing Creditor	1,914	279
Interest Paid	(7,740)	(7,612)

Note C to the Cash Flow Statement - Cash Flows from Investing Activities	2021/22	2020/21
	£'000	£'000
Property, Plant and Equipment Purchased	(40,115)	(52,313)
Purchase of Investment Properties	(715)	(632)
Other Capital Payments	(39)	(290)
Opening Capital Creditors	(4,562)	(4,679)
Closing Capital Creditors	8,966	4,562
Purchase of Property, Plant and Equipment, investment property and intangible assets	(36,465)	(53,352)
Purchase of short term investments	(45,000)	(75,000)
Long term loans granted	(600)	(3,882)
Capital Grants Repaid	(4,012)	9,646
Proceeds from the sale of property plant and equipment, investment property and intangible assets	3,631	2,292
Proceeds / (Purchase) from short term investments	30,000	85,000
Proceeds from long term investments	-	-
Other capital cash receipts	2,434	8,719
Capital Grants Received / (Repaid)	40,805	53,505
Other Receipts / (Payments) from Investing Activities	43,239	62,224
Total Cash Flows from Investing Activities	(9,207)	26,928

Note D to the Cash Flow Statement - Cash Flows from Financing Activities	2021/22	2020/21
	£'000	£'000
Cash receipts of long term borrowing	-	15,000
Billing Authorities - Council Tax and NNDR adjustments	5,609	(1,535)
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	-	-
Other receipts from Financing Activities	-	-
Repayment of Short-Term and Long-Term Borrowing	(24,491)	(4,854)
Payments for the reduction of a finance lease liability	-	-
Total Cash Flows from Financing Activities	(18,882)	8,611

Note E - Makeup of Cash and Cash Equivalents	2021/22	2020/21
	£'000	£'000
Cash and Bank Balances	755	735
Cash Investments - regarded as cash equivalents	49,224	52,508
Bank Overdraft	-	-
	49,979	53,243

26 EXPENDITURE & INCOME ANALYSED BY NATURE

	2021/22 £'000	2020/21 £'000
Expenditure		
Employee expenses	**117,073**	94,567
Other service expenses	**254,831**	244,727
Depreciation amortisation & impairment	**30,615**	30,997
Loss on disposal of non-current assets	**9**	4,386
Decrease in Investment Estate Fair Value	**4,002**	48,332
Interest Expenditure (Inc. Net Interest on Net Defined Benefit Liability)	**14,869**	15,224
Precepts and levies	**8,396**	7,965
	429,795	446,198
Income		
Sales, Fees and charges and other misc. income (including Contributions)	**(88,248)**	(65,856)
Income from Council Tax & Business Rates	**(110,405)**	(84,000)
Income from Investment Estate	**(16,965)**	(11,165)
Government Grants & Contributions	**(204,082)**	(251,282)
Interest & Investment Income	**(598)**	(498)
	(420,298)	(412,801)
(Surplus) / Deficit on provision of services	**9,498**	33,398

26a SEGMENT REPORTING

	2021/22 £'000	2020/21 £'000 Restated
Depreciation amortisation & impairment		
Economic Development & Resources	**8,185**	2,450
Adults & Council House Building	**1,145**	3,060
Children & Young People, Communities & Culture	**(925)**	2,182
Climate & Sustainable Travel	**1,765**	684
Planning & Licensing	**59**	57
Neighbourhood Services	**12,350**	14,259
Transport Services	**8,036**	8,305
Total	**30,615**	30,997
Revenues from external customers / Contributions		
Economic Development & Resources	**(16,936)**	(8,451)
Adults & Council House Building	**(32,468)**	(33,422)
Children & Young People, Communities & Culture	**(6,604)**	(5,957)
Climate & Sustainable Travel	**(5,858)**	(234)
Planning & Licensing	**(4,370)**	(3,151)
Neighbourhood Services	**(8,524)**	(6,478)
Transport Services	**(13,488)**	(8,163)
Total	**(88,248)**	(65,856)

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.

	2021/22	2021/22	2021/22	2020/21
	Income	Expenditure	(Surplus) / Deficit	(Surplus) / Deficit
	£'000	£'000	£'000	£'000
School and Other Catering	0	4	4	4
Cleaning Services	(10)	34	24	(17)
Fleet Management	(163)	233	70	138
Passenger Transport Services	(85)	287	202	6
Trade Refuse Collection	(831)	634	(197)	(114)
Print Services	0	0	0	1
Bath Museum Shops	(1,161)	1,408	247	614
Surplus for Year	(2,250)	2,600	350	632

28 POOLED FUNDING

The Council has Pooled Budget arrangements under section 31 of the Health Act 1999 with NHS Bath & North East Somerset CCG. The Pooled Budgets are hosted by the Council. During 2021/22 there were four Pooled Budgets, detailed below :-

Adult Learning Difficulties

The Council has entered into a pooled budget arrangement with Bath & North East Somerset Clinical Commissioning Group (CCG) for the provision of Learning Disabilities services to meet the needs of people living in the Bath and North East Somerset area, the services being provided by the Council or the CCG depending upon the mix required by clients.
The Council and the CCG have a Section 75 agreement in place for funding these services with the partners contributing funds to the agreed budget equal to 76.67% and 23.33% of the budget respectively. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.
The pooled budget is hosted by the Council on behalf of the two partners to the agreement.

	2021/22 £'000	2020/21 £'000
Gross Funding		
Bath & North East Somerset Council	23,827	23,827
NHS Bath & North East Somerset Clinical Commissioning Group	7,266	7,266
Other Funding	761	1,051
Income from Client Contributions	1,450	1,292
Total Funding	33,304	33,436
Total Expenditure	33,413	32,597
Net (Underspend) / Overspend	109	(839)
Overspend Recharged		
Bath & North East Somerset Council	84	(643)
NHS Bath & North East Somerset Clinical Commissioning Group	25	(196)

Community Equipment

The Council has entered into a pooled budget arrangement with Bath & North East Somerset Clinical Commissioning Group (CCG) for the provision of Community Equipment services to meet the needs of people living in the Bath and North East Somerset area, the services being provided by the Council or the CCG depending upon the mix required by clients.
The Council and the CCG have a Section 75 agreement in place for funding these services with the partners contributing funds to the agreed budget equal to 30% and 70% of the budget respectively. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.
The pooled budget is hosted by the Council on behalf of the two partners to the agreement.

	2021/22 £'000	2020/21 £'000
Gross Funding		
Bath & North East Somerset Council	203	203
NHS Bath & North East Somerset Clinical Commissioning Group	473	473
Total Funding	676	676
Total Expenditure	676	676
Net (Underspend) / Overspend	0	0

Better Care Fund

The Council has entered into a pooled budget arrangement with Bath & North East Somerset Clinical Commissioning Group (CCG) for the provision of services under the Better Care Fund. The government created the Better Care Fund in 2015 with the aim of developing and improving joint health and social care planning. The Better Care Fund is a pooling of health and social care budgets.
The Council and the CCG have entered into a formal arrangement from 1st April 2015 to deliver services via the Better Care Fund and have a Section 75 agreement in place for funding these services.
The pooled budget is hosted by the Council on behalf of the two partners to the agreement.

	2021/22 £'000	2020/21 £'000
Gross Funding		
Bath & North East Somerset Council	**7,591**	7,420
Bath & North East Somerset Council - Community Services Contract	**20,884**	23,640
NHS Bath & North East Somerset Clinical Commissioning Group	**13,380**	12,707
NHS Bath & North East Somerset Clinical Commissioning Group - Community Services Contract	**27,772**	27,334
Total Funding	**69,627**	71,101
Spend on Better Care Fund schemes	18,139	17,466
Spend on Community Services Contract	51,488	53,635
Total Expenditure	**69,627**	71,101

Children and Young People with Multiple and Complex Needs

The Council has entered into a pooled budget arrangement with Bath & North East Somerset Clinical Commissioning Group (CCG) for the provision of services to improve the well-being of Children and young people with multiple and complex needs living in the Bath and North East Somerset area, the services being provided by the Council or the CCG depending upon the mix required by clients.
The Council and the CCG have a Section 75 agreement in place for funding these services with the partners contributing funds to the agreed budget equal to 86.3% and 13.7% of the budget respectively. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.
The pooled budget is hosted by the Council on behalf of the two partners to the agreement.

	2021/22 £'000	2020/21 £'000
Gross Funding		
Bath & North East Somerset Council	**2,615**	2,615
NHS Bath & North East Somerset Clinical Commissioning Group	**413**	413
Total Funding	**3,028**	3,028
Total Expenditure	**10,827**	11,034
Net (Underspend) / Overspend	**7,799**	8,006
Overspend Recharged		
Bath & North East Somerset Council	6,735	6,914
Bath & North East Somerset Clinical Commissioning Group	1,064	1,092

29 MEMBERS' ALLOWANCES

The total cost of Members Allowances for 2021/22 including employers national insurance, pensions contributions and expenses was £793,309 (£791,267 in 2020/21).

*

		Basic Allowance	Special Responsibility Allowance	Expenses	Total
		£	£	£	£
APPLEYARD	R	8,213	6,668	-	**14,881**
BALL	TM	8,213	17,095	-	**25,308**
BEVAN	SF	8,213	208	-	**8,421**
BLACKBURN	C	8,213	208	-	**8,421**
BORN	A	8,213	9,033	-	**17,246**
BROMLEY	S	8,213	208	-	**8,421**
BUTTERS	TN	8,213	1,150	-	**9,363**
CLARKE	V	8,213	208	-	**8,421**
CRAIG	S	8,213	13,531	-	**21,744**
CROSSLEY	PN	8,213	6,668	-	**14,881**
CURRAN	G	8,213	208	-	**8,421**
DANDO	C	8,213	4,035	-	**12,248**
DAVID	J	8,213	5,499	-	**13,712**
DAVIES	T	8,213	9,227	-	**17,440**
DAVIS	S	8,213	3,449	-	**11,662**
DEACON	DE	8,213	208	-	**8,421**
DUGUID	P	8,213	2,213	-	**10,426**
ELLIOTT	M	8,213	208	-	**8,421**
EVANS	M	8,213	208	-	**8,421**
FURSE	AJ	8,213	1,131	-	**9,344**
GUY	K	8,213	40,580	-	**48,793**
HALE	AD	8,213	208	-	**8,421**
HARDMAN	EJ	8,213	208	-	**8,421**
HEDGES	SP	8,213	208	-	**8,421**
HIRST	J	8,213	2,020	-	**10,233**
HODGE	L	8,213	208	-	**8,421**
HOUNSELL	D	8,213	208	19	**8,440**
HUGHES	S	8,213	208	-	**8,421**
JACKSON	EM	8,213	208	-	**8,421**
JOHNSON	G	8,213	208	-	**8,421**
KUMAR	Y	8,213	208	-	**8,421**
MACFIE	H	8,213	208	-	**8,421**
MALLOY	R	8,213	208	-	**8,421**
MAY	P	8,213	4,035	-	**12,248**
MCCABE	M	8,213	6,887	-	**15,100**
MCGALL	S	8,213	6,225	-	**14,438**
MOORE	S	8,213	208	-	**8,421**
MOSS	R	8,213	4,646	-	**12,860**
MYERS	P	8,213	1,529	-	**9,742**
O'BRIEN	B	8,213	9,087	105	**17,405**
ODOHERTY	M	8,213	2,213	-	**10,426**
PANKHANIA	B	8,213	208	-	**8,421**
PLAYER	J	8,213	208	-	**8,421**
PRITCHARD	VL	8,213	7,228	225	**15,666**
RIGBY	A	8,213	18,716	-	**26,929**
ROMERO	UM	8,213	17,859	-	**26,072**
ROPER	M	-	-	-	**-**
SAMUEL	R	8,213	19,742	-	**27,955**
SHEARN	B	8,213	4,035	-	**12,248**
SIMMONS	B	8,213	208	-	**8,421**
SINGLETON	A	8,213	208	170	**8,591**
WAIT	A	8,213	208	31	**8,452**
WALKER	K	8,213	12,856	58	**21,127**
WARREN	E	8,213	16,275	135	**24,623**
WARRINGTON	K	8,213	6,472	-	**14,685**
WATT	C	8,213	208	-	**8,421**
WILLS	R	8,213	208	-	**8,421**
WOOD	D	8,213	14,388	140	**22,741**
WRIGHT	J	8,213	1,150	-	**9,363**
Total		**476,356**	**281,257**	**882**	**758,496**

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 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**

Senior Officers emoluments - annualised salary of £150,000 or more for the year ending **31 March 2021**

Post Holder	Salary	Expenses	Benefits in Kind e.g. Relocation, Subscriptions	Compensation for Loss of Office	Employer Pension Contrib'ns	Total
	£	£	£	£	£	£
Chief Executive - William Godfrey	151,041				31,567	**182,608**

Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending **31 March 2021**

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

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	**2021/22 Teachers**	**2021/22 Others**	**2021/22 Total**	2020/21 Teachers	2020/21 Others	2020/21 Total
£50,000 - £54,999	**4**	**42**	**46**	4	33	37
£55,000 - £59,999	**2**	**13**	**15**	-	14	14
£60,000 - £64,999	**1**	**20**	**21**	2	22	24
£65,000 - £69,999	**1**	**7**	**8**	3	8	11
£70,000 - £74,999	**3**	**5**	**8**	3	1	4
£75,000 - £79,999	**-**	**1**	**1**	1	2	3
£80,000 - £84,999	**1**	**3**	**4**	-	5	5
£85,000 - £89,999	**-**	**9**	**9**	-	12	12
£90,000 - £94,999	**-**	**3**	**3**	-	-	-
£95,000 - £99,999	**-**	**-**	**-**	-	3	3
£100,000 - £104,999	**-**	**2**	**2**	-	3	3
£105,000 - £109,999	**-**	**-**	**-**	-	3	3
£110,000 - £114,999	**-**	**1**	**1**	-	1	1
£115,000 - £119,999	**-**	**-**	**-**	-	-	-
£120,000 - £124,999	**-**	**1**	**1**	-	-	-
£125,000 - £129,999	**-**	**-**	**-**	-	1	1
£130,000 - £134,999	**-**	**-**	**-**	-	-	-
£135,000 - £139,999	**-**	**-**	**-**	-	-	-
£140,000 - £144,999	**-**	**-**	**-**	-	-	-
£145,000 - £149,999	**-**	**-**	**-**	-	-	-
£150,000 - £154,999	**-**	**-**	**-**	-	1	1
£155,000 - £159,999	**-**	**1**	**1**	-	-	-
£160,000 - £164,999	**-**	**-**	**-**	-	-	-
£165,000 - £169,999	**-**	**-**	**-**	-	-	-
£170,000 - £174,999	**-**	**-**	**-**	-	-	-
	12	**108**	**120**	13	109	122
		-				

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 2020/21). This included 0 in the Teacher category (0 in 2020/21) and 1 in the Others category (1 in 2020/21).
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 2021/22, incurring liabilities of £0.512m (£0.303m in 2020/21). 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)	**2021/22 Number of Compulsory Redund'cies**	**2021/22 Number of Other Exits Agreed**	**2021/22 Total Cost £**	2020/21 Number of Compulsory Redund'cies	2020/21 Number of Other Exits Agreed	2020/21 Total Cost £
£0 - £20,000	**4**	**10**	**33,601**	2	16	60,652
£20,001 - £40,000	**2**	**3**	**125,692**	1	4	157,159
£40,001 - £60,000	**-**	**-**	**0**	-	-	0
£60,001 - £80,000	**1**	**-**	**68,887**	-	-	0
£80,001 - £100,000	**-**	**-**	**0**	-	1	85,337
£100,001 - £150,000	**-**	**-**	**0**	-	-	0
£150,001 - £200,000	**-**	**-**	**0**	-	-	0
£200,001 - £250,000	**-**	**-**	**0**	-	-	0
£250,001 - £300,000	**-**	**1**	**283,573**	-	-	0
	7	**14**	**511,754**	3	21	303,148

33 EXTERNAL AUDIT COSTS

The Council has incurred the following fees payable to its auditors, Grant Thornton UK LLP	**2021/22 £'000**	2020/21 £'000
Fees payable with regard to external audit services	**160**	154
Fees payable for the certification of grant claims and returns	**34**	34
	194	188

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 2021/22 are as follows:

	2021/22 Central Expenditure **£'000**	**2021/22** Individual Schools Budget **£'000**	**2021/22 Total £'000**	2020/21 Total £'000
Final DSG for before Academy recoupment			**160,577**	149,642
Academy figure recouped			**114,975**	104,016
Total DSG after Academy recoupment			**45,603**	45,626
plus Brought forward from previous year				(1,250)
less Carry forward into future year agreed in advance				
Final budget distribution	33,267	12,335	**45,603**	44,376
less Actual central expenditure	41,554		**41,554**	36,876
less Actual ISB deployed to schools	-	12,061	**12,061**	12,924
plus Local Authority contribution for year	-		**-**	
In-Year Carry forward	(8,287)	274	**(8,013)**	(5,424)
Carry forward into future year agreed in advance			**-**	
DSG unusable reserve brought forward			**(5,424)**	
Addition to DSG unusable reserve at the end			**(8,013)**	(5,424)
Total of DSG unusable reserve at the end			**(13,437)**	(5,424)
Net DSG position at year end			**(13,437)**	(5,424)

35 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22:

	2021/22	2020/21
Credited to Taxation and Non Specific Grant Income	**£'000**	£'000
Non-Ringfenced Government Grants		
s31 Grants - DLUHC / MHCLG	**26,060**	47,367
COVID Support Grant - DLUHC / MHCLG	**4,066**	7,298
Capital Grants & Contributions		
Department for Education	**363**	392
Department for Transport	**3,230**	7,786
Department for Health & Social Care	**44**	202
West of England Combined Authority	**15,667**	20,740
Other	**6,370**	7,130
Third party contributions	**37**	482
Section 106 Developer / CIL Contributions	**2,504**	1,629
	58,341	93,026

Credited to Services		
Education Funding Agency (incl. Universal Infant Free School Meals)	**1,673**	1,893
Pupil Premium Grant	**926**	1,149
Mandatory rent allowances	**28,447**	30,217
Public Health Grant	**9,471**	9,308
Department for Health & Social Care	**3,558**	1,278
COVID Infection Control Grants	**4,240**	4,060
COVID Outbreak Management Grants	**1,049**	5,361
COVID Test & Trace Support Grant	**-**	849
COVID Workforce Capacity Grant	**-**	365
COVID Rapid Testing Fund	**-**	557
Department for Education	**2,694**	2,810
Department for Environment, Food & Rural Affairs	**2,371**	1,098
Department for Transport	**5,863**	214
Department for Levelling Up, Housing & Communities (DLUHC) [Formally Ministry of Housing, Communities & Local Government (MHCLG)]	**13,227**	11,555
Sales, Fees & Charges Compensation Grant	**4,270**	17,724
Council Tax Hardship Grant	**-**	1,288
COVID-19 Business Support Grants	**3,001**	7,674
COVID Test & Trace Support Payments	**594**	258
COVID Winter Grants	**481**	495
COVID Income Guarantee Compensation	**-**	774
COVID Job Retention Scheme Grant	**31**	562
Local Council Tax Support Fund	**1,695**	-
New Homes Bonus Grant	**3,064**	5,688
West of England Combined Authority	**2,655**	1,753
Other	**7,824**	4,895
Third party contributions	**112**	2
Section 106 Developer / CIL Contributions	**2,892**	803
	100,138	112,629

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

	2021/22	2020/21
	£'000	£'000
Grants Receipts In Advance (Capital Grants & Contributions)		
Section 106 Developer & 3rd Party Contributions	**4,707**	7,877
Various Capital Grants	**18,758**	28,267
Total	**23,465**	36,144
Grants Receipts In Advance (Revenue Grants)		
Various Service Grants	**2,066**	4,509
Total	**2,066**	4,509

Long-Term Liabilities

	2021/22	2020/21
	£'000	£'000
Grants Receipts In Advance (Capital Grants & Contributions)		
Section 106 Developer & 3rd Party Contributions	**15,032**	13,390
Various Capital Grants	**20,399**	16,024
Total	**35,431**	29,414

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 £2,622,583 (£2,226,773 2020/21) and support services costs of £518,585 (£535,892 2020/21). Five B&NES Councillors are voting members on the Pensions Committee.

Aequus Developments Ltd (ADL)

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

Aequus Construction Ltd (ACL)

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

Members & Officers

Three Members of the Council are members of the Avon Fire & Rescue Service.
Two Members of the Council are members of the Police and Crime Panel
Ten Members are Parish / Town Councillors
One Member is on the Board of the Local Enterprise Partnership (LEP)

The Council made payments of £826,347 (£203,731 in 2020/21) to voluntary bodies and organisations where Members have declared an interest (either due to a Council nomination or in an independent capacity).

	2021/22
	£
Bath & North East Somerset Carers Centre	58,563
Bath Area Play Project	311,505
Bath Festivals Trust	9,884
Cleveland Pools Trust	368,718
Keynsham & District Mencap Society	1,250
South West Councils	16,219
SWAN Advisory Network	60,208
	826,347

Clinical Commissioning Group

The Council is in partnership with the NHS B&NES Clinical Commissioning Group (CCG) to commission health, social care and preventative support services (previously with the PCT until 31st March 2013 prior to the enactment of the Health & Social Care Act 2012). Community Health & Social Care services, previously delivered through the partnership between the Council and PCT, then transferred to Sirona Care & Health Community Interest Company are now delivered by Virgin Care Ltd through a 7 year prime provider contract that was awarded in November 2016, following the Your Care, Your Way community services review, with the contract commencing April 2017. The contract is a “tri-partite” contract between the Council, CCG and Virgin Care Services Ltd, with the Council acting as lead commissioner for this contract. Contract funding is pooled under Section 75 of the 2016 NHS Act through the Council and CCG Better Care Fund. Relevant elements of the Council's budget are reported to the Health & Wellbeing Board. The Board is Co-Chaired by the Cabinet Member for Adult Care, Health & Wellbeing along with the CCG GP Board Chair. The Council Chief Executive and Cabinet Members are on the Board.

Adoption West

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

Youth Connect South West

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

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:

	2021/22	2020/21
	£'000	£'000
Highways, Transport, Road Safety & Bridge Strengthening	**11,118**	8,951
Bath Western Riverside	**4,738**	3,153
Bath Quays: North, South & Bridge	**3,659**	16,416
Housing Delivery Schemes	**2,685**	546
Keynsham High Street Public Realm	**2,535**	231
Sydney Gardens	**2,338**	628
Capitalised Buildings Maintenance	**2,114**	1,979
Waste Project	**2,113**	1,208
Preparing for the Future - New Technology	**1,742**	-
Office Reconfiguration Costs	**795**	62
Archway Centre	**749**	3,298
Commercial Estate Investment	**589**	227
Public Sector Decarbonisation Scheme	**434**	-
School Improvements	**363**	819
Clean Air Zone	**243**	5,217
North Keynsham Land Acquisition / Redevelopment	**19**	5,739
Other	**4,671**	5,053
	40,905	53,527

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

Capital Expenditure was categorised as follows:

	2021/22	2020/21
	£'000	£'000
Property, plant and equipment	**22,553**	26,194
Investment properties	**715**	632
Intangible assets	**39**	289
Heritage Assets	**-**	-
Assets under construction	**17,586**	26,121
Non Current Assets held for sale	**12**	(2)
Capital Loans	**618**	3,499
Revenue expenditure funded from capital under statute (*)	**16,883**	5,468
Total expenditure	**58,405**	62,202

* This includes £155k of transformation and severance costs funded under the Government's flexible use of capital receipts scheme (£96k in 2020/21). These costs will contribute to ongoing revenue savings in line with the Council's approved Efficiency Strategy.

Sources of finance:

	2021/22	2020/21
	£'000	£'000
Capital Receipts	**1,758**	644
Grants	**37,949**	40,487
Borrowing	**11,960**	17,652
3rd Party Contributions	**149**	484
S.106 / CIL contributions	**5,396**	2,432
Revenue	**1,193**	503
Total financing	**58,405**	62,202

Capital Financing Requirement

	2021/22 £'000	2020/21 £'000
Opening Capital Financing Requirement	326,909	323,672
Capital Investment	58,405	62,202
Other Adjustments to CFR (including revenue reversion of prior years spend)	(36)	
Sources of Finance:		
Capital Receipts	(4,060)	(8,164)
Government grants & other contributions	(43,494)	(43,403)
Sums set aside from revenue (including MRP)	(9,553)	(7,397)
Closing Capital Financing Requirement	328,171	326,909
Increase in underlying need to borrow unsupported by Government financial assistance	11,924	17,652
Repayments received in respect of Capital Expenditure Loans	(2,302)	(7,520)
Less minimum revenue provision repayment	(8,360)	(6,894)
Increase / (decrease) in Capital Financing Requirement	1,262	3,238

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:

	2021/22 £'000	2020/21 £'000
Other Land & Buildings	3,890	4,066
Vehicles, Plant & Equipment	-	-
	3,890	4,066

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 2021/22 were £391K (£396K in 2020/21).

