

# Corporate Audit Committee

**Date: Wednesday, 27th November, 2024**

**Time: 4.00 pm**

**Venue: Kaposvar Room - Guildhall, Bath**

## Agenda

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

Councillors: David Biddleston (Chair), George Leach, Malcolm Treby, Sam Ross (Vice-Chair) and Toby Simon

Independent Member: John Barker

Chief Executive and other appropriate officers

Press and Public

The agenda is set out overleaf.

"Council on 21st November is asked to agree the committee is re-named to Audit Committee. This agenda is despatched before that meeting with the existing Committee title."



**Enfys Hughes**

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## NOTES:

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

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

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

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

3. **Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control. Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators. We request that those filming/recording meetings avoid filming public seating areas, children, vulnerable people etc; however, the Council cannot guarantee this will happen.

The Council will broadcast the images and sounds live via the internet [www.bathnes.gov.uk/webcast](http://www.bathnes.gov.uk/webcast). The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

4. **Public Speaking at Meetings**

The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group.

**Advance notice is required not less than two full working days before the meeting. This means that for meetings held on Thursdays notice must be received in Democratic Services by 5.00pm the previous Monday.**

Further details of the scheme can be found at:

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

5. **Emergency Evacuation Procedure**

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are signposted. Arrangements are in place for the safe evacuation of disabled people.

6. **Supplementary information for meetings**

Additional information and Protocols and procedures relating to meetings

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

**Corporate Audit Committee-Wednesday, 27th November, 2024**

**at 4.00 pm in the Kaposvar Room - Guildhall, Bath**

**A G E N D A**

**1. EMERGENCY EVACUATION PROCEDURE**

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

**2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

**3. DECLARATIONS OF INTEREST**

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

- (a) The agenda item number in which they have an interest to declare.
- (b) The nature of their interest.
- (c) Whether their interest is **a disclosable pecuniary interest** or an **other interest**,  
(as defined in Part 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.

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

The Chair will announce any items of urgent business.

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

**6. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

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

**7. MINUTES - 25TH SEPTEMBER 2024 (Pages 7 - 14)**

**8. COUNCIL COMPANY AEQUUS (ADL, ACL & AGHL) ANNUAL ACCOUNTS 2023/24 (Pages 15 - 82)**

**9. TREASURY MANAGEMENT PERFORMANCE REPORT TO 30TH SEPTEMBER 2024 (Pages 83 - 104)**

**10. ACCOUNTS BRIEFING PRESENTATION - NO REPORT THIS IS A PRESENTATION TO THE COMMITTEE**

11. AUDIT FINDINGS REPORTS FOR COUNCIL AND AUDITED STATEMENT OF ACCOUNTS FOR COUNCIL AND AVON PENSION FUND 2023/24 (Pages 105 - 310)

Appendix 6 to this report is exempt and if the Committee wish to discuss this appendix they will need to move into exempt session.

12. AUDIT COMMITTEE - DRAFT WORKPLAN (Pages 311 - 316)

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

**CORPORATE AUDIT COMMITTEE**

**Minutes of the Meeting held**

Wednesday, 25th September, 2024, 5.30 pm

**Councillors:** David Biddleston (Chair), George Leach, Sam Ross (Vice-Chair) and Toby Simon

**Independent Member:** John Barker

**Officers in attendance:** Enfys Hughes (Democratic Services Officer), Jeff Wring (Director of One West & Avon Pension Fund), 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:** Beth Bowers and George Amos (Grant Thornton External Auditors)

**15 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer drew attention to the emergency evacuation procedure as set out on the agenda.

**16 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies were received from Councillor Malcolm Treby.

**17 DECLARATIONS OF INTEREST**

There were none.

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

There was none.

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

There were none.

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

There were none.

**21 MINUTES - 1ST MAY 2024**

**RESOLVED** that the minutes of the meeting held on 1<sup>st</sup> May 2024 be confirmed as a correct record and signed by the Chair.

**22 REVIEW OF EFFECTIVENESS 2024**

The Head of Audit and Assurance presented the report, stating it's a best practice requirement (CIPFA Position Statement for Audit Committees in Local Authorities) to carry out a self-assessment of the effectiveness of the Corporate Audit Committee. The Chair and Vice-Chair were invited to meet with the Head of Audit & Assurance to consider/discuss the completed self-assessment checklist and draft action plan. The exercise resulted in proposed revisions to the terms of reference of the Committee were updated based on the CIPFA requirements. The Head of Audit & Assurance requested a further amendment to the terms of reference based on consideration of the CIPFA Treasury Management Code of Practice and this was to point 2 in the Functions section. The requested change to the Terms of Reference as recorded in Appendix 4 of the report was – "To scrutinise the Treasury Management Strategy and policies, monitor proposed changes and receive treasury management update/outturn reports to monitor compliance". He also commented on other areas of improvement including: considering increasing the number of co-opted independent members and the need to carry out an assessment of the skills and knowledge of Committee members to assist in the planning training for members.

During discussion the following points arose:

- Following the elections it had been noted that there was only one remaining councillor on Corporate Audit – Lucy Hodge along with our independent member John Barker. It would be useful to reflect on the members' current skills set and if there were gaps to fill them (Councillor Sam Ross).
- The Head of Audit and Assurance would be sending round a skills assessment checklist for members to complete.
- It was noted that some Corporate Audit Committees did not have an independent member (Councillor David Biddleston).

It was proposed by Councillor George Leach and seconded by Councillor Sam Ross and

**RESOLVED** that

- 1) the process followed to carry out the self-assessment and the evaluation of the effectiveness of the Audit Committee be noted;
- 2) the comments on findings, conclusions and recommended actions of the self-assessment be noted; and
- 3) the revised terms of reference of the Committee be approved and recommended to Council.

## **23 ANNUAL REPORT - APRIL 2023 - MAY 2024**

The Head of Audit and Assurance presented the report and explained that Full Council had delegated powers to the Corporate Audit Committee and it must report back annually as part of the terms of reference. The report recorded the work of the Committee under headings linked to the terms of reference - annual accounts of Council, Avon Pension Fund and Council owned Companies; treasury management; corporate governance; external and internal audit and risk management. He reminded members that the Committee maintained a workplan and had undertaken an effectiveness review in line with best practice.

During discussion the following points arose:

- Section 4 Membership and Support to record that Councillor Tony Simon had replaced Councillor Lucy Hodge as a member of the Committee (Councillor Toby Simon).
- It was confirmed that there was just one key recommendation (Councillor Sam Ross).
- The local code on Corporate Governance was included as an appendix.

It was proposed by Councillor Toby Simon and seconded by Councillor George Leach and

**RESOLVED** that the Annual Report covering the period April 2023 – May 2024 be agreed and the Chair of the Committee be requested to present it to the November meeting of Council.

## **24 EXTERNAL AUDIT - UPDATE**

Beth Bowers (Grant Thornton External Auditors) presented the three reports in turn, starting with the External Audit Update report. She reported on progress with the external audit and stated that most of the planned work would be completed this week. By the November Corporate Audit Committee all the work would be complete and the final report would be submitted to that committee. There were currently no major findings and the sector update included some publications relevant to BANES or the sector as a whole. David Johnson (Grant Thornton) had sent apologies as he had a clash of Committees.

During questions the following points arose:

- Councillor David Biddleston queried the position of other Council audit sign-offs and it was explained that for a few years there was slow progress as a result of the pandemic and national issues including sector wide improvements. BANES was broadly in a positive position having signed off on 2022-2023 and the sign-off for 2023-2024 planned for November 2024.
- Councillor Toby Simon commented that Grant Thornton had done a good job locally for BANES and the West of England, whose audit would be signed-off next Monday.

Beth Bowers reported on the Audit Findings for the Avon Pension Fund stating progress was similar to that of the Council. The main area they were still looking for assurance on is linked to very complex investments. Any delay related to third party investment fund managers and not the BANES Pension team as they waited for a few bits of evidence to be provided. Once the investment work was finalised the IAS19 assurance letters would be provided to the Avon Pension Fund admitted bodies.

George Amos (Grant Thornton) referred to the headlines on page 90 and completion of testing on the journal entries, the management override of control was completed, level 2 and 3 assurances were progressing, increasing the number of people who could approve bank reconciliations, a list of users to perform tests on in Aggresso,

no improvement required on the accounting statement and that the Avon Pension Fund accounts had been subject to a technical review.

During questions the following points arose:

- The significant breach in respect of the pension RPI increase (Councillor Toby Simon). This was noted in the annual report and was not material and there was no impact on the Grant Thornton opinion. BANES management had taken this seriously. The Director of Financial Services, Assurance and Pensions explained that there had been complex issues relating to controls and software and specialists had been brought in. Repeated testing had been undertaken and they were within the expected figures. There had been some difference in opinion between the Council and External Auditors but Grant Thornton were satisfied and it was a reasonable position to be in. Councillor Toby Simon stated that the issue had also been reported to the Pension Committee. It was confirmed that there was a variety of characteristics with different employer backgrounds being affected by the issue (John Barker).

Beth Bowers (Grant Thornton) reported on the Annual Audit Report which was interim as the audit of the accounts had not yet been finalised. The report focussed on the Value For Money (VFM) judgement where the audit work had been completed for 2023/24. She highlighted the executive summary which identified key recommendations and areas of weakness/focus. There was also a useful summary and follow up on previous recommendations. The Dedicated Schools Grant (DSG) High Needs deficit was highlighted as a significant weakness.

During questions the following points arose:

- The reason for the DSG issue was overspending in order to meet the statutory duties for children with EHCP (Education Health Care Plans) in expensive out of area placements. A report would be submitted to Council on the DSG action plan and the financial risk to the Council.
- The Executive Director of Resources explained that there was a revised plan for the management of SEND (special educational needs and disabilities) and a cumulation of the deficit. Basically, grant funding had not kept up with the cost of placements. This was a national issue to finance the deficit in the funding of placements which the DfE (Department for Education) had not recognised.
- The Director of Financial Services confirmed this affected 30 – 40 Councils.
- It was important that the Council met its obligations but this problem would continue to grow (Councillor David Biddleston).
- It was suggested that the Director of Education be invited to present the Committee with an updated position on the issue, addressing the financial risk and plans but noted that the Director of Financial Services was already in discussions on the issue and the Executive Director of Resources stated that the timing of the update would need to be aligned with the result of the ongoing discussions with the DfE.
- To note the improved relationships with WECA (West of England Combined Authority). Councillor Toby Simon reported that WECA now had a full set of statutory officers and there was a commitment to rebuild with an Improvement

Board to get the authority back on track. He said it was likely that North Somerset Council would join WECA.

- Beth Bowers (Grant Thornton) agreed there had been lots of change and noted that best practice could be strengthened.
- The Director of Financial Services explained that a new contract management framework would be introduced to improve and identify better value, with a need to prioritise resources. This would enable us to implement an action plan. It should be noted that the process would take several years to do successfully and gain good value for money as this involved a lot of services and many third parties.
- Councillor David Biddleston stated that as Chair he (and the Vice-Chair) should meet with the External Auditors to meet the CIPFA best practice requirements. Beth Bowers (Grant Thornton External Auditors) responded that she would arrange this.

It was proposed by Councillor David Biddleston and seconded by Councillor Toby Simon that

**RESOLVED** that

- 1) the Audit Update Report, Audit Findings Report for the Avon Pension Fund and Annual Audit Report be noted; and
- 2) the Director of Education be invited to present the Committee with an updated position on the issue of the DSG, addressing the financial risk with an action plan but noting the points made by the Director of Financial Services and the Executive Director of Resources, in respect of ongoing discussions and timing of this.

## **25 TREASURY MANAGEMENT PERFORMANCE REPORT TO 31ST MARCH 2024**

The Head of Financial Management explained that this was a backward looking report for information looking at performance in 2023-24 against the Treasury Management Strategy. The report had already been considered by Council and Cabinet in July.

He highlighted the following points:

- The average total investment return for the period was 4.85% below the benchmark of 4.95%.
- Paragraph 3.15 showed the split between short term (4.95%) and long term investments (4.43%), he explained the impact of economic factors and valuation at year end.
- Appendix 2 highlighted that the average balance of investments for the year was £50 million and it showed where they were invested, with majority in money market funds at year end with easy access.
- Revenue budgets had benefited from additional investment interest of £0.5 million.
- Borrowing had increased by £36 million to end the year at £245 million.
- £30 million of new borrowing has a short term maturities to maintain a variable element to the portfolio to benefit from projected falling interest rates.
- Borrowing interest cost was £1.8 million lower than budget.

- Treasury Management indicators were in Appendix 1 and reassurance given that all were in line with approved limits.
- The economic market review referred to declining UK inflation and pressures on economic growth which had flat-lined. The Bank of England base rate had increased to 5.25% from 4.25% over the year.
- Appendix 8 shows the main risks from the Treasury Risk Register.

Councillor David Biddleston noted that the Council was going in the right direction and it was helpful to have the Arling Close Review which was very easy to read.

**RESOLVED** that the Treasury Management Report to 31st March 2024, prepared in accordance with CIPFA Treasury Code of Practice and the Treasury Management Indicators to 31st March 2024, both be noted.

## 26 INTERNAL AUDIT - UPDATE REPORT (PLANNED WORK 2024/25)

The Head of Audit and Assurance presented the report which gave an update on the work of the Audit Team and progress against the Audit Plan. He gave the following information:

- The 5 audits that had been work in progress were now completed and the Wifi Networks audit had been allocated a level 4 (Good) assurance level (the assurance level had not been recorded in the report).
- The Property Maintenance audit was allocated a level 2 limited assurance rating as there were 5 high risk weaknesses, covering the IT and system management, completion of condition surveys, maintaining records of quotes for repairs, lack of separation of duties (raising jobs and authorising payments, and inadequate verification of works carried out. This was considered a watching brief for the Committee based on the Committee's historical oversight of action taken related to another 'Level 2' (Limited Assurance) audit review of Property Compliance.
- In 2024/25 there were 32 grant certification reviews which had increased from last year's (29), lots of resources were used in April to complete this work
- As at the end of August two reports had been issued to management – Climate Ecology Responsibility and the Dedicated Schools Grant Safety Valve (Programme Management).
- Although progress on completing the planned work was limited in the first 5 months of 2024/25, this was due to the need to complete previous year work and team resources being allocated to other clients. The recruitment of two new staff in August and September provided confidence that the situation would improve over the autumn/winter.
- In terms of 'follow-up' of audit reviews the report highlighted two cases where progress on implementing agreed recommendations was not as planned and therefore these were highlighted as 'amber' and would continue to be monitored and reported on as necessary.

During questions the following points were raised:

- Members were looking forward to the outcome of the Car Parking - Emissions Income charging audit review.

- Bristol City Council had issues with petty cash (Councillor Toby Simon), the Director Financial Services, Assurances and Pensions stated there were some petty cash amounts in Adult Social Care and Children Services. The Head of Audit and Assurance stated that an audit had been undertaken of the Children Services Imprest Account and this only identified minor issues.
- It was explained that the Council had significant property to maintain - corporate and commercial.

**RESOLVED** that the progress in delivery of the 2024/25 Annual Audit Assurance Plan be noted.

## **27 RISK MANAGEMENT - UPDATE REPORT - CORPORATE RISK**

The Director of Financial Services, Assurances and Pensions presented the regular update report which had the latest Corporate Risk Register attached as a watching brief for the Committee. It demonstrated the assessment process, risk appetite and tolerance.

**RESOLVED** that the report be noted.

## **28 DRAFT WORKPLAN 2024 - 2025**

The Director of Financial Services, Assurances and Pensions presented the workplan which was a dynamic changing document. The Chair explained that the CIPFA requirement was that members should take the knowledge test to identify areas for training and there should be some self-learning. The officer added that the best practice advice contained within appendix 1 of the External Audit report from Grant Thornton contained some useful reading material.

**RESOLVED** to note the workplan 2024-25.

The meeting ended at 7.08 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**

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<b>Bath &amp; North East Somerset Council</b>		
Corporate Audit Committee		
27th November 2024	<b>AGENDA ITEM NUMBER</b>	
Council Company Aequus (ADL, ACL & AGHL) Annual Accounts 2023/24		
ALL		
<b>AN OPEN PUBLIC ITEM</b>		
<p><b>List of attachments to this report:</b></p> <p>Appendix 1 - ADL Signed Annual Accounts 2023/24</p> <p>Appendix 2 - ACL Signed Annual Accounts 2023/24</p> <p>Appendix 3 – AGHL Signed Annual Accounts 2023/24</p>		

## 1 THE ISSUE

- 1.1 This report is to provide the Committee with the final approved and signed accounts for Aequus Developments Ltd (ADL), Aequus Construction Ltd (ACL) & Aequus Group Holding Limited (AGHL) for 2023/24.

## 2 RECOMMENDATIONS

- 2.1 In line with the Committees Terms of Reference the Corporate Audit Committee notes on behalf of the Council the audited accounts of ADL, ACL & AGHL (Council wholly owned companies).

## 3 THE REPORT

### **ADL Statutory Accounts 2023/24 (see appendix 1)**

- 3.1 In the 2023/24 fiscal year, our total turnover was £1,563,794. This includes service income of £1,005,206, primarily from ADL staff providing management and project management services to ACL, together with rental income of £558,588. Our profit before accounting adjustments amounted to £67,284 with an **unrealised** audit adjustment in respect of the revaluation of the ADL investment property portfolio amounting to (£285,295) then charged resulting in an unrealised loss of (£218,011).
- 3.2 ADL assets value increased by £2.2m (£2.8m LAHF scheme offset by (£260,201) for the disposal of one of our apartments at Riverside View and the loss on the investment property revaluation of (£285,295).
- 3.3 One of the seven Riverside View apartments ear marked to be sold to the market completed during this financial year and the proceeds were used to repay the outstanding loan and an additional loan balance of £40k thus to ensure the viability of the remaining 5 apartments.

- 3.4 There were no new properties transferred from the Council to ADL during the financial year.
- 3.5 ADL has supported B&NES Council with the delivery of the Local Housing Fund programme to provide 20 homes for families with housing needs who have arrived in the UK via Ukrainian, Afghan resettlement and relocation schemes. The 20 homes are purchased from the open market. As at the 31st March we have completed on the purchase of 14 properties and 6 are now occupied with families. Our rental income levels are capped at the B&NES set Local Housing Allowance Rate. As the properties purchased are to support B&NES Council social need the property asset valued is capitalised at the purchase price and amortised over 100 years.
- 3.6 ADL Property portfolio as at the end of March 64 properties.
- 3.7 Council revenue returns from ADL for the year totalled £229k from commercial interest payments on asset backed loans.
- 3.8 Further details of the company performance for the year are covered in the Directors Report on pages 4 to 6 of the ADL accounts (see information pack).

**ACL Statutory Accounts 2023/24 (see appendix 2)**

- 3.9 In the financial year 2023/24, ACL achieved a total turnover of £4,383,919. This includes the handover of seven affordable units' and one privately sold unit at Malmaisons Drive, Frenchay, South Glos of £1,928,443 and Development Management Services of £2,455,476 resulting in a gross profit of £408,406 and a net profit after overheads and before taxation of £8,961. We have been very prudent in the recognition of profits from the Malmaisons Drive development in this accounting period, going forwards We will be recognising profit on a more commercial approach for future projects. This prudent approach will see significant benefit in the 2024/25 financial year.
- 3.10 B&NES Council Revenue returns from ACL for the year of £771k will be paid to the Council as dividends via AGHL following approval by the Shareholder. Dividend payment for financial years 2022/23 of £848k was paid during this financial year.
- 3.11 B&NES Council Capital financial returns include an additional land value payment for 117 Newbridge Hill of £63k due to savings achieved by the careful management of the development budget.
- 3.12 Further details of the company performance for the year are covered in the Directors Report on pages 4 to 6 of the ACL accounts.

**AGHL Statutory Accounts 2023/24 (see appendix 3)**

- 3.13 As AGHL is purely an investment holding company AGHL Profit before taxation for the year is net nil. AGHL has incurred minimal operational costs that are paid via ACL to ensure that AGHL remains a thin company with no operational activity. Dividends received from ACL during the financial year will be transferred by way of a dividend payable to B&NES as Shareholder.
- 3.14 The AGHL interim dividend of £771k based on the financial outturn for 2023/24 will be paid to B&NES Council in Nov 24 following approval by the Shareholder to

meet the total revenue returns target of £1m per year. Dividend payment for financial years 2022/23 of £848k was paid to the Shareholder during this financial year.

#### **4 STATUTORY CONSIDERATIONS**

- 4.1 Aequus is a wholly owned B&NES group of companies, established by the Executive in accordance with the powers set out under S1 of the Localism Act 2011(the general power of competence). The Council approved a Transfer Agreement with Aequus in January 2020 which provides for the transfer of development sites from the Council to the Company, to support the delivery of the Shareholder objectives and subject to Shareholder approval of development business cases.

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

- 5.1 The approved Aequus Business Plan sets out the Company's financial assumptions and projections, including delivery against the Council's Medium Term Financial plan target of £1M of revenue returns each year.

#### **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.
- 6.2 The Corporate Audit Committee has 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 The Company aims set out by the Council as sole Shareholder include the requirement to support the Council to meet its climate emergency objectives and best practice for property development. The Company's approved business plan addresses how the company will do this in detail, including the EPC A energy efficiency standard as the benchmark for all new Aequus housing developments.

#### **9 OTHER OPTIONS CONSIDERED**

- 9.1 No other options to consider related to this report.

#### **10 CONSULTATION**

- 10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

<b>Contact person</b>	<i>Andy Rothery (01225 477103); Tim Richens Managing &amp; Finance Director Aequus</i>
<b>Background papers</b>	
<b>Please contact the report author if you need to access this report in an alternative format</b>	

Company registration number: 10060817

**Aequus Developments Limited**  
**Annual Report and Financial Statements**  
**Year Ended 31 March 2024**

Company registration number: 10060817

**Aequus Developments Limited**

**Financial Statements**

**Year Ended 31 March 2024**

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## **Aequus Developments Limited**

### **Company Information**

**Year Ended 31 March 2024**

**Company registration number**

10060817

**Directors**

D P E Quilter (Resigned 30 September 2024)  
T Richens  
C D Gerrish (Resigned 6 May 2024)  
M Hyde  
L J Kew (Resigned 6 May 2024)  
R H Marshall  
E Pickering  
A W Wright  
V O'Brien  
S Higham (Appointed 7 May 2024)  
A Johnston (Appointed 19 August 2024)

**Registered office**

Cambridge House  
Henry Street  
Bath  
BA1 1BT

**Auditor**

Bishop Fleming LLP  
Chartered Accountants and Statutory Auditors  
10 Temple Back  
Bristol  
BS1 6FL

# **Aequus Developments Limited**

## **Directors' Report**

### **Year Ended 31 March 2024**

The directors present their report with the financial statements of the company for the year ended 31 March 2024.

#### **Principal activity**

The principal activity of the company in the year under review was that of a property asset investment and rental company.

#### **Review of Business**

We are pleased to present this Annual Report, which focuses on the business of Aequus Developments Limited (ADL), a property asset investment and rental company. ADL is a wholly owned subsidiary of Aequus Group Holdings Limited (AGHL), providing a range of rental homes directly and in partnership with Bath & North East Somerset Council (B&NES Council).

During this year, we have continued to develop and maintain a sustainable business, benefiting our shareholder and, most importantly, providing rental homes for our various tenants. Our rental income levels have remained healthy, and we regularly review and adjust rents in a fair and proportionate way when there is a change of tenant. Due to the continuous stubbornly high interest rates, ADL took the decision to dispose of 7 of the Riverside View apartments to repay down debt and reduce the gearing on the remaining portfolio. At the end of the financial year ADL had sale complete on 1 of the apartments. No new properties were transferred from B&NES Council for rental this financial year. Independent external valuations have been conducted to reflect current market valuations for a relevant sample of properties in our portfolio.

ADL has supported B&NES Council with the delivery of the Local Housing Fund programme to provide 22 homes for families with housing needs who have arrived in the UK via Ukrainian, Afghan and Syrian resettlement and relocation schemes. The properties will be purchased from the open market. As at the 31<sup>st</sup> March we have completed on the purchase of 10 properties and 5 are now occupied with families. Our rental income levels are capped at the Local Housing Allowance Rate and to ensure that the properties remain solely for affordable housing use, there is a restrictive covenant on the title of the properties purchased through the grant funding. As the properties purchased are to support B&NES Council social need the property asset value is capitalised at the purchase price and amortised over 100 years.

Void levels (unoccupied properties) were at 3.51% during the year, and we expect them to remain within the target of 5% of the portfolio

#### **Financial performance**

In the 2023/24 fiscal year, our total turnover was £1,563,794. This includes service income of £1,005,206, primarily from ADL staff providing management and project management services to ACL, together with rental income of £558,588.

Our loss before tax for 2023/24 was (£218,011), including loss on revaluation of investment property amounting to £285,295, however the ADL assets value increased by £2.2m.

We returned commercial interest of £299,004 to B&NES Council for loans pertaining to previously transferred properties.

Going forward we will continue to work with B&NES Council to explore the potential of repurposing void and surplus properties within its estate for future residential use either in the private market or supporting B&NES Council with delivery of its affordable housing objectives.

Although the outlook for the rental market remains positive, ADL's ability to grow is dependent on the future pipeline. The Board will monitor this situation regularly and provide updates to the shareholder accordingly.

#### **Events since the end of the year**

Information relating to events since the end of the year is given in the notes to the financial statements.

## **Aequus Developments Limited**

### **Directors' Report**

#### **Year Ended 31 March 2024**

##### **Directors of the company**

The directors shown below have held office during the whole of the period from 1 April 2023 to the date of this report.

D P E Quilter (Resigned 30 September 2024)

T Richens

C D Gerrish (Resigned 6 May 2024)

M Hyde

L J Kew (Resigned 6 May 2024)

R H Marshall

E Pickering

A W Wright

V O'Brien

S Higham (Appointed 7 May 2024)

A Johnston (Appointed 19 August 2024)

##### **Financial instruments**

Aequus Developments' financial risk management objectives and policies, including exposure to market risk, credit risk and liquidity risk are set out in note 18 to the financial statements.

##### **Statement of directors' responsibilities**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

##### **Disclosure of information to the auditors**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

# **Aequus Developments Limited**

## **Directors' Report**

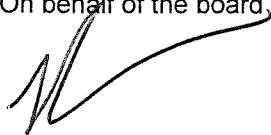
**Year Ended 31 March 2024**

### **Auditors**

The auditors, Bishop Fleming, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

On behalf of the board,

A handwritten signature in black ink, appearing to be 'T Richens', written over a horizontal line.

T Richens, Director

Date: 24/9/24

## **Aequus Developments Limited**

### **Independent Auditor's Report**

#### **Year Ended 31 March 2024**

We have audited the financial statements of Aequus Developments Limited (the 'company') for the year ended 31 March 2024 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2024, and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Separate opinion in relation to IFRSs as issued by the IASB**

As explained in note 2 to the financial statements, the company in addition to complying with its legal obligation to apply UK-adopted international accounting standards, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements give a true and fair view of the financial position of the company as at 31 March 2024 and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

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

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

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

#### **Other information**

The other information comprises the information included in the directors' report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the directors' report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves.

## **Aequus Developments Limited**

### **Independent Auditor's Report**

#### **Year Ended 31 March 2024**

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

## **Aequus Developments Limited**

### **Independent Auditor's Report**

#### **Year Ended 31 March 2024**

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

- We have considered the nature of the sector, control environment and financial procedures;
- We have considered the results of enquiries with management and trustees in relation to their own identification of the risk of irregularities within the entity;
- We have reviewed the documentation of key processes and controls and performed walkthroughs of transactions to confirm that the systems are operating in line with documentation.