The future payments required under these leases are £2,909K comprising the following elements:

	2021/22 £'000	2020/21 £'000
Not later than one year	471	468
Later than one year and not later than five years	1,536	1,556
Later than five years	902	902
	2,909	2,926

The Council holds property leases which are operating leases. The amount paid in rent for 2021/22 was £513K (2020/21 was £314K).

	2021/22 £'000	2020/21 £'000
Not later than one year	608	441
Later than one year and not later than five years	2,392	1,549
Later than five years	9,913	6,824
	12,913	8,814

Authority as Lessor

Finance Leases
The Authority has leased out a number of commercial properties on finance leases in 2021/22, the capital receipts from these total £50K (2020/21 £763K)

Operating Leases
The Authority leases out a large number of investment properties.

Rental income receivable from operating property leases on investment properties totalled £16.965m (£11.165m in 2020/21).
The net book value of these properties is £257.093m (£260.915m in 2020/21).

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

	2021/22	2020/21
	£'000	£'000
Not later than one year	**14,581**	15,247
Later than one year and not later than five years	**42,259**	47,271
Later than five years	**122,064**	128,136
	178,904	190,654

Rental income receivable from Property Plant and Equipment leases totalled £1,600K in 2021/22 (£1,563K in 2020/21).
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:

	2021/22	2020/21
	£'000	£'000
Not later than one year	**982**	891
Later than one year and not later than five years	**2,422**	1,743
Later than five years	**5,020**	4,775
	8,424	7,409

39 EXCEPTIONAL ITEMS

There were no exceptional items in 2021/22.

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 2021/22 the Council paid £1.453m to Teachers' Pensions in respect of teachers' retirement benefits, representing an average of 23.7% of pensionable pay. The figures for 2020/21 were £1.627m 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.

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 2011 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 2022/23 charge of £2.275m to be credited to the Pension Reserve and 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, by when 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.

	Local Government Pension Scheme 2021/22	2020/21	Unfunded Liabilities (Teachers) Discretionary Benefits 2021/22	2020/21
Comprehensive Income and Expenditure Statement	**£'000**	£'000	**£'000**	£'000
Cost of Services:				
Current Service Costs	**26,042**	18,562		
Past Service Cost	**-**	-	**-**	-
Settlement and Curtailment (Gain) / Loss	**13**	(3,438)	**-**	-
Administration Expenses	**386**	350		
Financing and Investment Income & Expenditure:				
Net Interest Expense	**6,989**	6,927	**410**	461
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**33,430**	22,401	**410**	461
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement				
Remeasurement of the net defined benefit liability:				
Experience (gains) and losses	**2,694**	(18,696)	**56**	(315)
Actuarial (gains) and losses arising on changes in demographic assumptions	**(530)**	-	**183**	1,648
Actuarial (gains) and losses arising on changes in financial assumptions	**(7,419)**	128,878	**(193)**	-
Return on Plan Assets (excluding interest)	**(48,982)**			
Total Remeasurements	**(54,237)**	110,182	**46**	1,333
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(20,807)**	132,583	**456**	1,794
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	**33,430**	22,401	**410**	461
Actual amount charged against General Fund Balance for pensions in the year:				
Employer Contributions	**12,529**	18,069		
less upfront deficit payment for 2021/22 & 2021/22		(4,560)		
add upfront deficit payment recognised in year (paid 2020/21)	**2,284**	-		
Employers' contributions payable to scheme	**14,813**	13,509	**-**	-
Retirement benefits payable to pensioners			**1,427**	1,484

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

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

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities (Teachers) Discretionary Benefits	
	2021/22	2020/21	**2021/22**	2020/21
	£'000	£'000	**£'000**	£'000
Present value of defined benefit obligation	**985,952**	**967,476**	**19,279**	20,250
Fair value of plan assets	**(679,609)**	**(627,797)**	**-**	-
Net liability arising from defined benefits obligation	**306,343**	**339,679**	**19,279**	**20,250**

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities (Teachers) Discretionary Benefits	
	2021/22	2020/21	**2021/22**	2020/21
	£'000	£'000	**£'000**	£'000
Opening Balance at 1 April	**967,476**	844,609	**20,250**	19,940
Current service cost	**26,042**	18,562		
Interest cost	**20,067**	19,983	**410**	461
Contributions from scheme participants	**4,368**	3,967		
Actuarial gains and losses	**(5,255)**	110,182	**46**	1,333
Benefits paid	**(26,541)**	(23,929)	**(1,427)**	(1,484)
Settlements	**(771)**	(5,946)	**-**	-
Past service costs	**566**	48	**-**	-
Past service gain	-	-	**-**	-
Closing Balance at 31 March	**985,952**	967,476	**19,279**	20,250

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

	Local Government Pension Scheme	
	2021/22	2020/21
	£'000	£'000
Opening Fair Value of scheme assets at 1 April	**627,797**	538,396
Interest on Plan Assets	**13,078**	13,056
Remeasurement Gain (Loss)	**48,982**	81,048
Administration Expenses	**(386)**	(350)
Business Combinations	**-**	-
Settlements	**(218)**	(2,460)
Contributions from employer	**12,529**	18,069
Contributions from employees into the scheme	**4,368**	3,967
Benefits paid	**(26,541)**	(23,929)
Closing Balance at 31 March	**679,609**	627,797

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 £62.060m (2020/21 £94.104m).

Scheme History

	2016/17	2017/18	2018/19	2019/20	2020/21	**2021/22**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Present value of liabilities:						
Local Government Pension Scheme	(809,137)	(813,854)	(875,027)	(844,609)	(967,476)	**(985,952)**
Discretionary Benefits	(23,976)	(22,542)	(22,569)	(19,940)	(20,250)	**(19,279)**
Fair value of assets in the Local Government Pension Scheme	535,285	570,957	587,757	538,396	627,797	**679,609**
Surplus/(deficit) in the scheme:						
Local Government Pension Scheme	(273,852)	(242,897)	(287,270)	(306,213)	(339,679)	**(306,343)**
Discretionary Benefits	(23,976)	(22,542)	(22,569)	(19,940)	(20,250)	**(19,279)**
Long Term Liability in Balance Sheet	(297,828)	(265,439)	(309,839)	(326,153)	(359,929)	**(325,622)**

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £326m 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 £12.2m. Estimated contributions to the Discretionary Benefits scheme are £1.4m.

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent triennial valuation was carried out as at 31 March 2019, which showed a shortfall of assets against liabilities of £0.28 billion as at that date, equivalent to a funding level of 94%. The fund's employers are paying additional contributions over a period of up to 13 years in order to meet the shortfall. The next triennial valuation will be as at 31st March 2022.
The weighted average duration of the Authority's defined benefit obligation is 16 years, measured on the actuarial assumptions used for IAS19 purposes.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both scheme liabilities have been assessed by an independent firm of actuaries Mercer Ltd, estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31 March 2022.

The principal assumptions used by the actuary have been:

	Avon Pension Fund		Discretionary Benefits (Teachers) Scheme	
	2021/22	2020/21	**2021/22**	2020/21
Mortality assumptions :				
Longevity for current pensioners:	at 65		at 75	
Men	**23.1**	23.3	**14.3**	14.4
Women	**25.3**	25.4	**16.1**	16.2
Longevity for future pensioners:				
Men	**24.6**	24.8	**23.1**	
Women	**27.3**	27.4	**25.3**	
Rate of inflation	**3.4%**	2.7%	**3.5%**	2.7%
Rate of increase in salaries	**4.9%**	4.2%		
Rate of increase in pensions	**3.5%**	2.8%	**3.6%**	2.8%
Rate for discounting scheme liabilities	**2.8%**	2.4%	**2.8%**	2.1%

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	29,531	(29,531)
Rate of Inflation (increase or decrease by 0.1%)	15,458	(15,458)
Rate of increase in salaries (increase or decrease by 0.1%)	1,142	(1,142)
Rate of discounting scheme liabilities (increase or decrease by 0.1%)	(15,218)	15,218

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 2022**		Assets at 31 March 2021	
	£'000	**%**	£'000	%
Equity investments	**276,211**	**40.6%**	235,431	37.5%
Government Bonds	**84,232**	**12.4%**	88,677	14.1%
Other Bonds	**50,756**	**7.5%**	53,100	8.5%
UK Property Funds	**45,212**	**6.7%**	45,201	7.2%
Alternatives	**212,432**	**31.3%**	186,968	29.8%
Cash Accounts	**10,766**	**1.6%**	18,420	2.9%
Total	**679,609**	**100%**	627,797	100%

History of experience gains and losses

Actuarial losses identified as movements on the Pensions Reserve in 2021/22 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2022.

	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17
Difference between the expected and actual return on scheme assets:						
amount (£'000)	**48,982**	81,048	(52,191)	14,615	(3,304)	64,055
percentage	**7.2%**	12.9%	9.7%	2.5%	0.6%	1.2%
Experience gains and losses on liabilities						
amount (£'000)	**2,694**	(18,696)	1,878	-	-	-
percentage	**0.3%**	1.9%	0.2%	0.0%	0.0%	0.0%
	51,676	**62,352**	**(50,313)**	**14,615**	**(3,304)**	**64,055**
Cumulative gains / losses recognised	**155,401**	**103,725**	**41,373**	**91,686**	**77,071**	**80,375**

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 2022 apportioned to this Council is £10.486m (£10.923m in 2020/21). 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 2021	Principal Repaid	**31 March 2022**
	£000	£000	**£000**
Ex- Avon loan debt principal repayment	10,923	(437)	**10,486**

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 £8.360m calculated as follows:

	2021/22	2020/21
	£000	£000
Provision for capital expenditure incurred before 1st April 2008	**575**	575
Provision based on estimated useful life of new assets since 2008	**7,785**	6,319
Total Minimum Revenue Provision (MRP)	**8,360**	6,894

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

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:	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

	2020/21 Exp. £'s	2020/21 Income £'s	2020/21 Assets £'s	2020/21 Liabilities £'s
Alice Park Trust	41,309	(41,309)	189,664 *	
Total	**41,309**	**(41,309)**	**189,664**	**0**

* Includes external investments valued at £18,271

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:

	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**

	2020/21 Exp. £'s	2020/21 Income £'s	2020/21 Assets £'s	2020/21 Liabilities £'s
Educational Funds	10,557	(35)	36,996	
Graves / Memorial maintenance		(13)	12,668	
Twinning Fund	430	(26)	26,026	
Bequests		(36)	36,248	
Total	**10,987**	**(110)**	**111,938**	**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.

The Company's draft un-audited accounts to 31st March 2022 show a turnover of £1,348,065, a net profit of £298,047, net current liabilities of £274,088 and net assets of £400,137. (Turnover of £1,444,202, a net profit of £277,719, net current liabilities of £291,250 and net liabilities of £149,410 in 2020/21). These figures include outstanding loans made to the company by the Council of £6,140,934 (£6,217,334 2020/21).

Aequus Construction Ltd (ACL)
ACL is a 100% subsidiary of ADL which was set up during 2017/18 to carry out construction and development of building projects.

The Company's draft un-audited accounts to 31st March 2022 show a turnover of £5,556,680, a net profit of £370,016, net current liabilities of £3,777,300 and net assets of £3,674,684 (a turnover of £15,710,530, a net profit of £2,993,044, net current liabilities of £3,383,146 and net assets of £3,304,668 in 2020/21). These figures include outstanding loans made to the company by the Council of £3,450,000 (£5,200,000 in 2020/21).

A copy of the 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 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.

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 the museums curator, and where necessary supplemented with advice is 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.

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 2021	(54,588)	(1,623)	0	0
Receipts into the Pool in-year:				
- Growth sums payable by Councils to BRP in-year	(25,196)	(550)	354	0
Distributions out of the Pool in-year:				
- Tier 1 no worse off	8,767	192	0	(192)
- BRP Management Fee	35	9	0	0
- EDF Management Fee	65	16	0	0
- Tier 2 EDF funding	3,397	80	0	1
- Tier 3 Demographic and service pressures	2,687	57	0	(281)
Funds held by the BRP at 31 March 2022	**(64,833)**	**(1,819)**		
Analysed between:				
Uncommitted cash (Tier 2 incl. Contingency)	(2,535)	(46)	(356)	n/a
Committed cash not yet allocated	(62,298)	(1,773)	552	n/a
	(64,833)	**(1,819)**		
Expenditure / (Revenue) recognised			**550**	**(472)**

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

The Council's share of this committed and uncommitted cash balance held by the BRP (£1.819m) 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 £3.397m on behalf of the EDF in 2021/22.

The council itself has recognised revenue income of £472,000 (2020/21: (£708,000) from the BRP and expenditure of £550,000 (2020/21: £270,000) to the BRP for the year.

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 2021/22 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 2021/22, the Portfolios of responsibility are structured differently to those included in the 2020/21 Statement of Accounts. This note shows how the net expenditure and income has been restated.

	As originally reported in the CIES 2020/21 £'000	Adjustments between Cabinet Portfolio structure £'000	As Restated 2020/21 £'000
NET EXPENDITURE			
Cabinet Portfolio			
Leader	(8)	8	-
Resources	13,307	(13,307)	-
Adult Services	53,192	(53,192)	-
Children's Services	35,095	(35,095)	-
Climate Emergency & Neighb'rhood Serv.	17,854	(17,854)	-
Housing, Planning & Economic Developm't	3,595	(3,595)	-
Community Services	2,397	(2,397)	-
Transport Services	19,096	(16,945)	2,151
Economic Development & Resources	-	7,154	7,154
Adults & Council House Building	-	55,042	55,042
Children & Young People, Communities & Culture	-	37,804	37,804
Climate & Sustainable Travel	-	1,316	1,316
Planning & Licensing	-	2,177	2,177
Neighbourhood Services	-	38,884	38,884
Cost of Services	**144,528**	**-**	**144,528**
GROSS EXPENDITURE			
Cabinet Portfolio			
Leader	881	(881)	-
Resources	72,468	(72,468)	-
Adult Services	107,049	(107,049)	-
Children's Services	100,707	(100,707)	-
Climate Emergency & Neighb'rhood Serv.	20,534	(20,534)	-
Housing, Planning & Economic Developm't	9,509	(9,509)	-
Community Services	23,019	(23,019)	-
Transport Services	33,329	(18,593)	14,736
Economic Development & Resources	-	83,745	83,745
Adults & Council House Building	-	101,032	101,032
Children & Young People, Communities & Culture	-	113,336	113,336
Climate & Sustainable Travel	-	2,752	2,752
Planning & Licensing	-	6,441	6,441
Neighbourhood Services	-	45,454	45,454
Cost of Services	**367,496**	**-**	**367,496**
GROSS INCOME			
Cabinet Portfolio			
Leader	(889)	889	-
Resources	(59,161)	59,161	-
Adult Services	(53,857)	53,857	-
Children's Services	(65,612)	65,612	-
Climate Emergency & Neighb'rhood Serv.	(2,680)	2,680	-
Housing, Planning & Economic Developm't	(5,914)	5,914	-
Community Services	(20,622)	20,622	-
Transport Services	(14,233)	1,648	(12,585)
Economic Development & Resources	-	(76,591)	(76,591)
Adults & Council House Building	-	(45,990)	(45,990)
Children & Young People, Communities & Culture	-	(75,532)	(75,532)
Climate & Sustainable Travel	-	(1,436)	(1,436)
Planning & Licensing	-	(4,264)	(4,264)
Neighbourhood Services	-	(6,570)	(6,570)
Cost of Services	**(222,968)**	**-**	**(222,968)**

Restatement of Long Term Assets

As a result of a review of Fixed Assets, the classification of two land assets which are development sites has been amended. This reflects these should have been Assets Under Construction rather Other Land and Buildings on the Balance Sheet.

	Long Term Assets originally reported in the Balance Sheet as at 31st March 2021	Adjustments between Land & Buildings & Assets Under Construction	Long Term Assets restated as at 31st March 2021
	£'000	£'000	£'000
Property, Plant & Equipment:			
Land & Buildings	222,183	(9,674)	212,509
Community Assets	1,395		1,395
Vehicles, Plant & Equipment	21,978		21,978
Assets under Construction	53,339	9,674	63,013
Surplus assets	2,624		2,624
Infrastructure	90,920		90,920
Heritage Assets	39,002		39,002
Investment Property	260,915		260,915
Intangible Assets	952		952
Long Term Investments			-
Long Term Debtors	10,443		10,443
Long Term Assets	**703,752**	**-**	**703,752**

Infrastructure Assets

CIPFA has issued an update to the 2021-22 Code and Specifications for Future Codes for Infrastructure Assets. The revised Code includes a temporary relief from 1 April 2021 to 31 March 2025 so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets. This temporary relief has been introduced to the Code because historical information deficits resulting from previous reporting requirements mean that this information is unlikely to faithfully represent what it purports to represent.

Hence the Council has chosen to exclude infrastructure assets from the Property, Plant and Equipment disclosure in Note 12, which includes accumulated cost and depreciation, and these assets are now included in a separate table in Note 12a, which details movements in Net Book Value only. The accounting policy for Property, Plant and Equipment has been updated to include clarification of the accounting treatment of Infrastructure assets.

The change in disclosure has no impact on the Net Book Value of the Property, Plant and Equipment assets, including Infrastructure, included in the Balance Sheet.

COLLECTION FUND 2021/22

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	2021/22 £'000	2020/21 £'000
INCOME				
Council Tax	2	(127,932)		(120,438)
Income collectable from business ratepayers	3	(49,334)		(29,314)
			(177,266)	(149,752)
EXPENDITURE				
Council Tax - Precepts and demands				
Bath & North East Somerset		104,986		100,325
Avon & Somerset Police	1	16,091		15,236
Avon Fire	1	5,099		5,012
			126,176	120,573
National Non-Domestic Rates (NNDR)				
Central share payment to Government		-		-
Local share payment to Bath & North East Somerset		61,727		62,824
Local share payment to WECA		3,283		3,342
Local share payment to Avon Fire Authority		657		668
Transfer of City Deal Growth Disregard to General Fund	6	-		-
Transfer of Renewable Energy Growth Disregard to General Fund		17		25
Cost of Collection Allowance		269		269
			65,953	67,127
Impairments of debts/Appeals provision				
Contribution to Provision for Bad Debts	4		172	1,042
Contribution to Provision for NNDR Appeals	5		2,537	3,112
Contributions				
Contribution towards previous year's estimated Collection Fund Surplus/(Deficit)			(43,070)	2,465
			151,768	194,319
(Surplus)/Deficit for the Year			(25,498)	44,567
(Surplus)/Deficit Brought Forward as at 1 April			41,888	(2,680)
(Surplus)/Deficit as at 31 March	7		16,390	41,888
Council Tax Surplus / (Deficit) to be refunded to Police & Fire Authorities			320	27
NNDR Surplus / (Deficit) to be refunded / charged to Government, WECA & Fire Authority			(1,097)	(2,522)
Bath & North East Somerset (Surplus)/Deficit			15,613	39,392

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 2021/22 £'000	**Surplus / (Deficit) 2021/22 £'000**	Precept 2020/21 £'000	Surplus / (Deficit) 2020/21 £'000
The Avon & Somerset Police Authority	**16,091**	**(12)**	15,236	107
The Avon Fire Authority	**5,099**	**(4)**	5,012	36

2 Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands. Estimated values at 1 April 1991 are used for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Bath & North East Somerset Council, the Police Authority and the Fire Authority for the forthcoming year and dividing this by the Council Tax base (adjusted for discounts) of 66,711.90 (66,879.90 for 2020/21). This amount of Council Tax for a Band D property £1,891.36 (£1,802.83 - 2020/21) is multiplied by the proportion specified for the particular band to give an individual amount due.

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

	Discounted Properties	Ratio to Band D	Band D Equivalents
Band A - Disabled Relief	12	5/9	7
Band A	6,687	6/9	4,458
Band B	16,682	7/9	12,975
Band C	17,916	8/9	15,925
Band D	12,610	9/9	12,610
Band E	9,081	11/9	11,099
Band F	5,192	13/9	7,500
Band G	4,593	15/9	7,655
Band H	381	18/9	762
			72,991
Overall Adjustment for Council Tax Support and Technical Changes			(6,279)
Council Tax Base			**66,712**

The reduction in the Council Tax base between financial years is as a result of an increase in Local Council Tax Support Scheme discounts partly offset by an increase in the number of chargeable dwellings.

The income for 2021/22 is receivable from the following sources:-

	2021/22 £'000	2020/21 £'000
Billed to Council Tax payers	**(127,890)**	(119,401)
Localism Act Discounts funded from General Fund	**(2)**	(1)
DWP Benefits funded from General Fund	**4**	1
Foster Carers Locally Defined Discount funded from General Fund	**(15)**	(12)
Care Leavers Locally Defined Discount funded from General Fund	**(27)**	(20)
Council Tax Covid-19 Hardship Relief funded from General Fund	**(2)**	(1,004)
	(127,932)	(120,438)

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 2021/22 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 £49.334 million for 2021/22 (£29.314 million for 2020/21) resulted from a total rateable value at 31 March 2022 of £184.883 million (2020/21: £186.188 million).

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

From 1 April 2013, the NNDR scheme changed following the introduction of a business rates retention scheme where local authorities retain a proportion of the total amount due (49% for B&NES and 1% for Avon Fire Authority), subject to safety net and levy payments on disproportionate losses or growth. The remaining 50% was paid to Central Government and redistributed to local authorities as Revenue Support Grant.

In 2017/18 a number of 100% Business Rate Retentions pilot schemes were agreed by central government in areas with signed devolution deals. This included a pilot scheme for the West of England which includes Bath & North East Somerset Council, Bristol City Council, South Gloucestershire Council and the West of England Combined Authority (WECA). Under the pilot, B&NES retains 94% of business rates, with WECA retaining 5% and Avon Fire Authority retaining 1%. The Council's Revenue Support Grant is no longer received directly from the Central Government and has been rolled into the pilot scheme.

The closing deficit on the business rates retention scheme in 2021/22 is £18.294m (£42.047m deficit in 2020/21). The deficit is to be allocated to the Council (94%), WECA (5%) and Fire Authority (1%) based on the proportional shares agreed under the 100% retention pilot.

The Business Rate Collection Fund deficit for 2021/22 is much larger than in previous years. This is primarily due to businesses being awarded expanded retail reliefs in 2021/22 totalling £20.035m (Council's share is £18.833m), as part of the Governments support to business in response to the COVID-19 pandemic, which was announced after the 2021/22 Budget was set. Therefore, these additional reliefs were not included in the 2021/22 Budget estimates for Business Rate income. The reliefs effectively reduce the amount the Council collects from businesses, resulting in a considerable deficit on the Collection Fund. However, these reliefs are funded by Government through Section 31 revenue grants. These grants have been received in 2021/22 and have been transferred to a specific Council earmarked reserve. This reserve will be used to offset the Collection Fund deficit when it is charged to the Council’s General Fund in 2022/23.

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:

	2021/22	2020/21
	£'000	£'000
Council Tax		
Balance at 1 April	**1,478**	1,412
Write-offs during the year	**(213)**	(194)
Contributions to provisions during the year	**109**	260
Net Increase/(Decrease) in Provision	**(104)**	66
Balance at 31 March	**1,374**	1,478
NNDR		
Balance at 1 April	**1,164**	740
Write-offs during the year	**(186)**	(358)
Contributions to provisions during the year	**66**	782
Net Increase/(Decrease) in Provision	**(120)**	424
Balance at 31 March	**1,044**	1,164
Total		
Balance at 1 April	**2,642**	2,152
Write-offs during the year	**(399)**	(552)
Contributions to provisions during the year	**175**	1,042
Net Increase/(Decrease) in Provision	**(224)**	490
Balance at 31 March	**2,418**	2,642

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 2021.

	2021/22	2020/21
	£'000	£'000
Balance at 1 April	**13,650**	12,466
Cost of Appeals settled during the year	**(1,715)**	(1,928)
Contributions to provisions during the year	**2,539**	3,112
Net Increase/(Decrease) in Provision	**824**	1,184
Balance at 31 March	**14,474**	13,650

The net increase in appeals provision is due to provisions made in respect of potential 2017 rating list appeals. Provision for appeals on 2017 rating list has been made at 4.7% of the net business rates payable.

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 2022, the balance on the Collection Fund stood at an overall deficit of £16.389m

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

	Council Tax	NNDR	Total
	£'000	£'000	£'000
Central Government	-		**-**
Bath & North East Somerset	(1,585)	17,197	**15,612**
West of England Combined Authority (WECA)	-	915	**915**
Avon & Somerset Police	(243)	-	**(243)**
Avon Fire Authority	(77)	182	**105**
	(1,905)	**18,294**	**16,389**

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 2021 to 31 March 2022. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 2022, with comparative figures for the previous financial year.

Consolidation of subsidiaries

Inclusion Within The Group Financial Statements

The Council has business relationships with a number of entities over which it has varying degrees of control or influence. These are classified into the categories of subsidiaries, associates and joint ventures. The meaning of these terms are outlined below:

Subsidiary - "A subsidiary is an entity including an unincorporated entity such as a partnership that is controlled by another entity (the Council), known as the parent."

Associate - "An associate is an entity over which an investor (the Council) has significant influence."