As a result of these procedures, we have considered the opportunities and incentives that may exist within the organisation for fraud and identified the highest area of risk to be in relation to revenue recognition, with a particular risk in relation to year end cut off. In common with all audits under ISAs (UK) we are also required to perform specific procedures to respond to the risk of management override. We have also obtained understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those law and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context include the UK Companies Act, IFRS and UK tax legislation. In addition, we considered the provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or avoid a material penalty.

Our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having direct effect on the financial statements;
- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reviewing board meeting minutes;
- Enquiring of management in relation to actual and potential claims or litigations;
- Performing detailed transactional testing in relation to the recognition of revenue with a particular focus around year-end cut off; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in accounting estimates are indicative of potential bias; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business.

We also communicated identified laws and regulations and potential fraud risks to all members of the engagement team and remained alert to possible indicators of fraud or non-compliance with laws and regulations throughout the audit.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at:<https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for>. This description forms part of our auditor's report.

## **Aequus Developments Limited**

### **Independent Auditor's Report**

**Year Ended 31 March 2024**

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Bishop Fleming LLP*

Nathan Coughlin  
For and on behalf of  
**Bishop Fleming LLP**  
Chartered Accountants  
Statutory Auditors  
10 Temple Back  
Bristol  
BS1 6FL

Date *10<sup>th</sup> October 2024.*

# Aequus Developments Limited

## Statement of Profit or Loss and Other Comprehensive Income

Year Ended 31 March 2024

	Note	2024 £	2023 £
Revenue	4	1,563,794	1,538,432
Cost of sales		(168,257)	(194,710)
<b>Gross profit</b>		<b>1,395,537</b>	<b>1,343,722</b>
Other operating income		-	-
Administrative expenses		(1,100,281)	(1,055,305)
Gain/(loss) on revaluation of investment property	10	(285,295)	63,016
<b>Profit from operations</b>		<b>9,961</b>	<b>351,433</b>
Finance income		3,032	-
Finance expense	8	(231,004)	(134,398)
<b>Profit before taxation</b>		<b>(218,011)</b>	<b>217,035</b>
Taxation	9	54,145	(39,457)
<b>Profit / (loss) for the year</b>		<b>(163,866)</b>	<b>177,578</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement gain/(loss) on defined benefit pension plan	16	181,000	1,428,000
Part of actuarial gain not recognised	16	(109,000)	-
Tax relating to items that will not be reclassified	9	(18,000)	(357,000)
<b>Other comprehensive income for the year</b>		<b>54,000</b>	<b>1,071,000</b>
<b>Total comprehensive income for the year</b>		<b>(109,866)</b>	<b>1,248,578</b>

# Aequus Developments Limited


## Statement of Financial Position

Year Ended 31 March 2024

	Note	2024 £	2023 £
<b>Non-current assets</b>			
Long term leasehold property	10	7,500,521	8,046,017
Owned: Property, Plant and Equipment	11	2,761,321	-
		<b>10,261,842</b>	<b>8,046,017</b>
<b>Current assets</b>			
Trade and other receivables	12	150,791	127,931
Cash and cash equivalents	20	361,998	185,085
		<b>512,789</b>	<b>313,016</b>
<b>Current liabilities</b>			
Trade and other payables	13	(380,635)	(270,374)
Borrowings	15	(33,510)	(55,317)
Current tax liabilities	9	(27,726)	(49,384)
		<b>70,918</b>	<b>(62,059)</b>
<b>Net current assets / (liabilities)</b>		<b>10,332,760</b>	<b>7,983,958</b>
<b>Non-current liabilities</b>			
Trade and other payables	14	(1,542,578)	-
Borrowings	15	(6,965,134)	(5,917,174)
Deferred tax	9	(317,299)	(381,170)
Retirement benefit obligation	16	-	(68,000)
		<b>(8,825,011)</b>	<b>(6,366,344)</b>
<b>Net assets / (liabilities)</b>		<b>1,507,749</b>	<b>1,617,614</b>
<b>Equity</b>			
Share capital		100	100
Revaluation reserve		-	64,736
Pension reserve		210,690	156,690
Retained earnings		1,296,959	1,396,088
		<b>1,507,749</b>	<b>1,617,614</b>

The financial statements were approved and authorised for issue by the Board on 24 September 2024

Signed on behalf of the board of directors

  
S Higham, Director

  
T Richens, Director

The notes on pages 15 to 29 form part of these accounts.  
Company registration number: 10060817

**Aequus Developments Limited**

**Statement of Changes in Equity**

**Year Ended 31 March 2024**

	Share capital £	Revaluation reserve £	Retained earnings £	Pension reserve £	Total equity £
<b>Balance at 1 April 2022</b>	100	1,703,465	(420,118)	(914,310)	369,137
Profit/(loss) for the year	-	-	177,578	-	177,578
Revaluation of tangible fixed assets	-	64,736	(64,736)	-	-
Re-measurement on defined benefit pension plan	-	-	-	1,071,000	1,071,000
Transfer of ACL shares to AGHL	-	-	(100)	-	(100)
Bonus issue of shares	1,703,465	(1,703,465)	-	-	-
Share capital reduction	(1,703,465)	-	1,703,465	-	-
<b>Balance at 31 March 2023</b>	100	64,736	1,396,089	156,690	1,617,614
Profit/(loss) for the year	-	-	(163,866)	-	(163,866)
Revaluation of tangible fixed assets	-	(64,736)	64,736	-	-
Re-measurement on defined benefit pension plan	-	-	-	163,000	163,000
Part of actuarial gain not recognised	-	-	-	(109,000)	(109,000)
<b>Balance at 31 March 2024</b>	100	-	1,296,959	210,690	1,507,749

# Aequus Developments Limited

## Statement of Cash Flows

Year Ended 31 March 2024

	Note	2024 £	2023 £
<b>Cash generated from operations</b>	21	<b>411,106</b>	238,202
Interest charge		-	(95,398)
Tax paid		(85,529)	-
<b>Net cash flow from operating activities</b>		<b>325,577</b>	142,804
<b>Cash flow from investing activities</b>			
Purchase of tangible assets		(2,770,008)	-
Purchase of investment property		-	-
Sale of investment property		260,201	-
Interest received		3,032	-
Capital grants received		1,562,962	-
<b>Net cash flow from investing activities</b>		<b>(943,813)</b>	-
<b>Cash flow from financing activities</b>			
Receipts from issue of new long-term loans		1,290,262	-
Repayment of long term loans		(264,109)	(70,156)
Interest paid		(231,004)	-
<b>Net cash flow from financing activities</b>		<b>795,149</b>	(70,156)
<b>Net increase in cash and cash equivalents</b>		<b>176,913</b>	72,648
<b>Cash and cash equivalents at 1 April</b>	20	<b>185,085</b>	112,437
<b>Cash and cash equivalents at 31 March</b>		<b>361,998</b>	185,085
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand	20	361,998	185,085
<b>Cash and cash equivalents at 31 March</b>		<b>361,998</b>	185,085

# **Aequus Developments Limited**

## **Notes to the Financial Statements**

### **Year Ended 31 March 2024**

#### **1 Statutory information**

Aequus Developments Limited is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page. The nature of the company's operations and principal activities are that of an investment property company.

#### **2 Accounting policies**

##### **2.1 Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards including standards and interpretations issued by the International Accounting Standards Board and in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006. They have been prepared using the historical cost convention except that as disclosed in the accounting policies below certain items, including investment properties, derivatives, and some investments, are shown at fair value.

The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest pound.

##### **2.2 Preparation of consolidated financial statements**

The financial statements contain information about Aequus Developments Limited as an individual company and do not contain consolidated financial information as the part of a group. The company is exempt under Section 399(2A) of the Companies Act 2006 from the requirements to prepare consolidated financial statements.

##### **2.3 Changes in accounting policies**

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective. As yet, none of these have been endorsed for use in the UK and will not be adopted until such time as endorsement is confirmed.

Supplier Finance Arrangements (Amendments to: IAS 7 Cash Flow Statements, IFRS 7 Financial Instruments: Disclosure)

Lease Liability in a Sale and Leaseback (Amendment to IFRS 16 Leases)

Classification of Liabilities as Current or Non-Current (including Classification of Liabilities as Current or Non-Current – Deferral of Effective Date) (Amendment to IAS 1 Presentation of Financial Statements)

Non-Current Liabilities with Covenants (Amendment to IAS 1 Presentation of Financial Statements)

##### **2.4 Revenue recognition**

Rental income from operating leases on investment property is accounted for on a straight-line basis over the lease term except for contingent rental income which is recognised when it arises.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight term basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidation are recognised in the income statement when the right to receive them arises.

Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable.

Service and management charges provided to group companies and other parties are recognised in the period in which the services are provided in accordance with the stage of completion of the work contracted.

# **Aequus Developments Limited**

## **Notes to the Financial Statements**

**Year Ended 31 March 2024**

### **2.5 Investment properties**

Investment properties are initially measured at cost and subsequently each year re-measured at fair value. Gains or losses arising from changes in fair values of investment properties are included in profit or loss in the period in which they arise.

An external property valuation will be carried out on the full portfolio every four years and in the interim an external valuation based on a sample of properties across the portfolio.

### **2.6 Property, plant and equipment**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property – 1% on straight line basis

### **2.7 Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand and time, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. This definition is also used for the statement of cash flows.

### **2.8 Borrowings**

Borrowings are classified as current liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### **2.9 Borrowing costs**

Borrowing costs are recognised on an accruals basis. Included in borrowing costs is the amortisation of fees associated with the arrangement of financing. The company pays and received interest on some of its intercompany loan balances. These are recognised within interest in the statement of income when incurred or receivable. All costs directly attributable to the cost of a qualifying asset are capitalised.

### **2.10 Government grants**

Government grants are recognised when there is reasonable assurance that the company will comply with any conditions attached to the grant and the grant will be received.

Grants for capital assets are held in deferred income and released as income over the life of the asset.

### **2.11 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.

Deferred tax is provided on items that may become taxable in the future, or which may be used to offset against taxable profits in the future, on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes on an undiscounted basis.

Deferred tax assets and liabilities are offset when their 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.

### **2.12 Employee benefit costs**

Retirement benefits to employees of the company are provided by the Local Government Pension Scheme (LGPS). This is a defined benefit scheme.

# **Aequus Developments Limited**

## **Notes to the Financial Statements**

### **Year Ended 31 March 2024**

#### **2.12 Employee benefit costs (continued)**

The LGPS is a funded multi-employer scheme and the assets are held separately from those of the company in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability / asset is also recognised in the profit or loss and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

#### **2.13 Financial instruments**

Debtors and creditors are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate. For trade receivables, the company applies the simplified approach permitted by IFRS 9, which required expected lifetime losses to be recognised from initial recognition of the receivables.

At the end of each reporting period, financial assets are assessed for impairment. Impairments and reversals of impairments are recognised in profit and loss.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **2.14 Going concern**

Based on the information available, including the approved three year Business Plan 2024/25 to 2026/27 the Directors see no issues relating to the going concern status of the company.

### **3 Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Where necessary, the comparatives have been reclassified or extended from the previously reported results to take into account presentational changes.

There are no key accounting judgements (excluding estimates). The key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in connection with the valuation of investment property and the valuation of pension liabilities.

**Valuation of property** – The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS13.

**Defined pension liabilities** – Note 16 contains the principal assumptions underlying the valuation of defined benefit pension liabilities. These assumptions were set out on the advice of the scheme's actuaries having regard to current market conditions, past history and factors specific to the scheme.

# Aequus Developments Limited

## Notes to the Financial Statements

Year Ended 31 March 2024

### 4 Revenue from contracts with customers

An analysis of the company's revenue for the year, all of which was generated in the United Kingdom, is as follows:

	2024 £	2023 £
<b>Revenue from contracts with customers</b>		
Rental income	558,588	534,492
Service and management	<u>1,005,206</u>	<u>1,003,940</u>
	<u><b>1,563,794</b></u>	<u><b>1,583,432</b></u>

### Assets and liabilities related to contracts with customers

The company has recognised the following liabilities related to contracts with customers:

	2024 £	2023 £
Deferred revenue – rental income	<u>21,503</u>	<u>23,189</u>
Total current contract liabilities	<u><b>21,503</b></u>	<u><b>23,189</b></u>

### 5 Auditor's remuneration

	2024 £	2023 £
Fees payable to the company's auditor for the audit of the company's annual accounts	<u>16,250</u>	<u>18,500</u>
Fees payable to the company's auditor for other services: Other services	<u>2,250</u>	<u>2,000</u>
	<u><b>18,500</b></u>	<u><b>20,500</b></u>

### 6 Directors' remuneration

	2024 £	2023 £
Remuneration	<u>308,513</u>	<u>318,267</u>
	<u><b>308,153</b></u>	<u><b>318,267</b></u>
The remuneration of the highest paid director included above was:		
Emoluments	<u>158,873</u>	<u>149,311</u>
	<u><b>158,873</b></u>	<u><b>149,311</b></u>

# Aequus Developments Limited

## Notes to the Financial Statements

### Year Ended 31 March 2024

#### 6 Directors' remuneration (continued)

During the year two directors (2023: two) were accruing benefits under defined benefit pension schemes.

#### 7 Staff costs

The average monthly number of employees, including directors, during the year was as follows:

	2024 Number	2023 Number
Directors	9	8
Administration	10	8
	<u>19</u>	<u>16</u>

The aggregate payroll costs of these persons were as follows:

	2024 £	2023 £
Wages and salaries	822,213	733,907
Social security	96,136	92,008
Other pension costs	74,536	12,562
	<u>930,885</u>	<u>838,477</u>

#### 8 Finance expense

	2024 £	2023 £
Interest on loans	229,004	95,398
Interest on pension schemes	2,000	39,000
Total interest expense	<u>231,004</u>	<u>134,398</u>

# Aequus Developments Limited

## Notes to the Financial Statements

### Year Ended 31 March 2024

#### 9 Income taxes

##### 9.1 Income tax recognised in profit or loss

	2024 £	2023 £
Tax expense comprises:		
Current tax expense in respect of the current year	<u>27,726</u>	<u>49,384</u>
	<b>27,726</b>	<b>49,384</b>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(81,871)	(9,927)
Effect of tax rate change on opening balance	-	-
Total deferred tax	<u>(81,871)</u>	<u>(9,927)</u>
	<b>(81,871)</b>	<b>(9,927)</b>
Total tax expense in statement of profit or loss	<u><b>(54,145)</b></u>	<u><b>39,457</b></u>
	2024 £	2023 £
Profit before tax	(218,011)	217,035
Tax on profit at 25% (2023: 19%)	(54,503)	41,237
Effects of:		
Fixed asset differences	347	-
Expenses not deductible for tax purposes	72,299	2,936
Income not taxable for tax purposes	(1,189)	(11,973)
Adjustments to brought forward values	18,000	271,320
Chargeable gains/(losses)	(71,099)	9,639
Deferred tax (charged)/credited directly to OCI	(18,000)	(357,000)
Remeasurement of deferred tax for changes in tax rates	-	83,298
<b>Income tax expense recognised in profit or loss</b>	<u><b>(54,145)</b></u>	<u><b>39,457</b></u>

The tax rate used for the 2024 and 2023 reconciliations above is the corporate tax rate of 2024: 25% and 2023: 19% payable by corporate entities on taxable profits under tax law in that jurisdiction.

##### 9.2 Deferred tax balances

	2024 £	2023 £
Balance at 1 April	381,170	34,097
Deferred tax credited to profit and loss account for the period	(81,871)	(9,927)
Charged / (credited) to other comprehensive income	<u>18,000</u>	<u>357,000</u>
<b>Balance at 31 March</b>	<u><b>317,299</b></u>	<u><b>381,170</b></u>

# Aequus Developments Limited

## Notes to the Financial Statements

### Year Ended 31 March 2024

#### 10 Long term leasehold property

	2024 £	2023 £
<b>At fair value</b>		
Balance at 1 April	8,046,017	8,135,748
Additions through subsequent expenditure	-	-
Disposals	(260,201)	(152,747)
Net gain / (loss) from fair value adjustments	(285,295)	63,016
<b>Balance at 31 March</b>	<b>7,500,521</b>	<b>8,046,017</b>

The fair value of properties is reviewed annually by an independent qualified valuer, with the last review being in 2024.

#### 11 Property, plant and equipment

	Freehold Property £	Total £
<b>Cost</b>		
At 1 April	-	-
Additions	2,770,008	2,770,008
Impairments	-	-
At 31 March	2,770,008	2,770,008
<b>Depreciation</b>		
At 1 April	-	-
Charge for the year	(8,687)	(8,687)
At 31 March	(8,687)	(8,687)
<b>Net Book Value</b>		
At 31 March 2024	2,761,321	2,761,321
At 31 March 2023	-	-

#### 12 Trade and other receivables

	2024 £	2023 £
Amounts due from related party transactions	129,288	118,319
Prepayments	-	8,330
Other debtors	21,503	1,282
	<b>150,791</b>	<b>127,931</b>

# Aequus Developments Limited

## Notes to the Financial Statements

### Year Ended 31 March 2024

#### 13 Trade and other payables: Under one year

	2024	2023
	£	£
Trade payables	17,065	6,888
Amounts owed to group undertakings	36,515	11,940
Social security and other taxes	35,627	32,581
Other creditors	-	(937)
Accruals and deferred income	256,016	171,472
VAT	35,412	48,430
	<b>380,635</b>	<b>270,374</b>

#### 14 Trade and other payables: Over one year

	2024	2023
	£	£
Accruals and deferred income	1,542,578	-
	<b>1,542,578</b>	<b>-</b>

#### 15 Borrowings

	Current		Non-current	
	2024	2023	2024	2023
	£	£	£	£
Bank loans	-	-	-	-
Intercompany loans	33,510	55,317	6,965,134	5,917,174
	<b>33,510</b>	<b>55,317</b>	<b>6,965,134</b>	<b>5,917,174</b>

#### Terms and debt repayments schedule

	1 year or less	1-2 years	2-5 year	More than 5 years	Total
	£	£	£	£	£
Intercompany loans	33,510	31,252	100,601	6,833,281	6,998,644
	<b>33,510</b>	<b>31,252</b>	<b>100,601</b>	<b>6,833,281</b>	<b>6,998,644</b>

#### 16 Retirement benefit plans

To assess the value of the Employer's liabilities as at 31 March 2024, the actuaries have rolled forward the value of the Employer's liabilities calculated for the latest Triennial valuation allowing for the different financial assumptions required under IAS19.

The full actuarial valuation involved projecting future cash flows to be paid from the Fund and placing a value on them. These cash flows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

# Aequus Developments Limited

## Notes to the Financial Statements

### Year Ended 31 March 2024

#### 16 Retirement benefit plans (continued)

It is not possible to assess the accuracy of the estimated liability as at 31 March 2024 without completing a full valuation. However, the actuaries are satisfied that the approach of rolling forward the previous valuation data to 31 March 2024 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as the latest formal valuation. The contributions expected to be paid in the year to 31 March 2025 are £62,000.

As required under IAS19, pension fund liabilities and service costs have been calculated using the Project Unit method of valuation.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2024 %	2023 %
Discount rate	4.9	4.80
Future salary increases	4.1	4.20
Future pension increases	2.7	2.80
CPI inflation	2.6	2.70

Average longevity at retirement age for current pensioners and employees is:

	2024
Future pensioners age 65 in 20 years' time (male)	23.3
Future pensioners age 65 in 20 years' time (female)	25.8
Current pensioner aged 65 (male)	22.0
Current pensioner aged 65 (female)	24.1

The sensitivity regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Approximate monetary amount (£)
<b>Change in assumption at 31 March 2024</b>	
0.5% increase in discount rate	203,000
0.25% increase in inflation	(108,000)
0.25% increase in salary growth	(34,000)
1 year increase in life expectancy	(50,000)

Amounts recognised through profit and loss in respect of these defined benefit plans are as follows:

	2024 £	2023 £
Current service cost	62,000	115,000
Administration expenses	2,000	2,000
Interest on obligation	2,000	39,000
Components of defined benefit costs recognised in profit or loss	<u>66,000</u>	<u>156,000</u>

# Aequus Developments Limited

## Notes to the Financial Statements

### Year Ended 31 March 2024

#### 16 Retirement benefit plans (continued)

Amounts recognised in other comprehensive income in respect of these defined benefit plans are as follows:

	2024 £	2023 £
Actuarial (gains)/losses	(181,000)	(1,428,000)
Actuarial gain not recognised	109,000	-
Income tax	18,000	357,000
Total	<u>(54,000)</u>	<u>(1,071,000)</u>

The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plan is as follows:

	2024 £	2023 £
Present value of funded defined benefit obligation	2,492,000	2,399,000
Fair value of plan assets	(2,601,000)	(2,331,000)
Net pensions (asset) / liability	(109,000)	68,000
Less notional surplus not recognised	109,000	-
Net pension (asset) / liability as recognised in these financial statements	<u>-</u>	<u>68,000</u>

Movements in the present value of the defined benefit obligation in the current period were as follows:

	2024 £	2023 £
Opening defined benefit obligation	2,399,000	4,021,000
Current service cost	62,000	115,000
Interest cost	116,000	114,000
Contributions from plan participants	36,000	35,000
Actuarial losses/ (gains) arising from:		
- Changes in demographic assumptions	(32,000)	(80,000)
- Changes in financial assumptions	(85,000)	(1,741,000)
- Experience adjustments	9,000	(62,000)
Benefits/transfers paid	(13,000)	(3,000)
	<u>2,492,000</u>	<u>2,399,000</u>

## Aequus Developments Limited

### Notes to the Financial Statements

#### Year Ended 31 March 2024

#### 16 Retirement benefit plans (continued)

Movements in the present value of the plan assets in the current period were as follows:

	2024 £	2023 £
Opening fair value of plan assets	2,331,000	2,611,000
Interest on plan assets	114,000	75,000
Remeasurements (assets)	73,000	(455,000)
Administration expenses	(2,000)	(2,000)
Contributions from the employer	62,000	70,000
Contributions from plan participants	36,000	35,000
Benefits/transfers paid	(13,000)	(3,000)
Closing fair value of plan assets	2,601,000	2,331,000

The major categories of plan assets as amounts of total scheme assets are as follows:

	2024 £	2023 £
Equities	1,301,000	813,000
Bonds	832,000	656,000
Property	135,000	150,000
Alternatives	730,000	668,000
Cash Accounts	(397,000)	44,000
Closing fair value of plan assets	2,601,000	2,331,000

#### 17 Issued capital

	2024 £	2023 £
100 fully paid up ordinary £1 shares	100	100

All shares rank equally in regards to voting rights. The shares have a nominal value of £1 and were issued at par. All shares rank equally in regards to dividends. All shares rank in proportion to the nominal amount paid up with regards to distributions on winding up or other repayment of capital.

#### 18 Financial instruments

The section gives a comprehensive overview of the significance of financial instruments for the company and provides additional information on Statement of Financial Position items that contain financial instruments.

# Aequus Developments Limited

## Notes to the Financial Statements

### Year Ended 31 March 2024

#### 18 Financial instruments (continued)

The following table presents the carrying amount of each category of financial assets and liabilities:

	2024 £	2023 £
<b>Financial assets</b>		
Financial assets measured at amortised cost	150,791	119,601
Cash and cash equivalents	361,998	185,085
	<u>512,789</u>	<u>304,686</u>

The following table presents the fair values and carrying amounts of financial assets and liabilities measured at cost or amortised cost:

	2024 £	2023 £
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(89,207)	(198,755)
Loans	<u>(6,998,644)</u>	<u>(5,972,491)</u>
	<u>(6,909,437)</u>	<u>(6,171,246)</u>

There are no financial assets and liabilities measured at fair value. All financial assets and liabilities are measured at amortised cost.

The fair values of cash and cash equivalents, current receivables, other current financial assets, other assets, trade payables and other current financial liabilities and other liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

Interest is charged on the amounts borrowed from the company's parent at a rate of 1% above the base rate (the EC reference rate) and is payable at 6 monthly intervals. The amounts borrowed from the parent are secured by fixed and floating charges over the investment property held by the company.

#### Financial risk management

Exposure to foreign currency, credit, liquidity and cash flow interest rate risks arises in the normal course of the company's business. These risks are limited by the company's financial management policies and practices described below.

#### Foreign currency risk

The company has limited exposure to foreign currency risk. Substantially all of the company's sales and purchases are denominated in sterling.

#### Credit risk and market risk

The company is at risk from its customers defaulting in making payments for services that have been supplied to them or from properties let out to them on long term leases. The majority of the company's customers are based within the real estate market and therefore industry related changes or economic changes in the housing market present a risk to the company as opposed to credit risks

#### Liquidity risk

Liquidity risk results from the company's potential inability to meet its financial liabilities, e.g. settlement of its financial debt, paying its suppliers and settling finance lease obligations. Beyond effective net working capital and cash management, the company mitigates liquidity risk by arranging borrowing facilities with its sole shareholder BANES.

# Aequus Developments Limited

## Notes to the Financial Statements

### Year Ended 31 March 2024

#### 18 Financial instruments (continued)

##### Cash flow interest rate risk

The company is exposed to interest rate risk through the impact of rate changes on interest-bearing borrowings. The company's policy is to obtain the most favourable interest rates available for its borrowings. At 31 March 2024 the company's borrowings were in the region of £6.9m (2023: £6.1m) and it is therefore estimated that a general change of one percentage point in the interest rate would affect profit before tax by approximately £69,000 (2023: £61,000).

The company does not use any derivative instruments to reduce its economic exposure to changes in interest rates

##### Equity price risk

The company does not hold investments in publicly traded companies. No equity price risk is therefore foreseen for the company.

The following table reflects all contractually fixed undiscounted pay-offs for settlement, repayments and interest resulting from recognised financial liabilities.

	2025	2026	2027 to 2029	2030 and thereafter
	£	£	£	£
Trade payables	17,065			
Other financial liabilities	105,652	31,252	100,601	6,833,281

The company does not have any derivative financial liabilities.

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at 31 March 2024.

Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital – e.g. trade receivables. These assets are considered in the company's overall liquidity risk.

#### 19 Related party transactions

Transactions and balances between the company and its parent company BANES are disclosed below:

	2024 £	2023 £
Purchase of investment property	-	-
Other goods and services	(86,150)	42,238
Interest expense	(229,004)	(95,398)
Rental income for LAHF properties	22,907	-
Sales – Recharges	78,705	73,541
Property Disposal	-	143,000
Insurance claim	932	-

## Aequus Developments Limited

### Notes to the Financial Statements

#### Year Ended 31 March 2024

#### 19 Related party transactions (continued)

Year end balances arising from loans received and other amounts from BANES amount to:

	2024 £	2023 £
<b>Loans payables to parent undertaking</b>		
Due in less than one year	(33,510)	(55,317)
Due in more than one year	<u>(6,965,134)</u>	<u>(5,918,100)</u>
	<u>(6,998,644)</u>	<u>(5,973,417)</u>
Trade receivables	12,812	3,925
Trade payables	19,340	-

The loan payable to BANES is secured by a fixed and floating charge over the assets over the company. Interest is charged on the loans amounting to EU Base plus 1%.

Transactions with Aequus Construction Limited (fellow subsidiary undertaking) amount to:

	2024 £	2023 £
Sales – Recharges	931,536	931,179
Purchases – Recharged	(14,579)	(9,950)
Purchases – Investment property	-	-

Year end balances arising from Aequus Construction Limited amount to:

	2024 £	2023 £
Trade receivables	116,476	113,609
Trade payables	<u>(17,175)</u>	<u>(11,940)</u>

#### Remuneration of key management personnel

The remuneration of key management personnel is provided in note 6 as the directors represent key management personnel.