Joint Venture - "A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement"

The Council has two material subsidiary companies which are both 100% owned, these are:
Aequus Developments Limited (ADL) &
Aequus Construction Limited (ACL)
ACL is a 100% owned subsidiary of ADL but as ADL is 100% owned by the council, both are treated as separate companies 100% owned by the council.
More detail regarding each of these organisations can be found in note G3.

The Council does not currently have any material associate or joint venture arrangements with any other entities.

Further detail regarding the Council's relationship with the above companies is given in Note 36 of the Council's Statement of Accounts.

The following statements consolidate the accounts of the Council with those of its subsidiaries. Transactions between the Council and its Group entities are eliminated on consolidation.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2021/22

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	2020/21 Gross Exp £'000 Restated	2020/21 Gross Inc £'000 Restated	2020/21 Net Exp £'000 Restated	**Expenditure on Services**	2021/22 Gross Exp £'000	2021/22 Gross Inc £'000	**2021/22 Net Exp £'000**
	82,955	(76,478)	6,477	Economic Development & Resources	87,740	(62,964)	**24,776**
	101,032	(45,990)	55,042	Adults & Council House Building	103,178	(46,537)	**56,641**
	113,336	(75,532)	37,804	Children & Young People, Communities & Culture	125,404	(79,579)	**45,825**
	2,752	(1,436)	1,316	Climate & Sustainable Travel	5,314	(8,119)	**(2,805)**
	6,441	(4,264)	2,177	Planning & Licensing	6,855	(4,689)	**2,166**
	45,454	(6,570)	38,884	Neighbourhood Services	53,559	(15,565)	**37,994**
	14,736	(12,585)	2,151	Transport Services	15,655	(14,057)	**1,598**
	9,667	(14,127)	(4,460)	Activities of Subsidiaries	5,117	(4,883)	**234**
	376,373	(236,982)	139,391	**Cost of Services - continuing Operations**	**402,822**	**(236,393)**	**166,429**
			12,351	Other Operating Expenditure			**8,405**
			54,625	Financing and Investment Income & Expenditure			**2,621**
			(176,262)	Taxation and Non-Specific Grant Income			**(168,625)**
			30,105	**(Surplus) or Deficit on Provision of Services**			**8,830**
			(15,078)	(Surplus) or Deficit on Upward Revaluation of Non-current Assets			**(50,955)**
			19,841	(Surplus) or Deficit on Downward Revaluation of Non-current Assets			**10,479**
			30,664	Remeasurement of the net defined benefit liability			**(54,443)**
			35,427	**Other Comprehensive Income & Expenditure**			**(94,919)**
			65,532	**Total Comprehensive Income & Expenditure**			**(86,089)**

GROUP MOVEMENT IN RESERVES STATEMENT 2021/22

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.

Current Year	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Authority's share of reserves of subsidiaries £'000	Total Group Reserves £'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	**(8,357)**			**(8,357)**	94,667	**86,310**	(221)	**86,089**
Adjustments between group accounts and authority accounts	**(1,141)**			**(1,141)**		**(1,141)**	1,141	-
Net Increase/ (Decrease) before transfers	**(9,498)**	-	-	**(9,498)**	94,667	**85,169**	**920**	**86,089**
Adjustments between accounting basis and funding basis under statutory provisions	**658**	1,873	(1)	**2,530**	(2,530)	-		-
Increase / (Decrease) during year	**(8,840)**	**1,873**	**(1)**	**(6,968)**	92,137	**85,169**	**920**	**86,089**
Transfers to / (from) earmarked reserves				-				
Balance at 31 March 2022	**111,323**	8,518	22	**119,863**	42,910	**162,773**	4,075	**166,847**

Comparative Year	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Authority's share of reserves of subsidiaries £'000	Total Group Reserves £'000
Balance at 31 March 2020	**57,468**	4,997	14	**62,479**	83,754	**146,233**	81	**146,314**
Adjustment to Opening Balance: DSG Reserve (See Note 24):	**1,250**			**1,250**	(1,250)	-		
Movements During 2020/21:								
Total Comprehensive Income & Expenditure	**(33,157)**			**(33,157)**	(35,230)	**(68,387)**	2,856	**(65,532)**
Adjustments between group accounts and authority accounts	**(241)**			**(241)**		**(241)**	241	-
Net Increase/ Decrease before transfers	**(33,398)**	-	-	**(33,398)**	**(35,230)**	**(68,628)**	**3,097**	**(65,532)**
Adjustments between accounting basis and funding basis under statutory provisions	**94,846**	1,648	8	**96,502**	(96,502)	-		-
Increase / (Decrease) during year	**61,447**	**1,648**	**8**	**63,104**	(131,732)	**(68,628)**	3,097	**(65,532)**
Transfers to / (from) earmarked reserves				-				
Balance at 31 March 2021	**120,163**	6,645	22	**126,831**	(49,228)	**77,603**	3,178	**80,780**

GROUP BALANCE SHEET as at 31 MARCH 2022

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 2021 £'000 Restated		31 March 2022 £'000
		Property, Plant & Equipment:	
	212,509	Land & Buildings	232,726
	1,395	Community Assets	1,558
	22,116	Vehicles, Plant & Equipment	21,941
	63,013	Assets under Construction	71,767
	2,624	Surplus assets	3,543
	90,920	Infrastructure	95,679
	39,002	Heritage Assets	48,382
	268,774	Investment Property	265,229
	952	Intangible Assets	767
G5	1,469	Long Term Debtors	1,592
	24	Deferred tax asset	-
	702,798	**Long Term Assets**	**743,184**
	19,480	Short Term Investments	35,406
G4	5,535	Inventories	5,096
G5	61,635	Short Term Debtors	47,423
	58,142	Cash and Cash Equivalents	52,990
	68	Assets Held for Sale	871
	-	Deferred tax asset	19
	144,860	**Current Assets**	**141,805**
	(20,370)	Short Term Borrowing	(5,029)
	(65,350)	Short Term Creditors	(84,412)
	(4,509)	Grants Receipts In Advance - Revenue	(2,066)
	(36,144)	Grants Receipts In Advance - Capital	(23,465)
	(126,373)	**Current Liabilities**	**(114,972)**
		Long Term Creditors	
	(13,135)	Provisions	(13,908)
	(225,961)	Long Term Borrowing	(216,732)
	(1)	Deferred tax liability	-
	(371,994)	Other Long Term Liabilities	(337,099)
	(29,414)	Grants Receipts In Advance - Capital	(35,431)
	(640,505)	**Long Term Liabilities**	**(603,170)**
	80,780	**Net Assets**	**166,847**
	130,008	Usable reserves	123,937
	(49,228)	Unusable Reserves	42,910
	80,780	**Total Reserves**	**166,847**

GROUP CASH FLOW STATEMENT

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

2020/21 £'000	**See Note G6 for further details**	**2021/22 £'000**
(30,105)	Net surplus or (deficit) on the provision of services	**(8,830)**
75,570	Adjustment to surplus or deficit on the provision of services for non cash movements	**80,818**
(45,680)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**(47,118)**
(215)	Operating Activities	**24,870**
24,782	Investing Activities	**(11,041)**
4,395	Financing Activities	**(18,981)**
28,963	**Net Increase/(decrease) in cash equivalents**	**(5,152)**
29,179	**Cash & cash equivalents at the beginning of the reporting period**	**58,142**
58,142	**Cash & cash equivalents at the end of the reporting period**	**52,990**

NOTES TO GROUP FINANCIAL STATEMENTS

G1 Accounting policies

The Group Financial Statements summarise the Council's and its Group's transactions for the 2021/22 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 supported by International Financial Reporting Standards (IFRS).

Members within the Group have both been classified as subsidiaries as they are both 100% council owned. The subsidiaries have been consolidated into the Group Financial Statements on a line by line basis.

Notes to the Group Financial Statements have been presented where the figures are materially different from those of the Council entity accounts. Where there are no material differences, the Notes to the Council entity accounts provide the required disclosures.
Where material, Accounting policies of the individual members of the Group have been aligned to the Council's accounting policies.

The accounting policies applied to the Group Financial Statements are consistent with those set out in Note 1 to the Council entity accounts, with additional policies specific to the Group set out below. Any statutory adjustments between accounting basis and funding basis included in the Council's Accounting Policies do not apply to the subsidiary companies.

1.1 Inventories

Inventories are initially stated at cost or at the fair value at acquisition date and then held at the lower of this initial amount and net realisable value. Costs comprise direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the company.

1.2 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and there is an intention to settle the balances on a net basis.

1.3 Assets recognised from costs to fulfil a contract

Assets are recognised in relation to costs incurred in developing assets that will be used to fulfil future contracts. Contract assets are initially stated at cost or at the fair value at acquisition date and then held at the lower of this initial amount and net realisable value. Costs comprise direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the company.

G2 Bodies not consolidated

The following have not been consolidated in to the Group Financial Statements for the prior year

Entity	Reason
Visit Bath	Immaterial subsidiary

Visit Bath

The Council set up a company to provide tourism information and marketing services, in partnership with the private sector. The company was limited by guarantee. The Council took 100% control of the company in 2017/18.

In 2020/21 it was decided to close the company down and voluntary strike it off the Companies House register. On 10 December 2020 Cabinet agreed to meet its corporate responsibilities and fund the outstanding company liabilities.

Visit Bath was not included in the 2020/21 prior year consolidation figures.

G3 Bodies Consolidated

The Council has consolidated two of its Subsidiaries into its Group Financial Statements, these are Aequus Developments Ltd (ADL) & Aequus Construction Limited (ACL).

Aequus Developments Ltd (ADL)

ADL was set up to develop, deliver, own and manage property for both the rental and home owner's market. ADL set up a 100% owned subsidiary in name of Aequus Construction Limited (ACL) which deals with the construction and development sites of the business. The separation of ADL and ACL allows them to focus on their differing businesses, taking advantage of the different areas of expertise of management and professional advisors, together with separating the risks associated with the specific areas of operation. The principal activity of the ADL in the year under review was that of an investment property company.

The draft accounts for the year to 31 March 2022 for ADL have been summarised below, with comparator figures for the previous reporting period.

Aequus Developments Ltd (ADL)	Year ended 31 March 2021 £000	Year ended 31 March 2022 £000
Profit for the year	309	**298**
Other Comprehensive Income	(197)	**252**
Total Comprehensive Income	112	**550**
Net assets	(118)	**400**

Aequus Construction Ltd (ACL)

ACL is as a wholly owned subsidiary of Aequus Developments Limited (ADL), established to deliver the construction and development of sites for Bath & North East Somerset Council (the Council). The principal activity of the company in the year under review was that of property development and construction.

The draft accounts for the year to 31 March 2022 for ACL have been summarised below, with comparator figures for the previous reporting period.

Aequus Construction Ltd (ACL)	Year ended 31 March 2021 £000	Year ended 31 March 2022 £000
Profit for the year	2,985	**370**
Other Comprehensive Income		
Total Comprehensive Income	2,985	**370**
Net assets	3,296	**3,675**

G4 Inventories

2020/21 £'000		2021/22 £'000
571	Consumable stores	**498**
4,964	Work in progress	**4,598**
5,535		**5,096**

G5 Debtors

2020/21 £'000	Amounts falling due in one year:	2021/22 £'000
12,744	Central Government bodies	**11,041**
17,143	Other local authorities	**7,639**
4,529	NHS bodies	**3,570**
13,500	Other entities and individuals (Trade Debtors)	**10,895**
10,972	Other entities and individuals (Non-Trade Debtors)	**11,723**
2,748	Prepayments	**2,554**
61,635	**Total - Current Assets**	**47,422**
£'000	Amounts falling after one year:	**£'000**
1,469	Other entities and individuals	**1,592**
1,469	**Total - Long Term Assets**	**1,592**

G6 Cash Flow Statement

Note A to the cash flow statement	**2021/22**	2020/21
	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services	**(8,830)**	(30,105)
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	**23,401**	23,766
Impairment and downward valuations	**9,145**	10,823
Amortisation	**223**	160
Impairment allowance on service loans	**(137)**	38
Adjustment for internal interest charged	**8**	4
Adjustment for movements in fair value of investments classified as Fair Value	**-**	-
through Profit & Loss a/c	**(888)**	32
Adjustments for effective interest rates	**(6)**	(6)
Increase/Decrease in Interest Creditors	**(271)**	188
Increase/Decrease in Creditors	**9,595**	1,392
Increase/Decrease in Interest and Dividend Debtors	**(6)**	128
Increase/Decrease in Debtors	**11,888**	(25,909)
Increase/Decrease in Inventories	**643**	6,631
Pension Liability	**19,965**	3,309
Pension Fund Gains on Past Service Costs	**-**	-
Contributions to/(from) Provisions	**773**	921
Carrying amount of non-current assets sold [property plant and equipment, investment	**-**	-
property and intangible assets]	**3,632**	5,878
Movement in investment property values	**3,718**	48,332
Other movements	**(865)**	(116)
Total adjustments on the provision of services for non cash movements	**80,818**	75,570
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Capital Grants credited to surplus or deficit on the provision of services	**(43,494)**	(43,411)
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	**(3,624)**	(2,270)
Total adjustments on the provision of services that are investing or financing activities	**(47,118)**	(45,681)
Net Cash Flows from Operating Activities	**24,870**	(216)

Note B to the Cash Flow Statement - Operating Activities (Interest)	**2021/22**	2020/21
	£'000	£'000
Operating activities within the cash flow statement include the following cash flows relating to interest		
Ordinary interest received	**600**	499
Other adjustments for differences between Effective Interest Rates and actual interest receivable-Long Term Debt	**-**	-
Opening Debtor	**64**	192
Closing Debtor	**(71)**	(64)
Interest Received	**593**	627
Interest charge for year	**(7,881)**	(8,374)
Adjustment for difference between effective interest rates and actual interest payable	**(6)**	(6)
Adjustment for impairment loss on service loans	**-**	38
Adjustment for internal interest charged to balance sheet funds	**8**	4
Opening Creditor	**(2,186)**	(91)
Closing Creditor	**1,914**	279
Interest Paid	**(8,151)**	(8,150)

Note C to the Cash Flow Statement - Cash Flows from Investing Activities	**2021/22**	2020/21
	£'000	£'000
Property, Plant and Equipment Purchased	**(40,115)**	(52,318)
Purchase of Investment Properties	**(724)**	(2,775)
Other Capital Payments	**(39)**	(290)
Opening Capital Creditors	**(4,562)**	(4,679)
Closing Capital Creditors	**8,966**	4,562
Purchase of Property, Plant and Equipment, investment property and intangible assets	**(36,474)**	(55,500)
Purchase of short term investments	**(45,000)**	(75,000)
Long term loans granted	**-**	5,765
Capital Grants Repaid	**(4,012)**	
Proceeds from the sale of property plant and equipment, investment property and intangible assets	**3,631**	2,292
Proceeds / (Purchase) from short term investments	**30,000**	85,000
Proceeds from long term investments	**-**	-
Other capital cash receipts	**9**	8,720
Capital Grants Received / (Repaid)	**40,805**	53,505
Other Receipts / (Payments) from Investing Activities	**40,814**	62,225
Total Cash Flows from Investing Activities	**(11,041)**	24,782

Note D to the Cash Flow Statement - Cash Flows from Financing Activities	**2021/22**	2020/21
	£'000	£'000
Cash receipts of long term borrowing	**18**	18,754
Billing Authorities - Council Tax and NNDR adjustments	**5,609**	(1,535)
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	**-**	-
Other receipts from Financing Activities	**-**	-
Repayment of Short-Term and Long-Term Borrowing	**(24,608)**	(12,806)
Payments for the reduction of a finance lease liability	**-**	(18)
Total Cash Flows from Financing Activities	**(18,981)**	4,395

Note E - Makeup of Cash and Cash Equivalents	**2021/22**	2020/21
	£'000	£'000
Cash and Bank Balances	**3,766**	5,633
Cash Investments - regarded as cash equivalents	**49,224**	52,508
Bank Overdraft	**-**	-
	52,990	58,141

Fund Account

For the Year Ended 31 March 2022

	Notes	2021/22 £'000	2020/21 £'000
Dealings with members, employers and others directly involved in the fund			
Contributions Receivable	4	(185,761)	(211,176)
Transfers In		(13,598)	(8,235)
		(199,359)	(219,411)
Benefits Payable	5	192,395	183,251
Payments to and on account of Leavers	6	9,112	4,701
		201,507	187,952
Net (additions) / withdrawals from dealings with member		2,148	(31,459)
Management Expenses	7	36,948	23,684
Net (additions)/withdrawals including fund management expenses		39,096	(7,775)
Returns on Investments			
Investment Income	8	(25,683)	(21,017)
Profits and losses on disposal of investments and change in value of investments	9	(526,695)	(808,096)
Net Returns on Investments		(552,378)	(829,113)
Net (Increase) in the net assets available for benefits during the year		(513,282)	(836,888)
Opening Net Assets of the Fund		5,308,710	4,471,822
Closing Net Assets of the Fund		5,821,992	5,308,710

Net Assets Statement at 31 March 2022

	Notes	31 March 2022 £'000	%	31 March 2021 £'000	%
INVESTMENT ASSETS					
Equities		-	-	0	-
Property Pooled Investment vehicles		708,665	12.2	534,294	10.1
Non Property Pooled Investment Vehicles	10	4,954,039	85.1	4,584,191	86.4
Cash Deposits		170,915	2.9	117,641	2.2
Derivative Contracts (Foreign Exchange hedge)			-	63,767	1.2
Derivative Contracts: FTSE Futures		676	0.0	0	-
Long-Term Investments		838	0.0	768	0.0
Other Investment balances		98,478	1.7	1,438	0.0
Total Investment Assets		5,933,611		5,302,099	
INVESTMENT LIABILITIES					
Derivative Contracts (Foreign Exchange hedge)		(31,203)	(0.5)	-	-
Derivative Contracts: FTSE Futures			-	(110)	(0.0)
Other Investment balances		(74,787)	(1.3)	-	-
Total Investment Liabilities		(105,990)		(110)	
TOTAL NET INVESTMENT ASSETS	10	5,827,621		5,301,989	
Long Term Debtors	12a	218	-	213	
Net Current Assets					
Current Assets	12	19,663	0.3	15,019	0.3
Current Liabilities	12	(25,510)	(0.4)	(8,511)	(0.2)
Net assets of the scheme available to fund benefits at the period end		5,821,992	100.0	5,308,710	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 2021. The actuarial present value of these liabilities is disclosed in note 15.

Notes to Accounts - Year Ended 31 March 2022

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 2021 to 31 March 2022.

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 2021/22 based on International Financial Reporting Standards as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis, except for certain transfer values as described at 'Statement of Accounting Policies' – item 1.23 They do not take account of liabilities to pay pensions and other benefits in the future.

Impact of COVID-19 Pandemic

1.4 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 came into force on 31 March 2021. These regulations apply to annual accounts relating to the 2020/21 and 2021/22 financial year. The Regulations extend the publication date for local authority audited accounts to 30 September 2022. The public inspection period will start on 1 August 2022. These regulations were provided in order for authorities to have additional time to complete the audit of their accounts for 2020/21 and 2021/22, given the likely impact of the COVID19 virus on availability of local authority staff and auditors to complete the audit process within current deadlines.

1.5 The environment in which our employers operate remained challenging over 2021/22. The economic shock from the pandemic and subsequent policy response combined with the impact of geopolitical tensions led to a heightened inflationary outlook. The funding and investment strategies are kept under review as are employer contribution plans so that any potential changes can be managed effectively.

1.6 **Actuarial Valuations**

As required by the Local Government Pension Scheme Regulations 2013 (as amended) an actuarial valuation of the Fund was carried out as at 31 March 2019. The 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 £4,818m. The Actuary estimated that the value of the Fund was sufficient to meet 94% of its expected future liabilities of £5,102m in respect of service completed to 31 March 2019, with a deficit of £284m.

1.7 At the 2019 valuation the average deficit recovery period for the Fund overall was set at 13 years.

1.8 The 2019 actuarial valuation was carried out using the projected unit actuarial method. The main assumptions used to set employers' contributions, are set out in the table below:

	Past Service Liabilities (Primary Contribution Rate)	Future Service Liabilities (Secondary Contribution Rate)
Rate of return on investments (discount rate)	4.65% per annum	4.15% per annum
Rate of pay increases (long term)*	3.9% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.4% per annum

1.9 The 2019 triennial valuation was completed during 2019/20 using market prices and membership data as at 31 March 2019. The 2019 valuation set the employer contribution rates for future service and deficit recovery payments (expressed as a monetary amount payable annually) with effect from 1 April 2020. The discount rate used in the 2019 valuation is based on CPI plus a real investment return of 1.75% p.a. for past service (the secondary contribution rate) and CPI plus 2.25% p.a. for future service (the primary contribution rate). The discount rate for the lower risk investment strategy was 2.6% p.a..

1.10 The Actuary has estimated that the funding level has increased to 100% from 96.9% a year earlier based on the 2019 valuation financial assumptions. The improvement in the funding level is due to the recovery in asset values over the same period.

1.11 The 2019 valuation outcome does not include an allowance for McCloud. However at the overall Fund level the impact was estimated to increase past service liabilities by £35m and to increase the Primary Contribution Rate by 0.5% of pensionable pay per annum. Individual employers were informed of the impact on their costs as part of the valuation exercise, with the option to include the estimated costs in contributions paid from 1 April 2020.

Subsequently in March 2022 DLUHC set out its position on how LGPS funds should treat the McCloud remedy in the 2022 valuation to ensure an consistent approach, since changes to the Regulations have not yet been passed into law. Therefore in line with this recommendation, the Fund's approach will be to include amendments for all employers in the 2022 valuation to reflect the McCloud remedy in both valuing past service liabilities and setting (employer) future service contribution rates. This approach will be set out in the Fund's Funding Strategy Statement for the 2022 valuation. The estimated costs of the remedy are included in the IAS26 disclosure.

1.12 **Note 15** to the accounts shows the actuarial present value of promised retirement benefits for the purposes of IAS26 using the assumptions and methodology of IAS 19. The discount rate referenced for IAS19 is the Corporate Bond yield. The discount rate used for the Actuarial Valuation references the Fund's investment strategy.

1.13 The Fund's Funding Strategy Statement can be found on the Fund's website www.avonpensionfund.org.uk (search Funding Strategy Statement) and is summarised within the Fund's Annual Report. The purpose of the Funding Strategy Statement is to set out a clear and transparent funding strategy that will identify how each employer's pension liabilities are to be met going forward.

Investment Strategy Statement

1.14 The Fund's Investment Strategy Statement (ISS) as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 can be found on the Fund's website www.avonpensionfund.org.uk (search Investment Strategy Statement) and is summarised within the Fund's Annual Report. The ISS is updated following strategic reviews.

1.15 The Fund's assets are currently managed externally by investment managers appointed and monitored by the Fund. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require funds to pool their investments assets. As a consequence the Fund is a member of Brunel Pension Partnership, a pool of 10 LGPS funds, which has established an FCA regulated company, Brunel Pension Partnership Limited (Brunel), to manage the assets of the pool. Each LGPS fund in the pool is a shareholder owning an equal share of the company.
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.

1.16 The Fund has implemented three investment strategies to manage specific risks within the asset portfolio. These strategies are held within a Qualified Investment Fund (QIF) called Risk Management Strategy managed by Blackrock.
(i) A Liability Driven Investment strategy provides a hedge against changes in the value of the pension liabilities within the asset portfolio. This strategy consists of bonds and derivatives such as gilt repurchase agreements and interest and inflation swaps, structured to achieve the desired hedge profile.
(ii) An Equity Protection Strategy to protect the funding position against significant falls in equity markets. The strategy uses Over the Counter Equity 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

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

Investments

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

i) Quoted Securities have been valued at 31 March 2022 by the Fund's custodian using the market bid-price or 'last trade' on the final day of the accounting period.

ii) Unquoted investments. The fair value of investments for which market prices are not readily available is determined as follows:
- pooled vehicles for property, unitised insurance policies and other managed funds are valued at the net asset value advised by the investment manager
- Limited partnerships. Fair value is based on the net asset value ascertained from periodic valuations provided by the partnership
- Pooled investment vehicles are valued at the closing bid price where bid and offer prices are published; or if a single net asset value, at the closing single price.

Where audited valuations are not available at the accounting date, unaudited valuations as at 31 March 2022 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 2022.

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

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

vii) The only Long Term Investment is shares in Brunel Pension Partnership Ltd. Its fair value is based on the value of equity in Brunel Pension Partnership Ltd accounts.

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

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

x) The Fund's surplus cash is managed separately from the surplus cash of Bath and North East Somerset Council (B&NES) and is treated as an investment asset.

Contributions

1.19 Contributions represent those amounts receivable from the employing bodies in respect of their own and their pensionable employees' contributions. Employers' contributions are determined by the Actuary on the basis of triennial valuations of the Fund's assets and liabilities and take into account the Funding Strategy Statement set by the administering authority. The rates applying in in 2021/22 relate to the 2019 valuation and the employer contribution rates range from 11.8% 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 2022. The deficit contribution is expressed as a cash sum, and ranges from £0 to £2.3 millions.

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

Benefits, Refunds of Contributions and Cash Transfer Values

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

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

1.23 Cash Transfer Values are those sums paid to or received from other pension schemes and relate to previous periods of pensionable employment. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Accruals are only made when it is certain that a transfer is to take place.

1.24 Charges for splitting pensions on divorce are either invoiced to members or, on request, paid out of future benefits. In the case of payment from future benefits the charge against benefits and income to the Fund are both made in the current year. The charges are index linked to pension's increases to ensure that the Fund receives the full value.

Investment Income

1.25 Dividends and interest have been accounted for on an accruals basis, based on figures provided by the custodian. Some of the income on pooled investments is accumulated and reflected in the valuation of the units and some (mainly property) is distributed.

Investment Management & Administration

1.26 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 permit Bath & North East Somerset Council to charge administration costs to the Fund. A proportion of relevant Council costs has been charged to the Fund on the basis of time spent on Pension Fund business.

1.27 The fees charged by the Fund's external investment managers reflect their differing mandates. Fees are linked to the market value of the Fund's investments and therefore may increase or reduce as the value of the assets change. Management fees are recognised in the year in which the management services are provided. A provision has been made for performance fees that have been incurred but are subject to phased payments or are not to be paid until the realisation of the related investments. These remain subject to change as a consequence of future performance. Fees are also payable to the Fund's global custodian and other advisors.

Taxation

1.28 The Fund is not liable to UK income tax, on income derived from investments, under Section 186 of the Finance Act 2004, nor is it liable to capital gains tax under section 271 Taxation of Chargeable Gains Act 1992. As Bath & North East Somerset Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. For taxation of overseas investment income please see note 3 iv. in the Notes to the Accounts.

Assumptions made about the future and other major sources of estimation uncertainty

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

Estimates are used in the valuation of unquoted investments and in the actuarial valuation for the purposes of IAS 26 (note 15) in which the actuarial calculation of the liability is subject to the professional judgement of the Scheme Actuary. The Fund's investments are stated at fair value. The subjectivity of the inputs used in making an assessment of fair value is explained in note 24.

Item	Uncertainties	Effect if actual results differ from assumptions
Unlisted Assets	The Hedge Fund (£109m), Infrastructure (£653m), Private Debt (£43m) and Property Limited Partnerships (£506m) 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 +/- £131m 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 2022 is £8,631 million.	The effects on the actuarial present value of promised retirement benefits (the Fund's liabilities) of changes in individual assumptions can be measured. For instance, based on the 2019 actuarial valuation results: • a 0.25% per annum reduction in the real investment return assumption would increase deficit by £219m (to £503m) • a 0.25% per annum increase in the assumed pensionable salary growth would increase the deficit by £16m (to £300m) • a 0.25% per annum increase in the long term improvement rate in life expectancy would increase the deficit by £34m (to £318m)

Events After the Balance Sheet Date

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

Financial Instruments

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

Going Concern

1.32 These accounts have been prepared on a going concern basis. The concept of going concern assumes that the Pension Fund will continue in operation for the foreseeable future.

Accounting Standards that have been issued but not yet adopted

1.33 IFRS 16 Lease Accounting will apply to CIPFA Accounts for the financial year 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

1.34 A judgement has been made that the Fund does not have significant influence over the Brunel Pensions Partnership and consequently it is not considered to be a joint venture. Each fund holds an equal 10% stake in the pension fund, so no pension fund exerts more influence than another. Also, a holding of 20% or more of the voting power is generally required to indicate significant influence.

2 MEMBERSHIP

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

	31 March 2022	31 March 2021
Employed Members	**39,559**	39,159
Pensioners	**36,951**	34,885
Members entitled to Deferred Benefits	**43,396**	42,538
Undecided Leavers	**10,237**	8,740
TOTAL	**130,143**	125,322

A further estimated 818 (818 in 2020/21) ex-members whose membership was for up to 2 years before 1 April 2014 or up to 3 months after that date are due refunds of contributions.

3 TAXATION

(i) Value Added Tax

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

(ii) Income Tax

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

(iii) Capital Gains Tax

No capital gains tax is chargeable.

(iv) Taxation of Overseas Investment Income

Where the Fund receives interest on overseas government interest bonds portfolios which is gross, a variety of arrangements apply to the taxation of interest on corporate bonds and dividends on overseas equities.

4 CONTRIBUTIONS RECEIVABLE

Contributions receivable are analysed below:-

		2021/22 £'000		2020/21 £'000
Employers' normal contributions				
Scheduled Bodies	**106,331**		99,345	
Administering Authority	**11,269**		10,192	
Admission Bodies	**7,864**	**125,464**	8,024	117,561
Employers' deficit Funding				
Scheduled Bodies	**11,690**		40,175	
Administering Authority	**-**		6,817	
Admission Bodies	**336**	**12,026**	1,429	48,421
Total Employer's normal & deficit funding		**137,490**		165,982
Employers' contributions - Augmentation				
Scheduled Bodies	**737**		628	
Administering Authority	**349**		29	
Admission Bodies	**348**	**1,434**	157	814
Members' normal contributions				
Scheduled Bodies	**39,587**		37,181	
Administering Authority	**4,316**		3,907	
Admission Bodies	**2,416**	**46,319**	2,579	43,667
Members' contributions toward additional benefits				
Scheduled Bodies	**400**		541	
Administering Authority	**105**		118	
Admission Bodies	**13**	**518**	54	713
Total		**185,761**		211,176

The decrease in Employers' contributions between 2020/21 and 2021/22 is mainly due to employers paying deficit contributions for three years in advance (£37.96m) in 2020/21. This decrease in deficit contribution is partially offset by an increase in the primary contribution rate between valuation periods.

The Members' contributions towards additional benefits above represent members' purchase of added years or additional benefits under the Scheme. Augmentation contributions are paid by employers to meet the cost of early retirements.

A further facility is provided whereby members can make Additional Voluntary Contributions, on a money purchase basis, which are invested in insurance policies with Utmost Life & Pensions or Aviva on behalf of the individual members concerned. These contributions are not part of the Pension Fund and are not therefore reflected in the Fund's accounts. A statement of the value of these investments is given in note 18.

5 BENEFITS PAYABLE

Analysis of Gross Benefits Payable by Type:-

	2021/22 £'000	2020/21 £'000
Retirement Pensions	**159,686**	155,336
Commutation of Pensions and Lump Sum Retirement Benefits	**30,068**	24,017
Lump Sum Death Benefits	**2,641**	3,898
	192,395	183,251

Analysis of Gross Benefits Payable by Employing Body:-

	2021/22 £'000	2020/21 £'000
Scheduled & Designating Bodies	**155,477**	149,709
Administering Authority	**20,226**	18,694
Admission Bodies	**16,692**	14,848
	192,395	183,251

6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

Leavers

	2021/22 £'000	2020/21 £'000
Refunds to members leaving service	**672**	695
Individual Cash Transfer Values to other schemes	**7,490**	4,006
Group Transfers	**950**	0
	9,112	4,701

7 MANAGEMENT EXPENSES

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

	2021/22	2020/21
	£'000	£'000
Administrative Costs	2,746	2,456
Oversight & Governance Costs	1,945	1,840
Investment Management Expenses	32,257	19,388
	36,948	23,684

Further Analysis of Management Expenses:-

	2021/22	2020/21
Administrative Costs		
Management Costs	1,926	1,571
Administration and Processing	606	578
Service from Administrating Body	491	506
Fees and Income	(277)	(199)
	2,746	2,456
Oversight & Governance Costs		
Management costs	765	682
Specialist advice and Governance	1,438	1,293
Actuarial recharges	(317)	(206)
Audit Fees	52	57
Audit Related Services	7	14
	1,945	1,840
Investment Management Expenses (Note 7a)	32,257	19,388
	36,948	23,684

Management costs in Oversight & Governance Costs include investments, actuarial and accounting staff costs. Audit fees include; the £0.042m external audit fee (2020/21 £0.037m), £0.006m additional audit fees relating to the 19/20 audit, -£0.005m rebate from the PSAA, -£0.011m grant from the DCLG and £0.020m internal audit charge from Bath & North East Somerset Council (2020/21 £0.020m). The audit related service of £0.007m is for an additional external fee relating to information provided to the actuary regarding individual employers' IAS19 disclosures in 2021/22.

7a INVESTMENTS MANAGEMENT EXPENSES

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
	32,206	19,807	12,235	164
Custody Fees	51			
Total	32,257			

2020/21	Total	Management Fees	Performance related fees	Transaction costs
	£'000	£'000	£'000	£'000
Equity	415	414	-	1
Pooled Property	1,404	3,144	(1,740)	-
Private Infrastructure	722	722	-	-
Derivatives	412	410	-	2
Pooled Investments *	16,392	13,309	3,058	25
	19,345	17,999	1,318	28
Custody Fees	43			
Total	19,388			

* Included within Pooled Investments is £1.219m (£1.278m in 20/21) 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 21/22 represent a increase in the provision for pooled property of £3.238m and a payment in year of £0.119m. For Pooled investments there is a payment in year of £4.353m and increase in provision of £4.505m The current total provision for performance fees is included in note 12 Current Asset and Liabilities.

Of the £32.2m of investment management fees, £12.2m relates to the fees paid to the underlying managers of the portfolios managed by Brunel. Overall, pooling of assets has achieved investment fee savings to date. During the year the Fund's infrastructure and overseas property assets delivered significant returns leading to an increase in paid and accrued performance fees compared to 2020/21.

8 INVESTMENT INCOME

	2021/22 £'000	2020/21 £'000
Dividends from equities	343	2,153
Income from pooled Property Investments	15,281	13,003
Income from other pooled investment vehicles	10,064	5,650
Interest on cash deposits	(5)	202
Other Income (including Stock Lending)		9
TOTAL	**25,683**	21,017

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 £10.2m stock on loan, secured by collateral of £11.2m. During the year the Fund's share of stock lending income in this portfolio was £0.05m. 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 31/03/21 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	**Value at 31/03/22 £'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**
Net Purchases & Sales				-	
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
Profits and losses on disposal of investments and change in value of investments	**526,695**

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 (£39.091m) plus Investment income (£-25.683m) as shown in the Fund account.

Change in Total Net Assets 2020/21
h

Change in Market Value of Investments	Value at 31/03/20 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31/03/21 £'000
Equities	147,306	384	(152,865)	5,175	-
Long Term Investments	427	-	-	341	**768**
Pooled Investments-					
- Property	424,153	288,021	(158,905)	(18,975)	**534,294**
- Non Property	3,778,471	1,191,182	(1,079,291)	693,829	**4,584,191**
Derivatives					
- Foreign Exchange Hedge	(30,367)	50,706	(57,775)	101,203	**63,767**
- FTSE Futures	1,078	580	(6,061)	4,293	**(110)**
Sub Total	4,321,068	1,530,873	(1,454,897)	785,866	**5,182,910**
Cash Deposits	143,135	511,950	(530,602)	(6,842)	**117,641**
Investment Debtors & Creditors	2,836			(1,398)	**1,438**
Total Investment Assets	4,467,039			**777,626**	**5,301,989**

Reconciliation to Fund Account:

	£'000
Change in market value of Investment Assets	777,626
Net Purchases & Sales	57,324
Movement in Long Term Debtors	1
Movement in Current Assets	1,937
Less Net Revenue of Fund	(28,792)
Total Net Assets	**808,096**

The presentation of this note has been changed in order to better reflect the requirement to show the change in Net Investment Assets. The reconciliation is intended to show the items that reconcile to Net Assets and the Fund Account.

10 INVESTMENT ASSETS

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

		31 March 2022 £'000		Restated 31 March 2021 £'000
Non-Property Pooled Investment Vehicles				
Global Equity	2,176,034		2,031,146	
Risk Management Strategy	1,119,140		942,816	
Diversified Growth Funds	538,061		501,330	
Infrastructure	653,396		513,891	
Multi Asset Credit	315,433		317,539	
Hedge Funds	109,262		277,469	
Private Debt	42,713		-	
		4,954,039		4,584,191
Other Investments				
Pooled Property Investments	708,665		534,294	
Derivative contracts				
• Foreign Exchange Hedge			63,767	
• Derivative contracts: FTSE Futures	676			
		709,341		598,061
Cash deposits		170,915		117,641
Investment Income due		1,409		1,438
Amounts receivable for sales		97,069		
Total Investment Assets		**5,932,773**		**5,301,331**
Long Term Investments				
Equities		**838**		**768**
Investment Liabilities				
Derivative contracts				
• Foreign Exchange Hedge	(31,203)			
• Derivative contracts: FTSE Futures			(110)	
Amounts payable for purchases	(74,787)			
Total Investment Liabilities		**(105,990)**		**(110)**
Total Investment Assets		**5,827,621**		**5,301,989**

During the year the strategic allocation to equities increased from 37.5% to 41.5%. A number of changes to the composition of the equity portfolio took place including the removal of the 5.5% allocation to emerging market equities and a subsequent increase to global equities. The Fund began divesting from hedge funds with proceeds used to fund investments in infrastructure, credit and property as committed capital to the Brunel Renewable

The Long term investment of £0.838m 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 2021.

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 £7.68m. The Fund has elected to declare 10% of the PRA as a contingent liability (see Note 13)

DERIVATIVES ANALYSIS

Open Forward Currency Contracts

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £'000	Liability Value £'000
Up to one month	EUR	56,410	GBP	47,835	-	(123)
Up to one month	JPY	2,056,200	GBP	12,950	-	(76)
Up to one month	USD	134,052	GBP	101,342	487	-
Up to one month	GBP	13,680	JPY	2,056,200	805	-
Up to one month	GBP	48,701	EUR	56,410	988	-
Up to one month	GBP	97,424	USD	134,052	-	(4,405)
One to six months	EUR	12,723	GBP	10,679	123	-
One to six months	JPY	1,252,100	GBP	8,122	-	(260)
One to six months	USD	149,579	GBP	110,517	3,103	-
One to six months	GBP	234,993	EUR	277,513	-	(793)
One to six months	GBP	60,857	JPY	9,356,600	2,067	-
One to six months	GBP	473,806	USD	656,669	-	(25,000)
Six to twelve months	GBP	-	EUR	-	-	-
Six to twelve months	GBP	-	JPY	-	-	-
Six to twelve months	GBP	114,697	USD	84,975	2,039	-
Six to twelve months	USD	538,015	GBP	723,205	-	(10,538)
Six to twelve months	EUR	45,371	GBP	52,958	140	-
Six to twelve months	JPY	10,214	GBP	1,620,900	-	(19)
More than twelve months	GBP	77,074	USD	101,418	258	-
Total					**10,012**	**(41,215)**
	Net forward currency contracts at 31st March 2022					**(31,203)**
	Open forward currency contracts at 31 March 2021				65,025	(1,258)
	Net forward currency contracts at 31st March 2021					**63,767**

Exchange Traded Derivatives held at 31 March 2022:-			
Contract Type	Expiration	Book Cost £'000	Unrealised Gain / (Loss) £'000
FTSE equity futures	June 2021	20,811	676
Exchange Traded Derivatives held at 31 March 2021:-			
FTSE equity futures	June 2021	33,659	(110)

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.

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 2022 £'000	%	31 March 2021 £'000	%
Investments managed by Brunel Pension Partnership:				
BlackRock Risk Management Strategy	**1,119,140**	**19.2**	942,815	17.8
LGIM Low Carbon Global Equities		**-**	691,544	13.0
Brunel Renewables Portfolio	**89,252**	**1.5**	50,205	0.9
Brunel Secured Income Portfolio	**468,845**	**8.0**	280,324	5.3
Brunel Multi Asset Credit	**315,433**	**5.4**		-
Brunel Global Sustainable Equity	**802,687**	**13.8**	541,101	10.2
Brunel Paris Aligned Developed Equity	**574,338**	**9.9**		-
Brunel Diversified Returns Fund	**538,061**	**9.2**	501,330	9.5
Brunel UK Property	**210,953**	**3.6**	106,841	2.0
Brunel Emerging Market Equity		**-**	286,760	5.4
Brunel Global High Alpha Equity	**695,906**	**11.9**	403,274	7.6
Brunel Private Debt	**42,713**	**0.7**		-
Avon Transition Fund	**137**	**0.0**		-
	4,857,465	**83.4**	3,804,194	71.8
Investments managed outside Brunel Pension Partnership:				
Blackrock	**105,135**	**1.8**	108,663	2.0
Record	**(10,360)**	**(0.2)**	97,316	1.8
Jupiter Asset Management	**-**	**-**	205	0.0
Partners Group	**194,880**	**3.3**	192,409	3.6
Loomis (Natixis)	**-**	**-**	317,539	6.0
TT International	**312**	**0.0**	303	0.0
IFM Investors	**427,128**	**7.3**	365,544	6.9
Schroder Investment Management	**13,510**	**0.2**	92,048	1.7
JP Morgan	**170,023**	**2.9**	277,470	5.2
Custodian Cash	**40,715**	**0.7**	18,821	0.4
Long Term Investment	**838**	**0.0**	768	0.0
Treasury Management	**27,975**	**0.5**	26,709	0.5
	970,156	**16.6**	1,497,795	28.2
TOTAL INVESTMENT ASSETS	**5,827,621**	**100.0**	5,301,989	100.0

During 2021/22, the assets managed by Loomis (Natixis) transitioned to the Brunel asset pool. In addition, new investments were made to the Renewable Infrastructure, Private Debt and Secured Income portfolios managed by Brunel.

11 SINGLE INVESTMENTS OVER 5%OF THE FUND

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

Investments	**Value at 31st March 2022**	**% of Net Asset**	**Value at 31st March 2021**	**% of Net Asset**
	£'000		£'000	
Blackrock Liability SOL Mutual Fund	**1,119,140**	**19.22%**	942,815	17.76%
Brunel Global Sustainable Equity	**802,687**	**13.79%**	541,101	10.19%
Brunel Global High Alpha Equity Fund	**695,906**	**11.95%**	403,274	7.60%
Brunel Paris Aligned Developed Equity	**574,338**	**9.86%**		
Brunel Diversified Returns Fund	**538,061**	**9.24%**	501,330	9.44%
IMF Global Infrastructure (UK)	**427,128**	**7.34%**	365,544	6.89%
LGIM Low Carbon Global Equity		**0.00%**	691,544	13.03%
NATIXIS Investment Solutions		**0.00%**	317,539	5.98%
Brunel Emerging Market Equity		**0.00%**	286,760	5.40%
APF Absolute Return Strategies	**170,023**	**2.92%**	277,469	5.23%

12 CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2022.
Debtors and creditors included in the accounts are analysed below:-

		31 March 2022 £'000		31 March 2021 £'000
CURRENT ASSETS				
Contributions Receivable				
- Employers	**12,803**		9,642	
- Members	**3,610**		3,610	
Discretionary Early Retirement Costs	**214**		278	
Other Debtors	**3,036**	**19,663**	1,489	15,019
CURRENT LIABILITIES				
Management Fees	**(845)**		(927)	
Provision for Performance Fees	**(9,798)**		(2,055)	
Transfer Values Payable	**(5,668)**		-	
Lump Sum Retirement Benefits	**(2,658)**		(1,861)	
Other Creditors	**(6,541)**	**(25,510)**	(3,668)	(8,511)
NET CURRENT ASSETS		**(5,847)**		6,508

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 2022.

		31 March 2022		31 March 2021
	£'000	**£'000**	£'000	£'000
Reimbursement of lifetime tax allowances	**218**		213	
		218		213

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.

13 CONTINGENT LIABILITIES

Brunel Pension Partnership, in which Avon Pension Fund have a 10% share, have a Pension Reimbursement Asset of £7.676m. The implementation of the PRA provides certainty to Brunel that its shareholders will reimburse any LGPS pension related cashflows, including reimbursement of all regular ongoing contributions, all additional contributions (e.g. to fund discretionary early retirements or other discretionary benefits) and all exit payments.

Accordingly the Pension Fund have recognised a contingent liability of £0.768m, representing 10% of it's share in the Brunel Pension Partnership. It has elected to treat this as a contingent liability because the value and timing of this is uncertain and subject to change.

14 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2022 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 2022 (the 31 March 2021 assumptions are included for comparison):

	31st March 2022	31st March 2021
Rate of return on investments (discount rate)	**2.8% per annum**	2.1% per annum
Rate of CPI Inflation / CARE benefit revaluation	**3.4% per annum**	2.7% per annum
Rate of pay increases*	**4.9% per annum**	4.2% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	**3.5% per annum**	2.8% per annum

* This is the long-term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes, but we have used the most recent CMI future improvement tables (CMI 2021). Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

During the year corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.8% p.a. vs 2.1% p.a). This on its own would have led to a significantly lower value placed on the liabilities but it was predominately offset by an increase in the expected long-term rate of CPI inflation during the year, from 2.7% p.a. to 3.4%.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2021 was estimated as £8,364 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£174 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£134 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also a decrease in liabilities of £41 million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2022 pension increase award was more than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2022 is therefore £8,631 million.

GMP Indexation

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

16 TRANSFERS IN

During the year ending 31 March 2022 group transfers in to the Fund from Manchester College (Greater Manchester Pension Fund) to Offender Learning Service (APF) and from Sky Academy Somerset Council (Peninsular Fund) to Learn@MAT (APF) were completed. The total received for these group transfers was £1.405m

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.

	2021/22	2020/21
	£'000	£'000
Benefits Paid and Recharged	**5,562**	5,758

The Fund also administers £26.5m pension payments on behalf of the Fire Service and the Teachers' pension schemes. (£24.2m in 2020/21). In 21/22 there were £2.4m more lump sum 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 with Utmost Life & Pensions or Aviva, the Fund's nominated AVC providers. Additional Voluntary Contributions received from employees and paid to Utmost Life & Pensions during 2021/22 were £55 (2020/21 £55). Additional Voluntary Contributions received from employees and paid to Aviva during 2021/22 were £583,282 (2020/21 - £522,078).

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

	31 March 2022	31 March 2021
	£'000	£'000
Utmost Life & Pensions (Equitable Life in 2018/19)		
With Profits Retirement Benefits	**-**	-
Unit Linked Retirement Benefits	**607**	647
Building Society Benefits	**-**	-
	607	647
Death in Service Benefit	**53**	53
Aviva		
With Profits Retirement Benefits	**57**	264
Unit Linked Retirement Benefits	**4,207**	3,951
Cash Fund	**839**	749
	5,103	4,964

AVC contributions are not included in the Fund's financial statements as they do not come under the requirements of Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016 regarding regulation 69(1)(a) of the Local Government Pension Scheme Regulations 2013.

19 RELATED PARTIES

Committee Member Related:-
In 2021/22 £38,722 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£40,801 in 2020/21). Eight voting members and one non-voting member of the Avon Pension Fund Committee (including three B&NES Councillor Members) were members of the Local Government Pension Scheme during the financial year 2021/2022. (Seven voting members and one non-voting member in 2020/2021, including two B&NES Councillor Members).

Independent Member Related:-
Three Independent Members were paid allowances of £13,478, £13,759 and £13,539 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 2021/22 the Fund paid B&NES Council £518,585 for administrative services (£535,892 in 2020/21). Various Employers paid the Fund a total of £283,170 for pension related services including pension's payroll and compiling data for submission to the actuary (£215,804 in 2020/21).

Pension Board Related:-
In 2021/22 £7,306 was charged to the Fund in respect of Allowances and expenses paid to the Members of the Pension Board (£7,180 in 2020/21). Seven members of the Pension Board were members of the LGPS during 2021/2022, one of which left and was replaced in year, however only 6 individuals held positions on the board at any one time (six members in 2020/2021).

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 2021/22 the Pension Fund paid BPP £1,218,692 (2020/21 £1,277,972).
As part of our investment in BPP Ltd. we provided regulatory capital. This will be subject to regular review by the regulator that could result in additional calls for capital.

20 KEY MANAGEMENT REMUNERATION

The key management personnel of the Fund are those persons having the authority and responsibility for planning, directing and controlling the activities of the Fund, including the oversight of these activities. The key management personnel of the Fund are the Head of Business Finance and Pensions and the Divisional Director Risk and Assurance. It does not include the Director of Finance (S151).

	31 March 2022 £'000	31 March 2021 £'000
Short Term Benefits	**52**	49
Post Retirement Benefits	**11**	11
	63	60

21 OUTSTANDING COMMITMENTS

As at 31 March 2022 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 £468.2m (31 March 2021 £687.2m).