#### 20 Cash and Cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2024 £	2023 £
Cash and bank balances	<u>361,998</u>	<u>185,085</u>
	<u>361,998</u>	<u>185,085</u>

## Aequus Developments Limited

### Notes to the Financial Statements

#### Year Ended 31 March 2024

#### 21 Reconciliation of profit to cash flow from operating activities

	2024 £	2023 £
Profit / (loss) before taxation	(218,011)	217,035
Gain / (loss) on revaluation of fixed assets	285,295	(63,016)
Pension costs	-	81,302
Finance expense	231,004	134,398
Finance income	(3,032)	-
Depreciation	8,687	-
Operating profit / (loss)	303,943	369,719
Decrease / (Increase) in trade and other receivables	(22,860)	(16,888)
(Decrease) / Increase in trade and other payables	130,023	(114,629)
Cash flow from operating activities	411,106	238,202

#### 22 Ultimate parent

The ultimate parent undertaking is Bath and North East Somerset Council (BANES). BANES is the only group entity of which the company is a member for which group accounts are prepared. Copies of Group accounts are available at:

[www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts](http://www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts)

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Company registration number: 10832066

**Aequus Construction Limited  
Annual Report and Financial Statements  
Year Ended 31 March 2024**

Company registration number: 10832066

**Aequus Construction Limited**

**Financial Statements**

**Year Ended 31 March 2024**

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## **Aequus Construction Limited**

### **Company Information**

**Year Ended 31 March 2024**

**Company registration number**

10832066

**Directors**

D P E Quilter (Resigned 30 September 2024)  
T Richens  
C D Gerrish (Resigned 6 May 2024)  
M Hyde  
L J Kew (Resigned 6 May 2024)  
R H Marshall  
E Pickering  
A W Wright  
V O'Brien  
S Higham (Appointed 7 May 2024)  
A Johnston (Appointed 19 August 2024)

**Registered office**

Cambridge House  
Henry Street  
Bath  
BA1 1BT

**Auditor**

Bishop Fleming LLP  
Chartered Accountants and Statutory Auditors  
10 Temple Back  
Bristol  
BS1 6FL

## **Aequus Construction Limited**

### **Directors' Report**

#### **Year Ended 31 March 2024**

The directors present their report with the financial statements of the company for the Year Ended 31 March 2024.

#### **Principal Activity**

The principal activity of the company in the year under review was that of housing development and construction.

#### **Review of Business**

We are pleased to present this Annual Report, which focuses on the business of Aequus Construction Limited (ACL), a local authority housing development and construction company. ACL is a wholly owned subsidiary of Aequus Group Holdings Limited (AGHL) and is dedicated to providing homes for the community in partnership with, Bath & North East Somerset Council. We also work with our partner councils South Gloucestershire Council & North Somerset Council.

Aequus Construction Ltd is actively supporting the Shareholder's corporate strategy to tackle the climate emergency in the housing sector through its commitment to delivering sustainable, low-energy housing. With a focus on both current and new projects, Aequus is pioneering the construction of homes that meet the rigorous AECB (Association for Environment Conscious Building) standards. These homes are designed to significantly reduce energy consumption, minimize carbon emissions, and enhance overall energy efficiency, aligning with the Council's climate objectives.

Our current and future developments will also focus on social value providing a range of affordable housing options within communities. ACL is also committed to working with local businesses on our developments where possible, supporting employment in local areas.

During this year of operation, we have continued to develop and maintain a sustainable business, benefiting our shareholder and, most importantly continued progress in our operations. We are pleased to say that our fourth development at Malmains Drive, Frenchay, is progressing well and, at the 31<sup>st</sup> March 2024, we had successfully handed over 7 affordable units to Alliance Homes and sold 1 private unit to the market. The development is expected to be finished in Autumn 2024, delivering 30 low energy family homes, 11 of which are affordable.

The U.K. house building market has been relatively strong over the last 12 months, fuelled by the underlying demand for new housing due to population growth and other factors. The construction industry, is subject to fluctuations based on various economic conditions and government policies. Contract price inflation has slowed compared to the previous couple of years however, interest rates continue to remain high and this is likely to continue to impact on ACL's rate of borrowing to fund future developments. Fixing the interest rates at the outset will help to mitigate this risk.

#### **Financial Performance**

In the financial year 2023/24, ACL achieved a total turnover of £4,383,919. This includes the handover of seven affordable units and one privately sold unit at Malmains Drive, Frenchay of £1,928,443 and Development Management Services of £2,455,476 resulting in a gross profit of £408,046 and a net profit after overheads and before taxation of £8,961. We will be recognising profit on a more commercial approach going forwards for future projects

B&NES Council revenue financial returns include proposed dividends of £771,000 to be paid to B&NES via Aequus Group Holdings Limited. A dividend of £848,000 relating to 2022/23 was paid to B&NES during this financial year. In terms of capital financial returns, an additional land value payment of £62,630 was made to B&NES due to an underspend on our well managed budgets at our development at 17 Newbridge Hill, Bath.

Financial return of £272k was paid to South Glos Council for commercial interest paid in the financial year

Looking ahead B&NES Council's target revenue returns of £1 million from ADL and ACL for 2024/25 will be met through anticipated interest returns and expected dividend payments.

# **Aequus Construction Limited**

## **Directors' Report**

### **Year Ended 31 March 2024**

We are pleased with our solid financial performance for the year, as the company continues to build a long term sustainable business. We have collaborated with our Shareholder and partners on the current housing pipeline and have approved a three-year Business Plan (2024/25 to 2025/27) that supports the Shareholder's sustainability and social value objectives for the company. Aequus will continue to support the Council to deliver the right homes in the place to improve availability of affordable housing, accessible to local jobs and services that support and improve peoples lives.

### **Events since the end of the year**

Information relating to events since the end of the year is given in the notes to the financial statements.

### **Directors**

The directors shown below have held office during the whole of the period from 1 April 2023 to the date of this report.

D P E Quilter (Resigned 30 September 2024)

T Richens

C D Gerrish (Resigned 6 May 2024)

M Hyde

L J Kew (Resigned 6 May 2024)

R H Marshall

E Pickering

A W Wright

V O'Brien

S Higham (Appointed 7 May 2024)

A Johnston (Appointed 19 August 2024)

### **Financial instruments**

Aequus Construction's financial risk management objectives and policies, including exposure to market risk, credit risk and liquidity risk are set out in note 16 to the financial statements.

### **Statement of Directors Responsibilities**

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement as to disclosure of information to auditors**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## **Aequus Construction Limited**

### **Directors' Report**

**Year Ended 31 March 2024**

#### **Auditors**

The auditors, Bishop Fleming, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

On behalf of the board

A handwritten signature in black ink, appearing to be 'T Richens', written over a horizontal line.

T Richens, Director

Date: 24/9/24

## **Aequus Construction Limited**

### **Independent Auditor's Report**

#### **Year Ended 31 March 2024**

We have audited the financial statements of Aequus Construction Limited (the 'company') for the Year Ended 31 March 2024 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2024, and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Separate opinion in relation to IFRSs as issued by the IASB**

As explained in note 2 to the financial statements, the company in addition to complying with its legal obligation to apply UK-adopted international accounting standards, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements give a true and fair view of the financial position of the company as at 31 March 2024 and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

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

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

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

#### **Other information**

The other information comprises the information included in the directors' report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the directors' report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves.

## **Aequus Construction Limited**

### **Independent Auditor's Report**

#### **Year Ended 31 March 2024**

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

## **Aequus Construction Limited**

### **Independent Auditor's Report**

#### **Year Ended 31 March 2024**

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

- We have considered the nature of the sector, control environment and financial procedures;
- We have considered the results of enquiries with management and trustees in relation to their own identification of the risk of irregularities within the entity;
- We have reviewed the documentation of key processes and controls and performed walkthroughs of transactions to confirm that the systems are operating in line with documentation.

As a result of these procedures, we have considered the opportunities and incentives that may exist within the organisation for fraud and identified the highest area of risk to be in relation to revenue recognition, with a particular risk in relation to year end cut off. In common with all audits under ISAs (UK) we are also required to perform specific procedures to respond to the risk of management override. We have also obtained understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those law and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context include the UK Companies Act, IFRS and UK tax legislation. In addition, we considered the provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or avoid a material penalty.

Our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having direct effect on the financial statements;
- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reviewing board meeting minutes;
- Enquiring of management in relation to actual and potential claims or litigations;
- Performing detailed transactional testing in relation to the recognition of revenue with a particular focus around year-end cut off; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in accounting estimates are indicative of potential bias; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business.

We also communicated identified laws and regulations and potential fraud risks to all members of the engagement team and remained alert to possible indicators of fraud or non-compliance with laws and regulations throughout the audit.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for>. This description forms part of our auditor's report.

## **Aequus Construction Limited**

### **Independent Auditor's Report**

**Year Ended 31 March 2024**

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Bishop Fleming LLP*

Nathan Coughlin  
For and on behalf of  
**Bishop Fleming LLP**  
Chartered Accountants  
Statutory Auditors  
10 Temple Back  
Bristol  
BS1 6FL

Date *10<sup>th</sup> October 2024*

**Aequus Construction Limited**

**Statement of Profit or Loss and Other Comprehensive Income**

**Year Ended 31 March 2024**

	Note	2024 £	2023 £
Revenue	4	4,383,919	8,056,920
Cost of sales		(3,975,873)	(7,234,721)
<b>Gross profit</b>		<b>408,046</b>	<b>822,199</b>
Other operating income		-	-
Administrative expenses		(486,827)	(499,493)
<b>Profit from operations</b>		<b>(78,781)</b>	<b>322,706</b>
Finance income	7	87,742	31,553
Finance expense		-	(837)
<b>Profit before taxation</b>		<b>8,961</b>	<b>353,422</b>
Taxation	8	1,066	(69,303)
<b>Profit for the year</b>		<b>10,027</b>	<b>284,119</b>
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>10,027</b>	<b>284,119</b>

# Aequus Construction Limited

## Statement of Financial Position

Year Ended 31 March 2024

	Note	2024 £	2023 £
<b>Non-current assets</b>			
Owned: Property, plant and equipment	9	29,354	36,693
Right of use: Property, plant and equipment	13	-	-
		<u>29,354</u>	<u>36,693</u>
<b>Current assets</b>			
Inventories	10	4,755,037	2,611,002
Trade and other receivables	11	519,770	143,517
Cash and cash equivalents	18	2,370,584	3,254,132
		<u>7,645,391</u>	<u>6,008,651</u>
<b>Current liabilities</b>			
Trade and other payables	12	(1,634,004)	(1,568,644)
Borrowings	14	(4,084,749)	(1,634,749)
Current tax liabilities		(2,239)	(48,391)
		<u>1,924,399</u>	<u>2,756,867</u>
<b>Net current assets</b>		<u>1,924,399</u>	<u>2,756,867</u>
<b>Total assets less current liabilities</b>		<u>1,953,753</u>	<u>2,793,560</u>
<b>Non-current liabilities</b>			
Borrowings	14	-	-
Deferred tax	8	(7,339)	(9,173)
<b>Total non-current liabilities</b>		<u>(7,339)</u>	<u>(9,173)</u>
<b>Net assets</b>		<u>1,946,414</u>	<u>2,784,387</u>
<b>Equity</b>			
Share capital	15	100	100
Retained earnings		1,946,314	2,784,287
		<u>1,946,414</u>	<u>2,784,387</u>

The financial statements were approved and authorised for issue by the Board on

24 September 2024

Signed on behalf of the Board of Directors



T Richens, Director

The notes on pages 15 to 26 form part of these accounts.

Company registration number: 10832066

**Aequus Construction Limited**

**Statement of Changes in Equity**

**Year Ended 31 March 2024**

	Share capital £	Retained earnings £	Total equity £
<b>Balance at 1 April 2022</b>	100	3,669,168	3,668,168
Dividends	-	(1,169,000)	(1,169,000)
Profit for the year	-	284,119	284,119
<b>Balance at 31 March 2023</b>	<u>100</u>	<u>2,784,287</u>	<u>2,784,387</u>
Dividends	-	(848,000)	(848,000)
Profit for the year	-	10,027	10,027
<b>Balance at 31 March 2024</b>	<u><b>100</b></u>	<u><b>1,946,314</b></u>	<u><b>1,946,414</b></u>

# Aequus Construction Limited

## Statement of Cash Flows

Year Ended 31 March 2024

	Note	2024 £	2023 £
<b>Cash generated from operations</b>	19	(2,526,370)	3,345,597
Interest paid		-	-
Lease interest paid		-	-
Tax paid		(46,920)	-
<b>Net cash flow from operating activities</b>		<b>(2,573,290)</b>	<b>3,345,597</b>
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		-	(36,693)
Interest received		87,742	31,553
<b>Net cash flow from investing activities</b>		<b>87,742</b>	<b>(5,140)</b>
<b>Cash flow from financing activities</b>			
New loans in the year		2,450,000	1,634,749
Repayment of long term loans		-	(3,450,000)
Dividends paid		(848,000)	(1,169,000)
Interest paid		-	(837)
<b>Net cash flow from financing activities</b>		<b>1,602,000</b>	<b>(2,985,088)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(883,548)</b>	<b>355,369</b>
<b>Cash and cash equivalents at 1 April</b>	18	<b>3,254,132</b>	<b>2,898,763</b>
<b>Cash and cash equivalents at 31 March</b>	18	<b>2,370,584</b>	<b>3,254,132</b>
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand	18	2,370,584	3,254,132
<b>Cash and cash equivalents at 31 March</b>	18	<b>2,370,584</b>	<b>3,254,132</b>

# **Aequus Construction Limited**

## **Notes to the Financial Statements**

### **Year Ended 31 March 2024**

#### **1 Statutory information**

Aequus Construction Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

#### **2 Accounting policies**

##### **2.1 Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards including standards and interpretations issued by the International Accounting Standards Board and in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006. They have been prepared using the historical cost convention except that as disclosed in the accounting policies below certain items, including investment properties, derivatives, and some investments, are shown at fair value.

The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest pound.

##### **2.2 Preparation of consolidated financial statements**

The financial statements contain information about Aequus Construction Limited as an individual company and do not contain consolidated financial information as the part of a group. The company is exempt under Section 399(2A) of the Companies Act 2006 from the requirements to prepare consolidated financial statements.

##### **2.3 Changes in accounting policies**

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective. As yet, none of these have been endorsed for use in the UK and will not be adopted until such time as endorsement is confirmed.

Supplier Finance Arrangements (Amendments to: IAS 7 Cash Flow Statements, IFRS 7 Financial Instruments: Disclosure)

Lease Liability in a Sale and Leaseback (Amendment to IFRS 16 Leases)

Classification of Liabilities as Current or Non-Current (including Classification of Liabilities as Current or Non-Current – Deferral of Effective Date) (Amendment to IAS 1 Presentation of Financial Statements)

Non-Current Liabilities with Covenants (Amendment to IAS 1 Presentation of Financial Statements)

##### **2.4 Revenue recognition**

The company's revenue derives principally from the sale of homes that it has built, and it also provides management services to group undertakings.

Revenue from the sale of properties is recognised when control has been transferred to the purchaser. This generally occurs on completion. Revenue is measured at the fair value of consideration received or receivable for the property, net of discounts and VAT.

Revenue from providing services is recognised in the accounting period in which the services are rendered.

Deposits received for properties sold off plan are initially recognised at fair value and held as deferred income until completion of the property sale when they are recognised as income.

##### **2.5 Property, plant and equipment**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Short leasehold – over period of lease

Motor vehicles – 20% on straight line basis

Computer equipment – 33% on straight line basis

# **Aequus Construction Limited**

## **Notes to the Financial Statements**

### **Year Ended 31 March 2024**

#### **2.6 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, borrowing costs 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.

#### **2.7 Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand and time, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. This definition is also used for the statement of cash flows.

#### **2.8 Borrowings**

Borrowings are classified as current liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **2.9 Borrowing costs**

Borrowing costs are recognised on an accruals basis. Also included in borrowing costs is the amortisation of fees associated with the arrangement of financing.

#### **2.10 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.

Deferred tax is provided on items that may become taxable in the future, or which may be used to offset against taxable profits in the future, on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes on an undiscounted basis.

Deferred tax assets and liabilities are offset when their 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.

#### **2.11 Financial instruments**

Debtors and creditors are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate. For trade receivables, the company applies the simplified approach permitted by IFRS 9, which required expected lifetime losses to be recognised from initial recognition of the receivables.

At the end of each reporting period, financial assets are assessed for impairment. Impairments and reversals of impairments are recognised in profit and loss.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

## **Aequus Construction Limited**

### **Notes to the Financial Statements**

#### **Year Ended 31 March 2024**

##### **2.12 Going concern**

Based on the information available including the approved 3-year Business Plan 2024/25 to 2026/27 the Directors see no issues relating to the going concern status of the company.

##### **3 Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Where necessary, the comparatives have been reclassified or extended from the previously reported results to take into account presentational changes.

There are no key accounting judgements (excluding estimates). The key estimates in drawing up the financial statements are accrued expenses and the allocation of costs to cost of sales and work in progress.

Allocation of costs to cost of sales – cost of sales is determined on the basis of the forecast cost of the project allocated by the floor areas of each individual unit sold.

Allocation of costs to work in progress – costs are allocated to work in progress on the basis that they will be realisable when transferred to cost of sales.

## Aequus Construction Limited

### Notes to the Financial Statements

#### Year Ended 31 March 2024

#### 4 Revenue from contracts with customers

All revenue was generated within the United Kingdom

	2024 £	2023 £
<b>Revenue from contracts with customers</b>		
Property Sales	<b>1,928,443</b>	6,390,000
Service and Management	<b>2,455,476</b>	1,666,920
	<b>4,383,919</b>	8,056,920

The company derives revenue from the sale of properties recognised on the completion of the sales contract.

#### Contract balances

The company has not recognised liabilities related to contracts with customers this year end or in the previous year end.

#### 5 Auditor's remuneration

	2024 £	2023 £
Fees payable to the company's auditor for the audit of the company's annual accounts	<b>16,515</b>	18,500
Fees payable to the company's auditor for other services: Other services	<b>1,985</b>	2,000
	<b>18,500</b>	20,500

#### 6 Employees and Directors

There were no staff costs for the Year Ended 31 March 2024 nor for the year ended 31 March 2023.

The average number of employees during the year was as follows:

	2024 £	2023 £
Directors	<b>9</b>	8
Directors' remuneration	<b>-</b>	-

The directors are paid by fellow subsidiary company Aequus Developments Limited and their remuneration is disclosed in those financial statements. Aequus Developments Limited invoice Aequus Construction Limited a service charge which includes the provision of services by the directors to Aequus Construction. The amounts recharged are recorded in note 17 on related party transactions.

# Aequus Construction Limited

## Notes to the Financial Statements

Year Ended 31 March 2024

### 7 Finance income

	2024	2023
	£	£
Bank interest	87,742	31,553
	<u>87,742</u>	<u>31,553</u>

### 8 Income taxes

#### 8.1 Income tax recognised in profit or loss

	2024	2023
	£	£
Tax expense comprises:		
Current tax expense in respect of the current year	2,239	54,150
Adjustment in respect of prior periods	<u>(1,471)</u>	<u>6,404</u>
	768	60,554
<i>Deferred tax</i>		
Deferred tax	<u>(1,834)</u>	<u>8,749</u>
Total deferred tax	<u>(1,834)</u>	<u>8,749</u>
Total tax expense in statement of profit or loss	<u>(1,066)</u>	<u>69,303</u>

	2024	2023
	£	£
Profit on ordinary activities before tax	8,961	353,422
Tax on profit on ordinary activities at 19%	2,240	67,150
Effects of:		
Disallowed expenses	-	4,411
Capital allowances in excess of depreciation	-	(2,350)
Additional deductions for land remedial expenditure	(1,373)	(8,412)
Marginal relief	(462)	-
Remeasurement of deferred tax for changes in tax rates	-	2,100
Adjustment in respect of prior periods	<u>(1,471)</u>	<u>6,404</u>
Income tax expense recognised in profit or loss	<u>(1,066)</u>	<u>69,303</u>

The tax rate used for the 2024 and 2023 reconciliations above is the corporate tax rate of 2024: 25% and 2023: 19% payable by corporate entities on taxable profits under tax law in that jurisdiction.

# Aequus Construction Limited

## Notes to the Financial Statements

### Year Ended 31 March 2024

#### 8 Income taxes (continued)

##### 8.2 Deferred tax balances

	2024 £	2023 £
Balance at 1 April	9,173	424
Deferred tax debited / (credited) to profit and loss account for the period	(1,834)	8,749
<b>Balance at 31 March</b>	<b>7,339</b>	<b>9,173</b>

#### 9 Property, plant and equipment

	Short leasehold	Motor Vehicles	Computer equipment	Totals
	£	£	£	£
<b>Cost</b>				
At 1 April	7,562	36,693	38,769	<b>83,024</b>
Additions	-	-	-	-
Impairments	-	-	-	-
At 31 March	<b>7,562</b>	<b>36,693</b>	<b>38,769</b>	<b>83,024</b>
<b>Depreciation</b>				
At 1 April	7,562	-	38,769	<b>46,331</b>
Charge for the year	-	7,339	-	<b>7,339</b>
At 31 March	<b>7,562</b>	<b>7,339</b>	<b>38,749</b>	<b>53,670</b>
<b>Net Book Value</b>				
At 31 March 2024	-	<b>29,354</b>	-	<b>29,354</b>
At 31 March 2023	-	36,693	-	36,693

#### 10 Inventories

	2024 £	2023 £
Work in progress	<b>4,755,037</b>	2,611,002
	<b>4,755,037</b>	2,611,002

# Aequus Construction Limited

## Notes to the Financial Statements

### Year Ended 31 March 2024

#### 11 Trade and other receivables

	2024 £	2023 £
Trade receivables	99,021	950
Amounts due from related party transactions	52,550	117,038
Prepayments and accrued income	346,406	4,885
Other debtors	10,989	20,644
VAT recoverable	10,804	-
	<u>519,770</u>	<u>143,517</u>

#### 12 Trade and other payables

	2024 £	2023 £
Trade payables	494,804	313,521
Amounts owed to group undertakings	180,924	113,609
Social security and other taxes	-	19,047
Other creditors	-	115
Accruals and deferred income	958,276	1,122,352
	<u>1,634,004</u>	<u>1,568,644</u>

#### 13 Leases

##### Right of use assets

##### Property, plant and equipment

Cost	2024 £	2023 £
At 1 April	20,418	20,418
Additions	-	-
Impairments	-	-
	<u>20,418</u>	<u>20,418</u>
<b>Depreciation</b>		
At 1 April	20,418	20,418
Charge for the year	-	-
Charge written back	-	-
At 31 March	<u>20,418</u>	<u>20,418</u>
<b>Net Book Value</b>	<u>-</u>	<u>-</u>

# Aequus Construction Limited

## Notes to the Financial Statements

Year Ended 31 March 2024

### 14 Borrowings

	Current		Non-current	
	2024 £	2023 £	2024 £	2023 £
Other loans	4,084,749	1,634,749	-	-
Intercompany loans	-	-	-	-
	<b>4,084,749</b>	<b>1,634,749</b>	<b>-</b>	<b>-</b>

Information about the securities and interest rates relating to this loan are included in Note 16.

### 15 Issued capital

	2024 £	2023 £
100 fully paid up ordinary £1 shares	100	100

All shares rank equally in regards to voting rights. The shares have a nominal value of £1 and were issued at par. All shares rank equally in regards to dividends. All shares rank in proportion to the nominal amount paid up with regards to distributions on winding up or other repayment of capital.

### 16 Financial instruments

The section gives a comprehensive overview of the significance of financial instruments for the company and provides additional information on Statement of Financial Position items that contain financial instruments. The following table presents the carrying amount of each category of financial assets and liabilities:

	2024 £	2023 £
<b>Financial assets</b>		
Financial assets measured at amortised cost	162,560	138,632
Cash and cash equivalents	<b>2,370,584</b>	3,254,132
	<b>2,533,144</b>	3,392,764
	2024 £	2023 £
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(675,728)	(1,549,597)
Loans and hire purchase	<b>(4,084,749)</b>	(1,634,749)
	<b>(4,760,477)</b>	(3,184,346)

# **Aequus Construction Limited**

## **Notes to the Financial Statements**

### **Year Ended 31 March 2024**

#### **16 Financial instruments (continued)**

There are no financial assets and liabilities measured at fair value. All financial assets and liabilities are measured at amortised cost. For all financial assets and financial liabilities, the carrying value is equivalent to the fair value.

The fair values of cash and cash equivalents, current receivables, other current financial assets, other assets, trade payables and other current financial liabilities and other liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

Interest is charged on the other loan amount at a rate of 4% above the base rate (the EC reference rate) and is payable at 6 monthly intervals. The amounts borrowed are secured by fixed and floating charges over the property held for development, included within inventory.

#### **Financial risk management**

Exposure to foreign currency, credit, liquidity and cash flow interest rate risks arises in the normal course of the company's business. These risks are limited by the company's financial management policies and practices described below.

#### **Foreign currency risk**

The company has limited exposure to foreign currency risk. Substantially all of the company's sales and purchases are denominated in sterling.

#### **Credit risk and market risk**

The company is at risk from its customers defaulting in making payments for services that have been supplied to them or from properties let out to them on long term leases. The majority of the company's customers are based within the real estate market and therefore industry related changes or economic changes in the housing market present a risk to the company as opposed to credit risks.

#### **Liquidity risk**

Liquidity risk results from the company's potential inability to meet its financial liabilities, e.g. settlement of its financial debt, paying its suppliers and settling finance lease obligations. Beyond effective net working capital and cash management, the company mitigates liquidity risk by arranging borrowing facilities with relevant third parties.

#### **Cash flow interest rate risk**

The company is exposed to interest rate risk through the impact of rate changes on interest-bearing borrowings. The company's policy is to obtain the most favourable interest rates available for its borrowings. At 31 March 2024 the company's borrowings were in the region of £4.1m (2023: £1.6m) and it is therefore estimated that a general change of one percentage point in the interest rate would affect profit before tax by approximately £41,000 (2023: £16,000).

The company does not use any derivative instruments to reduce its economic exposure to changes in interest rates.

#### **Equity price risk**

The company does not hold investments in publicly traded companies. No equity price risk is therefore foreseen for the company.

The company does not have any derivative financial liabilities.

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at 31 March 2024.

Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital – e.g. trade receivables. These assets are considered in the company's overall liquidity risk.

## Aequus Construction Limited

### Notes to the Financial Statements

#### Year Ended 31 March 2024

#### 16 Financial instruments (continued)

##### Capital management

The company defines its capital structure as net debt and equity. The primary objective of the company's capital management is to ensure that it makes optimal use of the working capital generated from its trading profits. The company's management focus is on generating positive cash flow from operations and maintaining a positive relationship of the company's current assets and current liabilities.

#### 17 Related party transactions

Transactions and balances between the company and its parent company Bath & North East Somerset Council are disclosed below:

	2024 £	2023 £
Other goods and services procured	(83,368)	(23,582)
Interest recharge	-	(56,533)
Loan arrangement fees	-	-
Services Income	2,455,476	1,638,787
Property sales	-	2,160,000

Year end balances arising from loans received and other amounts from Bath & North East Somerset Council amount to:

	2024 £	2023 £
<b>Loans payables to parent undertaking</b>		
Due in less than one year	-	-
Due in more than one year	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Trade receivables	356,771	92,839
Trade payables	(64,448)	-

Transactions with Aequus Group Holdings Limited (immediate parent)

	2024 £	2023 £
Dividend payable to AGHL	848,000	1,169,000

As at 31 March 2024 and 31 March 2023, there were no balances due to or from Aequus Group Holdings Limited.