22 FINANCIAL INSTRUMENTS

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

2021/22	Fair Value through Profit and Loss £'000	Loans & receivables £'000	Financial liabilities at amortised cost £'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)**

2020/21	Fair Value through Profit and Loss £'000	Loans & receivables £'000	Financial liabilities at amortised cost £'000
Financial Assets			
Equities	-		
Long Term Investments	768		
Pooled Investments (Non-Property)	4,584,191		
Liability Driven Pooled investments	-		
Pooled Property Investments	534,294		
Derivative contracts Futures	-		
Derivative Contracts FX Hedge	63,767		
Derivative Contracts Equity Options	-		
Cash	25,340	92,301	
Other investment balances		1,438	
Debtors		15,232	
Total Financial Assets	5,208,360	108,971	-
Financial Liabilities			
Other investment balances			
Derivative Contracts Futures	(110)		
Derivative Contracts FX Hedge	-		
Creditors			(8,511)
Total Financial Liabilities	(110)	-	(8,511)
Total Net Assets	**5,208,250**	**108,971**	**(8,511)**

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 2022 £'000	31st March 2021 £'000
Financial assets		
Fair value through profit & loss	**491,724**	804,841
Amortised Cost - realised gains on derecognition of assets		
Amortised cost - unrealised gains	**76,975**	22,230
Financial Liabilities		
Fair value through profit & loss	**(42,004)**	(18,975)
Amortised Cost - realised losses on derecognition of assets		
Amortised cost - unrealised losses		
	526,695	808,096

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 2022 Brunel Pension Partnership (Brunel) manages £4.857 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 the manager diversification is greater under Brunel than it was before pooling.

(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.

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 2022. 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 2022:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Global Equities	2,176,710	13.6%	2,472,743	1,880,677
Emerging Market Equities	-		-	-
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**		**6,517,428**	**5,137,813**

The analysis for the year ending 31 March 2021 is shown below:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Global Equities	1,744,275	14.2%	1,991,962	1,496,588
Emerging Market Equities	286,760	16.0%	332,641	240,878
Risk Management Strategy	942,815	12.4%	1,059,724	825,906
Diversified Return Funds	501,330	8.4%	543,442	459,219
Multi Asset Credit	317,539	6.7%	338,815	296,264
Property	534,294	2.0%	544,980	523,608
Fund of Hedge Funds	277,469	5.9%	293,840	261,099
Infrastructure	513,891	17.2%	602,281	425,502
Long Term Investment	768	15.0%	884	653
Cash & Equivalents	182,846	0.1%	183,029	182,663
Total Investment Assets	**5,301,989**		**5,891,598**	**4,712,380**

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 2022	31st March 2021
	£'000	£'000
Cash and Cash Equivalents	**163,402**	182,846
Multi Asset Credit	**315,433**	-
Risk Management Strategy	**1,119,140**	942,815
Total	**1,597,976**	1,125,661

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 2022 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 2022		**Change in net assets**	
	Value	**+100 bps**	**-100 bps**
	£'000	**£'000**	**£'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**

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 2021 is shown below:

As at 31 March 2021		**Change in net assets**	
	Value	**+100 bps**	**-100 bps**
	£'000	**£'000**	**£'000**
Cash and Cash Equivalents	182,846	-	-
Risk Management Strategy	942,815	(126,054)	126,054
Total	**1,125,661**	**(126,054)**	**126,054**

The MAC portfolio listed in the sensitivity analysis to March 2022 was not held in 2020/21

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), while our MAC portfolio also hold some assets denominated in foreign currencies. 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 2022**	**Asset value as at 31st March 2021**
	£'000	**£'000**
Global Equities	**1,791,741**	1,744,275
Global Property Funds	**169,986**	178,563
Multi Asset Credit	**52,733**	-
Fund of Hedge Funds	**109,262**	276,402
Infrastructure Funds	**34,427**	21,389

Currency Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates has been analysed using the volatility which is broadly consistent with a one-standard deviation movement in the main currencies over the 3 years to 31 March 2022. The analysis reflects the Fund's passive hedging policy of a 50% hedge ratio on the global equity assets, and a 100% hedge ratio on the global property and hedge fund assets. Therefore, there is no currency exposure on the assets that are 100% hedged. The infrastructure and MAC 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 2022 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	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

The same analysis for the year ending 31 March 2021 is shown below:

Currency Risk by Asset Type

Asset Type	**Value (£) £'000**	**% Change**	**Value on Increase £'000**	**Value on Decrease £'000**
Global Equities	1,744,275	4.05%	1,813,482	1,675,069
Infrastructure	21,389	6.40%	22,761	20,016

(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 though the failure to settle transactions in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. Credit risk on 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).

The MAC portfolio is comprised of assets with the following array of credit ratings as at 31st March 2022:

Credit Rating	Value £'000
AAA	3,880
AA+ to AA-	252
A+ to A-	5,709
BBB+ to BBB-	29,241
BB+ to BB-	57,062
B+ to B-	142,513
CCC+ to C-	64,632
Unrated	12,144

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 £3.0m for 2021/22 (£1.5m for 2020/21)

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 2022 was £128.2m. This was held with the following institutions:

	31st March 2022		31st March 2021	
	Rating	Balance £'000	Rating	Balance £'000
Custodian's Liquidity Fund				
State Street Global Services	AAA	100,279	AAA	78,134
Money Market Funds				
Goldman Sachs Global Treasury Fund	AAA	1,420	AAA	-
Aberdeen Liquidity Fund	AAA	6,570	AAA	7,470
Federated Investors	AAA	8,840	AAA	9,730
State Street Global Advisors	AAA	950	AAA	950
CCLA - The Public Sector Deposit Fund		8,340		7,190
Bank				
NatWest Special Interest Bearing Account	A+	1,840	A+	1,360
NatWest Current Account	A+	6	A+	9

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 2022 the market value of shares on loan totalled £10.23m, which generated £0.05m 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 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 2022 the value of the illiquid assets was £1,514m, or 26% of the total Fund assets (31 March 2021: £1,326m which represented 25% 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.

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 2022.

	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**

The fair value hierarchy as at 31 March 2021 was:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled Investments:-				
Equities	108,467	1,922,679		**2,031,146**
Risk Management Strategy		942,816		**942,816**
Fund of Hedge Funds			277,469	**277,469**
Diversified Return Funds		501,330		**501,330**
Multi Asset Credit		317,539		**317,539**
Property		172,346	361,948	**534,294**
Infrastructure			513,891	**513,891**
Long Term Investment			768	**768**
Cash	117,641			**117,641**
Derivatives: Forward FX	-	63,767		**63,767**
Derivatives: Futures	(110)			**(110)**
Investment Debtors/Creditors	1,438			**1,438**
	227,436	**3,920,477**	**1,154,076**	**5,301,989**

There were no re-classifications of assets between levels since 2020/21 and the only new asset included in the hierarchy at Level 3 is Private Debt.

Reconciliation of Fair Value measurements within Level 3

Level 3	Market Value 01 April 2021	Transfer into Level 2	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains / losses	Realised gains / losses	**Market value 31 March 2022**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Property	361,948		124,435	(18,191)	31,386	6,108	**505,686**
Fund of Hedge Funds	277,469		-	(179,157)	(21,049)	31,999	**109,262**
Infrastructure	513,891		85,466	(18,949)	72,995	(7)	**653,396**
Private Debt			42,493		220		**42,713**
Long Term Investment - Equities	768				70		**838**
	1,154,076	**-**	**252,394**	**(216,297)**	**83,623**	**38,100**	**1,311,896**

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 2022.

	Assessed valuation range +/-	**Value at 31 March 2022**	**Value on increase**	**Value on decrease**
		£'000	**£'000**	**£'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	15%	838	964	713
Total		**1,311,895**	**1,477,933**	**1,145,859**

The same analysis for 31 March 2021:

	Assessed valuation range +/-	**Value at 31 March 2021**	**Value on increase**	**Value on decrease**
		£'000	**£'000**	**£'000**
Property	10%	361,948	398,142	325,752
Fund of Hedge Funds	10%	277,469	305,216	249,724
Infrastructure	15%	513,891	590,975	436,808
Long Term Investment - Equities	15%	768	884	653
Total		**1,154,077**	**1,295,217**	**1,012,936**

25 EMPLOYING BODIES

As at 31 March 2022 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)
South Gloucestershire & Stroud College
St. Brendan's Sixth Form College
University of the West of England
Weston College

Academies and Schools

Abbeywood Community School
Abbot Alphege Academy
All Saints East Clevedon C of E Primary School
Ashcombe Primary School
Ashton Park School
Ashton Vale Primary School
Aspire Academy
Avanti Gardens School
Backwell C of E Junior School
Backwell School
Badock's Wood E-ACT Academy
Bannerman Road Community Academy
Barton Hill Academy
Bathampton Primary School
Batheaston Church School
Bathford Church School
Bathwick St Mary Church School
Becket Primary School
Bedminster Down School
Beechen Cliff School
Begbrook Primary Academy
Birdwell Primary School
Bishop Sutton Primary School
Blagdon Primary School
Blaise High School
Bournville Primary School
Bradley Stoke Community School
Bridge Learning Campus
Bristol Cathedral School Trust
Bristol Free School
Bristol Technology & Engineering Academy
Broadlands Academy
Broadoak Academy
Cabot Learning Federation
Callicroft Primary School
Cameley CEVC Primary School
Castle Batch Primary School
Castle Primary School (Keynsham)
Chandag Infant School
Chandag Junior School
Charborough Road Primary School
Charfield Primary School
Charlton Wood Primary Academy
Cheddar Grove Primary School
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
City Academy
Clevedon School
Clutton Primary School
Colston's Girls' 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
Gatehouse Green Learning Trust (Central Functions)
Gordano School
Greenfield E-ACT Primary Academy
Grove Junior School
Hanham Woods Academy
Hannah More Infant School
Hans Price Academy
Hareclive E-ACT Academy
Hayesfield Girls School
Haywood Village Academy
Headley Park Primary School
Henbury Court Primary Academy
Henleaze Junior School
Heron’s Moor Academy
High Down Infant School
High Down Junior School
High Littleton C of E Primary School
Hotwells Primary School
Hutton C of E Primary School
IKB Academy
Ilminster Avenue E-ACT Academy
Kings Oak Academy
Kingshill Church School
Knowle DGE Academy
Lansdown Park Academy
Little Mead Primary Academy
Locking Primary School
Longvernal Primary School
Luckwell Primary School
Lyde Green Primary School
Mangotsfield School
Marksbury C of E Primary School
Marlwood School
Mary Elton Primary School
May Park Primary School
Mead Vale Community Primary School
Meadowbrook Primary School
Mendip Green Primary School
Merchants' Academy
Midsomer Norton Primary School
Midsomer Norton Schools Partnership
Milton Park Primary School
Minerva Primary Academy
Moorlands Infant School
Moorlands Junior School
Mulberry Park Educate Together Primary
Nailsea School
New Siblands School
North Star 240°
North Star 82°
Northleaze C of E Primary School
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 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)
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
Writhlington School
Yate Academy
Yatton C of E Junior School
Yatton Infant School
Yeo Moor Primary School

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
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
Wellsway MAT Trading Company Limited
Westerleigh Parish Council
Westfield Parish Council
Weston Super Mare Town Council
Whitchurch Parish Council
Winterbourne Parish Council
Yate Town Council
Yatton Parish Council

Community Admission Bodies

Adoption West
Alliance Homes
Ashley House Hostel
Bristol Music Trust
Clifton Suspension Bridge Trust
Destination Bristol
Disability Equality Forum
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)
Southwest Grid for Learning Trust
The Care Quality Commission
The Holburne Museum
The Park Community Trust Ltd
University of Bath
Vision North Somerset CIO
Writhlington Trust

Transferee Admission Bodies

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 - St Anne's CEVC Primary School
Alliance in Partnership Limited - St Mary's CE 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 - Castle School Education Trust
Aspens Services Limited - Cathedral Schools Trust
Aspens Services Limited - Charfield School
Aspens Services Limited - Cherry Garden Primary School
Aspens Services Limited - Culverhill School
Aspens Services Limited - Downend School
Aspens Services Limited - E-ACT
Aspens Services Limited - Elmlea Schools Trust
Aspens Services Limited - Hanham Abbots Junior School
Aspens Services Limited - Kaleidoscope MAT
Aspens Services Limited - Lighthouse Schools Partnership
Aspens Services Limited - Longwell Green Primary School
Aspens Services Limited - Mangotsfield School
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 College
Cater Link Limited - BAM Construction
Cater Link Limited - Cotham School
Churchill Contract Services Ltd - Cabot Learning Federation
Churchill Contract Services Ltd - Churchill CofE Primary School
Churchill Contract Services Ltd - Wellsway MAT
Churchill Contract Services Ltd - Westhaven School
Circadian Trust (South Gloucestershire Council)
Compass Contract Services (UK) Ltd - Bristol City Council
Compass Contract Services (UK) Ltd - Palladian Academy Trust
Compass Contract Services (UK) Ltd - St Bede's Academy
Compass Contract Services (UK) Ltd - St Patrick's Catholic Primary School
Compass Contract Services (UK) Ltd - St Teresa's Catholic Primary School
Compass Contract Services (UK) Ltd - Westbury Park Primary School
Creative Youth Network - South Gloucestershire Council Youth Service
Direct Cleaning Services (South West) Limited - Palladian MAT
Dolce Ltd - Mangotsfield C of E Primary School
Edwards and Ward Ltd - Bath & Wells MAT
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
Future Stars Coaching Limited - High Down Schools
Glen Cleaning Company Limited - City of Bristol Council (2020)
Glen Cleaning Company Limited - Excalibur Academies Trust
Glen Cleaning Company Limited - Henleaze Junior Academy
Glen Cleaning Company Limited - Lighthouse Schools Partnership
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
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
Prestige Cleaning & Maintenance Limited - ELAN MAT
Purgo Supply Services Ltd - Castle School Education Trust
Purgo Supply Services Ltd - E-ACT
Purgo Supply Services Ltd - Gatehouse Green Learning Trust
Ridge Crest Cleaning Ltd - Bristol City Council
Shaw Healthcare - The Granary
Skanska Rashleigh Weatherfoil Ltd (Bristol City Council)
SLM Community Leisure Trust (Bristol City Council)
SLM Fitness & Health Ltd (Bristol City Council)
Sodexo Ltd - Diocese of Bristol Academies Trust (DBAT)
Southern Brooks - South Gloucestershire Council Youth Service
Taylor Shaw - Olympus Academy Trust
The Brandon Trust
Trowbridge Office Cleaning Services Ltd - Learn@MAT
Weston Support Services Ltd (Extend Learning Academies Network)
Youth Connect (Bath & North East Somerset Council)

ANNUAL GOVERNANCE STATEMENT 2021/22

1. SCOPE OF RESPONSIBILITY - CONTEXT FOR STATEMENT

1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which includes ensuring a sound system of internal control and effective arrangements for the management of risk.

1.3 The Council has adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of our code is available from our website.

1.4 This Statement explains how the Council has complied with our Local Code of Corporate Governance and also meets the requirements of:

● The Accounts and Audit (England) Regulations 2015, specifically Regulation 6 (1) in respect of the annual review of the effectiveness of its system of internal control and preparation and publication of an Annual Governance Statement.

● The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

1.5 The governance framework described in this Statement has been in place at the Council for the year ended 31 March 2022, and up to the date of the approval of the statement of accounts.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK - BACKGROUND AND OVERVIEW FOR 2021/22

2.1 Good governance enables Bath & North East Somerset Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times and the following diagram illustrates how good governance is integral to supporting the delivery of the organisation's priorities.

During the last year the governance framework continued to be tested by the Covid-19 pandemic and as a result of the emergency legislation introduced by government the Authority responded promptly to ensure it could continue function and make key decisions.

This led in the initial phase of the pandemic - in March/April 2020 - to enact emergency decision making through the Chief Executive Officer in consultation with the Leader of the Council. Each of these decisions were then reported to Council at its following meetings.

This phase only lasted for a short period whilst the Authority adjusted to the national lockdown requirements and implemented the detail of the coronavirus regulations so that its governance framework could move to online delivery. This entailed all formal (& informal) governance boards and committees meeting virtually through the use of Zoom. This was accomplished quickly and meant that no further significant changes were required to the processes underpinning key decision making, policy development and the Corporate Governance of the Authority. Regulations related to Local Authority Meetings and reliance on virtual meetings etc were withdrawn with effect from 7th May 2021. A report on decision making and contingency arrangements went to Council on 4th May 2021.

The Constitution, which sets out how the Authority operates, is kept under constant review and updated as necessary through the year. It clearly defines the roles of councillors and officers and this clarity contributes to effective working relationships.

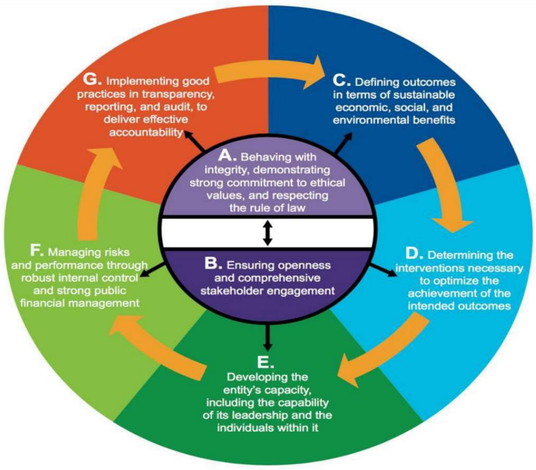
As part of this ongoing review the Council at its November 2021, February & May 2022 meetings approved further changes to its Constitution and governance framework including –
a) Updating appointments and minor revisions to terms of reference for various panels and committee's including the use of virtual meetings to mak decisions;
b) Updating delegations to the Planning Committee scheme of delegation;
c) Updating advice relevant to the Code of Conduct on bullying and harassment;
d) Updating TOR to the Planning Committee;
e) Updating delegations relevant to Parish Councils under Section 91 of the Local Government Act.

The Council's Local Code of Corporate Governance aims to ensure that in conducting its business the Council:
• operates in a lawful, open, inclusive and honest manner
• makes sure public money is safeguarded, properly accounted for and spent wisely
• has effective arrangements in place to manage and control risk
• secures continuous improvements in the way it operates.

The Code comprises the systems and processes, culture and values and structures by which the Council is directed and controlled. The Code is the sum-total of all of these things, and it includes those activities required to enable the Council to engage with, account to and lead the communities it serves. The Code enables the Council to set its strategic objectives and to manage the achievement of the objectives whilst ensuring delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that Code and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The CIPFA/SOLACE framework envisages that the Code will be organised to ensure a continuous process of seven principles based around two core principles (A and B).



Source: CIPFA/SOLACE

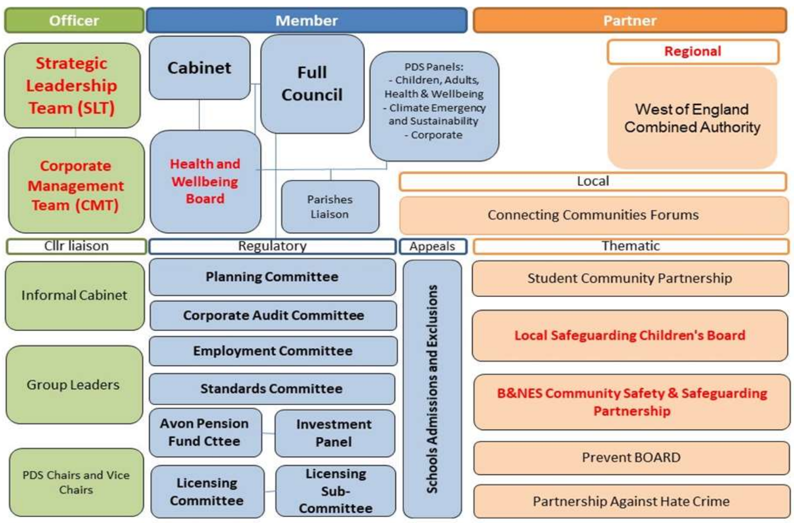
The governance framework and a Code has continued to be in place at Bath & North East Somerset Council for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts.

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

The Council's Constitution is kept under constant review and updated as necessary through the year and sets out how the Council operates. It clearly defines the roles of Councillors and officers and this clarity contributes to effective working relationships.

The Policy and Budget Framework (PBF) within the constitution is a collection of plans, strategies, and policies, (including the Council Budget), that describe how services are to be provided. It is set and subsequently adopted by Full Council and is essentially the 'operating framework' by which the Council makes decisions.

The diagram records the Council's governance structure for formal member meetings, key partnership bodies and key internal officer groups.



(Key: formal decision-making bodies = **bold;** operational decision-making bodies = **bold;**)

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.

Risk Management Steering Group – Oversight of risk management activity across the organisation including review of the framework and processes for managing risk.

IT Steering Group – Oversight of all IT related activities, including Strategy, Policies and Procedures as well as a focus on key projects and business cases.

Procurement Steering Group – To oversee delivery of our Procurement Strategy, provide Strategic Input to Procurement planning & decision making and champion effective use of our Governance frameworks.

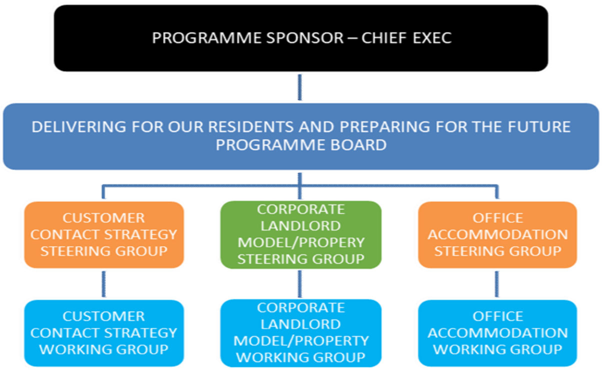
Business Change - Oversight for all corporate and service change projects which will commence from 2022/23.

Corporate Advisory 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; Health Safety and Wellbeing Steering Group, Equality Diversity and Inclusion Steering Group.

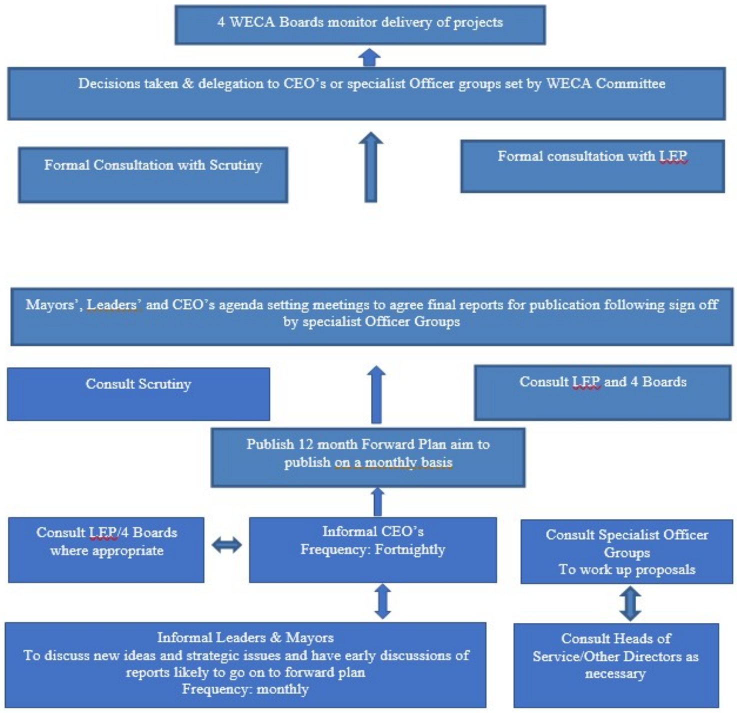
Project Governance

<u>Business Change – Project Governance</u>

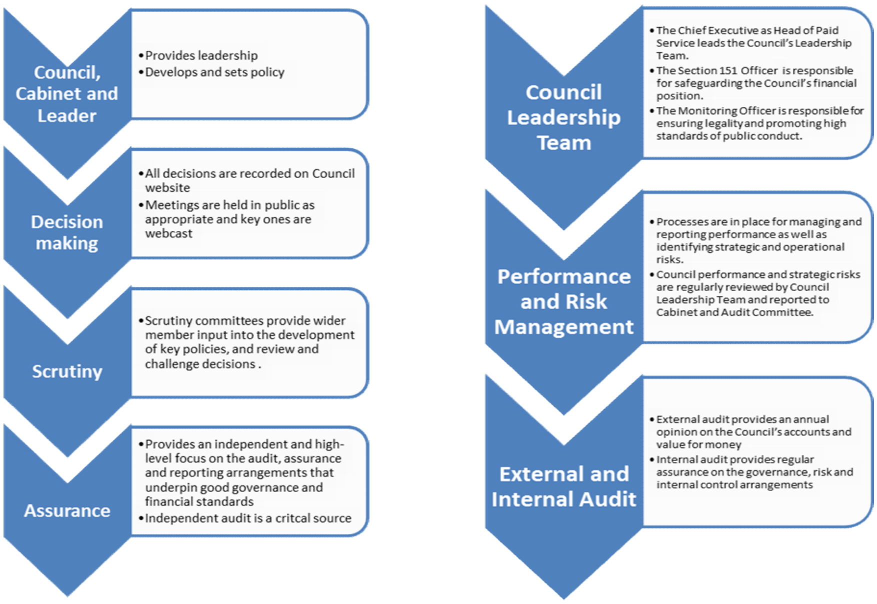


<u>Business Change – Service Projects Governance</u>

West of England Combined Authority Regional structure:



The wider elements of the framework of our governance arrangements at the Council during 2021/22 were:



Council Business 2021/22 – Key Governance Decisions

4th May 2021 - 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 Shaun Stephenson-McGall were appointed Chairman and Vice Chairman respectively for the Council year 2021/22. Councillor Kevin Guy was elected as Council Leader until May 2023.

Cabinet Members & Portfolios Appointments

Cllr Kevin Guy Council Leader	• 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 Deputy Council Leader	Economic Development & Resources Visit West (shareholder), Aequus Developments Ltd. (ADL)
Cllr Sarah Warren Deputy Council Leader	Climate & Sustainable Travel
Cllrs Alison Born & Tom Davies (Job Share)	Adults & Council House Building
Cllr Dine Romero	Children & Young People, Communities & Culture
Cllr David Wood	Neighbourhood Services
Cllr Manda Rigby	Transport
Cllr Tim Ball	Planning

21st July 2021 - Appointment of Monitoring Officer

At the Council Meeting, Michael Hewitt was appointed Head of Legal & Democratic Services and the Council's Monitoring Officer with effect from 23rd July 2021.

24th March 2022 – Aequus Governance, Structure & Business Plan

The Council considered a report setting out proposed changes to the Governance and Structure of the Council's wholly owned housing and development companies (Aequus Developments Ltd and Aequus Construction Ltd), noted the Aequus 2020/21 Year End Audited Accounts and approved its Business Plan for 2021/22 to 2023/24.

The Council also resolved to:
1. Approve the amendments to the Reserved Matters Schedule in the Shareholder Agreement within the Councils'. Protocol for Governance Arrangements (Local Authority Trading companies.
2. Approve the changes to the Company Structure, including the transfer within the corporate group of ADL and ACL, and the establishment of the holding company.
3. Delegate to the Council's Section 151 Officer the authority to confirm the final documentation required to complete the Company Structure changes and t determine the timing and implementation of the new company structure proposed. This included authority for the Council's Section 151 Officer to provide shareholders approval for all legal, financial and corporate filing documentation to implement the new structure.

How the Council has fulfilled the principles of good governance

Review of the Council's Code of Corporate Governance

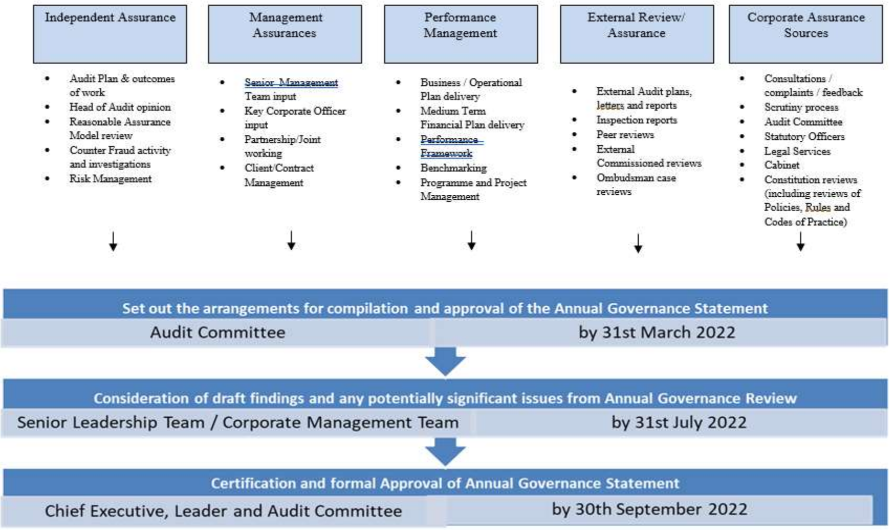
place to deliver the requirements of each principle of the Framework. The Code is not a document, it is the sum-total of all these systems and processes, culture and structures by which the Council is directed and controlled.

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 2021/22 however it is not intended to be exhaustive.

4. REVIEW OF GOVERNANCE FRAMEWORK

Throughout the year the Council will review the effectiveness of its governance framework. The methodology is recorded below.



A key component of the review is using the adopted 'Reasonable Assurance Model' to assess the level of Assurance in place over eight themes.

Each Theme has a set of questions and the answers to these questions help assess the level of assurance and the level of risk for each theme. The Reasonable Assurance Model informs the Internal Audit Annual Plan and also enables an assessment of compliance with the seven principles of good governance as recorded in the Council's Local Code of Corporate Governance.

This Local Code was adopted by the Council at its meeting of 10th May 2018 and a copy of the Code is accessible through the Council's website at:

http://www.bathnes.gov.uk/content/bathnes-local-code-corporate-governance

An explanation – but not exhaustive list - is now provided on how the authority has complied with its Local Code – the seven principles of good governance.

5. PRINCIPLES OF OUR GOVERNANCE FRAMEWORK

i. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

Behaving with integrity

Bath & North East Somerset Council has both a Members Code of Conduct and an Employees Code of Conduct which the respective individuals are required to adhere to in their respective roles. The Members Code is recorded within the Council's Constitution (Part 6). The Employees Code of Conduct is accessible through the Council's intranet (HR + Payroll / HR Policies) and 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 4 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 201, 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 5) records the Committee's Terms of Reference. The Terms of Reference includes:
•Promote and maintain high standards of conduct by Councillors; Parish Councillors; co-opted members and church and parent governor representatives,
• Oversee the effectiveness of the Council's Constitutional arrangements from an ethical perspective and make recommendations to the Council on an desirable or necessary changes.

The Committee is scheduled to meet every two months (if required) and reports to Council at least annually. The last annual report (2020/21) was submitted to the 17th November 2021 Council Meeting. It recorded that the 12 members (5 B&NES Councillors, 3 Parish Councillors and 3 independents) and Independent Person met on four occasions – 9th July 2020, 17th September 2020, 19th November 2020 and 13th April 2021 - 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 16 in 2020/21 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 under the Scheme of Delegation (Part 3 of the Constitution). The Constitution is reviewed by a Constitution Working Group and amendments are reported to Full Council to ensure it remains fit for purpose and is legally compliant.

All reports requiring decision must be cleared by the Council's S151 and Monitoring Officers. The adopted report template requires the author to record 'Statutory considerations and basis for the proposal' and this section should contain details of any relevant considerations regarding equalities, crime & disorder, sustainability, natural environment, planning, human rights, children, public health & inequalities. It should also specify the legal power or duty that authorises the decision to be made. Specific Report Writing guidance is available to Officers to provide clarification of actions required.

The Council is required to sign off a Modern Slavery Statement on an annual basis to comply with the requirements of the Modern Slavery Act 2015. At the Cabinet meeting of 20th May 2021, it was agreed to sign off and publish (Council's public website) the Council's Modern Slavery Statement 2021/2022 by the Leader of the Council and Chief Executive.

All Council contracts must comply with the Council's Contract Standing Orders and guidance from specialist procurement and legal Officers is available in order to comply with legal requirements, e.g. EU Procurement regulations.

Additional guidance is available to Members and Officers to ensure compliance with other legislation including:
• Proceeds of Crime Act 2002 (e.g. Anti-Money Laundering Policy 2019)
• Bribery Act 2010 (e.g. Anti-Bribery Policy 2019)

The Council also considers Motions submitted by political groups / Councillors, e.g. 17th November 2021 motion supporting calls for comprehensive and effective carbon pricing and to lobby MP's.

ii. Ensuring openness and comprehensive stakeholder engagement

Openness and engaging with individual citizens and service users effectively

The Constitution outlines the Citizens rights to access information (Part 2 – Article 3 Citizens and the Council) in addition Part 4 – Procedural Rules record the access to information procedure rules (Part 4B). It details: rights to attend meetings; notice of meetings being held; access to agendas and reports; provision of agenda and report copies; access to meeting minutes; and rules around the exclusion of access by the public to meetings.

Under the Coronavirus Regulations 2020, virtual meetings were given the same status and validity as in-person meetings. All meetings could be viewed live and were recorded on YouTube. The Regulations enabling virtual meeting expired on 6th May 2021 and so all meetings must now be in-person meetings. The Liberal- Democrat Group took a motion to the Council Meeting on 25th March 2021 highlighting benefits to virtual and hybrid meetings for participants, observers and the general public, including: improved access and safety, reduced emissions from transport, savings on time and expenses, and better engagement with residents. It was resolved that government, MP's and Ministers should be lobbied to bring forward legislation enabling virtual and hybrid meetings to be a permanent option for Councils, alongside in-person meetings.

Key decisions are all recorded and accessible to the public and the templates for decisions require officers to provide all necessary and pertinent information to make an informed decision. The Cabinet forward plan of business is published in advance in accordance with access to information requirements.

To help ensure decision making rules are followed an intranet page provides officers with information about the stages to be followed for single member, Cabinet, Officer and urgent decisions.

The Council's website contains information about services and provides easy access key links such as 'Cabinet Decisions'.

We monitor compliance with the Department for Communities and Local Government Transparency Code and the Transparency page on the internet provides the links to access business operations and outcomes (such as payments to suppliers / expenditure over £500) as required by the Code.

We are very open with our communications and digital communication channels are used including a library of webcasts e.g. Council and Cabinet meetings. The Council and its services use Social Media such as Twitter, Facebook, and Instagram. Webinars have been produced and archived on YouTube – subjects include Journey to Net Zero: Reducing the environmental impact of transport in Bath (January 2022) & Liveable Neighbourhoods (December 2021). A weekly e-connect newsletter is produced and distribution has increased over 2021/22. Staff also receive a weekly communications e-mail.

Engaging Comprehensively with Institutional Stakeholders

Our strategic partnership landscape has changed significantly with CCG integration, development of the West of England Combined Authority and an Area Forum structure established to help engage with local communities. There are 6 Area Forums and these are made up of Bath & North East Somerset elected members, parish councils, local groups and residents. The Forums set their own priorities based on an understanding of local needs.

The Parish Charter provides a framework between the Council and the 51 parishes across the area for working together. We have a common purpose to promote the wellbeing of B&NES, and we serve the same residents. The Council consults with parishes on matters which affect their area and residents.

The Council has consultation webpages which records current, future and closed consultations plus a consultation results section. Some of the key consultation / engagement work carried out over the last year include:
- Draft Planning Obligations Supplementary Planning Document
- Somer Valley Enterprise Zone: first public engagement

Partnership working with our health and West of England partners is of critical importance in both service delivery and in shared financial efficiencies. NHS England has challenged the health and care system to develop a Sustainability and Transformation Plan (STP) and the Council has been fully engaged in the STP development process. The Clinical Commissioning Group (CCG) and B&NES Council are joining their commissioning functions and continuing to pool budgets. The Health & Wellbeing Board is responsible for preparing a Joint Health and Wellbeing Strategy and reviewing and reporting on health and social care commissioning. The Council and CCG are represented on the Board.

Following the transfer of functions to the West of England Combined Authority (WECA) on 1st February 2017 the Authority represents Bath and North East Somerset Council, Bristol City Council and South Gloucestershire Council. A Joint Committee, Overview & Scrutiny Committee and an Audit Committee assist in the good governance of the Combined Authority.

iii. Defining outcomes in terms of sustainable, economic, social and environmental benefits

Defining outcomes

At the 25th February 2020 Council Meeting, Bath & North East Somerset Council adopted the Corporate Strategy 2020-24 and the Corporate Delivery Programme. The framework of the new Strategy has a single overriding purpose – to improve people's lives.

Against each of the three recorded principles, there are key commitments and linked to the commitments examples of how progress will be measured.

The Council Corporate Strategy Framework recognises "Managing our Money" through the Medium-Term Financial Strategy and there is much more emphasis on 'Performance Management and Review'. The importance of excellence in resource management and sound governance is fundamental to achieving its purpose and the stated commitments.

Sustainable economic, social and environmental benefits

The Capital Programme 2019/20 to 2023/24 includes investments that provide economic, social and environmental benefits including: Bath Quays development; Bath Western Riverside development, Highways maintenance; Leisure Centre refurbishment and modernisation; and schools works.

The Council's wholly owned property investment company, Aequus 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 effect of the Council's ability to maintain and develop its capacity. Service areas including libraries and youth are proactively looking for volunteers to help with non-statutory service provision.

Developing the capability of the entity's leadership and other individuals

Following the May 2019 elections, a full member induction programme was provided to allow all members but particularly new ones to understand how the Council works and the key services it provides. In addition to this specific induction training members are provided training specifically related to their roles and responsibilities.

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

The Council has had in place a 'Performance Development Conversation' process with guidance and templates with the objective of improving communication and the performance of staff. In May 2022 a new Performance Management and Personal Development portal called Clear Review is to be launched. The objective is to support staff across the organisation in objective setting, identifying ways to support staff in their personal development and growth, and reduce the amount of paperwork that is currently used in the old PDC process. 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 in October 2021. 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.

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.

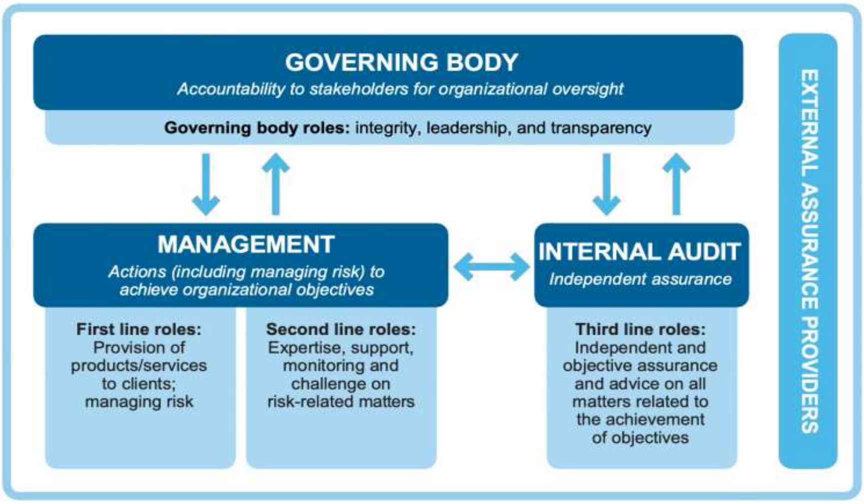
The Council has introduced a new Integrated Reporting Framework (IRF) which is a set of PowerBI dashboards which are now being successfully used as the portal for all corporate business intelligence. The IRF is on the Council intranet and all officers have access, it includes the following information
- 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. Further development of the IRF is currently planned and will be developed during 2022/23

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.

During the year a new Digital, Data & Technology Strategy was agreed and its operation is overseen by the IT Steering Group which also has reference to the Councils Customer Contact Strategy and Data Strategy.

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.

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 2020/21 were presented to the December 2021 meeting of Corporate Audit Committee and approved. The Council's external auditor reported to the same meeting to confirm an unqualified opinion on the Council's accounts. He stated that progress on completing the audit was impacted by resourcing issues.

The External Auditors Annual Report on the Council was presented to the Corporate Audit Committee meeting held on 19th May 2022. 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. Significant weaknesses were not found relating to components of the Value for Money arrangements; however, a number of minor improvement recommendations were made for each of the headings:

Financial Sustainability

- Management of school's deficit
- Ongoing careful budget management
- Minor changes in reporting the relationship between revenue and capital
- Ensuring that vacancies are linked to workforce plans

Governance

- Opportunities to develop risk reporting
- Enhancing the annual reporting of whistleblowing and investigations
- Considering small changes in presentation of the complaints and feedback policy
- Treasury management performance reporting
- Introducing a regular annual update of the register of interests and declarations completed by Members

Improving Economy, Efficiency and Effectiveness

- Continue developing performance management reporting framework
- Strengthening the benchmarking processes
- Raising the profile of work completed in response to external regulators
- Implementation of Aequus review
- Strengthening contract management arrangements

The Budget and Council Tax 2022/23 and Financial Outlook Report was taken to Council at its February 2022 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 2022/23 Budget takes into account the forecast out-turn for 2021/22 and estimates for 2022/23. 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 2022/23 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. The Chief Audit Executive is satisfied that the requirements of the PSIAS and other guidance such as the CIPFA Statement on the Role of Internal Audit (2019) are being achieved. PSIAS compliance is also externally assessed every 5 years and an inspection is scheduled to take place in 2022/23.

In terms of contracting out service provision one of the most significant contracts is with Virgin Care a 7 year contract (extendable by 3 years) which started in 2016/17. The Council contracted with Virgin Care to provide community health and care services for children, young people and adults. A governance framework has been devised and is in place to monitor the Community Services Provision Contract and the related Service Development Improvement Plan (SDIP):
1) Community Services Steering Group - report to the Joint Commissioning Committee (Executive Group) and to the Health & Wellbeing Board.
2) Contract, Quality and Performance Meeting Group (CQPM) - provide a strategic/senior officer lead and a direct linkage to the Community Services Steering Group.
3) Financial Information Group - monitor the financial position and any budgetary issues.
4) The Transformation Group - produce a SDIP Performance Dashboard and report to CQPM on any delivery issues which need attention.

In November 2021 the Council were advised that Virgin Care had been purchased by Health Care Resourcing Group. This has not impacted on the governance framework, however at the May 2022 Cabinet meeting the Council decided not to extend the existing contract arrangements beyond April 2024 and future delivery options are currently being assessed.

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 21 risks as at Quarter 4 2021/22 linked to the following themes –

- Partnership Working
- Local Economy
- Housing
- Infrastructure
- Climate Emergency – Adaptation & Resilience
- Transport & Climate Change
- Safeguarding
- Social Care
- Resource Management
- Transformation
- Information Technology
- Procurement
- Financial Management
- Workforce Resilience
- Health & Safety

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.

As highlighted during previous reports to Corporate Audit Committee, it was reported that the Council's internal control framework was satisfactory, however, it was also highlighted that the opinion provided was tempered by enforced remote working due to Covid-19 and government advice to work from home.

Remote working has continued throughout 2021/22 and, coupled with the level of unplanned work and like in 2020/21 there was a need to consider whether a limited or qualified opinion should be issued as a result of the changing plan. The Committee have been kept fully informed during the financial year of progress on completing the approved Internal Audit Plan, the need to maintain a flexible Plan, and the impacts of unplanned work.

The Institute of Internal Auditors guidance states that if the Audit Committee has agreed to the changed plan, then there is no need for a limited opinion; the opinion will reflect the work detailed as agreed.
There have been minor amendments to the 2021/22 Plan and it is therefore my opinion that, based on the limited planned work completed due to the circumstances of Covid-19, the Council's internal control framework and systems to manage risk are reasonable.

- Reasonable assurance can be provided over the council's systems of internal control, helping to ensure corporate priorities can be achieved;
- Agreed policies, Financial Regulations and Contract Standing Orders were broadly being complied with;
- Managers throughout the council were aware of the importance of maintaining adequate and effective governance arrangements;
- Appropriate arrangements were operated to deter and detect fraud 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.

The ongoing financial challenge, heightened by the pandemic and more recently the conflict in Ukraine, places further pressure on all Council services to respond and manage risk in a proportionate way. The Council's financial position remains very challenging. A robust Internal Audit service is a vital component of the Council's governance systems and provides the third and final line of defence in relation to the internal control framework.

Signed:

Jeff Wring
Chief Audit Executive
19th May 2022

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 2021/22. 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	**WILL GODFREY**
LEADER OF THE COUNCIL	**CHIEF EXECUTIVE**

DATE: 7th February 2023

6 SIGNIFICANT GOVERNANCE ISSUES 2021/22

Issue in 2021/22

1. Financial Challenge – Significant Increase in Energy Supply Costs

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.

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.

However, based on world events the cost of energy is going to be significantly higher and this has financial implications for future years.

Financial Implications:

Table 1

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**

Table 2

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 Horly	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%**

*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.

Comparing the worst case full year forecast £4.368m against total available budget £2.878m results in a £1.490m budget pressure.

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.

Commentary & Mitigating actions for 2021/22

The financial risk has been recorded in the Council's Corporate Risk Register for action monitoring purposes.

There are two main issues that the Council needs to address: -
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. Going out to the market and using the West Mercia Energy framework is PCR2015 compliant and has 16 companies on it including Council existing providers. This will ensure some price competition.
2) Mitigation measures to reduce the use of electricity and gas across Council buildings. In addition, the Council needs to take a longer-term view around the use of locally produced sustainable energy (either directly produced or via Power Purchase Agreements with community energy providers).

<table>
<tr><th>Issue in 2021/22</th><th>Commentary & Mitigating actions for 2021/22</th></tr>
<tr><td>

2. Adult Health & Social Care Contract - Virgin Care Services Limited sold to Health Care Resourcing Group (Twenty20 Capital Limited)

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.

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.

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".

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.

There was mutual agreement to extend the contract extension decision date from 31/3/22 to 30/6/22.

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.

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Following the agreement to extend the determination date from 31/3/22 to 30/6/22 the next phase was to complete the options appraisal and make the contract extension decision.

Officer undertook a significant amount of due diligence and options analysis work and a decision paper was submitted to the Cabinet meeting of 26th May 2022 to decide between two options:

1)Extend the contract term for 3 year period to 31/3/27
2)Allow the contract to end without extension beyond 31/3/24

And to delegate to the Director of Adult Social Care in consultation with the Member for Adult Services authority to proceed with the agreed option and undertake any appropriate risk mitigation.

Subsequently the Cabinet at its May meeting decided not to extend the contract and therefore the Council is assessing future delivery options.

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3. Special Educational Needs (SEND) Increasing Assessment Numbers and Costs

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.

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.

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.

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.

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The LA has entered preliminary discussions with the DFE with regard to the safety valve programme and official entry into the programme is expected in September 2022.

The LA have prepared a recovery plan to be discussed with the DFE which includes actions to limit the growth in EHCPs by creating additional support for schools.

The creation of more local provision to avoid expensive external independent provision.

Reviewing spend on current provision to ensure efficient use of resources

Schools Forum have been kept informed of the strategy to ensure future schools buy in to the actions required.

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6 UPDATE ON SIGNIFICANT GOVERNANCE ISSUES 2020/21

Issue in 2020/21	Update on Mitigating Actions for 2021/22
Coronavirus Pandemic (Covid19) The impacts of Covid-19 both internationally, nationally and regionally have been unprecedented in both Health and Economic terms. Central Government has put in place emergency legislation which has led to a wide range of measures to manage risks, protect public health and support the economy. These measures have often changed at short notice as the pandemic impacts altered through the year and these have directly impacted on local authorities. At a local authority level this has affected every area of the Council as front facing and support services have had to adapt to the changing position. In risk and governance terms the most significant impacts are in the following areas – Public Health – Ensuring that the vast range of health mitigations and measures are implemented and communicated to the public so that they are clear, coherent and supportive; Local Economy – Ensuring that local businesses can access the extensive level of grant support which was directed to local authorities to administer and manage; Financial Resilience – Ensuring that the organisation is both clear on the financial impacts of loss of income or increase in costs and plan for how these can be managed in year and for the medium term;	As detailed the Cabinet and Senior Management have overseen an extensive set of actions over the key risk areas to respond to the Pandemic during 2020/21. The focus in 2021/22 is on renewal and delivering on the Council's priorities. The budget report in February 2022 provided a further summary of the Council's position and where its future priorities were to be in relation to recovery and renewal. 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. • Focus on supporting the local economy to recover from the impact of the pandemic with a particular priority to work with partners to rebalance the economy to reduce the dependence on retail, hospitality and tourism. • Support the "Preparing for the Future" programme to modernise the council with a focus on improved asset management and flexible working. Whilst the pandemic has already had a significant impact on the region, the situation continues to evolve, and the full extent of the long-term implications are not yet clear. Work to respond to the impacts of the pandemic will continue.
Organisational Resilience – Ensuring that business continuity can be maintained in a fast changing position as services were temporarily closed, altered or delivered differently and manage organisational effectiveness whilst working at home; Democracy – Ensuring that local decision making at a formal level can continue effectively at all levels whilst working at home and continuing to support public access; Safeguarding – Ensure that the Council can support those who are most vulnerable and provide appropriate measures to protect those most at risk. The Council and Executive formally considered its response to the pandemic at its June meeting setting out its current position and the range of actions it was taking to support its communities. All of these issues have amounted to a significant and unprecedented situation facing the Council it's Community and are therefore recognised as a significant issue for the Annual Governance Statement.	The ongoing impact of Covid on the Council has created a material imbalance in how the Council funds its services, Council tax and Business rates alone do not fully fund the Council's services – they are also funded by external income. Income budgets were rebased and reduced by £13.24m in 2021/22 from a £33.17m net income budget. The 2022/23 budget has increased income expectations on Parking by £2.5m to align with the 2021/22 budget forecasts, other areas such as the Roman Baths are taking longer to bounce back.

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 2022.

SIGNED:

Chief Finance Officer (s.151 Officer) **Andy Rothery**
DATE: **15th March 2023**

Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee on 15th March 2023.

SIGNED:

Chair, Corporate Audit Committee **Councillor Mark Elliott**
DATE: **15th March 2023**

The Statement of Accounts were authorised for issue on 15th March 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 (NNDR) are paid.

Contingent Liabilities

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

Council Tax

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

Creditors

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

Debtors

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

Deferred Charges

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

Depreciation

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

Earmarked Reserves

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

Fixed Assets

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

General Fund

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

Gross Expenditure

Total expenditure before deducting income.

Infrastructure Assets

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

Minimum Revenue Provision

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

National Non-Domestic Rates (NNDR)

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

Net Expenditure

Gross expenditure less income.