## Aequus Construction Limited

### Notes to the Financial Statements

#### Year Ended 31 March 2024

#### 17 Related party transactions (continued)

Transactions with Aequus Developments Limited (fellow subsidiary undertaking) amount to:

	2024 £	2023 £
Other goods and services	(931,597)	(931,179)
Services income	14,579	9,950
Property sales	-	-

Year end balances arising from Aequus Developments Limited amount to:

	2024 £	2023 £
Trade receivables	17,175	11,940
Trade payables	(116,476)	(113,609)

#### 18 Cash and Cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2024 £	2023 £
Cash and bank balances	2,370,584	3,254,132
	<u>2,370,584</u>	<u>3,254,132</u>

#### 19 Reconciliation of profit to cash flow from operating activities

	2024 £	2023 £
Profit before taxation	8,961	353,422
Depreciation charges	7,339	1,697
Finance costs	-	837
Finance income	(87,742)	(31,553)
(Increase) / Decrease in inventories	(2,144,035)	1,987,468
(Increase) / decrease in trade and other receivables	(365,449)	385,886
Increase / (Decrease) in trade and other payables	54,556	647,840
Cash flow from operating activities	<u>(2,526,370)</u>	<u>3,345,597</u>

## **Aequus Construction Limited**

### **Notes to the Financial Statements**

#### **Year Ended 31 March 2024**

##### **20 Ultimate parent**

The immediate parent company is Aequus Group Holdings Limited.

The ultimate parent undertaking is Bath and North East Somerset Council (BANES). BANES is the only group entity of which the company is a member for which group accounts are prepared. Copies of Group accounts are available at:

[www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts](http://www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts)

**AEQUUS GROUP HOLDINGS LIMITED**

**FINANCIAL STATEMENTS**

**INFORMATION FOR FILING WITH THE REGISTRAR**

**FOR THE YEAR ENDED 31 MARCH 2024**

**AEQUUS GROUP HOLDINGS LIMITED**  
**REGISTERED NUMBER:14025216**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2024**


	Note	2024 £	2023 £
<b>Fixed assets</b>			
Investments	4	100	100
		<u>100</u>	<u>100</u>
<b>Current assets</b>			
Cash at bank and in hand	5	11	10
		<u>11</u>	<u>10</u>
Creditors: amounts falling due within one year	6	(11)	(10)
		<u>-</u>	<u>-</u>
<b>Net current assets</b>		-	-
<b>Total assets less current liabilities</b>		<u>100</u>	<u>100</u>
<b>Net assets</b>		<u>100</u>	<u>100</u>
<b>Capital and reserves</b>			
Called up share capital		100	100
		<u>100</u>	<u>100</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



**T Richens**  
Director

Date: 24/9/24

The notes on pages 3 to 7 form part of these financial statements.

**AEQUUS GROUP HOLDINGS LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2024**

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2023	100	-	100
Profit for the year	-	848,000	848,000
Dividends paid	-	(848,000)	(848,000)
<b>At 31 March 2024</b>	<b>100</b>	<b>-</b>	<b>100</b>

The notes on pages 3 to 7 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2023**

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Profit for the period	-	1,169,000	1,169,000
Dividends paid	-	(1,169,000)	(1,169,000)
Shares issued during the period	100	-	100
<b>At 31 March 2023</b>	<b>100</b>	<b>-</b>	<b>100</b>

The notes on pages 3 to 7 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

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**1. GENERAL INFORMATION**

Aequus Group Holdings Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

**2. ACCOUNTING POLICIES**

**2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The following principal accounting policies have been applied:

**2.2 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS**

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

This information is included in the consolidated financial statements of Bath and North East Somerset Council as at 31 March 2024 and these financial statements may be obtained from <https://www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts..>

**2.3 GOING CONCERN**

Based on the information available, including the approved three year Business Plan 2024/25 to 2026/27 the Directors see no issues relating to the going concern status of the company.

**2.4 VALUATION OF INVESTMENTS**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in the Statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024

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2. ACCOUNTING POLICIES (continued)

2.5 CASH AND 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 no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.6 CREDITORS

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.7 FINANCIAL INSTRUMENTS

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

**Financial assets**

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

**Fair value through profit or loss**

All of the Company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

**Impairment of financial assets**

The Company always recognises lifetime Expected Credit Losses (ECL) for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

**Financial liabilities**

**Fair value through profit or loss**

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined

**2. ACCOUNTING POLICIES (continued)**

**2.7 FINANCIAL INSTRUMENTS (CONTINUED)**

contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

**At amortised cost**

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

**2.8 DIVIDENDS**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**AEQUUS GROUP HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**3. EMPLOYEES**

The average monthly number of employees, including the directors, during the year was as follows:

	31 March 2024 No.	Period 5 April 2022 to 31 March 2023 No.
Directors	9	8

**4. FIXED ASSET INVESTMENTS**

	Investments in subsidiary companies £
<b>COST OR VALUATION</b>	
At 1 April 2023	100
At 31 March 2024	100

**5. CASH AND CASH EQUIVALENTS**

	2024 £	2023 £
Cash at bank and in hand	11	10
	11	10

**6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2024 £	2023 £
Amounts owed to group undertakings	11	10
	11	10

**7. CONTROLLING PARTY**

The immediate and ultimate parent undertaking is Bath and North East Somerset Council (BANES). BANES is the only group entity of which the Company is a member for which group accounts are prepared. Copies of Group accounts are available at:  
[www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts](http://www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts)

**8. AUDITORS' INFORMATION**

The auditors' report on the financial statements for the year ended 31 March 2024 was unqualified.

The audit report was signed on 10 October 2024 by Nathan Coughlin FCA (Senior statutory auditor) on behalf of Bishop Fleming LLP.

<b>Bath &amp; North East Somerset Council</b>	
MEETING	<b>Corporate Audit Committee</b>
MEETING DATE:	<b>27th November 2024</b>
TITLE:	<b>Treasury Management Performance Report to 30<sup>th</sup> September 2024</b>
WARD:	All
<b>AN OPEN PUBLIC ITEM</b>	
<p><b>List of attachments to this report:</b></p> <p><b>Appendix 1</b> – Performance Against Prudential Indicators</p> <p><b>Appendix 2</b> – The Council’s Investment Position at 30<sup>th</sup> September 2024</p> <p><b>Appendix 3</b> – Average monthly rate of return for the first Six months of 2024/25</p> <p><b>Appendix 4</b> – The Council’s External Borrowing Position at 30<sup>th</sup> September 2024</p> <p><b>Appendix 5</b> – Arlingclose’s Economic &amp; Market Review Q2 of 2024/25</p> <p><b>Appendix 6</b> – Interest &amp; Capital Financing Budget Monitoring 2024/25</p> <p><b>Appendix 7</b> – Summary Guide to Credit Ratings</p> <p><b>Appendix 8</b> – Extract from Treasury Management Risk Register</p>	

## **1 THE ISSUE**

- 1.1 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code), which requires the Council to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and approve an annual report within six months after the end of each financial year.
- 1.2 This report gives details of performance against the Council’s Treasury Management Strategy for the first six months of 2024/25.

## **2 RECOMMENDATION**

The Corporate Audit Committee notes;

- 2.1 The Treasury Management Report to 30<sup>th</sup> September 2024, prepared in accordance with the CIPFA Treasury Code of Practice; and
- 2.2 The Treasury Management Indicators to 30<sup>th</sup> September 2024.

### 3 THE REPORT

#### Summary

- 3.1 The Council's Treasury Management Indicators for 2024/25 were agreed by Council in February 2024 and performance against the key indicators is shown in **Appendix 1**. All indicators are within target levels.
- 3.2 The estimated average rate of return on operational investments for the period 1<sup>st</sup> April 2024 – 30<sup>th</sup> September 2024 is 5.12%, which is 0.05% above the 7 Day SONIA benchmark rate of 5.07%. For the same period it is estimated that strategic investments earned 4.35% which 0.10% above the budgeted return of 4.25%.
- 3.3 The Council's revenue budget for interest & capital financing costs for 2024/25 is currently forecast to be £1.05m under budget. This is due to the higher than budget return on investments, as a result of interest rates being higher for longer than anticipated at budget setting, and also a saving on Minimum Revenue Provision (MRP) due to capital spend reprofiling. The breakdown of the 2024/25 revenue budget for interest and capital financing, and the year-end position, is included in **Appendix 6**.

#### Economic Overview

- 3.4 The Council's Treasury Management Advisor's economic and market review for the first half of 2024/25 is included in **Appendix 5**. The main headlines are as follows:
- Interest Rates, following the rate cut of 0.25% to 5% on 1<sup>st</sup> August 2024, the Bank of England kept the rate at 5% at its September meeting.
  - UK Inflation declined over the first quarter from 3.2% in March to 2.0% in June, before rising slightly to 2.2% in July & August due to the base effects from energy prices.
  - The UK Economy continued to expand, though quarter two 2024 growth was down to 0.50% from the 0.70% gain seen in quarter one of 2024. However growth in July and August was 0.00% and 0.20% respectively.
  - Gilt yields continued to be volatile with the 10-year UK benchmark gilt rising from 3.94% to peak at 4.41% in May and a low of 3.76% in September before ending the quarter at 4.00%.
  - The 7-day average SONIA (Sterling Overnight rate) for the first half of 2024/25 is 5.07%. This is the benchmark rate used by the council for non-strategic investments.

## Borrowing

- 3.5 The Council's external borrowing as at 30<sup>th</sup> September 2024 totalled £253.4m and is detailed in **Appendix 4**. This includes £10m in new short-term loans taken out in April 2024, to cover the annual pension contribution prepayment, and allow us to maintain our liquidity indicator above £15m, as well as £10m of borrowing to replace maturing loans. No further borrowing was taken in the second quarter. The summary of the movement in borrowing during the first six months is shown in the following table:

Borrowing Portfolio Movements	Financial Year 2024/25 £m
Balance as at 1 <sup>st</sup> April 2024	246.010
New Loans Taken	20.000
Maturity Loan Repayments	(10.000)
PWLB Annuity Loan principal repayments	(2.631)
Balance as at 30 <sup>th</sup> September 2024	253.379

- 3.6 The Council's Capital Financing Requirement (CFR) was forecasted to be £441.7m at 31<sup>st</sup> March 2025 based on the Capital Programme agreed in February 2024, including both fully and provisionally approved schemes. The Actual CFR at 31<sup>st</sup> March 2024 was £367.6m. This represents the Council's underlying need to borrow to finance capital expenditure and demonstrates that the borrowing taken to date relates to funding historical capital spend.
- 3.7 The difference between the CFR and the current borrowing of £253.4m represents re-investment of the internal balances including reserves, reducing the in-year borrowing costs in excess of the potential investment returns.
- 3.8 The Liability Benchmark in **Appendix 1** illustrates the current borrowing, the current and projected CFR and the liability benchmark. The benchmark is lower than the CFR as it recognises the Council's ability to internally borrow to fund capital, and therefore shows the optimum level of borrowing for the council that minimises risks and costs of borrowing. This gap is a useful guide to the optimal amount and duration of borrowing to minimise interest and credit risk. This is currently £32m and circa 27 years.
- 3.9 Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment, for which there is a provision in the Council's revenue budget. The amount of residual debt outstanding as at 31<sup>st</sup> March 2024 apportioned to Bath & North East Somerset Council is £9.664m. Since this borrowing is managed by an external body and treated in the Council's Statement of Accounts as a deferred liability, it is not included in the borrowing figures referred to in paragraph 3.5.

## Investments

- 3.10 As demonstrated by the liability benchmark in **Appendix 1**, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day to day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and maintain stable investment income over the medium to long term.
- 3.11 At 30<sup>th</sup> September 2024, the Council had £38.2m in investments, with £28.2m in short term liquid investments and £10m in externally managed strategic funds. The balance of deposits is set out in the charts in this **Appendix 2**, along with the equivalent for the previous quarter and year for comparison.
- 3.12 **Appendix 3** details the investment performance, showing the average rate of interest earned over this period, which are made up as follows:

Investment Type	Average Investment Return
Money Market Funds (MMF)	5.15%
Call Accounts	4.78%
Fixed Deposits	5.19%
<b>Operational Investments Total</b>	<b>5.12%</b>
CCLA Local Authorities Property Fund	4.59%
FP Foresight UK Infrastructure Income Fund	3.69%
VT Gravis Clean Energy Income Fund	4.74%
<b>Strategic Investments Total (Est.)</b>	<b>4.35%</b>

- 3.13 At 30<sup>th</sup> September 2024, the Council has earned 5.12% from Operational investments which is 0.05% above the 7-day SONIA benchmark Rate of 5.07%, and Strategic Fund are estimated to have earned 4.35% which is 0.10% above the budgeted rate of 4.25%.
- 3.14 The Council hold £10m invested in externally managed strategic pooled funds, where the objectives are regular revenue income and long-term price stability. These investments were made with the knowledge that there is a risk that capital value could move both up and down on a frequent basis and are intended to be held over a long period of time.

This investment includes £5m in Environmental Social and Governance (ESG) focused funds and £5m in a property fund, as listed below.

- £5m CCLA Local Authorities Property Fund.
- £3m FP Foresight UK Infrastructure Income Fund.
- £2m VT Gravis Clean Energy Income Fund.

In the current economic environment of high inflation and interest rates, the value of equity, bonds and property have fallen significantly, however we have started to see a recovery in capital values over the last six months, with the value of our strategic investments increasing by £243k to £7.939m from £7.696m at 31 March 2024. This is shown in the table below:

	<b>CCLA Local Authorities Property Fund</b>	<b>FP Foresight UK Infrastructure Income Fund</b>	<b>VT Gravis Clean Energy Income Fund</b>	<b>Total</b>
<b>Historic Cost</b>	5,000,000	3,000,000	2,000,000	<b>10,000,000</b>
<b>Fair Value as at:</b>				
30/09/2024	4,162,163	2,340,530	1,436,481	<b>7,939,174</b>
30/06/2024	4,146,861	2,249,337	1,420,444	<b>7,816,842</b>
31/03/2024	4,177,465	2,173,120	1,346,161	<b>7,696,746</b>
31/03/2023	4,342,727	2,586,831	1,852,212	<b>8,781,770</b>

This change in valuation does not currently have an impact on the revenue account or usable reserves due to a statutory override, and gains/losses will instead go to an unusable reserve. These will only be charged to revenue if/when the Council's holding in the pooled funds are sold, or if the Government removes the existing statutory override. The next review of the statutory override will take place prior to the end of 2024/25. The Council has in place a Capital Financing Reserve which can be used to mitigate any future revenue impacts should the statutory override be removed.

### **Budget Implications**

- 3.15 The breakdown of the 2024/25 revenue budget and the forecast year end position for interest and capital financing, based on the period April to June 2024 is included in **Appendix 6**. An overall underspend of £1.05m is reported towards the Council's net revenue outturn. This is due to the higher than budget return on investments, as a result of interest rates being higher for longer than anticipated at budget setting, and also a saving on Minimum Revenue Provision (MRP) due to capital spend reprofiling.

## **4 STATUTORY CONSIDERATIONS**

- 4.1 This report is for information only.

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

- 5.1 The financial implications are contained within the body of the report.

## **6 RISK MANAGEMENT**

- 6.1 The Council's lending & borrowing list is regularly reviewed during the financial year and credit ratings are monitored throughout the year. All lending/borrowing transactions are within approved limits and with approved institutions. Investment and borrowing advice is provided by our Treasury Management consultants, Arlingclose.
- 6.2 The CIPFA Treasury Management in the Public Services: Code of Practice requires the Council nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Corporate Audit Committee carries out this scrutiny.

6.3 In addition, the Council maintain a risk register for Treasury Management activities, which is regularly reviewed and updated where applicable during the year. An extract from the risk register, detailing how the top 5 risks are managed, is included as **Appendix 8**.

## **7 EQUALITIES**

7.1 As this report contains performance information for noting only, an Equality Impact Assessment is not considered necessary.

## **8 CLIMATE CHANGE**

8.1 The Council will continue to avoid any direct treasury management investments in fossil fuel related companies and will engage with its advisors to explore and assess the potential for any future investment opportunities in funds with a Renewable Energy & Sustainability focus as these products continue to be developed by the market in response to the Climate & Nature Emergency agenda.

8.2 An ESG section has been included the Treasury Management Strategy document for 2024/25, with the treasury team monitoring investment options permitted under the new guidelines.

8.3 The Council holds £5m in longer term investments, split across two ESG focussed Strategic Funds, as detailed under 3.14.

## **9 OTHER OPTIONS CONSIDERED**

9.1 None

## **10 CONSULTATION**

10.1 Consultation has been carried out with the Cabinet Member for Resources, Executive Director - Resources and Monitoring Officer.

<b>Contact person</b>	<i>Claire Read - 01225 477109; Jamie Whittard - 01225 477213</i> <a href="mailto:Claire_Read@BATHNES.GOV.UK">Claire_Read@BATHNES.GOV.UK</a> ; <a href="mailto:Jamie_Whittard@BATHNES.GOV.UK">Jamie_Whittard@BATHNES.GOV.UK</a>
<b>Background papers</b>	<i>2024/25 Treasury Management &amp; Investment Strategy</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

## APPENDIX 1

### Performance against Treasury Management Indicators agreed in Treasury Management Strategy Statement

#### 1. Treasury Borrowing limits

These limits include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over & above the operational limit for unusual cash movements.

The Authorised limits for external debt include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over and above the operational limit for unusual cash movements.

The Operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements. This level also factors in the proposed approach to use internal cash-flow and future capital receipts as the preferred financing method for the capital programme.

	2024/25 Prudential Indicator	Actual as at 30 <sup>th</sup> September 2024
Operational boundary – borrowing.	£413m	£253.4m
Operational boundary – other long-term liabilities	£9m	£0m
<b>Operational boundary – TOTAL</b>	<b>£422m</b>	<b>£253.4m</b>
Authorised limit – borrowing.	£442m	£253.4m
Authorised limit – other long-term liabilities.	£9m	£0m
<b>Authorised limit – TOTAL</b>	<b>£451m</b>	<b>£253.4m</b>

#### 2. Security: Average Credit Rating\*

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. A summary guide to credit ratings is set out at **Appendix 7**.

	2024/25 Prudential Indicator	Actual as at 30 <sup>th</sup> September 2024
	Rating	Rating
Minimum Portfolio Average Credit Rating	A-	AA

\* The calculation excludes the strategic investment in the CCLA Local Authority Property Fund and ESG focussed Investment Funds, which are unrated.

### 3. Liquidity

The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	2024/25 Prudential Indicator	Minimum During year	Date of minimum
Minimum total Cash Available within 3 months	£15m	£15.3m	28-May-24

### 4. Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limit represents the maximum one-year revenue impact of a 1% rise or fall in interest rates.

	2024/25 Prudential Indicator	Actual as at 30 <sup>th</sup> September 2024
Upper limit on one-year revenue impact of a 1% rise in interest rates	+/- £1m	-£0.062m
Upper limit on one-year revenue impact of a 1% fall in interest rates	+/- £1m	£0.062m

The impact of this limit is that the Council should never be holding a maturity adjusted net debt / investment position on variable rates of more than £100m.

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates, which includes amounts which are maturing each year in PWLB annuity loans.

### 5. Maturity Structure of Current Borrowing

This indicator is set to control the Council's exposure to refinancing risk.

	Upper Limit	Lower Limit	as at 31 <sup>st</sup> March 2025
	%	%	%
Under 12 months	50	Nil	18.1
12 months and within 24 months	50	Nil	2.2
24 months and within 5 years	75	Nil	11.1
5 years and within 10 years	75	Nil	21.2
10 years and within 25 years	100	25	25.7
Over 25 years	100		21.6

Time periods start on the first day of each financial year, with annuity loan repayments included in the year made not at the final payment date. The maturity date of borrowing is the earliest date that the lender can demand repayment. For LOBO's, this is shown at the date of maturity as the council would only consider repaying these loans if the lenders exercised their option to alter the interest rate.

## 6. Upper limit for total principal sums invested for over 364 days

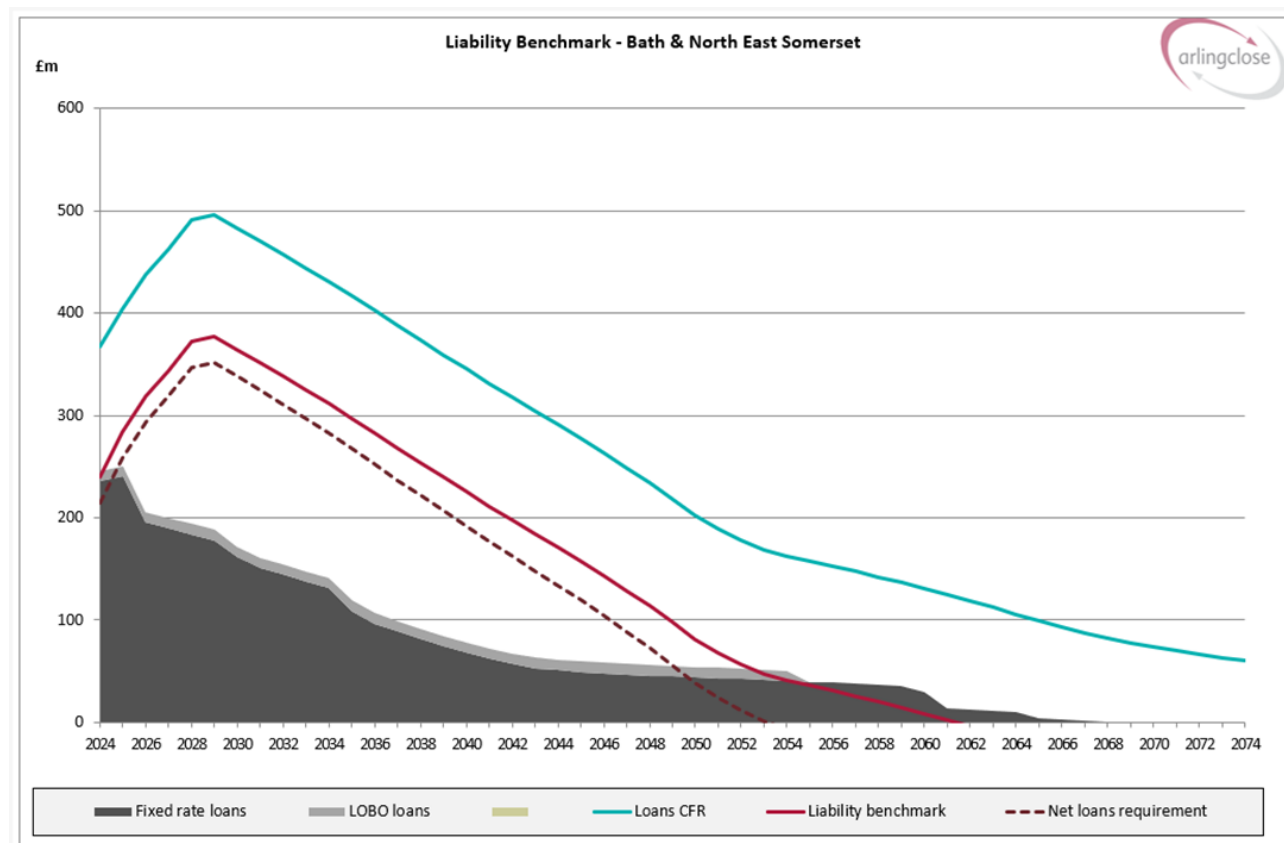
The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2024/25 Prudential Indicator	Actual as at 30 <sup>th</sup> September 2024
Limit on principal invested beyond 31 <sup>st</sup> March 2024	£50m	£10m*
Limit on principal invested beyond 31 <sup>st</sup> March 2025	£20m	£10m*
Limit on principal invested beyond 31 <sup>st</sup> March 2026	£10m	£10m*

\*The Council includes the CCLA LA Property Fund & two long term ESG focussed Investment Funds against this indicator as they are both held as Long-Term Strategic Investments.

## 7. Liability Benchmark

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.



The difference between the actual borrowing (the grey slopes) and the liability benchmark (the solid red line) shows that the council is under borrowed by around £32m for the remainder of 2024/25. When it comes to new borrowing this funding gap can be used as a guide to the optimal amount and length of borrowing required to minimise interest rate and credit risk.