Operating Lease

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

Outturn

Actual income and expenditure for the financial year.

Precept

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

Provision

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

Rateable Value

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

Reserves

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

Revenue Expenditure

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

Revenue Support Grant (RSG)

The main grant paid by central government to a local authority towards the cost of all its services.
The regular day-to-day running costs incurred in providing services.

Statement of Recommended Practice (SORP)

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

Support Services

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

Trading Accounts

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

Bath & North East Somerset Council

Chief Finance Officer
Lewis House
Manvers Street
Bath BA1 1JG
Telephone: 01225 477103
E mail: Andy_Rothery@bathnes.gov.uk
www.bathnes.gov.uk

Date: 15th March 2023
Our ref:
Your ref:

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Dear Sirs

Bath and North East Somerset Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements Bath and North East Somerset Council and its subsidiary undertakings, Aequus Construction Ltd. and Aequus Development Ltd, for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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 2021/22 ("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 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 no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv The prior period adjustments disclosed in Note 49 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

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 **15th March 2023**.

Yours faithfully

Name Andy Rothery

Position Chief Finance Officer (S151)

Date 15th March 2023 ....

Name Cllr Mark Elliott

Position Chair of Corporate Audit Committee

Date 15th March 2023 ....

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Avon Pension Fund
Local Government Pension Scheme

Post: Avon Pension Fund, Bath & North East Somerset Council,
Lewis House, Manvers Street, Bath, BA1 1JG

Web: www.avonpensionfund.org.uk **Tel:** 01225 477000
Email: avonpensionfund@bathnes.gov.uk **Fax:** 01225 395259

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
[Click **here** and enter **office address**]

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

Avon Pension Fund
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Avon Pension Fund for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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 2021/22 ("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. During the year we evaluated our estimation process for the valuation of investments and 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. We have drawn to your attention all correspondence and notes of meetings with regulators.

xxii. We have drawn to your attention all correspondence with The Pensions Regulator confirmed to us by all of our other 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 Administering Authority's Corporate Audit Committee at its meeting on 15th March 2023.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of the Fund

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Grant Thornton

Informing the audit risk assessment for Bath and North East Somerset Council and Avon Pension Fund 2021/22

Peter A Barber
Director
T +44(0)117 305 7897
Peter.A.Barber@uk.gt.com

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 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 your business or any 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.

Table of Contents

Purpose

The purpose of this report is to contribute towards the effective two-way communication between Bath and North East Somerset Council and Avon Pension Fund's external auditors and the Corporate Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Corporate Audit Committee under auditing standards. This assessment should include any issues relevant to the group entities of Aequus Developments Limited and Aequus Construction Limited.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with Corporate Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Corporate Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Corporate Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Corporate Audit Committee and supports the Corporate Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures, we are required to obtain an understanding of management processes and the local authority and pension fund's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

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Purpose

This report includes a series of questions on each of these areas and the response we have received from Bath and North East Somerset Council and Avon Pension Fund's management. The Corporate Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	B&NES Response	APF Response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	The Covid pandemic and wider impact on the economy continues to be the key event on Council services, the main impacts on property asset values were included in the 2020/21 accounts and current expectations is that this will not have a significant impact on the financial statements. Material judgements and estimates are also made in relation to Pensions valuations. The council uses experts to support our assessments of these estimates. However, a small change in some of the underlying assumptions can have a significant impact on the financial statements.	No events or issues expected to have a significant impact on the financial statements. Ukraine/Russia – the impact is unclear as the situation is still evolving. Russian assets have either been sold or written down but were not significant. Longer term impact will be on the funding position due to inflation and future investment returns, which will be partially mitigated by the equity and inflation hedge.
2. Have you considered the appropriateness of the accounting policies adopted by Bath and North East Somerset Council and Avon Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Yes and confirm there are no events or transactions that would cause the Council to adopt new accounting policies.	Yes and confirm there are no events or transactions that would cause the Fund to adopt new accounting policies

General Enquiries of Management

Question	B&NES Response	APF Response
3. Is there any use of financial instruments, including derivatives? If so, please explain	Financial Instruments are held in accordance with the Approved Treasury Management Strategy, a year end list will be provided. The Council holds no derivatives.	Held for efficient portfolio management for risk management purposes in the equity protection, FX and LDI strategies.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	Covid Support Grant payments in respect of Government support to businesses during 2021/22	No
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	The 2021/22 property asset valuations will reflect current rental incomes, and we are not currently expecting any further significant impairments in the 2021/22 accounts from other reasons.	None other than related to market movements

General Enquiries of Management

Question	B&NES Response	APF Response
6. Are you aware of any guarantee contracts? If so, please provide further details	Not directly. The Council has provided a number of guarantees in respect of the pension deficit for admitted bodies when staff transfer under TUPE e.g. the West of England Combined Authority.	None
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	None of which I am aware	None of which I am aware

General Enquiries of Management

Question	B&NES Response	APF Response
8. Other than in house solicitors, can you provide details of those solicitors utilised by Bath and North East Somerset Council and Avon Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	In-house legal support from the Council provided in relation to general service support, queries and appeals against pension decisions. Under the Council legal services framework specialist advice is provided by external advisors including Bevan Brittan, Ashfords, Weightmans amongst others. Open cases can be provided on request.	The Fund uses Osborne Clarke for investment and actuarial legal advice. There is no open litigation or contingencies from prior years
9. Have any of the Bath and North East Somerset Council and Avon Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	None. There have not been any reported frauds or non-compliance with legislation / regulations or misstatements that would affect Council / Pension Fund financial statements. This has been confirmed by the Council's Chief Internal Auditor and the Council's Director Legal & Democratic Services (Monitoring Officer).	None of which I am aware

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General Enquiries of Management

Question	B&NES Response	APF Response
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Council utilises advisors on large scales projects for example Cushman & Wakefield on the Milsom Quarter Masterplan and BDO for Social Care contract advice.	Mercer Investment Consulting advise on investment strategy. Mercer is the Scheme Actuary.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Yes, IFRS 9 credit loss provisions are reviewed each year for loans and investments, with details included in the Financial Instruments note to the accounts.	Yes, potential losses have been identified but are not disclosed as they are not material. According to the code of practice, impairments and loss allowances will only directly affect the reported carrying value of assets held at amortised cost. For the Pension Fund this relates to debtors and cash deposits. In the 20/21 accounts, of the £15.0m debtors included, £13.2m related to contributions which were subsequently received in April 2021. Of the remaining £1.8m only £0.4m related to debts over 2 months old. This value is viewed as not material and so no credit loss allowance is applied.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors' responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Corporate Audit Committee and management. Management, with the oversight of the Corporate Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Corporate Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Bath and North East Somerset Council and Avon Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures, we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Corporate Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Corporate Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Corporate Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Bath and North East Somerset Council and Avon Pension Fund's management.

Fraud risk assessment

Question	B&NES Response	APF Response
1. Has Bath and North East Somerset Council and Avon Pension Fund assessed the risk of material misstatement in the financial statements due to fraud? How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process? How do the local authority and pension fund's risk management processes link to financial reporting?	None as informed by the Director of Legal and Democratic Services and the Service Director - One West. Internal Audit compile an annual audit plan which is risk based and focussed on the priorities of the organisation. All audit reviews consider the prevention and detection of fraud related to the area subject to review. During 2020/21 and 2021/22 central government have made significant Covid19 grant funding available and Internal Audit have continued to provide advice and guidance to those teams allocated responsibility for assessing applications and processing payments. In addition to providing advice about internal controls to manage fraud risks the Internal Audit team have carried out post grant payment assurance work including data matching activity. The Council's Corporate Audit Committee have been kept informed of work being carried out. Risk Management processes and Strategy were reviewed in full in 2019. Risk registers are maintained by the Council and the Pension Fund. Council services maintain a number of risk registers including a specific Treasury Management risk register.	The pension fund completes its own accounts and maintains the management accounts. Budget, Risk register, admin and investment performance are all reported to Avon Pension Fund Committee quarterly. Key financial risks are assessed as part of setting the annual service plan and annual review of the Risk Register. Key financial systems audit undertaken annually by Bath & North East Somerset Council Internal Audit and their findings are reviewed and reported in their internal audit reports which are presented to the Pensions Board. Additionally, their recommendations and observations are acted upon. Also, investments are monitored by Brunel. .

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Fraud risk assessment

Question	B&NES Response	APF Response
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	In terms of risk of fraud during 2021/22, in addition to the normal business activity subject to fraud risk (such as payroll and creditor payments) the continuing distribution of Covid19 grant funding has been assessed as a significant potential fraud risk. In terms of normal business there are a range of potential mis-statements as a result of fraud, including: • over-stating revenue / improper expense recognition / incorrect asset valuations / hidden liabilities / incorrect disclosures. These can occur in a variety of ways within the administration of the council's financial affairs, for example: - improper use of core systems and bank accounts, including accounts payable (e.g. paying fictitious suppliers, over / under-paying contracts); accounts receivable (suppressing debtor balances, credit notes and write-offs); payroll (ghost employees, inflating payments to staff); cash receipting and banking balances. - use of special purpose vehicles and new companies to hide liabilities / earnings. - over / under-stating revenues, as well as hiding / suppressing expenditure. - mis-classification between revenue / asset related transactions. - over-stating asset valuations to increase net worth. - hiding obligations and not including within the balance sheet. - incorrect / non-disclosure of related party transactions. - incorrect classification of structured finance arrangements.	Improper use of financial systems and bank accounts Investment transactions instigated by Investments Team. Overstatement of assets to increase NAV.

Fraud risk assessment

Question	B&NES Response	APF Response
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Bath and North East Somerset Council and Avon Pension Fund as a whole, or within specific departments since 1 April 2021? If so, please provide details	In terms of Covid Small Business Grants there were a number of suspected cases of fraud and these were either prevented through the decision not to award grant funding or alternatively in one case requesting repayment of the £10,000 grant paid. This grant was repaid in full. There was a case during 2021 / 22 whereby Council Tax Single Person Discount Fraud was investigated. This resulted in the agreement to repay Single Person Discount over a number of years (£8,200). In addition to recovering the fraudulently claimed discount Internal Audit have liaised with the Revenue's Team and they are in the process of applying penalty charges – an invoice will be despatched to the responsible person(s) for the penalty charges which will exceed £1,000. A decision was taken by the S151 Officer not to refer the matter to the Police. (as informed by management and the Service Director - One West) Report risk issues through relevant Director and Corporate Audit Committee	None of which I am aware.
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Report risk issues through relevant Director and Corporate Audit Committee	Report all breaches and fraud to Avon Pension Fund Committee and Pension Board.

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Fraud risk assessment

Question	B&NES Response	APF Response
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Bath and North East Somerset Council and Avon Pension Fund where fraud is more likely to occur?	In 2021/22 specific fraud risks considered in relation to Covid19 grants especially applications for Small Business, Retail & Hospitality / Omicron grants. This funding was particular at higher risk of fraud based on the need to distribute funds without due delay. Outside of grant funding there are not areas with a high risk of material fraud that have been identified. If any risks are identified, recommendations for mitigation are made to managers who then implement as necessary	No areas with a high risk of material fraud have been identified. If any risks are identified, recommendations for mitigation are made to managers who then implement as necessary.
6. What processes do Bath and North East Somerset Council and Avon Pension Fund have in place to identify and respond to risks of fraud?	The Council: 1) receives alerts from the National Anti Fraud Network and respond to each alert as required. 2) Is actively involved with the Cabinet Office National Fraud Initiative and provide all relevant data sets for matching purposes. Data matching reports are reviewed and investigated when considered appropriate based on the risk assessment. In addition to the above activity to identify / detect fraud the Council continues to assess its systems of internal control and check. This includes management 1st & 2nd line roles of monitoring budgets, financial & data systems, bank accounts and Internal Audit's 3rd line role of verifying the adequacy of internal controls such as segregation of duties and authorisation levels.	Financial & data systems and bank accounts are regularly monitored. Segregation of duties, authorisation levels in place to mitigate fraud. In relation to pensioner payroll, the Fund takes part in the National Fraud Initiative scheme. Any queries identified are investigated and resolved. Internal control reports (or equivalents) of investment managers are reviewed annually.

Fraud risk assessment

Question	B&NES Response	APF Response
7. How do you assess the overall control environment for Bath and North East Somerset Council and Avon Pension Fund, including: • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details	Good. The Council has robust systems and controls. The work of Internal Audit provides assurance that material misstatement and fraud is not occurring. If internal controls are not in place (for example identified by Internal Audit) then this is reported to management for corrective action to be taken. None identified.	Good. The work of Internal Audit provides assurance that material misstatement and fraud is not occurring Use external data validation (e.g. for investment performance) as part of monitoring process There is potential for misreporting but this is mitigated by processes and controls in place.
8. Are there any areas where there is potential for misreporting? If so, please provide details	There is potential for misreporting but this is mitigated by processes and controls in place.	There is potential for misreporting but this is mitigated by processes and controls in place.

Grant Thornton

Fraud risk assessment

Question	B&NES Response	APF Response
9. How does Bath and North East Somerset Council and Avon Pension Fund communicate and encourage ethical behaviours and business processes of its staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details	Staff receive induction training and are reminded periodically of Council's rules and regulations such as: Employee Code of Conduct (recently updated), General Employment Standards & Financial Regulations & Codes of Practice. The Code of Conduct requires staff to declare interests and the giving / receiving of gifts and hospitality. The appropriate Director reviews and considers all disclosures. To ensure 'independence' the registers are reviewed periodically by the Council's Monitoring Officer. The Council has a values and behaviours framework all staff and members should adopt The Whistle blowing policy applies to staff, members, suppliers, contractors, volunteers and anybody acting on behalf of the council. The Council has in place a web accessible Whistleblowing submission report enabling any concerns to be reported.	Staff are reminded from their induction course and periodically of the Code of Conduct, and the need to declare any financial & non financial relationships with suppliers to the Fund. The Whistle blowing policy applies to staff, members, suppliers, contractors, volunteers and anybody acting on behalf of the council. The Council has a values and behaviours framework all staff and members should adopt.

Fraud risk assessment

Question	B&NES Response	APF Response
10. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?	Posts within Treasury Management, Payroll, Payments, Council Tax, NNDR Financial systems access is key to identifying and assessing the risk of fraud and corruption. A framework of internal control to manage the risks is required i.e. segregation of duties and authorisation. The maintenance of robust systems of internal control is reviewed by the Internal Audit Service	Payroll and Administration teams, where segregation of duties mitigates risk Officers with access to bank accounts could make fraudulent payments. Clear segregation of access, instruction and authorisation.
11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details How do you mitigate the risks associated with fraud related to related party relationships and transactions?	No none. As stated above staff (and Members) have to declare interests. Members as well as declaring all known interests also have to declare any conflicts when attending meetings	None of which I am aware Staff and committee members have to declare conflicts of interest at all committee meetings

Fraud risk assessment

Question	B&NES Response	APF Response
12. What arrangements are in place to report fraud issues and risks to the Corporate Audit Committee? How does Corporate Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?	As previously advised above we carry out a rolling review of our approach to Fraud risk and a review of policies and procedures and report the outcomes of this to the Audit Committee. In addition, Members of the Corporate Audit Committee have been provided with briefings (training) on fraud and internal control. This has resulted for instance in updates to our strategy and key policies.	Decision making and monitoring reports to the pensions committee. Reporting of Fraud and breaches to Pension Board IA reviews of key processes including fraud risk
13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	All of these are reported to the Audit Committee, no material or significant items to report.	None of which I am aware
14. Have any reports been made under the Bribery Act? If so, please provide details	No none	None

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Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Corporate Audit Committee, is responsible for ensuring that Bath and North East Somerset Council and Avon Pension Fund's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures, we are required to make inquiries of management and the Corporate Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance, we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	B&NES response	APF Response
1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does Bath and North East Somerset Council and Avon Pension Fund have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the local authority and pension fund's regulatory environment that may have a significant impact on the local authority and pension fund's financial statements?	We view this through the three lines of defence model and we have a well established internal control framework and robust systems in place for governance, financial management, risk management and performance management. We then use Internal Audit (& External Audit) to independently review and report back to us on the level of assurance. Specialist legal advice and training is provided by or arranged by the legal department to service areas. Officers regularly consult lawyers for advice. Where specialist knowledge is not available internally the Council calls on external advice through legal framework agreements. All decision reports require a review by a lawyer to consider legal implications and to confirm sign off before reports are cleared for publication. No.	The Council has a Monitoring Officer and S151 Officer who provide assurance that all relevant laws and regulations have been complied with. The Fund has a Technical and Compliance Advisor who monitors regulatory developments and prepares the administration for change Refer to response to Q2 below No
2. How is the Corporate Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	This is primarily achieved through the work of Internal Audit, outcomes from External Audit work and most importantly the assurance we receive through the Annual Governance Statement. Any significant issues are then reported as necessary	The Monitoring Officer and s151 officer provide assurance that all relevant laws and regulations are complied with. The Pension Committee receive regular reports of compliance from officers. Any non compliance would be reported to Pension Board via Internal Audit reports and appropriate plans put in place to remedy such issues. These would cover the pension fund as applicable.

Impact of laws and regulations

Question	B&NES response	APF Response
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details	Not aware of any instance	None of which I am aware
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	No	None of which I am aware
5. What arrangements does Bath and North East Somerset Council and Avon Pension Fund have in place to identify, evaluate and account for litigation or claims?	The legal department maintain a record of high risk cases which is reviewed and updated monthly. Cases are monitored each month by the Monitoring Officer. Significant issues or concerns identified would be discussed at the regular monthly Statutory Officers meeting. A quarterly council risk group meets and evaluates any updates on significant litigation or insurance claims.	The Fund has an IDRP policy in place. Decisions are reported to Pensions Committee and Pension Board
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	None of which I am aware	None of which I am aware

Related Parties

Matters in relation to Related Parties

Bath and North East Somerset Council and Avon Pension Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Bath and North East Somerset Council and Avon Pension Fund;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the local authority and pension fund;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the local authority and pension fund, or of any body that is a related party of the local authority and pension fund.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the local authority and pension fund's perspective but material from a related party viewpoint then the local authority and pension fund must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question`	B&NES Response	APF Response
1. Have there been any changes in the related parties including those disclosed in Bath and North East Somerset Council and Avon Pension Fund's 2020/21 financial statements? If so please summarise: • the nature of the relationship between these related parties and Bath and North East Somerset Council and Avon Pension Fund • whether Bath and North East Somerset Council and Avon Pension Fund has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions	The Aequus Group has undertaken a review of the company structure and, following the advice of Haines Watts and Ashfords, have put forward company structure changes that were agreed at full Council on the 24/3/22.	No change in the nature of the related parties.
2. What controls does Bath and North East Somerset Council and Avon Pension Fund have in place to identify, account for and disclose related party transactions and relationships?	The Council requires reporting of conflicts of interest by officers or receipt of gifts and hospitality from contractors/suppliers. Directors review and approve all disclosures. Annual accounts disclosures for related parties and transactions are reviewed for completeness by the Finance Management Team.	Declarations of Interest policy

Related Parties

Question	B&NES Response	APF Response
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	Transactions are subject to segregation of duties and authorised by relevant Director or s151 officer. The Council requires reporting of conflicts of interest by officers or receipt of gifts and hospitality from contractors/suppliers. Directors review and approve all disclosures. In relation to Aequus Group of companies, the Council operates a Protocol for governance of LA trading companies which includes operational monitoring through the Investment Forum and the Shareholder Reserved Matters schedule in the Shareholder Agreement operates to authorise significant transactions at cabinet level.	Transactions are subject to segregation of duties and authorised by Head of Pensions or s151 officer.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Segregation of duties requires multiple authorisations to create a supplier, instruct and approve a payment.	Segregation of duties requires multiple authorisations to create a supplier, instruct and approve a payment

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, 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 body'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.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	B&NES Response	APF Response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Bath and North East Somerset Council and Avon Pension Fund will no longer continue?	Going concern is considered on an annual basis as part of the preparation of the financial statements. This review considers key areas that impact on the Council's ability to continue as a going concern. The main factors which underpin this assessment are: • The Council's current financial position • The Council's projected financial position • The Council's governance arrangements • The regulatory and control environment applicable to the Council as a local authority.	B&NES is statutorily responsible for the Fund so legally cannot discontinue services to the fund without providing alternative arrangements – interruption to services is dealt with formally through the Funds risk register The Risk Register identifies changes in regulations, market conditions that may affect the ability of the Fund to deliver its service. Actions to mitigate these are included in Annual Service Plan (and budget).
2. Are management aware of any factors which may mean for Bath and North East Somerset Council and Avon Pension Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	None of which I am aware	No – see above

Going Concern

Question	B&NES Response	APF Response
3. With regard to the statutory services currently provided by Bath and North East Somerset Council and Avon Pension Fund, does Bath and North East Somerset Council and Avon Pension Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Bath and North East Somerset Council and Avon Pension Fund to cease to exist?	The Council expects to continue to deliver current statutory services for the foreseeable future.	Avon Pension Fund will continue to deliver its statutory service for the foreseeable future.
4. Are management satisfied that the financial reporting framework permits Bath and North East Somerset Council and Avon Pension Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes	Yes, • the Fund has adequate liquidity to meet all liabilities due in the next 12 months. • The latest funding level, as at 31st December, is 102% • There are no concerning trends regarding timely receipt of contributions.

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Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

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Accounting Estimates - General Enquiries of Management

Question	B&NES Response	APF Response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Valuation of PPE & Investment Properties Depreciation Pensions Liability Financial Instruments Fair Value Provisions Accruals Credit Loss & Impairment Allowances	Significant events such as the global pandemic that affect capital markets can give rise to uncertainty in estimates of asset values for certain types of assets.
2. How does the local authority and pension fund's risk management process identify and address risks relating to accounting estimates?	Include disclosure notes in the accounts that relate to risk on accounting estimates.	Include disclosure notes in the accounts that relate to risk on accounting estimates. Monitor asset values regularly to identify if valuation issues arising such as material uncertainty clauses being invoked
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Details set out for each area in Appendix A below	Disclosure notes are included in the notes to the accounts relating to risk on accounting estimates. Where available valuations from investment managers checked against custodian valuation and differences reconciled. Where not available (as custodian same as for manager/pooled vehicle), valuation checked for reasonableness

Accounting Estimates - General Enquiries of Management

Question	B&NES Response	APF Response
4. How do management review the outcomes of previous accounting estimates?	The outcome of previous accounting estimates is reviewed as part of the estimation process in the following year and takes into account any issues raised through the audit process.	Monthly accounting processes/valuation reconciliations would identify significant changes in accounting estimates.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	No changes	No changes
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	See further detail in Appendix A, experts with specialist skills are used in the following area of estimation: Valuation of PPE & Investment Assets Depreciation Fair Value valuation of Financial Instruments Pension Liability	Knowledge of investments team, discussions with fund managers and advisors
7. How does the local authority and pension fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	See further detail in Appendix A, Discussions with Valuers and Auditors both Internal and External. External Audit also obtain assurance that the experts are sufficiently qualified and independent.	Internal control reports or equivalent for each investment manager and custodian are reviewed and any control weaknesses identified are followed up with the manager. All exceptions and how resolved by the manager are reported to the committee.

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Accounting Estimates - General Enquiries of Management

Question	B&NES Response	APF Response
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Management ensures that experts appointed are suitably experienced and qualified, independent and professional.	Focus of internal control review are the controls over valuation of assets and the managers'/custodian's oversight of their external providers
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: Management's process for making significant accounting estimates The methods and models used The resultant accounting estimates included in the financial statements.	Review and sign-off by Senior Management and disclosure in the notes of the accounts.	Experience of team, checking and reconciling custody and managers' valuations or comparing to index performance.
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	None other than in appendix A	None other than in appendix A
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Where estimation is necessary, appropriate estimating methodology is utilised. Estimates will be prepared by those best qualified, e.g. Pension Fund Actuary to supply estimates relating to IAS 19 – Employee Benefits, assets are professionally valued.	Yes these are reviewed as part of the close down process

Accounting Estimates - General Enquiries of Management

Question	B&NES Response	APF Response
12. How is the Corporate Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Details of estimates are disclosed in the accounting policies section within the Statement of Accounts	Valuation of assets including estimates provided by independent valuations or public market pricing which are then checked/reconciled for reasonableness.