## APPENDIX 2

### The Council's Investment position at 30<sup>th</sup> September 2024

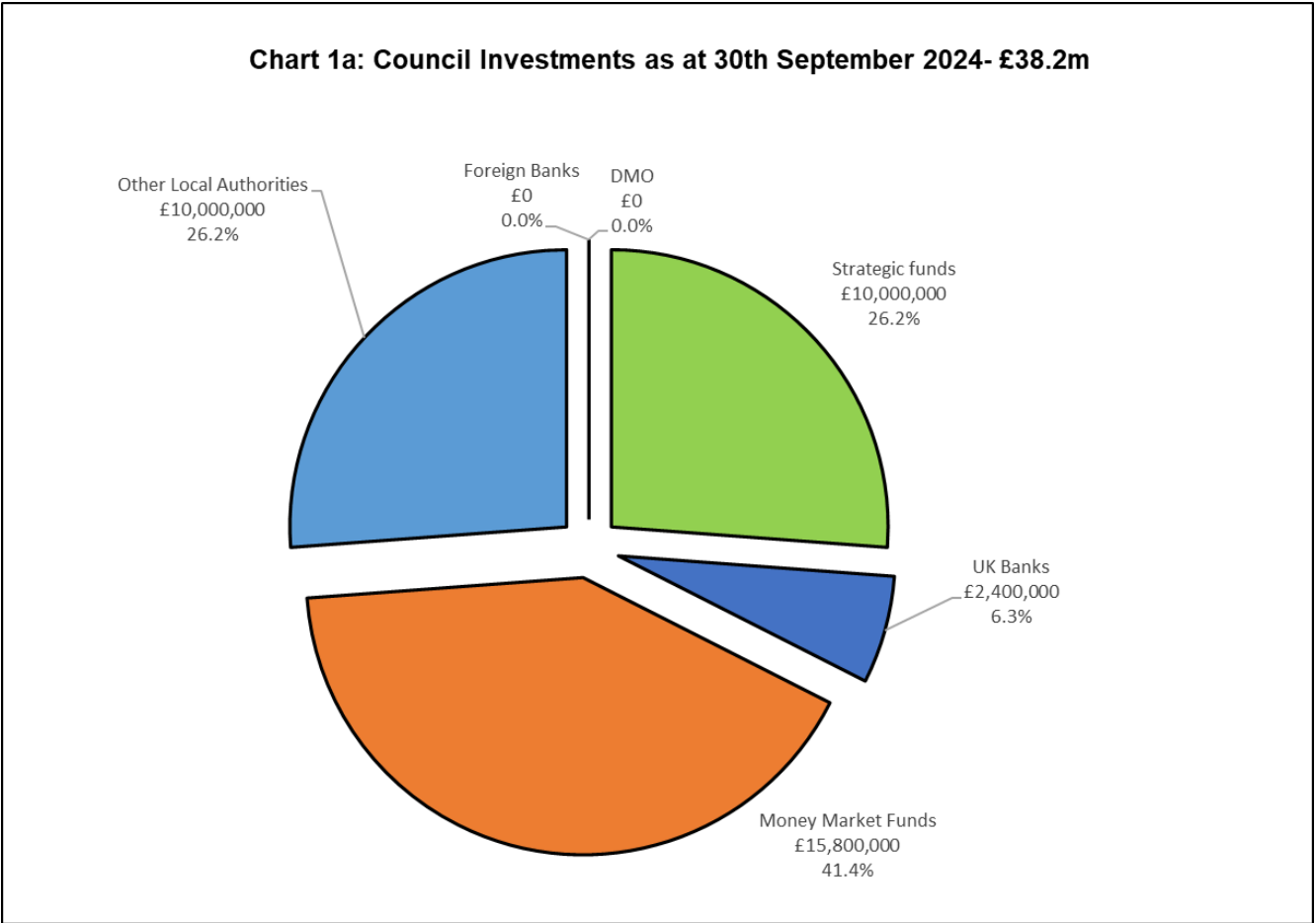
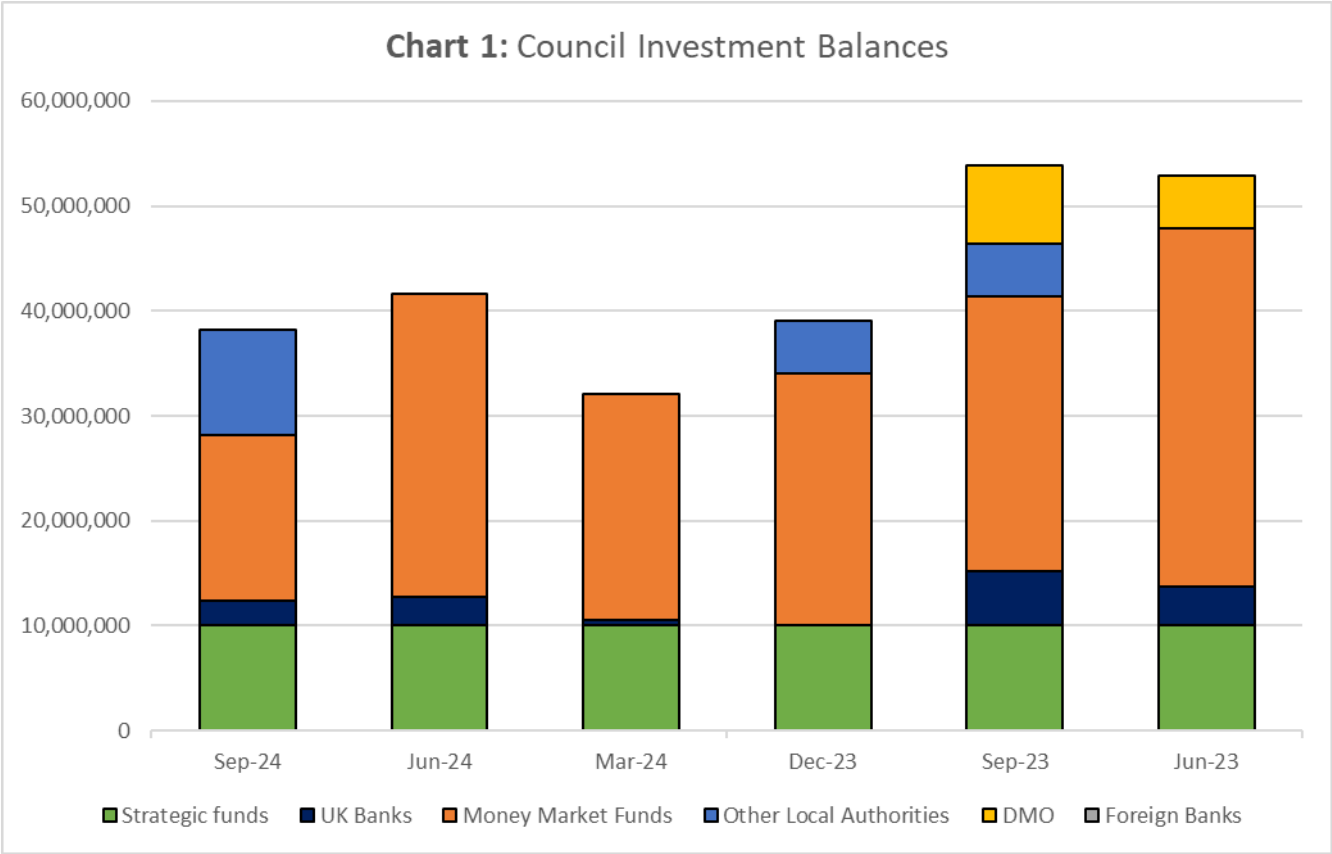
The term of investments is as follows:

Term Remaining	Balance at 30 <sup>th</sup> September 2024	Comparator
		Balance at 30 <sup>th</sup> June 2024
	£m	£m
Notice (instant access funds)	18.20	31.60
Up to 1 month	5.00	0.00
1 month to 3 months	0.00	0.00
3 months to 6 months	5.00	0.00
6 months to 12 months	0.00	0.00
Strategic Funds	10.00	10.00
<b>Total</b>	<b>38.20</b>	<b>41.60</b>

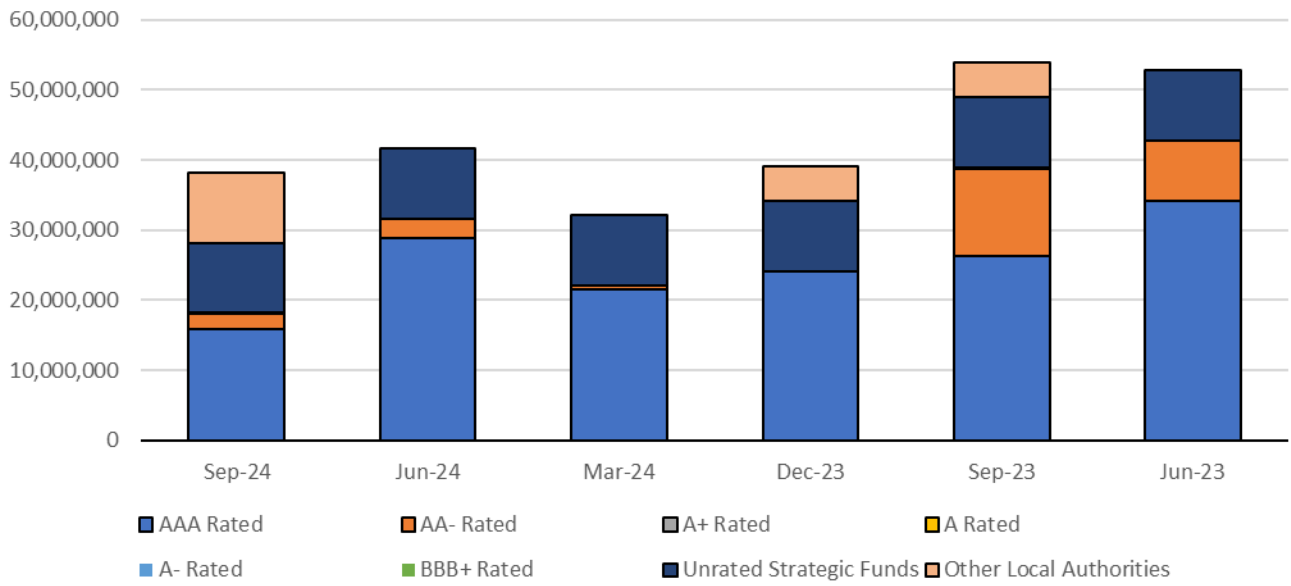
The investment figure is made up as follows:

	Balance at 30 <sup>th</sup> September 2024	Comparator
		Balance at 30 <sup>th</sup> June 2024
	£m	£m
B&NES Council	34.54	38.18
Schools	3.66	3.42
<b>Total</b>	<b>38.20</b>	<b>41.60</b>

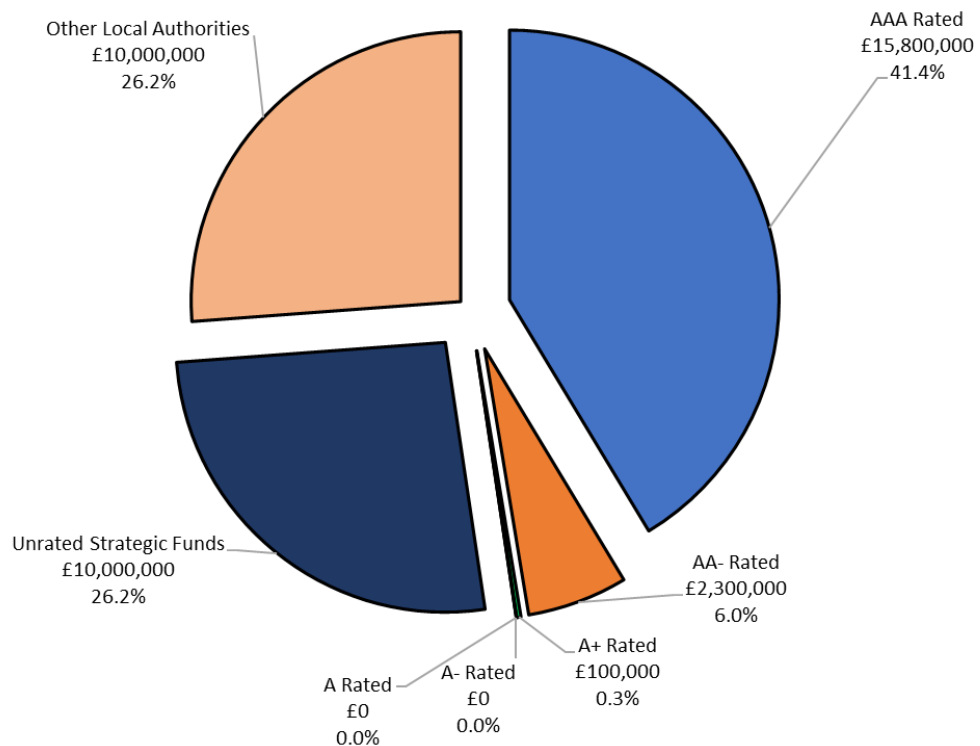
The Council had a total average net positive balance of £45.54 during the period April 2024 to September 2024.



**Chart 2: Council Investments Per Lowest Equivalent Long Term Credit Rating**



**Chart 2a: Council Investments Per Lowest Equivalent Long Term Credit Rating as at 30th September 2024 - £38.2m**



## APPENDIX 3

### Operational investment return

	Average rate of interest earned	Benchmark = Average 7 Day SONIA rate	Performance against Benchmark
April 2024	5.21%	5.15%	0.06%
May 2024	5.20%	5.16%	0.04%
June 2024	5.19%	5.16%	0.03%
July 2024	5.13%	5.14%	-0.01%
August 2024	5.07%	4.91%	0.16%
September 2024	4.97%	4.90%	0.07%
<b>Average</b>	<b>5.12%</b>	<b>5.07%</b>	<b>0.05%</b>

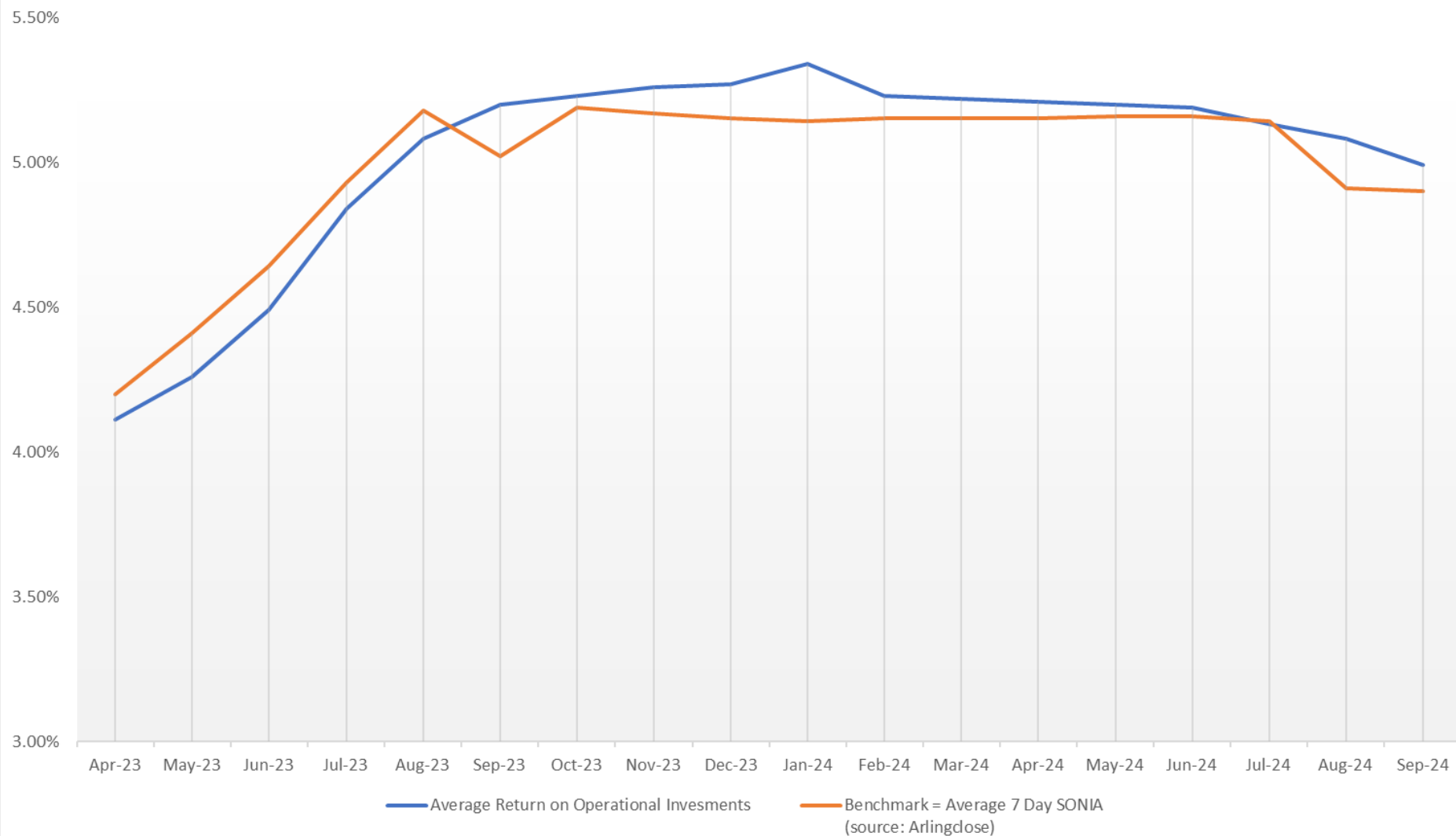
For comparison, the average rate of return on investments in 2023/24 was as follows:

	Average rate of interest earned	Benchmark = Average 7 Day SONIA rate	Performance against Benchmark
April 2023	4.11%	4.20%	-0.09%
May 2023	4.26%	4.41%	-0.15%
June 2023	4.49%	4.64%	-0.15%
July 2023	4.84%	4.93%	-0.09%
August 2023	5.08%	5.18%	-0.10%
September 2023	5.20%	5.02%	0.18%
October 2023	5.23%	5.19%	0.04%
November 2023	5.26%	5.17%	0.09%
December 2023	5.27%	5.15%	0.12%
January 2024	5.34%	5.14%	0.20%
February 2024	5.23%	5.15%	0.08%
March 2024	5.22%	5.15%	0.07%
<b>Average</b>	<b>4.96%</b>	<b>4.94%</b>	<b>0.02%</b>

### Strategic investment return

The estimated average return for strategic investments is 4.35% against a budgeted return of 4.25%. In 2023/24 the average return was 4.43%

## Average Return on Operational Investments 2023/4 & 2024/25 compared to Benchmark



## APPENDIX 4

### Council's External Borrowing at 30<sup>th</sup> September 2024

Lender	Amount outstanding @ 30th June 2024 £	Change in Quarter £	Amount outstanding @ 30th September 2024 £	Start date	End date	Interest rate
<b>Long term</b>						
PWLB489142	10,000,000	-	10,000,000	15/10/2004	15/10/2034	4.75%
PWLB497233	5,000,000	-	5,000,000	12/05/2010	15/08/2035	4.55%
PWLB497234	5,000,000	-	5,000,000	12/05/2010	15/02/2060	4.53%
PWLB498834	5,000,000	-	5,000,000	05/08/2011	15/02/2031	4.86%
PWLB498835	10,000,000	-	10,000,000	05/08/2011	15/08/2029	4.80%
PWLB498836	15,000,000	-	15,000,000	05/08/2011	15/02/2061	4.96%
PWLB503684	5,300,000	-	5,300,000	29/01/2015	08/04/2034	2.62%
PWLB503685	5,000,000	-	5,000,000	29/01/2015	08/10/2064	2.92%
PWLB505122	14,823,932	-	14,823,932	20/06/2016	20/06/2041	2.36%
PWLB508126	8,109,185	-	8,109,185	06/12/2018	20/06/2043	2.38%
PWLB508202	9,362,934	-	9,362,934	12/12/2018	20/06/2068	2.59%
PWLB508224	4,041,597	-	4,041,597	13/12/2018	20/06/2043	2.25%
PWLB505744	7,415,556	(200,774)	7,214,782	24/02/2017	15/08/2039	2.28%
PWLB505966	7,740,207	(175,426)	7,564,781	04/04/2017	15/02/2042	2.26%
PWLB506052	6,577,262	(149,207)	6,428,055	08/05/2017	15/02/2042	2.25%
PWLB506255	6,479,694	-	6,479,694	10/08/2017	10/04/2067	2.64%
PWLB506729	7,932,810	-	7,932,810	13/12/2017	10/10/2042	2.35%
PWLB506995	7,968,665	-	7,968,665	06/03/2018	10/10/2042	2.52%
PWLB506996	8,442,237	-	8,442,237	06/03/2018	10/10/2047	2.62%
PWLB507749	8,284,629	(167,491)	8,117,138	10/09/2018	20/07/2043	2.42%
PWLB508485	18,912,993	(116,375)	18,796,618	11/02/2019	20/07/2068	2.52%
PWLB509840	8,447,468	(178,597)	8,268,870	04/09/2019	20/07/2044	1.40%
PWLB677322	4,885,019	-	4,885,019	22/11/2023	22/11/2038	4.88%
PWLB687799	5,000,000	(120,570)	4,879,430	29/12/2023	29/12/2038	4.28%
PWLB700594	10,000,000	(236,245)	9,763,755	09/02/2024	09/02/2039	4.54%

Lender	Amount outstanding @ 30th June 2024 £	Change in Quarter £	Amount outstanding @ 30th September 2024 £	Start date	End date	Interest rate
KBC Bank N.V *	5,000,000	-	5,000,000	08/10/2004	08/10/2054	4.50%
KBC Bank N.V *	5,000,000	-	5,000,000	08/10/2004	08/10/2054	4.50%
<b>Medium term</b>						
PWLB711937	10,000,000	-	10,000,000	15/03/2024	30/04/2025	5.42%
PWLB713077	5,000,000	-	5,000,000	20/03/2024	30/04/2025	5.37%
PW715777	5,000,000	-	5,000,000	28/03/2024	30/04/2025	5.34%
West of England Combined Authority	5,000,000	-	5,000,000	26/04/2024	25/04/2025	5.25%
South Oxfordshire DC	5,000,000	-	5,000,000	26/04/2024	25/04/2025	5.25%
West of England Combined Authority	5,000,000	-	5,000,000	30/04/2024	29/04/2025	5.35%
Portsmouth C.C.	5,000,000	-	5,000,000	08/05/2024	07/05/2025	5.35%
<b>Total Borrowing</b>	<b>254,724,188</b>	<b>(1,344,687)</b>	<b>253,379,502</b>			

\*All LOBO's (Lender Option / Borrower Option) have reached the end of their fixed interest period and have reverted to the variable rate of 4.50%. The lender has the option to change the interest rate at 6 monthly intervals. Should the lender use the option to change the rate, then at this point the borrower has the option to repay the loan without penalty.

The "Change in Quarter" movement on some of the PWLB loans reflects that these loans have an annuity repayment profile, so repayments of principal are made on a 6 monthly basis throughout the life of the loans.

## **APPENDIX 5: Arlingclose Economic & Market Review**

**Economic background:** UK headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 2.0% in May and then rebounding marginally to June to 2.2% in July and August, as was expected, due to base effects from energy prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August.

The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July.

Labour market data was slightly better from a policymaker perspective, showing an easing in the tightness of the job market, with inactivity rates and vacancies declining. However, a degree of uncertainty remains given ongoing issues around the data collected for the labour force survey by the Office for National Statistics. Figures for the three months to July showed the unemployment rate fell to 4.1% (3mth/year) from 4.4% in the previous three-month period while the employment rate rose to 74.8% from 74.3%.

Over the same period average regular earnings (excluding bonuses) was 5.1%, down from 5.4% in the earlier period, and total earnings (including bonuses) was 4.0% (this figure was impacted by one-off payments made to NHS staff and civil servants in June and July 2023). Adjusting for inflation, real regular pay rose by 2.2% in May to July and total pay by 1.1%.

With headline inflation lower, the BoE cut Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. The decision was finely balanced, voted by a 5-4 majority with four members preferring to hold at 5.25%. At the September MPC meeting, committee members voted 8-1 for no change at 5.00%, with the lone dissenter preferring Bank Rate to be cut again to 4.75%. The meeting minutes and vote suggested a reasonably hawkish tilt to rates, with sticky inflation remaining a concern among policymakers.

The latest BoE Monetary Policy Report, published in August, showed policymakers expected GDP growth to continue expanding during 2024 before falling back and moderating from 2025 to 2027. Unemployment was forecast to stay around 4.5% while inflation was shown picking up in the latter part of 2024 as the previous years' energy price declines fell out of the figures before slipping below the 2% target in 2025 and remaining there until early 2027.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further cuts, with November 2024 the likely next one, taking Bank Rate down to around 3% by the end of 2025.

The US Federal Reserve (the Fed) also cut interest rates during the period, reducing the Federal Funds Rate by 0.50% to a range of 4.75%-5.00% at its policy meeting in September. The forecasts released at the same time by the central bank suggested a

further 1.00% of easing is expected by the end of the calendar year, followed by the same amount in 2025 and then a final 0.50% of cuts during 2026.

Having first reduced interest rates in June, the European Central Bank (ECB) held steady in July before cutting again in September, reducing its main refinancing rate to 3.65% and its deposit rate to 3.50%. Unlike the Fed, the ECB has not outlined a likely future path of rates, but inflation projections remain in line with the central bank's previous forecasts where it will remain above its 2% target until 2026 on an annual basis.

**Financial markets:** Sentiment in financial markets continued to mostly improve over the period, but the ongoing trend of bond yield volatility remained. The general upward trend in yields in the early part of the period was reversed in the later part, and yields ended the half-year not too far from where they started. However, the volatility in response to economic, financial and geopolitical issues meant it was a bumpy ride for bond investors during that time.

Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.00% but hit a high of 4.41% in May and a low of 3.76% in mid-September. While the 20-year gilt started at 4.40% and ended at 4.51% but hit a high of 4.82% in May and a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.12% over the period to 30th September.

**Credit review:** Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.

Having had its outlook increased by Fitch and ratings by S&P earlier in the period, Moody's upgraded Transport for London's rating to A2 from A3 in July.

Moody's also placed National Bank of Canada on Rating Watch for a possible upgrade, revising the outlook on Standard Chartered to Positive, the outlook to Negative on Toronto Dominion Bank, and downgrading the rating on Close Brothers to A1 from Aa3.

S&P upgraded the rating on National Bank of Canada to A+ from A, and together with Fitch, the two rating agencies assigned Lancashire County Council with a rating of AA- and A+ respectively.

Credit default swap prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period was also generally more muted compared to previous periods.

Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

## APPENDIX 6

### Interest & Capital Financing Costs – Budget Monitoring 2024/25

April 2024 to September 2025	YEAR END POSITION			ADV/FAV
	Budgeted Spend or (Income) £'000	Forecast Spend or (Income) £'000	Forecast over or (under) spend £'000	
<b>Interest &amp; Capital Financing</b>				
- Debt Costs	9,303	9,273	(30)	FAV
- Internal Repayment of Loan Charges	(15,719)	(15,719)	0	-
- Ex Avon Debt Costs	860	890	30	ADV
- Minimum Revenue Provision (MRP)	11,947	11,147	(800)	FAV
- Interest on Balances	(1,485)	(1,735)	(250)	FAV
<b>Total</b>	<b>4,906</b>	<b>3,856</b>	<b>(1,050)</b>	<b>FAV</b>

## APPENDIX 7

### Summary Guide to Credit Ratings

Rating	Details
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.
A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.
RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan, or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation, or other formal winding-up procedure, and which has not otherwise ceased operating.
D	Default - indicates an issuer that has entered into bankruptcy filings, administration, receivership, liquidation, or other formal winding-up procedure, or which has otherwise ceased business.

## APPENDIX 8

### Extract from Treasury Management Risk Register – Top 5 Risks

Page 101

			Current Risk Score											Trend			
	Risk Nr	Description	Likelihood					Impact					This Period	Periods Ago			Management Action
			1	2	3	4	5	1	2	3	4	5		1	2	3	
			L	M	H		L	M	H								
1	R06	Inflation Risk The risk that prevailing levels of inflation cause an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.											12	12	12	12	Liaise with Chief Finance Officer to ensure Inflation both current and projected forms part of the medium term financial planning framework.
2	R09	Legal & Regulatory Risk - Changes Risk that regulatory changes are not planned for and adversely impact the Council's budget and or ability to borrow											12	12	12	12	Read, resond and calculate the impact of Local Government accounting, investment and capital financing / borrowing consultations have on treasury management. Plan for the implementation of new regulations, conditions and accounting treatment
3	R04	Interest Rate Risk The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately											9	9	9	9	Monitor interest rates on a monthly basis and compare with budget to determine impact on Council finances and report through monthly Treasury Dashboard. Report implication of interest rate changes to Cabinet as part of quarterly Treasury Management Performance Report. Explore alternative potential investment products following new freedoms - including corporate bonds, gilts, Certificate of Deposits etc. Discussion with our treasury advisors on any new borrowing in terms of duration and timing given the current volatility in the gilt market and PWLB interest rates.
4	R01	Credit & Counterparty Risk - Default Risk The risk of failure by a third party to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.											8	8	8	8	Complete annual review of Counterparty List with external advisors to feed into Treasury Management Strategy. Regular review of counterparty financial standing through use of credit ratings, credit default swap rates and national press coverage and liaison with Chief Finance Officer and external advisors to consider any issues / change in circumstances of counterparties.
5	R08	Legal & Regulatory Risk - Acting Outside Powers The risk that the organisation itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.											8	8	8	8	Obtain independent review of the council's strategy and polices to ensure compliance with the CIPFA Code of Practice on Treasury Management Local Authorities (Capital Finance and Accounting) (England) Regulations, Local Government Act and any other regulation or guidance as specified by the Secretary of State.. Stay on top of Government and CIPFA consultations on Treasury and Capital Financing regulations

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<b>Bath &amp; North East Somerset Council</b>	
MEETING:	<b>Audit Committee</b>
MEETING DATE:	<b>27<sup>th</sup> November 2024</b>
TITLE:	<b>Audit Findings Reports for Council and Audited Statement of Accounts for Council and Avon Pension Fund 2023/24</b>
WARD:	All
<b>AN OPEN PUBLIC ITEM</b>	
<p><b>List of attachments to this report:</b></p> <p><b>Appendix 1</b> – Audit Findings Report for Bath &amp; North East Somerset Council</p> <p><b>Appendix 2</b> – Bath &amp; North East Somerset Council Audited Statement of Accounts 2023/24</p> <p><b>Appendix 3</b> – Bath &amp; North East Somerset Letter of Representation 2023/24</p> <p><b>Appendix 4</b> – Avon Pension Fund Letter of Representation 2023/24</p> <p><b>Appendix 5</b> – Revised Audit Opinion for Avon Pension Fund 2023/24</p> <p><b>Appendix 6</b> – Confidential Appendix to Annual Audit Report 2023/24</p>	

## 1 THE ISSUE

- 1.1 The Audit Findings Report summarises the results of Grant Thornton's audit of the 2023/24 statement of accounts. It includes the issues arising from the audit of the financial statements, and those issues which they are formally required to report to you under the Audit Commission's Code of Practice and International Standard of Auditing (UK & Ireland) – 'Communication of audit matters with those charged with governance'.
- 1.2 The Annual Governance Statement (AGS) is required by the Accounts and Audit (England) Regulations 2015 (amended 2022), to be published with the Council's Statement of Accounts and to be formally approved and signed by the Leader of the Council and the Chief Executive. The AGS for 2023/24 has been completed in accordance with the framework previously agreed by the Audit Committee.

## 2 RECOMMENDATION

The Audit Committee is asked to agree that:

- 2.1 the issues contained within the Audit Findings Reports and addendum to the Auditor's Annual Report for the Council is noted.

- 2.2 the audited Statement of Accounts, including the Letters of Representation for both Bath & North East Somerset Council and the Avon Pension Fund (including revised opinion) for 2023/24, are approved.

### **3 THE REPORT**

#### **Bath & North East Somerset Council's Accounts**

- 3.1 The Narrative Report to the Statement of Accounts gives an overview of the financial position as set out in the accounts in the detailed statements and notes.
- 3.2 The work carried out by Grant Thornton as part of the audit of the financial statements has resulted in a number of agreed amendments to the Disclosure Notes accompanying the Financial Statements, none of which adjusted the primary financial statements, including total usable reserves or net position of the Balance Sheet.
- 3.3 Details of the agreed changes are listed in **Appendix 1**.
- 3.4 Grant Thornton are proposing to issue an audit report including an unqualified audit opinion on the Council's 2023/24 Financial Statements.

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

- 3.5 There have been some minor changes to the Avon Pension Fund accounts that were authorised for draft issue. This includes some minor adjustments to disclosure notes, including removal of immaterial disclosures and adding in some prior year comparators. There were also some rounding corrections and presentational changes.
- 3.6 The Audit Findings Report for the Avon Pension Fund was previously presented to the Corporate Audit Committee in September 2024.
- 3.7 The Avon Pension Fund has adequate liquidity to meet all liabilities due in the 12-month period from signing of the accounts. The expected payments due to be paid in the period are £262.1m offset by expected contributions of £224.6m giving a net outflow of £37.5m. At 31 March 2024 the Fund had assets of £5.8bn of which £174m are in highly liquid assets that are held to provide liquidity to meet payments if there is an unexpected shortfall in contributions. In addition, the Fund holds a further £1.8bn in listed equity assets which are also highly liquid and can be sold for cash within a short timeframe. These liquid assets are more than sufficient to meet any unexpected reduction in contributions. There are no concerning trends regarding timely receipt of contributions, with 99.79% of contributions received on time for the quarter ending 31 March 2024.
- 3.8 The Funding level (i.e. the ratio of the Fund's assets to liabilities) was 96% at the last valuation in 2022. By March 2024 the funding level rose to 98%. The strategic asset allocation is set to deliver the investment returns required to achieve full funding over a reasonable period.

- 3.9 It is therefore concluded that based on this evidence the Avon Pension Fund is a going concern with no material uncertainties.
- 3.10 Grant Thornton are proposing to issue an audit report including an unqualified audit opinion on the Pension Fund's 2023/24 Financial Statements.

## **Annual Governance Statement**

- 3.11 In accordance with the framework agreed by the 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 Annual Governance Statement has been published within the Statement of Accounts and is a declaration of assurance, its aim is to report the extent to which the Council has in place reliable controls that will safeguard its resources and ensure that these are being used to meet priorities and service objectives agreed by Members.

- 3.12 The Annual Governance Statement records two 'significant' issues:

- A) Financial Challenge – Service Demand and Cost Pressures
- B) Children Services – Dedicated Schools Grant Deficit & the Safety Valve Agreement

The Statement details the issues and sets out the high-level actions that the Council is taking to manage these significant issues.

## **4 STATUTORY CONSIDERATIONS**

- 4.1 The Statutory Statement of Accounts have been produced in accordance with the CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards.
- 4.2 The Accounts and Audit Regulations 2015 require that the Statement of Accounts shall be approved by a resolution of a Committee of the relevant body and that following approval, the Statement of Accounts be signed and dated by the person presiding at the Committee.
- 4.3 The preparation and publication of an Annual Governance Statement is in accordance with the CIPFA / SOLACE Framework "Delivering Good Governance in Local Government. 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 Audit Committee.

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

5.1 The Council's Statement of Accounts sets out the Income and Expenditure for the 2023/24 financial year, together with the Balance Sheet and all related supporting information.

## **6 RISK MANAGEMENT**

6.1 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 2023/24, 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 Executive Director of Resources.

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

# The Audit Findings (ISA260) Report for Bath and North East Somerset Council

Year ended 31 March 2024





Bath and North East Somerset Council

Guildhall  
High Street  
Bath  
BA1 5AW

18 November 2024

Dear members of the Corporate Audit Committee

## Private and Confidential

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### Audit Findings for Bath and North East Somerset Council for the 31 March 2024

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2023.pdf \(grantthornton.co.uk\)](#).

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

*Beth Bowers*

Director  
For Grant Thornton UK LLP

#### Chartered Accountants

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# Contents



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## The Key Audit Partner(s) for Council's Material Subsidiaries are:

### Nathan Coughlin

Key Audit Partner

Firm: Bishop Fleming LLP

## Section

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Bath and North East Somerset Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2024 for the attention of 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 consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed during July-October as planned. Our findings are summarised on pages 7 to 23. We have not identified any adjustments to the financial statements during our work to date. We have identified a small number of presentational changes to the financial statements which have now been adjusted for in the final versions, none of which have impacted on the Council's general fund. These amendments are detailed at pages 34 and 35. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

The financial statements and supporting papers were prepared to a good standard. We received excellent cooperation from finance officers with samples returned in a timely manner comprehensive responses to queries

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- Consideration of the REFCUS classification
- Going concern assessment
- Final quality control review processes
- receipt of management representation letter ; and
- review of the final set of financial statements

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

Our anticipated financial statements audit report opinion will be unqualified. We anticipate completing all work in October, ahead of the November Corporate Audit Committee, and an opinion shortly after committee.

# 1. Headlines

## Value for Money (VFM) arrangements

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

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

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

As part of planning our audit 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. We did not identify any risks of significant weakness.

We have completed our work on Value for Money arrangements and the findings are set out in our draft Auditor's Annual Report which was included within the 25 September 2024 Corporate Audit Committee papers.

As a result of our work, we have identified one significant weakness in the Council's arrangements during 2023/24 in relation to financial sustainability arrangements and specifically the dedicated school grants (DSG) high needs deficit. Work identified that the Council did not have proper arrangements in place to manage the high needs element of the DSG within its agreed recovery plan. This has resulted in a deficit against the safety valve programme which has led to the suspension of the programme and the Council being put under enhanced measures.

Further detail is set out on pages 24 to 26 and our Auditor's Annual Report.

## Statutory duties

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

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

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

We have completed the majority of work under the Code. There has been a formal objection to the financial statements and we will certify the audit upon resolution of the issues raised.

## Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit. We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during the audit.

# 1. Headlines

## National context – audit backlog

### Consultation

The Ministry for Housing, Communities and Local Government (MHCLG), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:

Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- [Consultations on measures to address local audit delays \(frc.org.uk\)](https://www.frc.org.uk/consultations/consultations-on-measures-to-address-local-audit-delays)
- [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england)
- [Code of Audit Practice Consultation - National Audit Office \(NAO\)](https://www.nao.org.uk/consultations/code-of-audit-practice-consultation)

### Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change, and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect. Whilst we are satisfied that this issue will not impact on the Council, once we have a further understanding of the new government's intentions, and its priorities across the sector we will discuss this with you.

## National context – level of borrowing

All Councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Bath and North East Somerset is not immune to the challenges the current financial environment present, and continues to manage ongoing finances through a number of mechanisms including investment properties and borrowing to deliver services. The Council has increased both short-term, by £10.4m, and long-term borrowing, by £25.6m, in the year as a means to ensure the continued delivery of services and has avoided making inappropriate investments outside of the geographical area of Bath and the South West. The challenge will remain for the coming years and we will continue to monitor the Council's performance, both in the financial statements and through the assessment of VfM arrangements.

## 2. Financial Statements

### Overview of the scope of our audit

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

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

### Audit approach

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

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the 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 no balances/transactions of the components were material and therefore only analytical procedures are required. This has required an amendment to the plan as set out below
- 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 to alter our audit plan, as communicated to you on 28 March 2024, to reflect that the components of the group accounts do not contain any balances that would materially impact on the either the entity or group accounts.

We identified the following significant risks in relation to the group:

- The revenue cycle includes fraudulent transactions
- Management override of controls
- Valuation of land and buildings including investment properties

As these balances are not material we have completed analytical procedures and confirmed the accuracy of the consolidation process.

### Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Corporate Audit Committee meeting on 27 November 2024. These outstanding items have been identified on page 4 of this report

### 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



### Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan in March 2024

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

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	7,880,000	7,700,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year and monitors spend against this, therefore gross expenditure was deemed as the most appropriate benchmark. This benchmark was used in the prior year. We deemed that 1.9% was an appropriate rate to apply to the expenditure benchmark.
Performance materiality	5,910,000	5,775,000	Our performance materiality has been set as 75% of our overall materiality
Trivial matters	390,000	385,000	Calculated as a percentage of headline materiality and in accordance with auditing standards
Materiality for Senior Officer remuneration	26,818	26,818	Senior Officer Remuneration is considered highly sensitive and of particular interest to the reader's of the accounts. We have applied the materiality level of 1.9% to the senior officer remuneration balance



## 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
<b>Management override of controls</b> 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.	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals.</li> <li>used Inflo, our data analysis software, undertakes a number of checks on the data, such as unbalanced transactions, unbalanced user IDs and transactions with blank account descriptions. Where any differences were noted by Inflo, we followed these up with management and obtained sufficient explanations and corroboration for these</li> <li>tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration.</li> <li>reviewed manual journals, within Inflo, to identify those deemed to be high risk to be selected for testing. We selected and shared our sample with management for them to provide us with evidence to support the entries. We completed our testing upon receipt of this supporting documentation.</li> <li>gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness, and</li> <li>evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions</li> </ul> <p>As in previous years we note that no formal approval process exists for those journals under £500k and assurance is taken from review of a sample of journals, below this threshold, on a monthly basis. We have tested authorisation as part of our work and have not identified any issues but consider this is an inherent weakness within the process and have raised a recommendation. Our work is complete and no further issues have been identified</p>

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to Council and/or Group	Commentary
<p><b>Improper revenue recognition</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	Group and Council	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> <li>- There is little incentive to manipulate revenue recognition</li> <li>- Opportunities to manipulate revenue recognition are very limited</li> <li>- The culture and ethical frameworks of local authorities, including BaNES Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Within the Audit Plan, presented to the Council in March 2024, we identified improper revenue recognition as a risk at the group level. Having reviewed the group balances no material balances were identified and, therefore, this is no longer considered a significant risk at the group level.</p>
<p><b>Risk of fraud related to expenditure recognition PAF Practice Note 10</b></p> <p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)</p>	Group and Council	<p>We have</p> <ul style="list-style-type: none"> <li>• Evaluated the groups accounting policy for recognition of expenditure for appropriateness;</li> <li>• Gained an understanding of the Council's system for accounting for expenditure and evaluate the design of the associated controls;</li> <li>• Identified and test a sample of transactions received post year end to ensure these have been classified to the correct year.</li> <li>• Agree, on a sample basis, amounts recognised as expenditure in the financial statements to supporting documents</li> </ul> <p>Our work has not identified any issues with expenditure.</p>

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to Council and/or Group	Commentary
<p><b>Valuation of land and buildings and investment properties</b></p> <p>The group revalue its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£262.210m in the Group balance sheet at 31/03/23) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. The Group also has material investment properties (£264.431m in the Group balance sheet at 31/03/23) which must be valued annually at 31 March.</p> <p>We therefore identified valuation of land and buildings and investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	Group and Council	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work,</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert,</li> <li>written to the valuer to confirm the basis on which the valuation was carried out,</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding,</li> <li>tested revaluations made during the year to see if they had been input correctly into the group's asset register, and</li> <li>evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul> <p>As part of our review we have identified several assets that are fully depreciated but are still in the fixed asset register as operational. The gross book value of these assets is £21.597m of which £15.396m relates to infrastructure assets and the remaining £6.201m relates to other land and buildings. Management undertake a review of all assets to ensure that only those that are operational are disclosed in the financial statements and consider whether useful economic lives, over which assets are depreciated, are appropriate. However, there was no evidence that the process has been used to inform future decisions or consideration of the useful economic lives of assets and, therefore, we continue to consider impact with management.</p> <p>Our testing of 2023-24 information identified several variances between the data used by the actuary and those used by the auditor's expert to gain assurance. We also identified variances because of the valuer using car park data prior to the year end which have been recalculated using the year end data which was available during the audit. The overall impact is an £891k understatement.</p> <p>Testing of investment properties identified variance within the calculation of gross rents, floor areas and stamp duty upon recalculation using the supporting data. We have extrapolated these variances which has identified an understatement of £498k. This, along with the PPE variance identified above will be included as unadjusted misstatements.</p> <p>Our work has also considered balances in relation to the group which have been subject to the same testing as for the Council outlined above. No issues have been identified.</p> <p>We have not identified any further issues in our work</p>

## 2. Financial Statements: Significant risks


Risks identified in our Audit Plan	Relates to Council and/or Group	Commentary
<p><b>Valuation of the pension fund net liability</b></p> <p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£82.7m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.</p> <p>A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 1.5% effect on the liability/surplus. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.</p>	Council	<p>We have:</p> <ul style="list-style-type: none"> <li>updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;</li> <li>evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>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;</li> <li>undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and</li> <li>agreed the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures.</li> <li>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.</li> </ul> <p>Within the year it was identified that IFRIC 14 calculations in relation to debt ceilings had not been appropriately considered by the Actuary through a combination of error and not being requested to by Council's and pension funds. We discussed the issue with management who requested an updated actuary calculation through the Actuary. This was received and we have reviewed it and consider that there is no further impact on the Council's liability position.</p> <p>We did not identify any further issues.</p>

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





Component	Component auditor	Findings	Group audit impact
Bath and North East Somerset Council	Grant Thornton UK LLP	See pages 9 to 12 for significant risks work undertaken and any issues identified	No issues have been identified that impact on the group audit.
Aequus Holdings Group Ltd including Aequus Development Ltd and Aequus Construction Ltd	Bishop Fleming LLP	<p>Full scope UK statutory audit performed by Aequus Holdings Group Ltd Auditors, Bishop Fleming LLP. The nature, time and extent of our involvement in the work included a discussion on risks and meeting with appropriate members of management.</p> <p>As reported in our Audit Plan in March 2024, we proposed to undertake the audit of one or more classes of transactions, account balances or disclosure relating to significant risks of material misstatement of the group financial statements. On receipt of the draft accounts there were no component balances that were material to the group accounts and, therefore, analytical procedures at group level we completed</p> <p>For those significant risks identified as relating to the group at planning we are satisfied these are not material and, therefore, there is no risk of material misstatement</p>	No issues have been identified that 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 – £303.503m	<p>Other land and buildings comprises specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged internal valuers, Avison Young, Wilks Head &amp; Eve to complete the valuation of properties as at either 31 December 2023 or 31 March 2024 on a five yearly cyclical basis. Approximately 20% of total assets were revalued during 2023/24.</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2023 by applying indices to determine whether there as been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value.</p> <p>The total year end valuation of land and buildings was £303.503m, a net increase of £41.293m from 2022/23 (£262.210m).</p>	<p>We have reviewed the detail of your assessment of the estimate:</p> <ul style="list-style-type: none"> <li>Assessed management's expert to ensure that they are suitably qualified and independent</li> <li>Assessed the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Confirmed there were no changes to valuation method</li> <li>Assessed the consistency of the estimate against near neighbours and using the Auditor's expert report</li> <li>Considered sensitivities used by the valuer to assess the completeness and consistency of information in line with our understanding</li> <li>Assessed the adequacy of disclosure of the estimate in the financial statements</li> </ul> <p>Our work identified several variances between the assumptions used by the valuer and the data provided by the auditor's expert. There was also a variance in car park valuations due to the valuer using data from prior to the year end. We have extrapolated these errors and they are an £891k understatement which is not material. We therefore consider management's estimate to be appropriate.</p>	 Green





### Assessment

-  [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  {Amber} 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
-  [Green] 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 - £242.016m	<p>The Council has engaged BNP Paribas and Wilks Head &amp; Eve to complete the valuation of properties as at 31 March 2024. 100% of assets were revalued during 2023/24.</p> <p>The total year end valuation of investment property was £242.016m, a net decrease of £14.369m from 2022/23 (£256.385m).</p>	<p>We have carried out the following work in relation to this estimate;</p> <ul style="list-style-type: none"> <li>Assessed management's expert to ensure they are suitably qualified and independent</li> <li>Assessed the completeness and accuracy of the underlying information and data used to determine the estimate</li> <li>Confirmed there were no changes to the valuation method; and</li> <li>Assessed the consistency of the estimate using the auditor's expert report</li> </ul> <p>Our work is ongoing. We have raised queries with the external valuer and have received responses to those queries.</p> <p>Our testing identified variances in valuations as a result of gross rents, floor areas and stamp duty recalculations based on supporting documentation provided by management. This has resulted in an understatement of £498k which is not material and, therefore, we consider management's estimate to be appropriate.</p>	 Green

### Assessment

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## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<b>Net pension liability – £83.136m</b>	<p>The Council's net pension liability at 31 March 2024 is £83.136m (PY £116.640m) comprising the Avon Pension Fund Local Government defined benefit pension scheme obligations. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<ul style="list-style-type: none"> <li>We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. This included gaining assurances over the data provided to the actuary to ensure it was robust and consistent with our understanding. No issues were identified from our review of the controls in place</li> <li>We also evaluated the competence, expertise and objectivity of the actuary who undertook the pension fund valuation 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</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> </thead> <tbody> <tr> <td>Discount rate</td><td>4.90%</td><td>4.90%</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>2.8%</td><td>2.7% - 2.8%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>4.20%</td><td>3.95% - 4.20%</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>23.3 / 22</td><td>22.0 – 23.5 / 20.7 – 22.2</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>25.8 / 24.1</td><td>25.0 – 26.2 / 23.2 – 24.4</td><td>●</td></tr> </tbody> </table> <ul style="list-style-type: none"> <li>We have confirmed the consistency of the pension fund assets, liabilities and disclosures in the notes to the financial statements with the actuarial reports.</li> <li>We have gained assurance over the reasonableness of the Council's share of the LGPS pension assets</li> </ul> <p>We have received and reviewed the IAS19 assurance from the pension fund auditor over member numbers and did not identify any further issues</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.90%	4.90%	●	Pension increase rate	2.8%	2.7% - 2.8%	●	Salary growth	4.20%	3.95% - 4.20%	●	Life expectancy – Males currently aged 45/65	23.3 / 22	22.0 – 23.5 / 20.7 – 22.2	●	Life expectancy – Females currently aged 45/65	25.8 / 24.1	25.0 – 26.2 / 23.2 – 24.4	●	<div>●</div> <p>Green</p>
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	4.90%	4.90%	●																								
Pension increase rate	2.8%	2.7% - 2.8%	●																								
Salary growth	4.20%	3.95% - 4.20%	●																								
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### Assessment

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## 2. Financial Statements: key judgements and estimates













Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £10.184m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £10.184m, a net increase of £1.01m from 2022/23. This represents a 3% charge against the CFR.</p>	<p>We have undertaken the following work</p> <ul style="list-style-type: none"> <li>the MRP has been calculated in line with the statutory guidance</li> <li>the Council's policy on MRP complies with statutory guidance.</li> <li>Confirmed there has been no change in the calculation of MRP from the prior year</li> <li>Considered that the increase in MRP charge is appropriate</li> </ul> <p>Following consultation MHCLG have clarified and updated the regulations and the statutory guidance for minimum revenue provision. Although these take full effect from April 2025, the consultation highlighted that the intention was not to change policy, but to clearly set out in legislation the practices that authorities should already be following. Initial discussions with management and review of calculations has not identified any evidence of non compliance and we will continue to review the position in future years.</p> <p>This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.</p>	 Green

### Assessment





-  [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  {Amber} 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
-  [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Agresso	Roll-forward ITGC assessment (design effectiveness only)					N/A
iTrent (Including Altair)	Roll-forward ITGC assessment (design effectiveness only)					Altair is used for pension calculations based on information within iTrent. We have considered the underlying assumptions included within the pension liability
Active Directory	Roll-forward ITGC assessment (design effectiveness only)					Access controls have been taken into account as part of our strategy for testing of journals to address the risk of management override of controls.

### Assessment

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

## 2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
	<p><b>Insufficient Evidence of Implementation of Cyber Security controls</b></p> <p>Our audit procedures identified that the following cybersecurity controls were not in place</p> <ul style="list-style-type: none"> <li>- There is no data classification policy in place</li> </ul>	<p>Management should ensure that all required policies are in place and reviewed to ensure they are relevant and up to date</p> <p><b>Management response</b></p> <p>There is a draft classification policy which is based on the North Somerset Council policy. Our policies, information Security and Information Governance services are through One West which support both BaNES Council and North Somerset Council. The BaNES specific data classification policy will be going through the approval process this year.</p> <p>Policies are reviewed on a regular basis. Policies are reviewed in our Cyber Security Operations Group (CySOG) who meet monthly. There is also a standing quarterly meeting with all relevant stakeholders to review policies that are due for review that are not for the CySOG group</p>
	<p>We identified one individual from Finance Team who was granted admin access rights within Civica system to update user names and service lines of individuals in preparation for Midcall project of the Council. The access was only removed when it was raised by the engagement team.</p>	<p>Management should review access rights to ensure that these are appropriate and where not access rights should be corrected accordingly.</p> <p><b>Management response</b></p> <p>The admin user's access has been revoked to ensure the security and integrity of our system. The specific scenario was one where for a project an individual needed the access temporarily and was requested from the service area, we were awaiting confirmation that the access was no longer required to remove the access.</p> <p>Immediate action is for Financial Systems to review all user accounts with Admin Access to Civica and ensure the access is appropriate as per the user's role, going forward the mitigation will be to schedule a 6 monthly review of admin accounts. Appropriate change controls are in place that require manager approval.</p>

### Assessment

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

## 2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
	<p>Review of access rights within Logotech, the Council's database management system, identified three users who have all administrative rights to all parts of the system. There is no audit record of new users or leavers and therefore it is possible for these individuals to add and remove users and change underlying data. There is a risk that inappropriate adjustments can be made which could have an impact on the financial statements. Review of asset records as part of our testing has not identified any specific issues.</p>	<p>Management should review the access rights of users of feeder systems to ensure that these are appropriate and that records exist and are reviewed showing any changes made to the data.</p> <p><b>Management response</b></p> <p>The responsibility for system administration of the Logotech Asset Register software and user access will transfer to the Financial Systems team to separate this role from the system users in the Capital Project Finance Team. A protocol will be introduced for processing new users and leavers.</p> <p>All current users will be reviewed with appropriate change controls put in place that require manager approval.</p>
	<p>Capital commitments for future years are a material disclosure within the statement of the accounts and are subject to testing. Management have been unable to provide sufficient appropriate documentation to support the disclosure. Although we have been able to confirm the accuracy of the figure We note that this does not impact the primary statements or impact the Council outturn position</p>	<p>Management should ensure all relevant documentation is retained to support disclosures within the statement of accounts.</p> <p><b>Management response</b></p> <p>As in previous years, the Capital Commitments are produced by obtaining the value of Official Orders outstanding and yet to be delivered from the Council's Financial Management System. It has been agreed that this is the correct method, but we will provide further evidence, including supporting contract documentation, in future.</p>

### Assessment

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

## 2. Financial Statements: Digital Audit

We have invested significantly in our digital tools and our audit approach is underpinned by a suite of tools, enabling us to capture and analyse the detailed data contained within the general ledger. This supports more efficient and effective testing, with a focus on higher risk areas and unusual transactions. The ability to obtain full ledger data quickly and effectively is key to the progress of audit work, as is documentation of the Council's methodology for mapping code structures to the financial statements and use of off-ledger adjustments. Difficulties and delays in obtaining data adversely impact on the scheduling and delivery of the audit and it is important that management engage with the audit teams to understand the requirements for data transfer, providing a clearly documented understanding of how financial statement entries are produced from underlying ledger and a timetable for doing so.

We requested several reports/documents from the Council to aid with this and these are summarised in the table below along with comments on delivery.

Document requested	Date requested	Date received	Comments
Closing trial balance for 2022-23	4 June 2024	10 June 2024	We experienced no delays in receiving the information and there was no issues identified with the data provided.
Opening trial balance for 2023-24	4 June 2024	20 June 2024	There is a requirement for the audit team to observe the download of the TB in order to provide assurance that all parameters are appropriate and that complete data has been provided. No issues with the data provided were identified
Closing trial balance for 2023-24	4 June 2024	24 June 2024	
All general ledger transactions during 2023-24	20 June 2024	2 July 2024	We experienced no delays in receiving the information and there was no issues identified with the data provided.
Draft accounts for 2023-24	N/A	31 May 2024	There is a statutory reporting date by which Council's are due to publish draft accounts on the Authority's website. The draft accounts were published on 31 May 2024, in line with the statutory reporting date, and was confirmed by Audit.

## 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
<b>Matters in relation to fraud</b>	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
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed. Our testing of related parties identified the following: - Management included related parties which were not material and which did not meet the requirements of the Code
<b>Matters in relation to laws and regulations</b>	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.
<b>Written representations</b>	A letter of representation will be requested from the Council.
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to bank and counterparty institutions. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation,
<b>Accounting practices</b>	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements and identified one issue: <ul style="list-style-type: none"> <li>• We identified four disclosures which are not material and are not required as per the Code</li> <li>• We identified that the depreciation policy had not been accurately disclosed</li> <li>• We noted that management had included assets with a useful economic life beyond the prescribed 50 years within the minimum revenue provision calculation.</li> </ul>
<b>Audit evidence and explanations/ significant difficulties</b>	All information and explanations requested from management was provided. We were provided with all requests in a timely manner and in line with the expectation with one exception: <ul style="list-style-type: none"> <li>• We originally requested a full listing of all Council employees and were provided with the listing. On review of the information it was noted that the listing included non-council staff who were not within the scope of our testing and required the report to be run again to allow our testing to be completed. No further issues in the listing were identified.</li> </ul>

## 2. Financial Statements: other communication requirements



### Our responsibility

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

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

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

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> <li>• Note that work is not required as the Council does not exceed the threshold;</li> </ul>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2023/24 audit of Bath and North East Somerset Council in the audit report, due to receipt of a formal objection which will need to be considered and responded to and the requirement to completed the WGA return.</p>



# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2023/24

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

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



### Improving economy, efficiency and effectiveness

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



### Financial Sustainability

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



### Governance

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

## Potential types of recommendations

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



### Statutory recommendation

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



### Key recommendation

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



### Improvement recommendation

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

# 3. VFM: our procedures and conclusions

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

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weakness we identified is detailed in the table below, along with the procedures we performed and our conclusions. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code.