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Appendix A Accounting Estimates - Council

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Non-current assets are valued in accordance with the guidance published by the Royal Institute of Chartered Surveyors. The valuations were done of the basis of Existing Use Value, Market Value or, in the case of specialised properties on the basis of, Depreciated Replacement Cost in accordance with the RICS Valuation Standards. Valuations are reviewed and signed off by the Head of Property Services who is a FRICS Registered Valuer.	Valuations on Investment properties are performed annually to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. For land and buildings all material assets will be considered in 2021/22	Yes, the valuer is a member of RICS. Valuations are reviewed and signed off by the Head of Property Services who is a FRICS Registered Valuer	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion	No
Investment property valuations	See Land and Buildings valuations response above	See Land and Buildings valuations response above	See Land and Buildings valuations response above	See Land and Buildings valuations response above	No

Appendix A Accounting Estimates - Council

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation	Each part of an item of property, plant and equipment with a significant cost in relation to the total cost is depreciated separately. Depreciation methods, useful lives and residual values are reviewed each financial year and adjusted if appropriate. 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.	Consistent application of depreciation methods across all assets.	Discussion with internal valuer, Head of Property Services	Depreciation is calculated on a straight line basis as this reflects consumption of assets and is a reasonable assumption.	No
Valuation of defined benefit net pension fund liabilities	Non-teaching staff are members of the LGPS, administered by B&NES.	Rely on the calculations made by the actuary. Challenge any unusual movements or assumptions with the actuary.	The actuary of the pensions scheme.	Reliance on the expertise of the actuaries of the pension scheme.	No

Appendix A Accounting Estimates- - Council

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Fair value estimates	The Council values financial instruments at fair value based on the advice of our external treasury consultants in line with IFRS13 requirements.	Advice taken from the Council's Treasury Management Advisors	Yes – The Council's Treasury Management Advisors	Based on advice from our Treasury Management Advisors.	No.
Provisions	Provisions are made whenever an event takes place that give the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefit or service potential, and a reliable estimate can be made of the amount.	Each provision is separately reviewed by Corporate Finance and a working paper is put together to support the calculation.	As necessary on an individual basis	Each provision is assessed on an individual basis to ensure that it meets the criteria of a provision per IAS 37. The degree of uncertainty is assessed when determining whether a provision is the correct treatment for an item.	No.
Accruals	We use standard accruals accounting, for example, accruals are based on expenses incurred that have not yet been paid, or income due that has not yet been received.	Monthly management accounts provides rigorous analysis so that any accruals are highlighted and actioned throughout the year.	N/A.	Accruals for income and expenditure have been principally based on known values. Where accruals have been estimated, the latest available information has been used.	No.

Appendix A Accounting Estimates - Council

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Credit loss and impairment allowances	Debts are regularly reviewed and any debts that are deemed to be irrecoverable are written off to the Comprehensive Income and Expenditure Account.	Knowledge by the Accounts Receivables team in likelihood of recoverability and the aging of the debts. The S151 officer or delegated officer signs off the write off.	N/A.	N/A.	No.

Appendix A Accounting Estimates – Avon Pension Fund

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Fair value estimates	Rely on managers and their advisors.	Officers analyse the valuation of each portfolio monthly; quarterly review of performance and valuations to test for reasonableness. ICRs (or equivalent) of external managers are reviewed annually	Managers and their Advisors	The Managers of the underlying funds and their independent administrators and valuers select the assumptions based on their expertise.	No
Provisions	Where performance related fees accrue, managers are asked to confirm what performance fee has been accrued during the year but not yet paid.	Review Internal Control reports, account statements and audited accounts.	Fund Manager	We rely on the managers to provide the evidence.	No
Accruals	In terms of contributions, the latest available contributions are used in the absence of an actual return. For management expenses estimates will also be made based on the latest invoice/expected fees.	Accruals are reviewed prior to finalising accounts	Not required	n/a	No

Appendix A Accounting Estimates – Avon Pension Fund

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Credit loss and impairment allowances	Not applicable, as value is immaterial. Only applies to assets held at amortised cost (other debtors and cash). A large amount of debtors are(contributions) which are received in April.	Actual payments received in April(contributions) and aged debt report from Debtors ledger	Not required	n/a	No
Level 2 investments	Level 2 assets are generally pooled vehicles that invest in quoted securities. Therefore valuation is derived from market observable prices.	Knowledge of investments team, valuations of custodian	Fund managers and custodians	Given valuations based on quoted/listed assets there is a low degree of uncertainty	None that we are aware of

Appendix A Accounting Estimates – Avon Pension Fund

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Level 3 investments ((Hedge funds pooled property funds secured income and infrastructure funds)	Estimates are used in the valuation of unquoted investments. The funds investments are stated at fair value. Valuations based on industry standard guidelines. Property and infrastructure funds can use independent valuers. Where deemed appropriate by the independent valuers, assumptions can be adjusted to reflect the uncertainty of future cashflows and asset values (e.g. more prudent discount rate or higher risk premia)	Knowledge of the investments team, valuations verified by custodian, discussions with managers to understand their valuation methodology.	Fund Managers, advisors and Custodians.	Level 3 valuations are inherently uncertain. Valuations can be affected by material events between the date of the financial accounts provided and the pension fund's own reporting date, by changes to expected cash flows and by any differences between the audited and unaudited accounts. Custodian/managers use appropriate valuation techniques and guidelines.	None that we are aware of.

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Appendix A Accounting Estimates – Avon Pension Fund

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
IAS 26 Disclosure	Based on IAS 19 methodology and actuarial assumptions, except for demographic assumptions which are those adopted in the 2019 valuation. The calculation is carried out by the actuary, Mercers.	Rely on the calculations made by the actuary. Investments team challenge any unusual movements or assumptions with the actuary.	Yes, Mercers are actuarial experts	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No

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Bath & North East Somerset Council			
MEETING:	Corporate Audit Committee		
MEETING DATE:	15th March 2023	**AGENDA ITEM NUMBER**	
TITLE:	**Internal Audit Plan - 2023/2024**		
WARD:	ALL		
AN OPEN PUBLIC ITEM			
List of attachments to this report: Appendix 1 – Internal Audit Plan 2023/24			

1 THE ISSUE

1.1 This is a report detailing the proposed Internal Audit Plan for 2023/24.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to:

- Approve the Internal Audit Plan 2023/24 (Appendix 1)

3 THE REPORT

Internal Audit Plan 2023/24

3.1 The Public Sector Internal Audit Standards require Internal Audit to prepare a risk-based plan and this is attached at Appendix 1.

3.2 The list of internal audit reviews recorded in Section 5 of the Internal Audit Plan has resulted from an audit needs assessment using our reasonable assurance model which includes wide consultation with Statutory Officers, Directors and other senior managers. The Corporate Audit Committee was also consulted at its last meeting in February and the three subject areas highlighted by Committee members for consideration have been included in the 2023/24 Internal Audit Plan. The areas for review were:

1) Planned Maintenance - Commercial Estate & Corporate Property (2 separate audit reviews),

2) City Regions Sustainable Transport - Use of Funds & Performance Management (Liveable Neighbourhood Strategy – Outcomes); and,

3) Business Change Hub - Programme & Project Management.

3.3 The Audit Committee has previously fully endorsed the need to have a responsive and flexible Internal Plan. Although the Audit Committee is being asked to approve the list of 35 audit reviews it may be subject to change and any amendments to the Plan will be reported to the Committee. A half year position report will be presented to Committee on the performance against the Plan and any changes required. Statutory Officers including the Chief Finance Officer will be consulted on any significant changes to the Committee approved Plan.

3.4 Section 6 of the Audit Plan document highlights the other key components of the work carried out by the Internal Audit Team. An important area of work is that in relation to the prevention and detection of fraud. The team provide the lead on maintaining Anti-Fraud and Corruption Policies and related processes such as ensuring that there is an effective procedure for staff or other Council stakeholders to report concerns and for these concerns to be investigated confidentially and effectively.

4 STATUTORY CONSIDERATIONS

4.1 There are no specific statutory considerations related to this report. Accounts & Audit Regulations set out the expectations of provision of an Internal Audit service. This is supported by S151 of the Local Government Act and CIFPA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 There are no direct resource implications relevant to this report.

6 RISK MANAGEMENT

6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. Significant risks to the council arising from an ineffective Internal Audit Service include lack of internal control, failures of governance and weak risk management. Specific risks include supplementary External Audit Fees, undetected fraud and inadequate coverage of risks arising from COVID-19. Internal Audit assists the council in identifying risks, improvement areas and recommending good practice.

6.2 The Corporate Audit Committee has specific responsibility for ensuring the Council’s Risk Management and Financial Governance framework is robust and effective.

7 EQUALITIES

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 CLIMATE CHANGE

8.1 There are no direct climate change implications related to this report.

9 OTHER OPTIONS CONSIDERED

9.1 No other options to consider related to this report.

10 CONSULTATION

10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

Contact person	Andy Cox (01225 477316)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

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Bath & North East Somerset Council

Improving People's Lives

One West

Specialist Professional Services

Appendix 1

Internal Audit Plan 2023/24

Delivering Independent Assurance

CONTENTS

1. Internal Audit Assurance – A Component of the Council's Governance Framework

Good governance enables Bath & North East Somerset Council to effectively achieve its intended outcomes linked to stated priorities.

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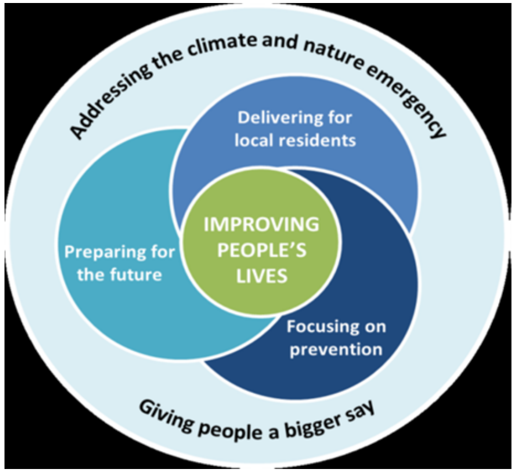
The Council's purpose, two core policies and three principles is communicated through its Corporate Strategy (2020 – 2024) which was adopted by Council on 25th February 2020. The Strategy has a single overriding purpose – to improve people's lives.

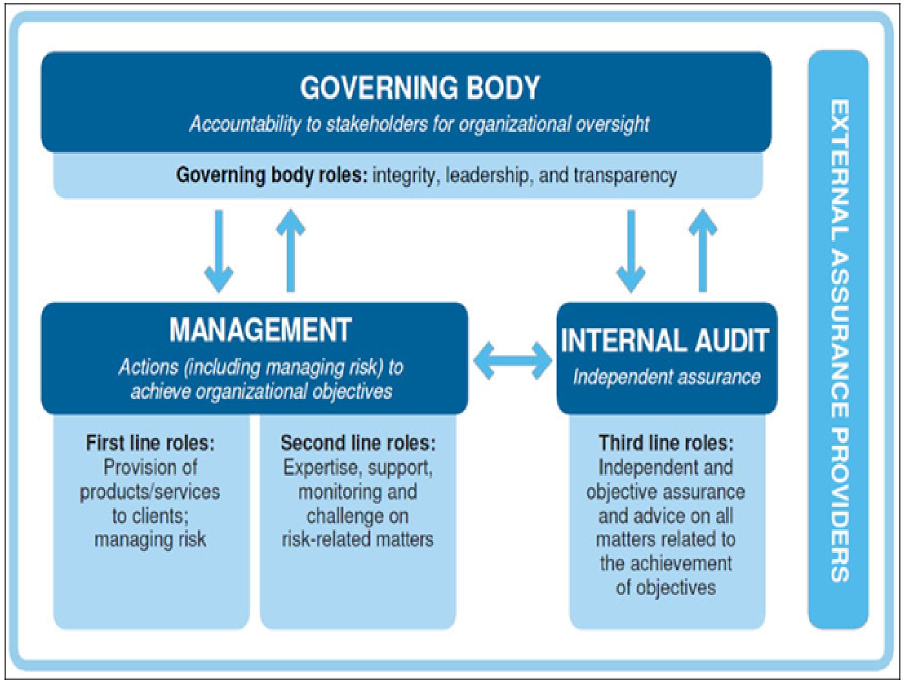


Internal Audit is one of the wider elements of the framework of our governance arrangements at the Council.

One West and the Internal Audit function fully recognize it has a role to play in achieving the objectives of the Council. We need to be flexible and agile. Independent assurance which is strong but supportive can provide a helpful and positive role not just to services but to elected Members and the Community at large by demonstrating that the Council is operating effectively and protecting its assets and resources for the benefit of all its stakeholders.

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.

Three Lines of Defence Model



By being independent of management One West's Internal Audit function maintain the third line of defence and we continue to fulfil this role effectively by working with all our stakeholders - especially the Corporate Audit Committee, Statutory Officers and Senior Management.

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within the Council, the role of the Board within the Standards is taken by the Council's Corporate Audit Committee under its Terms of Reference contained in the Council's Constitution and senior management is the Council's Strategic Leadership Team.

2. Introduction – Internal Audit & the Objective of the Audit Plan

The Accounts & Audit Regulations 2015 (Local Government England & Wales) states that:
"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

Section 151 of the Local Government Act 1972 requires the Council to designate an Officer to be responsible for "making arrangements for the proper administration" of the Council's financial affairs. One of the ways by which this duty is discharged is by maintaining an adequate and effective Internal Audit Service.

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The Council's Internal Audit Charter approved by the Corporate Audit Committee clearly records the purpose, authority and principal responsibilities of the Internal Audit Service for Bath & North East Somerset Council. The Charter explains that Internal Audit is responsible for carrying out an appraisal of all the Council's activities, financial or otherwise by carrying out audit reviews and other assurance work. Based on this work the Head of Audit & Assurance acting as the 'Chief Audit Executive' (a role defined in the Public Sector Internal Audit Standards) will provide an annual opinion to the Council (Corporate Audit Committee).

One of the key service objectives of Internal Audit linked to the annual audit opinion is the production of a risk based Annual Audit Assurance Plan. The PSIA Standards require that the Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals (as set out in the Council's Corporate Strategy and Service Plans).

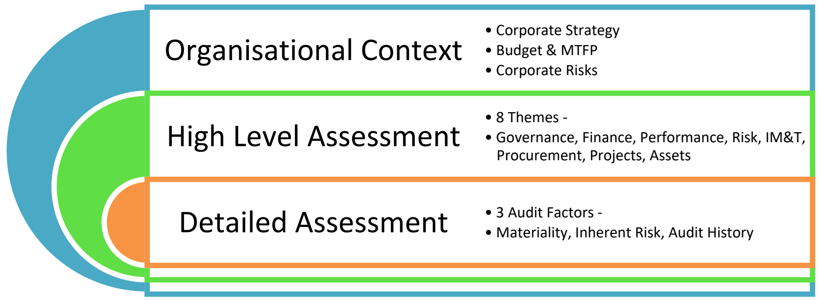
3. How the Internal Audit Plan is compiled – Reasonable Assurance Model

A key component of the audit needs assessment 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 enables an assessment of compliance with the seven principles of good governance as recorded in the Council's Local Code of Corporate Governance.

In addition to the Reasonable Assurance Model assessment the annual plan is created by:

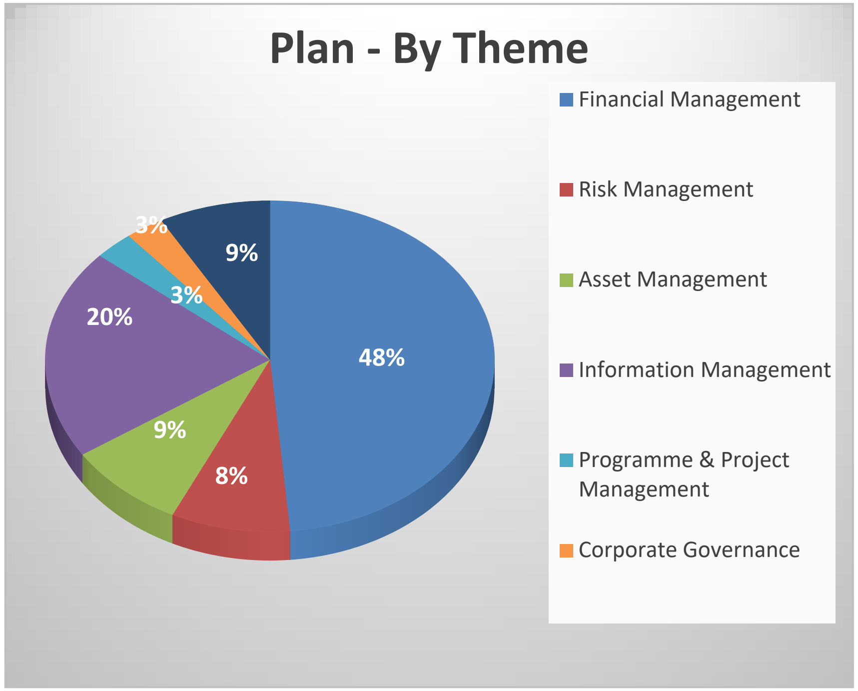
1. Consideration of risks recorded in the Council's Corporate Risk Register and operational risk registers.
2. Horizon scanning – external publications and networking groups e.g., LACAN (Local Authority Chief Auditors Network)
3. Consultation with Directors, key Corporate Officers and Statutory Officers – discussions cover any issues, and new / heightened risks based on new or changes in responsibilities.
4. External Review Body findings or planned reviews.
5. Risk scoring long list of potential areas of audit activity based on factors such as: Internal Audit History (previous assurance opinions, time since last review), Inherent Risk (operational, technical, reputational & people), Materiality (income, expenditure, planned savings), and Audit Management knowledge experience.

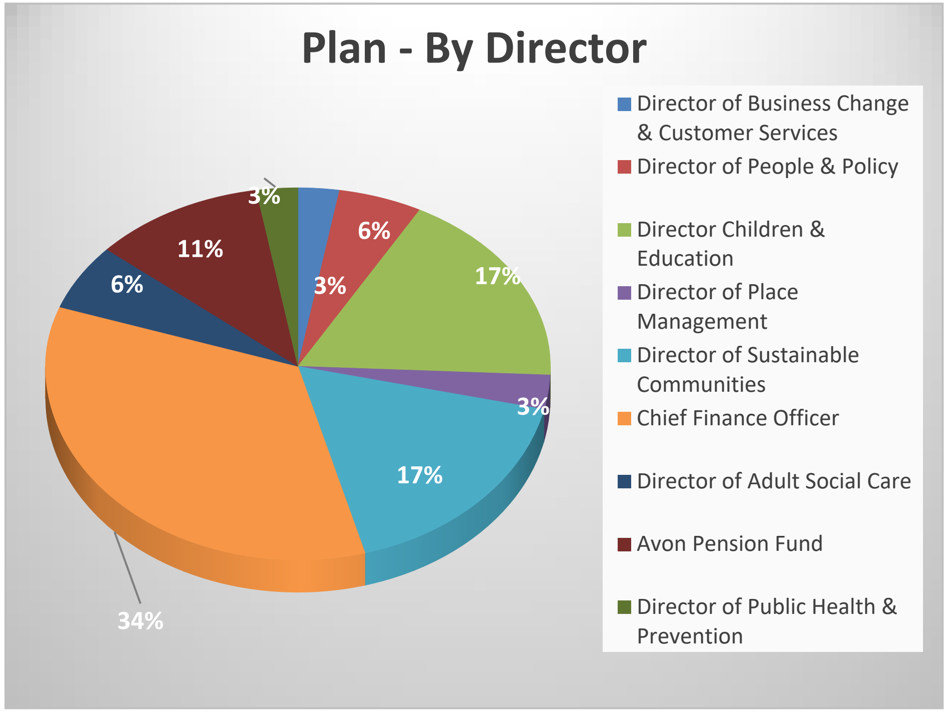


In accordance with the PSIA Standards, the plan needs to be flexible to respond to the changing risks and priorities of the Council and, to this end, audit planned activity will be regularly reviewed and changes reported to management and the Corporate Audit Committee.

4. Internal Audit Plan – High Level Service Area/Corporate Assurance

The 2023/24 B&NES Internal Audit Plan consists of 35 audit reviews and these are presented in the following two pie charts – by Reasonable Assurance Theme and by Responsible Director.





In addition to the core planned audit reviews (35) the Internal Audit Team will:

1) Lead on the Annual Governance Review (see Section 6 below)
2) Provide support to maintain a risk management strategy, processes & systems
3) Co-ordinate and lead on fraud prevention / detection including the Cabinet Office 'National Fraud Initiative' (see Section 6 below)
4) Provide advice on systems of internal control including Council Policies & Procedures (e.g., Financial Regulations & anti-fraud & corruption policies)
5) Lead and support financial irregularity investigations
6) Complete grant funding reviews to provide independent assurance to funding bodies of compliance with 'Terms & Conditions'

5. Detailed Internal Audit Plan

This listing records the core activity of the Internal Audit Team and the planned audit reviews as at 1st April 2023.

Debt Management - Corporate Policy	Chief Finance Officer (S151)
Financial Accounting - Budget Management (Budget monitoring & implementation of savings / financial mitigations)	Chief Finance Officer (S151)
Procurement - Modern Slavery - (Implementing B&NES MS Statement commitments and compliance with legislation & best practice)	Chief Finance Officer (S151)
Procurement - Purchase Card expenditure	Chief Finance Officer (S151)
Deputyship Service	Chief Finance Officer (S151)
Treasury Management - Funding and Investment Transactions (Bankline)	Chief Finance Officer (S151)
User Access Management - Starters, Leavers (Council) and Post Changes	Chief Finance Officer (S151)
Firewalls	Chief Finance Officer (S151)
Malware and Ransomware	Chief Finance Officer (S151)
IT Services Recovery Management	Chief Finance Officer (S151)
Corporate Wi-Fi Networks and Smart Devices.	Chief Finance Officer (S151)
Property - Commercial Estate Planned Maintenance & Compliance	Chief Finance Officer (S151)
Children Services - Implementation of Management Plan	Director Children Services & Education
Dedicated Schools Grant Safety Valve Agreement - Delivery Plan	Director Children Services & Education
Home to School Transport - Current and future management & delivery	Director Children Services & Education
Maintained Schools - Theme Review	Director Children Services & Education
Care Leavers - Extended Duties (Statutory Responsibilities)	Director Children Services & Education
Foster Care Placement Payments (Unaccompanied asylum-seeking children)	Director Children Services & Education

Planning & Design - Community Services Transformation - Transfer of Services	Director of Adult Social Care
Brokerage Service & Block Contracts - Contract Management	Director of Adult Social Care
Business Change Hub - Programme & Project Management	Director of Business Change & Customer Service
Workforce - Recruitment & Retention	Director of People & Policy
Payroll (Variations - including mileage & expenses)	Director of People & Policy
City Regions Sustainable Transport - Use of funds & performance management Liveable Neighbourhood Strategy - Outcomes (Value for Money)	Director of Place Management
GLL Contract Management - Governance	Director of Public Health & Prevention
Avon Pension Fund - Brunel Investments	Director One West
Avon Pension Fund - Scheme of Delegation	Director One West
Avon Pension Fund - Governance - New COP	Director One West
Avon Pension Fund - Digital Strategy	Director One West
WECA Funded Regeneration Schemes - Use of Funding within timescales	Director Sustainable Communities
Planning Enforcement	Director Sustainable Communities
Housing Services - Management of Housing Rent & Charges	Director Sustainable Communities
Corporate Estate - Energy Management	Director Sustainable Communities
Climate & Ecological Emergency Response - Performance Monitoring / Reporting	Director Sustainable Communities
Corporate Estate - Planned Maintenance	Director Sustainable Communities

6. Other Key Components of Internal Audit Planned Work

1) Fraud – Prevention & Detection

Counter-fraud and corruption arrangements are a high priority for the Council and assist in the protection of public funds and transparency & accountability. Under the Council's Financial Regulations, the Internal Audit Team must be informed of any 'financial irregularities' and we are committed to responding timely to any reported or identified cases through carrying out our proactive work. Our proactive anti-fraud and corruption testing is focussed on those areas / systems considered to be most at risk to fraud.

The CIPFA guidance ('Code of practice on managing the risk of fraud and corruption') and the CIPFA Fraud and Corruption Tracker (CFaCT) survey assist in assessing fraud and corruption risks and planning the work of the Internal Audit Team. Nationally, the notable areas of fraud include Housing Benefit, Council Tax, Housing and Tenancy, Procurement, Insurance, Abuse of Position, Blue Badges, and Direct Payments (Social Care). These areas and the risks are considered as part of the audit planning process.

In terms of other proactive work the Cabinet Office runs a national data matching exercise (National Fraud Initiative - NFI) every two years. Information must be extracted from several Council databases and uploaded to the NFI database run. The last extraction and matching of data was carried out in 2022/23 with the matched data reports being made available to participating bodies in January / February 2023. The Internal Audit Team will provide support to service areas that are required to examine data matching reports and investigate matches flagged.

The Council adopted revised Anti-Fraud and Corruption Policies in 2023 and this will be subject to on-going review and updating as necessary.

Staff awareness of fraud and scams is very important, and the Internal Audit Team provide training and periodical bulletins to ensure that staff are reminded of the risks and the need for continued diligence. This work will continue in 2023/24.

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2) Corporate Governance

The Accounts and Audit Regulations require the Council to carry out an annual review of its governance arrangements, and to produce an annual statement detailing the results of that review.

The AGS must be seen as a Council wide document and it is reviewed and approved by the Corporate Audit Committee. The Leader of the Council and the Chief Executive are required to sign the document which is then published with the Council's statement of accounts.

The Internal Audit Team provide support by using an adopted methodology to carry out an Annual Governance

3) Independent Certification of Grant Funding

Significant funding is provided to the Council by funding bodies such as the West of England Combined Authority and Government Departments. The Internal Audit Team are required to independently verify expenditure and provide opinion on whether expenditure is in compliance with Grant Terms & Conditions.

One West

Specialist Professional Services

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