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
<p>In 2022/23 we found that the Council did not have effective arrangements in place to manage the High Needs element of the Dedicated Schools Grant (DSG) within its agreed recovery plan and identified this as a significant weakness in arrangements. We consider that this significant weakness remains in 2023/24.</p> <p>The Council has had a DSG deficit since 2019/20. The Council has been working with the Department for Education (DfE) to reduce the deficit and achieve a sustainable financial position. In 2022/23 the Council was accepted as part of the Safety Valve (SV) programme and secured additional funding of £19.2m over the next seven years. The first part of which was received in 2022/23 of £7.68m. The aim of this original plan was to breakeven in 2028/29 after receiving a total of £19.22m from the DfE as part of SV programme</p> <p>The Council has not been able to deliver savings as required and the deficit at the end of 2022/23 was £1.53m behind plan and at the end of 2023/24 was £7.06m (cumulative deficit of £22.263m) behind plan. As a result of the deteriorating position in 2023/24 the SV was suspended and the Council was put under enhanced measures. From this point funding was suspended and negotiations with the DfE began.</p> <p>A new management plan has been developed (SEND collaboration). This plan was submitted to the DfE in May 2024 and as yet the Council has not received a response. The revised plan now extends to 2030/31 (two years longer) and no longer breaks even but plans to have a cumulative deficit of £63m (after reflecting the DfE funding) in 2030/31. This is a significant change from the original plan. The level of funding from the DfE remains unchanged.</p>	<p>We have reviewed the Council's arrangements for budgeting including the DSG and ongoing management of the deficit.</p> <p>We have reviewed relevant documentation, held discussions with management and reviewed communication between the Council and DfE</p>	<p>The Council does not have a recovery plan for the £63m residual deficit. As at 31 March 2024 reserves were reported as £12.789 (general fund unearmarked) £73.652 (earmarked), a total of £86.441m. Whilst this is a reasonable level of reserves for the Council, should the statutory override be removed in 2025/26 or not exist in 2030/31, this level of DSG deficit is likely to have a significant impact on the Council's reserves.</p>	<p>The Council should continue to work with the DfE to ensure a realistic and deliverable management plan is agreed for the increasing DSG costs. The Council should:</p> <ul style="list-style-type: none"> <li>ensure that the actions within the plan are progressed in the intervening period while discussions remain in progress</li> <li>develop a plan to address the residual deficit (£63m) to bring the Council back in balance, which is expected to exist at the end of the management plan in 2030/31</li> </ul>

## 4. Independence considerations

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, managers).  
In this context, we disclose the following to you:

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

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

Details of fees charged are detailed in Appendix F.

### Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

## 4. Independence considerations

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

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

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

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

# 4. Independence considerations

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Housing Benefits claim	£49,732 – 2022-23 £45,000* – 2023-24	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 £45,000 in comparison to the total fee for the audit of £365,617 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management threat	
Certification of Teachers Pension Return	£10,000 – 2022-23 £12,500* – 2023-24	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is 12,500 in comparison to the total fee for the audit of £365,617 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management threat	

\*Estimated fee at the time of reporting

These services are consistent with the group's policy on the allotment of non-audit work to your auditors

None of the services provided are subject to contingent fees.

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services

# A. Communication of audit matters to those charged with governance

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

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

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

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings report

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

## B. Action Plan – Audit of Financial Statements

We have identified 7 recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Testing of useful economic lives identified a number of assets which are fully depreciated but remain on the balance sheet as operational. Management have processes in place to confirm that assets are still operational but this is not formally documented. There is no evidence that management have reviewed disposed assets or those that are still operation to assess whether useful economic lives are appropriate. The gross book value of these is material and there is a risk that the Council are holding assets that they no longer own or that the economic lives applied to the assets are not appropriate.	<p>Management should review the FAR to ensure that only operational assets owned by the Council are included and that economic lives applied are appropriate.</p> <p><b>Management response</b></p> <p>We will continue to review the FAR to ensure disposals are duly reflected and ensure useful economic lives are reviewed.</p>
Medium	Management included related parties which were not material and which did not meet the requirements of the Code	<p>Management should ensure that all related parties included within the financial statements meet the requirements of the Code</p> <p><b>Management response</b></p> <p>The three organisations that were previously disclosed as related parties in 2023/24 and prior years have now been removed from the Related Parties disclosure note.</p>
Medium	We identified one individual from Finance Team who was granted admin access rights within Civica system to update user names and service lines of individuals in preparation for Midcall project of the Council. The access was only removed when it was raised by the engagement team.	<p>Management should review access rights to ensure that these are appropriate and where not access rights should be corrected accordingly.</p> <p><b>Management response</b></p> <p>The admin user's access has been revoked to ensure the security and integrity of our system. The specific scenario was one where for a project an individual needed the access temporarily and was requested from the service area, we were awaiting confirmation that the access was no longer required to remove the access.</p> <p>Immediate action is for Financial Systems to review all user accounts with Admin Access to Civica and ensure the access is appropriate as per the user's role, going forward the mitigation will be to schedule a 6 monthly review of admin accounts. Appropriate change controls are in place that require manager approval.</p>

### Controls

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

# B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	There is no formal approval process for posting journals so finance team members are effectively posting their own journals. All journals above £500k are approved by Senior Finance Manager or group accountants, respectively	<p>Council to consider designing and implementing a formal approval process for posting journals.</p> <p><b>Management response</b></p> <p>Over the course of the next 18 months our financial systems team will be implementing an upgraded finance system. As part of the design of the new system the journal authorisation process will be reviewed.</p> <p>Current retrospective checks will remain in place whilst the review is undertaken and timescales of any potential system changes are assessed and evaluated.</p> <p>The Council's Financial Regulations are currently being updated, and will set out the Councils process for posting and approving journals.</p>
Page 139	Within the MRP calculation management had assets with a useful economic life beyond the prescribed 50 years. The guidance allows for this where a suitably qualified person has assessed the asset and confirmed that the extended life is appropriate. Whilst management has demonstrated this upon challenge there was no formal recognition of the process prior to audit	<p>Where management have made assumptions outside of the expected parameters full supporting evidence as to the appropriateness of this treatment should be provided</p> <p><b>Management response</b></p> <p>We have not used asset lives greater than 50 years since the guidance was updated in 2018.</p> <p>Should there be any assets in the future where a decision is made to allocate a useful life beyond 50 years, the reasons for this will be documented and retained along with the appropriate supporting evidence as required by the guidance.</p>
Medium	Review of access rights within Logotech, the Council's database management system, identified three users who have all administrative rights to all parts of the system. There is no audit record of new users or leavers and therefore it is possible for these individuals to add and remove users and change underlying data. There is a risk that inappropriate adjustments can be made which could have an impact on the financial statements. Review of asset records as part of our testing has not identified any specific issues.	<p>Management should review the access rights of users of feeder systems to ensure that these are appropriate and that records exist and are reviewed showing any changes made to the data</p> <p><b>Management response</b></p> <p>The responsibility for system administration of the Logotech Asset Register software and user access will transfer to the Financial Systems team to separate this role from the system users in the Capital Project Finance Team. A protocol will be introduced for processing new users and leavers.</p> <p>All current users will be reviewed with appropriate change controls put in place that require manager approval.</p>
Low	Four notes in the accounts were identified as unnecessary due to their size. When challenged, the client responded that they wished to retain the policies, either to show the movements in year, to protect their referencing or for completeness. A deficiency has been raised for this, relating to over-disclosure from the Council. The notes in question are 17 Assets for Sale, 18 Inventories, 27 Trading Operations and 39 Exceptional Items.	<p>Management should only include material disclosures within the statement of accounts to avoid potential masking of significant information.</p> <p><b>Management response</b></p> <p>Consideration will be given to removing these disclosure notes in future years should they continue to be immaterial.</p>

## Controls

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

# C. Follow up of prior year recommendations

We identified the following issues in the audit of Bath and North East Somerset Council's 2022/23 financial statements, which resulted in 9 recommendations being reported in our 2022/23 Audit Findings report. We are pleased to report that management have appropriately addressed the majority of our recommendations. We have raised a recommendation in relation to one finding from 2022-23 and work is ongoing for the remaining recommendations. We will report any further findings to management and members.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Our group risk assessment procedures identified that management did produce formal group instructions	Management continue to liaise with Aequus and have considered formal instructions. Considered that sufficient communication and guidance has been provided
✓	Journals 1. There is no formal approval process for posting journals so finance team members are effectively posting their own journals. All journals above £500k are approved by Senior Finance Manager or group accountants, respectively 2. We identified one instance of untimely review of a user's access. A temporary user's account was still open despite completion of the project	1. Testing of journals in 2023-24 has not identified any issues with journal authorisation. However this is an inherent weakness and we have raised a recommendation again in 2023-24 2. Whilst we have identified one user with inappropriate access this has been considered within management override of controls and no issues have been identified
TBC	Our PPE work identified that the live valuers schedule contains minor errors with respect to the last date of valuation of some assets. There is a risk that incorrect date would affect the related PPE note disclosure in the financial statements	We have identified further minor errors but these are below trivial and are expected within the scope of testing. Our work in this area is ongoing and we will report any findings to members
✓	Our audit procedures have revealed that 24 assets within the infrastructure assets have been assigned with UELs that are outside the range reported by the Council, with the majority of them also falling outside the recommended CiPFA range. This was caused by wrong classification into the correct category these assets fall, and has been corrected by management.	We have not identified any classification issues within our testing of investment properties in 2023-24
✓	Not all the investment properties held by the Council's subsidiary company are revalued at year-end. For the year under audit, management revalued 7 out of 34 individual assets. The Code requires that all investment properties are revalued annually as at 31 March, and therefore the Council's policy does not meet the requirement of the code. There is therefore a risk that revaluations are not correctly stated	We note that the Code requires that investment properties are revalued on an annual basis and does not specify that this must be 31 March. We have reviewed management's policy and considered it to be appropriate

## Assessment

✓ Action completed

✗ Not yet addressed

# C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	We observed that the Council and the ICB failed to renew the agreements for Better Care fund but rolled forward the prior year agreements. However, the funding and expenditure for Better Care fund increased without a revision of the rolling agreement	Our work in this area is ongoing. We will report to members any findings on conclusion of our work.
X	The existing policy on disposal of motor vehicles, plant, machinery or IT equipment at the Council is for managers to confirm whether assets are in use or have been disused within their respective departments. Second-checking or verifying a manager's position is usually not the case, before the assets are removed from the asset register	This policy has not been amended and we have again raised a recommendation in regards to fully depreciated assets
✓	We have observed that the land components of two newly acquired PPE have not been determined and recognised separately as required by the Code	All PPE additions have been appropriately recognized in year
✓	We have identified 198 out of a total of 263 investment properties were not revalued at year-end 31 March 2023, but valued at an earlier date (mostly 31 December 2022). This is not in line with the requirements of the CiPFA code.	We note that the Code requires that investment properties are revalued on an annual basis and does not specify that this must be 31 March. We have reviewed management's policy and considered it to be appropriate

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## Assessment

- ✓ Action completed
- X Not yet addressed

# D. Audit Adjustments

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

## Impact of adjusted misstatements

We have not identified any adjusted misstatements in our work to date.

## 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/issue/Omission	Auditor recommendations	Adjusted?
Revaluation movement recognised in revaluation reserve does not agree with other Notes of SoA. We identified the variance of £3,741k. The revaluation movement recognised in Note 12 needs to be reduced by £3,741k to get the impact of the errors identified corrected.  We have also noted the variance of £10,470k when comparing the FAR revaluation reserve amount to SoA Note 14 Revaluation reserve. After Inquiry we noted that this is due to above £3,741k that has not been taken to FAR Asset and Pixash - Plant / Building valuation allocation of £6,870k that needs to be corrected in FAR.	Management should ensure that all disclosures accurately reflect the movements reported through revaluation reserves and the FAR.	✓
Note 36 Related Parties. The nature of transactions with AGHL was not disclosed in the note. Inclusion of three related parties were also challenged by the audit team, which the Council agreed to remove.	Management should ensure that related parties are appropriately disclosed and include only relevant organisations and individuals	✓
Note 1.13 Accounting policies for PPE. The accounting policies for depreciation charges do not explicitly state that depreciation starts at the subsequent year of purchase. The Council agreed to amend this in the accounts.	Management should ensure all disclosed accounting policies are appropriate	✓
Note 37. We noted in the MRP calculation that the Council used an estimated useful life beyond 50 years, which is in contrary to the maximum 50-year life provided by the guidance. We calculated the impact in the Council's MRP, had the management used the 50-year useful life. This will be reported as estimation difference.  The difference identified amounted to £3,593,197.	<b>Whilst having lives over 50 years is permissible management should ensure that this is full supported to show management's assessment of the appropriateness of the judgement.</b>	✓
Note 36 Related Parties. There are immaterial transactions with various voluntary bodies disclosed. Although not a material misstatement, moving forward, the management should undertake an assessment wherein the accounts would only disclose material transactions to at least one party involved.	Management should ensure that related parties are appropriately disclosed and include only relevant organisations and individuals	✓
A small number of amendments were made to the accounts to enhance clarity for the reader.	Our review and audit of the draft accounts identified a small number of presentational changes to enhance the clarity of the accounts for the reader.  We have shared the areas for presentational amendments and these will be reflected in the revised accounts.	✓

# D. Audit Adjustments (continued)

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Corporate Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Investment properties. The aggregated projected impact of the differences identified from the testing of source data and assumptions used in the valuation exceeds triviality threshold.	(498)	498	(498)	Nil	Not material
PPE: The aggregated projected impact of the differences identified from the testing of source data and assumptions used in the valuation.	[891]	891	(891)	Nil	Not material
<b>Overall impact</b>	<b>£(1,389)</b>	<b>£1,389</b>	<b>£(1,389)</b>		

## Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

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



## E. Fees and non-audit services

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

Audit fees	Proposed fee	Final fee
Scale fee	£353,067	£353,067
ISA 315	12,550	12,550
Total audit fees (excluding VAT)	£365,617	£365,617

# E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Housing Benefit Certification	£45,000	£45,000
Teacher’s Pension return certification	£12,500	£12,500
Total non-audit fees (excluding VAT)	£57,500	£57,500*

\*Subject to completion of our procedures

Total audit and non-audit fee	
(Audit Fee) £365,617	(Non Audit Fee) £53,000

The fees reconcile to the financial statements.

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

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



# **BATH & NORTH EAST SOMERSET COUNCIL**

## **STATEMENT OF ACCOUNTS 2023/24**

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## Report on the audit of the financial statements

### Opinion on financial statements

We have audited the financial statements of Bath & North East Somerset Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2024 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

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

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

Our responsibilities and the responsibilities of the Executive Director - Resources with respect to going concern are described in the relevant sections of this report.

### Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

**Opinion on other matter required by the Code of Audit Practice**

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

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

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

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

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

**Responsibilities of the Authority and the Executive Director - Resources**

As explained more fully in the Statement of Responsibilities for the Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director - Resources. The Executive Director - Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director - Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director - Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to [include relevant details for your audit, e.g. health and safety, employee matters, and data protection].

We enquired of management and the Corporate Audit Committee, concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

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

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to large and unusual journal entries and accounting estimates. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on large and unusual journals, journals posted by senior officers and those posted by administrators,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of property, plant and equipment, the valuation of investment properties and the valuation of net pension liabilities, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

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

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

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

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority and group including:
  - o the provisions of the applicable legislation
  - o guidance issued by CIPFA/LASAAC and SOLACE
  - o the applicable statutory provisions.

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

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

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

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter except on 25 September 2024 we identified:

- a significant weakness in how the Authority plans and manages its resources to ensure it can continue to deliver its services This was in relation to the Authority's safety valve plan going off track during the financial year. We recommended that the Authority should continue to work with the Department for Education to ensure a realistic and deliverable management plan is agreed for the increasing Dedicated Schools Grant costs. We recommended the council should:
  - o ensure that the actions within the plan are progressed in the intervening period while discussions remain in progress
  - o develop a plan to address the residual deficit (£63m) which is expected to exist at the end of the management plan in 2030/31 to bring them back in balance

**Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

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

We cannot formally conclude the audit and issue an audit certificate for Bath & North East Somerset Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2024 and until we have completed our consideration of an objection brought to our attention by a local authority elector under section 27 of the Local Audit and Accountability Act 2014. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

**Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

Bristol

Date:

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

## **Opinion on financial statements**

We have audited the financial statements of Avon Pension Fund (the 'Pension Fund') administered by Bath and North East Somerset Council (the 'Authority') for the year ended 31 March 2024, which comprise the Fund Account, the Net Assets Statement and notes to accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

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

In our evaluation of the Executive Director - Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Executive Director - Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Executive Director - Resources with respect to going concern are described in the relevant sections of this report.

## **Other information**

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

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

We have nothing to report in this regard.

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

## **Opinion on other matters required by the Code of Audit Practice (2024) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)**

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

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

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

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

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

## **Responsibilities of the Authority and the Executive Director - Resources**

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director - Resources. The Executive Director - Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director - Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Executive Director - Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

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

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).

We enquired of management and the Corporate Audit Committee concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

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

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

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the valuation of level 3 investments. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on large and unusual entries
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 and level 3 Investments and IAS 26 pensions liability valuations, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

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

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

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  - o the provisions of the applicable legislation
  - o guidance issued by CIPFA/LASAAC and SOLACE
  - o the applicable statutory provisions.

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

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

## **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

Bristol

Date:

### 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 2024.

#### 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 2023/24, which is recognised by statute as representing proper accounting practices. The Code of Practice incorporates Best Value Accounting principles with which the Council has also complied.

# NARRATIVE REPORT

## Bath & North East Somerset in Context

As a local authority area Bath and North East Somerset (B&NES) was formed in 1996 and covers approximately 135.2 square miles. In 2022 there were estimated to be 195,618 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)

52% population educated to degree level or above, higher than West of England and England (ONS)

2.6% Unemployment rate, lower than national, regional and most similar authorities (ONS)

### Wellbeing

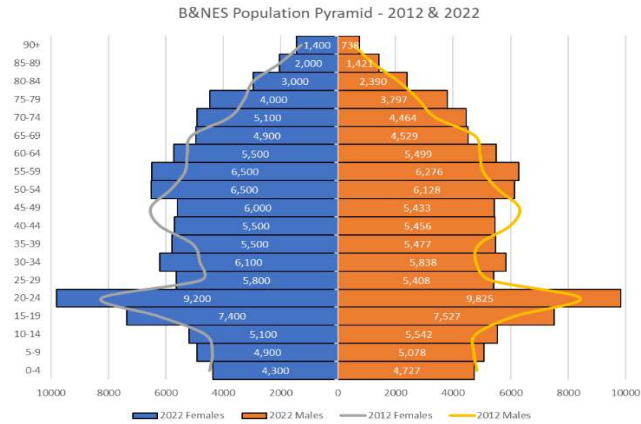
In the 2011 Census, 16% of residents reported that their day-to-day activities were limited through a long-term illness or disability and 10% of the population stated that they spent a substantial portion of their time caring for a friend or relative.

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 80.3 for men and 84.8 for women, significantly higher than national average. (OHID)

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

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



# NARRATIVE REPORT

## The Next Twelve Months & Medium Term Outlook

The Medium-Term Financial Strategy (MTFS) was approved in November 2023 and outlined the budget requirement over the medium to long-term, alongside the Council's strategic priorities and budget setting principles. Due to the unprecedented financial challenge following the Covid pandemic, the cost of living crisis and inflationary pressures, the MTFS set out how the Council will continue to strategically manage and transition the Council's financial recovery. The MTFS spans two years with a further three added to show the likely longer-term picture. However, there remains significant uncertainty in the future because the approach to funding Government nationally and locally is still subject to review after the next general election.

The Council needs to deliver a balanced budget over the term of the plan. A balanced budget means that balances or reserves are not used to meet on-going expenditure commitments. The updated plan shows a balanced budget for 2024/25 and 2025/26 with a future years budget gap from 2026/27 although this is expected to reduce to a balanced position once the impacts of income growth and further efficiencies are factored in to budget planning. The figures include all estimates for future pay awards, pension costs, Council Tax, business rates, Government grant, and inflation. The revenue budget contingency includes £3m for general budget risk and £1m for inflationary pressures for new unbudgeted contract risk in 2024/25.

The budget has been developed considering how to operate with a higher cost base and lower income levels whilst delivering the Corporate Strategy to meet our key principles and commitments. After taking account of ongoing service cost pressures and new funding requirements, the starting point for the 2024/25 budget is a funding gap of £16.42m. The proposed budget meets this funding gap in two ways:

- 1) Income generation plans of £6.51m, and
- 2) Cost reduction plans of £9.91m.

The ongoing impact of high inflation and high demand for Social Care has created an imbalance in how the Council funds its services, Council tax and Business rates alone do not fully fund the Council's services. To balance the budget the Council needs to grow its commercial, and fees and charges income and also reduce its running costs. The Council revenue support grant has reduced from £31m in 2013/14 to £0.83m per annum in 2024/25 and as a result we have become more reliant on external income to help fund core Council services. After considering demands on services and inflationary pressure the Council revenue budget requires £24.94m in budget growth. This is funded through increases in Council tax, Business rates, income and savings plans and grant adjustments.

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

- Adult Services budget growth £5.7m
- Children's Services budget growth £7.3m
- Highways budget growth £1.6m
- Neighbourhood Services budget growth £2.1m

To deliver a balanced budget in 2024/25 and 2025/26 savings and income generation plans total £16.42m for 2024/25 and £6.97m for 2025/26. The Council has a good track record of delivering proposed savings. In relation to the 2023/24 approved savings of £14.38m, 76% (£10.98m) have been delivered in full, 4% (£0.57m) have been mitigated by one-off underspends in year, with the remaining 20% delayed until 2024/25 or addressed through the budget setting proposals

An updated Efficiency Strategy was approved in February 2024, 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 £1.48m of capital receipts to fund one-off costs of delivering savings in 2023/24 with £1.77m balance remaining for use in 2024/25.

The Local Government Finance Settlement for 2024/25 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 2024/25. This provides a significant financial benefit to the Council with estimated benefits of c.£3.2 million factored into the Council's budget in 2024/25.
- The Services Grant has been reduced from £0.958m to £0.165m in 2024/25, the reduction of £0.793m reflects the use of this grant by government to fund other grants within the finance settlement.
- An increase of £1.66m in Social Care grant funding taking the grant for 2024/25 to £11.73m was included in the provisional settlement. This increase is allocated to fund Children's Social Care demand pressures in line with previous years use of the Social Care grant. The final settlement provided an additional £500m nationally to top up the Social Care Grant, increasing the Council's grant allocation by £1.520m taking the total grant for 2024/25 to £13.250m. This additional funding is allocated to fund a £1.101m Adult Social Care contingency and a £0.419m Children's Services contingency for managing in year budget risk. This funding is assumed as recurrent in the base budget.
- Grant funding for 2024/25 of £3.193m through the Market Sustainability & Improvement Fund Grant. This includes the transfer in of the Workforce Fund grant which was paid separately in 2023/24. Taken together this represents an increase of £0.374m. This funding is assumed as recurrent in the base budget.
- An increase in the ring-fenced Adult Social Care Discharge Fund grant funding for 2024/25 of £0.458m taking the total grant for 2024/25 to £1.146m. This funding is assumed as recurrent in the base budget.
- Confirmation that the existing improved Better Care Fund social grant will be maintained at the same value as 2023/24, for B&NES this is £4.9m. This will protect the Better Care Fund schemes that have committed this funding on an annual basis.
- In recognising the continued pressures facing Adult Social Care (ASC) authorities, the government has allowed for a further 2% per annum allowance for the Adult Social Care Council Tax increase for the final year of the current spending review period to 2024/25.
- A general council tax increase cap of 3% for 2024/25 (this excludes the Adult Social Care Council Tax increase).

### The Budget agreed for 2024/25 included the following key proposals:

- An increase of 2% to Council Tax for the Adult Social Care Precept in recognition of the current demands and financial pressures on this service.
- An increase in general Council Tax of 2.99% in 2024/25.
- The Band D Council Tax for Bath and North East Somerset Council next year, including the Adult Social Care Precept increase of 2.00%, is £1,736.42 (£1,653.90 in 2023/24) an increase of 4.99% and £82.52 per Band D (£1.59 per week).
- A General Fund net revenue budget of £135.85m for 2024/25 and an approved Capital Programme for 2024/25 of £71.91m.

### Corporate Strategy

The 2024/25 Budget proposal sets out the framework and allocation of financial resources across the Council. How this is achieved will require close alignment to the Corporate Strategy as set out below.

ONE: We have one overriding purpose – to improve people's lives.

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**.

Our four values - bold, empowered, supportive and transparent - continue to underpin all of our work.

## NARRATIVE REPORT

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

Our Corporate Strategy to 2027 builds on our achievements and reflects the ambitions and priorities of the council's administration elected in May 2023. It provides a clear and ambitious framework for delivery, it also sets out how shared outcomes will be embedded through partnerships such as our Future Ambition Board and Health and Wellbeing Board.

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

- Delivery of the Council's Being Our Best programme to enable a joined up organisational structure that meets the objectives of providing the Council with Great Jobs, Smarter Structures and a Culture of Excellence.
- Develop a new strategy and service provision of Adult Social Care services to the residents of Bath and North East Somerset.
- Focus on ensuring financial sustainability in Children's services. This recognises the increased demand and complexity of caseload. We continue to work on improving our financial and management information which are key to creating a modern and resilient service.
- Delivery against an ambitious new Economic Strategy for Bath and North East Somerset, prioritising green growth, good jobs and affordable housing.
- Manage the Councils operational assets through the introduction of a Corporate Landlord model that ensures the best use for the Council's services and its communities.
- Continued investment to support the most vulnerable people in our communities.
- Continued commitment to secure action to address the climate and ecological emergency.
- Continue to focus on council wide business change programmes which balance service improvement within a clear return on investment framework.
- Deliver new ways for our residents, businesses, partner organisations, visitors and internal service teams to interact and receive council information and services, using digital channels.
- Ensuring that we are able to manage labour market demands and fluctuations across our workforce but particularly in operational roles in both social care and neighbourhood services.

### Total Resources Available for the Capital Programme

The table below summarises the approved resources available for the 2024/25 Capital Programme and the indicative programme for the next five years, including both fully approved and provisionally approved schemes. This level of resource ensures that overall planned spending and funding are in balance.

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
<b>Total Schemes</b>	<b>186,098</b>	<b>66,724</b>	<b>40,081</b>	<b>20,156</b>	<b>24,423</b>
<b>Funding Sources</b>					
Grant	52,856	40,166	15,828	8,812	8,489
Capital Receipts	11,183	994	1,000	0	0
Revenue	3,878	20	40	20	20
Borrowing	77,315	46,028	38,583	43,294	20,124
3rd Party (incl. s106 & CIL)	7,717	3,490	2,189	2,987	1,003
<b>Total Funding</b>	<b>152,949</b>	<b>90,698</b>	<b>57,640</b>	<b>55,113</b>	<b>29,636</b>

### Revenue Outturn and Balances 2023/24

The Council's net revenue budget was set at £131.026m with an increase of 4.99% in its part of the 2023/24 Council Tax (split 2% for the Adult Social Care precept and a 2.99% general increase). Dedicated Schools Grant funding of £53.670m separately supports expenditure on schools.

Total net spending amounted to £149.791m against a revised budget of £149.996m, giving a year end under budget position of £0.205m on the general fund before carry forwards. After allowing for the carry forwards of underspends of £0.336m, the final outturn position is an overspend of £0.131m. The Cabinet Outturn report proposes the transfer of the £0.131m from the corporate revenue budget contingency earmarked reserve. This transfer and the carry forwards will be reflected in the 2024/25 accounts. The uncommitted General Fund balance (unearmarked reserves) after allowing for the transfers and carry forwards remains at £12.6m, which is in accordance with the current risk assessed target range approved by the Council in February 2023.

Schools balances have increased by £0.356m to £1.190m at the year-end, this is partly due to some schools building up balances for capital projects in future years.

The Council followed well established procedures for monitoring its finances and reporting the position to Senior Management and the Cabinet throughout the year. Significant inflation and demand cost pressures have continued to impact the Council during the year, including the staff pay award settlement which was £2.1m higher than budget provision requiring the release of corporate contingency budgets to fund this gap. With a projected overspend of £6.5m forecast based on the first half of the financial year, the Council put in place management actions including reducing discretionary spend, holding staffing posts vacant where viable to do so, and maximising the use of external funding sources. These actions in addition to lower borrowing costs and the release of remaining corporate contingency contributed to a reduction in the forecast overspend to £1.8m at Quarter 3 with further improvement in the final quarter.

## NARRATIVE REPORT

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

**Children's Services** - over budget by £5.054m - There are two main drivers of this over budget position, firstly the continuing cost and demand pressures from 2022/23 across the demand-led placement and package budgets, and secondly the increasing pressures from ongoing cost and demand increases across Home to School Transport (HTST).

Demand-led placement pressures are due to a mix of increased demand, especially around Residential, Unaccompanied Asylum Seeker Children (UASC) and increased packages of care and support costs needed, due to the increased needs our Children and Young People continue to present with. There are also continued increased costs because of the complex packages of care needed for those with the highest need in the Disabled Children's Team (DCT). In total these areas are £3.18m over budget. The biggest area of pressure is Residential (£1.22m over budget), this has been driven by an increase in numbers of placements because of the need to safeguard young people suffering criminal exploitation, in addition to an increased trend of young people suffering from emotional dysregulation and mental health. The other principal areas of pressure are DCT (£1.02m over budget), spend on packages of care to support those not in care to remain so (£0.81 over budget), UASC support (£0.51m over budget), Independent Foster Carers (£0.42m over budget) and Mother and Baby placements (£0.08m over budget). The complex needs funding stream underspend (Joint Agency Panel - JAP) offsets some of the DCT overspend, as young people who are no longer funded from JAP are funded now from DCT instead (JAP £0.91m under budget).

The £3.18m pressure across the demand-led budgets includes partial mitigation by an additional £1.00m in-year one-off savings. This is in addition to the £1.19m budgeted Transformation savings being delivered in 2023/24. The in-year savings are a result of focussed work across multiple areas such as reduction in the usage of Independent Foster Carers, holding vacancies, delayed spend and reduced agency usage versus 2022/23.

The Home to School Transport (HTST) service includes a £1.42m over budget position. This is due to significant pressure from ongoing market forces creating cost pressures when procuring HTST, including reduced availability of drivers, costs inflation and reduced tendering activity for many routes. Pressures from Teachers Pensions of £0.16m (this is a new ongoing pressure), and staffing pressures (£0.33m over budget) across the SEN Team, Psychology Team and Safeguarding and Quality Assurance Team also contributed to the adverse position. The aforementioned staffing pressures are primarily from the need to use agency staffing to respond to demand and cover vacancies.

**Adult Services** – over budget by £1.393m – The outcome is an over budget position after a transfer from the Adult Social Care reserve of £0.514m. Increased activity has been seen in 2023/24 with demand for package placements increasing by over 25%. The cost of care also continued to increase during the year due to the economic and market factors experienced through 2023/24 and the increasing complexity in care needs. The Market Sustainability and Improvement Fund Grant monies (MSIF £1.7m) has been used to support market sustainability in meeting the increasing fee rates seen. This funding continues in 2024/25. Arrangements for hospital discharges have continued and were jointly agreed with the Bath and North East Somerset, Swindon and Wiltshire Integrated Care Board (BSW ICB), making use of the various discharge grants received in 2023/24. These arrangements are planned to continue in 2024/25.

The level of future demand is expected to cause pressure that will see more people requiring support and rising cost pressures that providers face due both to general inflation and sector specific cost pressures. To balance this, work will continue with providers on issues to make the market more sustainable and on the delivery of the service transformation plans to ensure services can be provided to meet and sustain this demand.

**Neighbourhood Services** – over budget by £1.696m – Waste and Fleet Services ended the year with an adverse variance of £1.55m. Key reasons for the overspend were staffing costs to maintain service levels, and costs incurred as a result of moving to the new Pixash site. Underachievement of income in the Bereavement and Public Protection services has also contributed to the portfolio overspend outcome position.

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

**Resources** - under budget by £4.278m – Borrowing costs were £1.87m less than budgeted, primarily due to slippage in spend on the Council's capital programme. This also contributed to a lower Minimum Revenue Provision charge (the charge to revenue made in respect of paying off the principal sum of the borrowing undertaken to finance the capital programme), which was £0.98m less than budgeted. Release of corporate contingencies (£0.92m) to support the Council's bottom line position, along with government grant income (£0.67m) mainly related to business rates which was notified late in the financial year resulted in corporate budgets coming in at a total favourable variance of £5.01m.

The IT Service ended the year with a £0.35m favourable variance resulting from in-year contract efficiencies and staffing underspends, while the Revenues and Benefits Service was able to maximise government grants to fund costs to achieve a £0.39m underspend. This helped offset overspends in Housing Benefit Subsidy (£0.96m) and Commercial Estate (£0.56m). High demand for temporary accommodation to reduce homelessness at a cost over and above the claimable subsidy was the fundamental reason for the Housing Benefit Subsidy adverse variance, while staffing pressures and service supported borrowing costs were key reasons for the Commercial Estate outcome position.

**Economic & Cultural Sustainable Development** - under budget by £2.337m – Heritage Services' visitor numbers were in excess of budgeted levels for 2023/24, which combined with underspends on maintenance and investment budgets resulted in a service favourable variance of £2.88m. The Corporate Estate ended the year with an adverse variance of £0.2m due to high costs of running surplus / unoccupied buildings. Regeneration also ended the year with an adverse variance, primarily due to the holding costs of the Old Post Office in advance of the property generating a rental income for the organisation.

**Highways** – under budget by £1.668m – Parking income has exceeded budget across the majority of locations. This, combined with a number of staff vacancies, means the service ended the year with a £0.92m favourable budget position. Street-works income within the Network and Traffic Management service is also over and above budgeted levels, which combined with staffing underspends totalled a £0.55m favourable variance. Vacancies and reductions in running costs across Passenger Transport also contribute £0.31m to the portfolio underspend position.

### Schools Outcome & Balances

The overall Dedicated Schools Grant for 2023/24 was £177.104m, however of this sum £123.873m was returned to the DFE to be allocated to academies, £29.075m was allocated to schools through funding formula, with the remaining £24.596m (after the prior year overspend of £13.453m) 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 £8.810m, 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 reflects the payment of £550k from the DFE as part of the Safety Valve plan (see below). This Overspend will be carried forward along with the accumulated deficit on the DSG of £13.453m giving a total overspend to be carried forward of £22.263m. In line with Government guidance any overspend is carried forward for recovery against future DSG funding. Therefore, the Council cannot fund this pressure from its own general fund revenue budget (unless permission is given by the Secretary of State to disregard the requirement to fund from the DSG). Year-end budgets have been adjusted to reflect the transfer of the £22.263m overspend into a specific unusable reserve for recovery against future DSG funding. This treatment is in line with 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 DSG budget deficits from the Councils' general fund and, following the announced extension, covers the period to 31st March 2026.

In March 2023 the LA entered into a Safety Valve Agreement recovery plan to bring spending in line with budget over the next 6 years with the DFE. The Safety valve agreement is a process set up to support Local Authorities with DSG deficits, whereby the LA will show its ability to ensure that spending is controlled within the DSG and the DFE will look to support the accumulated overspend. The agreement signed by the LA and the DFE sets out the recovery of the cumulative overspend with the DFE providing additional funding to the LA as set out in the table below. However, as we have not achieved the targets of our plan the DFE require the Council to submit a revised version so also shown below is the payments received to date.

## NARRATIVE REPORT

Year	The Department agrees to pay to the authority the additional £'m of DSG by each year end	Actual payments received to date £m
2022/23	£7.68m	£7.68m
2023/24	£1.65m	£0.55m
2024/25	£1.65m	TBC
2025/26	£1.65m	TBC
2026/27	£1.65m	TBC
2027/28	£1.65m	TBC
2028/29	£3.29m	TBC
<b>Total</b>	<b>£19.22m</b>	<b>£8.23m to date</b>

To date the LA has received £8.23m and the DFE will reprofile the remaining payments over the length of the new arrangement once it has been agreed.

The seven schools maintained by the Local Authority have balances that have increased by £356k to £1.190m at the year-end. This increase is partly due to some schools building up balances for capital projects in future years. 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.

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

Service (based on Cabinet Portfolios)	Budget £'000	Actual £'000	(Under)/ Over Budget £'000
Leader	(214)	(263)	(49)
Council Priorities & Delivery	7,912	7,603	(309)
Resources	6,023	1,745	(4,278)
Economic & Cultural Sustainable Development	(1,584)	(3,921)	(2,337)
Adult Services	66,869	68,262	1,393
Children's Services	41,090	46,144	5,054
Climate Emergency & Sustainable Travel	1,481	1,354	(127)
Built Environment & Sustainable Development	2,838	3,278	440
Neighbourhood Services	25,955	27,651	1,696
Highways	(374)	(2,062)	(1,688)
<b>Total (before carry forwards)</b>	<b>149,996</b>	<b>149,791</b>	<b>(205)</b>
Carry Forward Requests (Underspend)			<b>336</b>
<b>Total (Including Carry Forwards)</b>			<b>131</b>

The Leader Portfolio is made up of Emergency Services, Housing Delivery Vehicle and External Affairs & Partnerships.

The Council Priorities and Delivery Portfolio includes Human Resources & Organisational Development and Business Change, as well as Corporate Governance and Corporate Strategy & Communications.

The Resources Portfolio is made up of Finance, Revenues & Benefits, Information Technology, Audit & Procurement, Legal & Democratic Services, Commercial Estate and Corporate & Agency budgets.

The Economic & Cultural Sustainable Development Portfolio is made up of Property Services, Corporate Estate, Heritage, World Heritage, Events & Active Lifestyles, Regeneration and Business & Skills.

Adult Services is made of Adult Care, Health & Housing Strategy & Commissioning (including Mental Health, Learning Difficulties, Adult Social Care & Adult Safeguarding), Adult Substance Misuse, Public Health and Leisure.

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

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

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

The Neighbourhood Services Portfolio is made up of Parks & Bereavement, Waste & Fleet Services, Customer Services, Registrars, Community Safety & Public Protection.

The Highways Portfolio is made up of Network & Traffic Management, Highways Maintenance, Clean Air Zone, Parking and Public & Passenger Transport.

## NARRATIVE REPORT

### Collection Fund

As part of the 2024/25 budget setting, an estimate was made on the position of the Collection Fund as at 31st March 2024. 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 £5.716m over the estimated position. The main reason for the improvement relates to a release from the Business Rates Appeals provision following a review of outstanding appeals against the 2017 rating list as at 31st March 2024. The difference will be taken into consideration when estimating the closing 2024/25 Collection Fund as part of the 2025/26 budget process.

	Estimated surplus / (deficit) £'000	Actual surplus / (deficit) £'000	Difference £'000
Council Tax	(249)	123	372
Business Rates	(57)	5,287	5,344
<b>Total</b>	<b>(306)</b>	<b>5,410</b>	<b>5,716</b>

### Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement includes a number of items that are not required to be included in the General Fund and to be taken into account in setting the Council Tax. The Comprehensive Income and Expenditure Statement included within this Statement of Accounts shows the net cost of services for the year of £183.8m. This reconciles to the General Fund spending reported above as follows:

	£'000	£'000
Total net spending by departments		149,791
Add:		
Charges related to capital assets:		
- depreciation, amortisation and impairments	16,664	
- revenue expenditure funded from capital under statute	7,962	
- loss / (gain) on revaluations	14,085	
		38,711
Other Movements:		
Grant funded revenue expenditure funded from capital under statute	(5,879)	
Unapportioned pensions contributions	(121)	
Levy payments	(5,459)	
Interest received and paid	(5,052)	
Non-Ringfenced Government Grants	18,268	
Other movements on funds and balances	6,559	
Minimum Reserve Payment (MRP)	(10,184)	
Net transfers from / (to) reserves	(2,828)	
		(4,696)
Cost of services - continuing operations		<b>183,806</b>

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

## NARRATIVE REPORT

### Capital Expenditure

Capital expenditure in 2023/24 totalled £82.4m. Overall capital spending was 77% of the revised capital budget, primarily reflecting the delivery time to complete projects moving into future financial periods. Details are:

Cabinet Portfolios	Planned Spend £'000	Actual Spend £'000	Variation on planned spend £'000
Leader	734	497	(237)
Climate Emergency & Sustainable Travel	2,135	1,759	(376)
Resources	10,689	6,245	(4,445)
Economic & Cultural Sustainable Development	12,582	8,296	(4,287)
Children's Services	3,940	1,148	(2,793)
Adult Services	2,533	2,214	(319)
Highways	18,366	14,883	(3,483)
Neighbourhood Services	25,942	24,022	(1,921)
Built Environment & Sustainable Development	5,458	4,439	(1,018)
	<b>82,380</b>	<b>63,502</b>	<b>(18,878)</b>

Capital expenditure was financed by:

	£'000
Capital Receipts	2,356
Grants	17,876
Borrowing	37,030
3rd Party Contributions	456
Revenue	928
S.106 / CIL contributions	4,856
	<b>63,502</b>

The largest capital spend was £20.6m on the Keynsham Reuse and Recycling Site at Pixash Lane which became full operational in the year. Housing Delivery Schemes spend was £2.6m. Capital spend of £11.9m was on Highways infrastructure, Bath City Centre Security £2.8m and Liveable Neighbourhoods £0.7m. £1.0m of spend was incurred on New Technology for improved staff working, with Commercial Estate Investment of £1.7m and maintenance on council buildings of £3.3m.

### Property, Plant & Equipment

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

Transfers of £29.467m from Assets Under Construction reflecting projects becoming operational in the year:-

	£'000
Keynsham Recycling Hub	23,817
Highways Infrastructure	2,207
City Centre Protection Measures	2,150
Social Housing Programme	608
Residents Parking Zones	383
Keynsham Park Memorial Bridge	158
Other	144
	<b>29,467</b>

Net Property Revaluation loss of £7.232m for Other Land and Buildings and Surplus Assets for the following classes of assets:-

	£'000
Playing Fields	2,533
Children Centres	2,383
Heritage	2,204
Car Parks	1,533
Schools	(1,182)
Depot/Stores	(1,317)
Leisure Centres	(1,357)
Housing	(1,850)
Offices	(2,581)
Refuse/CA Sites	(7,948)
Other	350
	<b>(7,232)</b>

### Investment Property Assets Values

Investment Properties were subject to new valuations in 2023/24 and reflected a valuation basis of fair value.

A £14.6m reduction in Investment Property values has occurred since the last full valuation was undertaken (31st March 2023)

# NARRATIVE REPORT

## Non Financial Performance of the Council

### Council Priorities

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

#### Delivering for Local Residents

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

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

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

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

#### Focusing on Prevention

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

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

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

#### Preparing for the Future

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

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

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

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

Bath & North East Somerset Council

Improving People's Lives

Corporate Strategy (2023-27) Performance

Improving People's Lives

Bath & North East Somerset Council exists for one clear purpose - to improve people's lives. The 2023-2027 Corporate Strategy sets out how we will continue to do this over the next four years. This report shows how we are performing against our strategy's aims.

Core Policies

Tackling the climate and ecological emergencies

We will lead the UK in climate and nature action, building a sustainable future for Bath and North East Somerset - net zero, nature positive, by 2030

Giving people a bigger say

We will listen to and work with residents to act on their concerns

Principles

Preparing for the future

We will work towards a resilient, sustainable economy that is fair, green, creative and connected

Delivering for local residents

We will continually improve frontline services across our communities, whilst protecting the most vulnerable

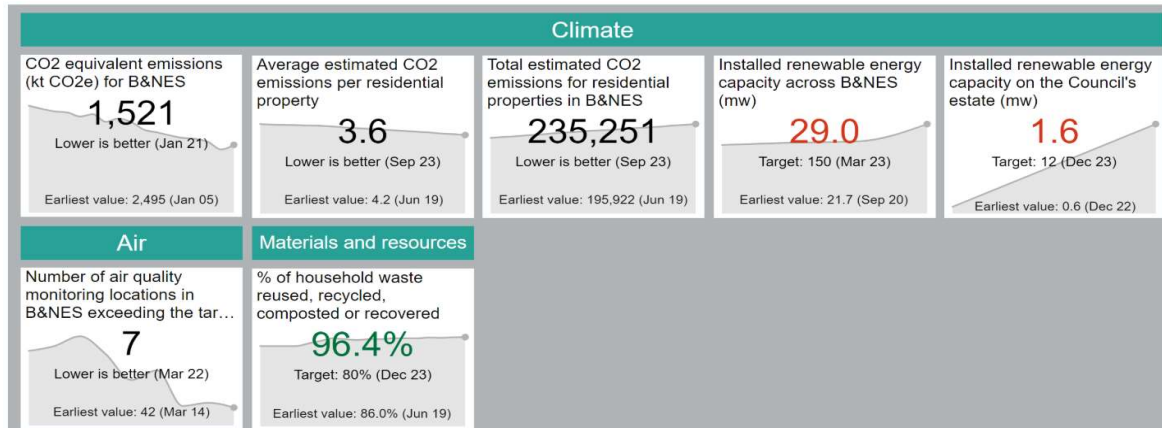
Focusing on prevention

We will invest in prevention across all services to tackle inequalities and improve local areas

## Corporate Strategy (2023-27) Performance

Tackling the climate and nature emergency

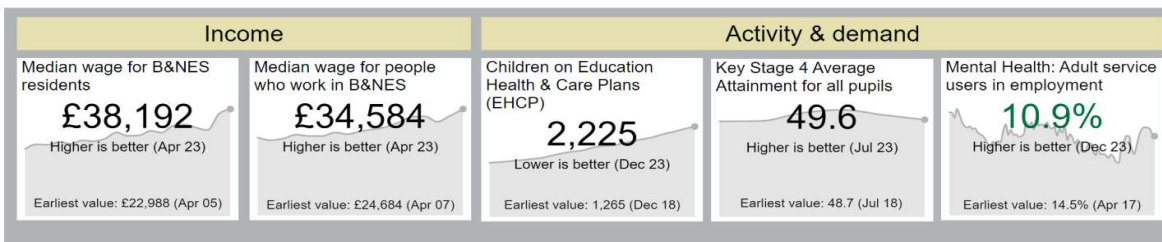
We will lead the UK in climate and nature action, building a sustainable future for Bath and North East Somerset - net zero, nature positive, by 2030



## Corporate Strategy (2023-27) Performance

Preparing for the future

We will work towards a resilient, sustainable economy that is fair, green, creative and connected



## Corporate Strategy (2023-27) Performance

Delivering for local residents

We will continually improve frontline services across our communities, whilst protecting the most vulnerable



## Corporate Strategy (2023-27) Performance

Giving people a bigger say

We will listen to and work with residents to act on their concerns



## NARRATIVE REPORT

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

#### Corporate Strategy (2023-27) Performance

Focusing on prevention - supporting children and adults

We will invest in prevention across all services to tackle inequalities and improve local areas

##### Deliver for children & young people

Early Years Foundation  
Stage Achievement Gap

39%

Lower is better (Jul 23)

Earliest value: 34.0% (Jul 14)

% of mothers known to be  
smokers at the time of  
delivery

8.1%

Lower is better (Dec 22)

Earliest value: 10.4% (Dec 11)

% of year 6 pupils (female)  
at healthy weight: gap  
between most and least d...

12.4%

Lower is better (Mar 23)

Earliest value: 17.2% (Mar 14)

% of year 6 pupils (male) at  
healthy weight: gap  
between most and least d...

15.7%

Lower is better (Mar 23)

Earliest value: 13.6% (Mar 14)

Child in Need Plan closures  
(step-downs)

86.7%

Higher is better (Dec 23)

Earliest value: 82.6% (Jun 21)

##### Deliver for children & young people

Child Protection Plans  
stepped down or closed

86.4%

Higher is better (Dec 23)

Earliest value: 81.8% (Jun 21)

% of repeat referrals in 12  
months

14.6%

Lower is better (Dec 23)

Earliest value: 17.0% (Jun 21)

##### Support vulnerable adults

Overall satisfaction of  
people who use services  
with their care and support

69.5%

Higher is better (Mar 23)

Earliest value: 73.3% (Mar 18)

#### Corporate Strategy (2023-27) Performance

Focusing on prevention - performance - good health

We will invest in prevention across all services to tackle inequalities and improve local areas

##### Places that promote good health

Inequality in life expectancy  
at birth (male)

4.9

Lower is better (Dec 20)

Earliest value: 7.6 (Dec 12)

Inequality in life expectancy  
at birth (female)

2.3

Lower is better (Dec 20)

Earliest value: 4.9 (Dec 12)

Healthy life expectancy at  
birth (male)

65.7

Higher is better (Dec 20)

Earliest value: 65.4 (Dec 11)

Healthy life expectancy at  
birth (female)

65.7

Higher is better (Dec 20)

Earliest value: 67.5 (Dec 11)

Self reported wellbeing:  
people with a high anxiety  
score

23.5%

Lower is better (Dec 22)

Earliest value: 21.8% (Dec 12)

#### Corporate Strategy (2023-27) Performance

Focusing on prevention - activity & demand

We will invest in prevention across all services to tackle inequalities and improve local areas

##### Activity & demand

Children looked after per  
10k

62.7

Lower is better (Dec 23)

Earliest value: 38.0 (Mar 15)

Children on Child Protection  
plan per 10k

40.1

Lower is better (Dec 23)

Earliest value: 29.0 (Mar 15)

Adult Safeguarding: %  
enquiries where risk  
removed/reduced

90%

Higher is better (Dec 23)

Earliest value: 78.9% (Apr 17)

Adult Social Care: Care  
Home admissions per 100k

31.5

Target: 44.9 (Dec 23)

Earliest value: 48.1 (Apr 17)

% Adults at home 91 days  
after reablement service

83.3%

Target: 77% (Sep 23)

Earliest value: 86.8% (Apr 18)

Households in temporary  
accommodation

84

Lower is better (Dec 23)

Earliest value: 31 (Jun 19)

# NARRATIVE REPORT

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## Corporate Risk Management

The Council's Risk Management Strategy was last reviewed and updated in 2019 and sets out the framework to manage risk. A revised Risk Management Strategy will be subject to consultation in 2024. The Council's Corporate Strategy (2023 to 2027) and priorities were approved by Council on 20th July 2023. The overriding purpose of the Strategy is to improve people's lives and the two core policies of tackling the climate and ecological emergency and giving people a bigger say was to be the focus of the Council's work.

Senior Management continue to assess key risks at a strategic level and actively manage risk daily to respond to the challenges of delivering services. A Corporate Risk Register owned and maintained by the Corporate Management Team is subject to quarterly review. The Register was presented alongside the Risk Management Framework to the Corporate Audit Committee in February 2024. The Corporate Risk Register is included in the Corporate Intelligence Section of the Council's Integrated Reporting Framework which brings together finance, performance and risk into one corporate reporting portal.

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

Work to manage risk in 2023/24 has focussed on –

- How we plan for and meet the ongoing Financial Challenge which has been compounded by international events and inflationary pressures.
- The dedicated schools grant deficit and the safety valve agreement with the Department for Transport.
- Providing transport to vulnerable children based on supplier resilience and increase in costs.
- Supporting and stimulating Economic Growth and Regeneration.
- Safeguarding children and vulnerable adults in our community.
- Health, safety and wellbeing.
- Provision of statutory services.
- Climate emergency response.
- Securing systems and data.
- Workforce recruitment and retention.
- Delivering community services and joined up commissioning with the ICB and partners.
- Working across the West of England to stimulate housing needs, skills and employment, support major transport projects and provide public transport.
- Managing and investing in the key infrastructure and assets of the area and tackling major transport issues.

## Pension Fund

As required by the Local Government Pension Scheme (LGPS) Regulations 2013, an actuarial valuation of the Avon Pension Fund was carried out as at 31 March 2022. The market value of the Fund's assets at the valuation date was £5,822m. The Actuary estimated that the value of the Fund was sufficient to meet 96% of its expected future liabilities of £6,060m in respect of service completed to 31 March 2022, with a deficit of £238m. This triennial valuation set the employer contribution rates from 1 April 2023. The next triennial valuation will be as at 31st March 2025.

## Pension Liabilities

The Council itself has a liability of £83.1m 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 2023/24 is mainly due to gains from changes in the Actuary's assumptions in valuing the assets and liabilities, as detailed in Note 41.

## Group Accounts

There is now a requirement to consider a consolidation of group accounts under the Local Authority Statement of Recommended Practice (SORP) 2010. The Council has group relationships with Aequus Developments Ltd (ADL) (develop, deliver, own & manage property) and Aequus Construction Ltd. (ACL) (building construction & development). Both entities are ultimately 100% subsidiaries of the Council, with ADL and ACL both being 100% subsidiaries of Aequus Group Holdings Ltd (AGHL) (non-trading holding company), which itself is a 100% subsidiary of the Council.

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

## Further Information

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

The accounts continue to be produced promptly and to an exceptionally high standard against the challenging background of multiple pressures in local government, including continuing to manage the post pandemic impact on our finances. This has resulted in increased demand across all services, including finance, together with the challenging deadline of producing these accounts by the 31st May 2024. 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**

Executive Director - Resources (Section 151 Officer)

**Date:** **xx November 2024**

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2023/24

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	2022/23 Gross Exp Restated £'000	2022/23 Gross Inc Restated £'000	2022/23 Net Exp Restated £'000		2023/24 Gross Exp £'000	2023/24 Gross Inc £'000	2023/24 Net Exp £'000
49				<b>Expenditure on Services</b>			
	902	(1,173)	(271)	Leader	1,275	(1,309)	(34)
	8,915	(5,129)	3,786	Council Priorities & Delivery	10,686	(1,520)	9,166
	50,978	(40,835)	10,144	Resources	61,051	(45,185)	15,866
	28,271	(21,714)	6,557	Economic & Cultural Sustainable Developm't	26,065	(26,704)	(639)
	122,978	(53,206)	69,772	Adult Services	128,196	(59,919)	68,277
	119,785	(78,553)	41,232	Children's Services	124,483	(78,326)	46,157
	2,469	(1,217)	1,252	Climate Emergency & Sustainable Travel	4,073	(2,434)	1,639
	11,518	(8,077)	3,441	Built Environment & Sustainable Development	15,303	(11,381)	3,922
	38,922	(8,917)	30,005	Neighbourhood Services	47,011	(9,598)	37,413
	24,384	(22,267)	2,116	Highways	24,644	(22,605)	2,039
	409,122	(241,088)	168,034	<b>Cost of Services - continuing Operations</b>	<b>442,787</b>	<b>(258,981)</b>	<b>183,806</b>
9			7,514	Other Operating Expenditure			8,667
10			22,873	Financing and Investment Income & Expenditure			10,684
11			(182,156)	Taxation and Non-Specific Grant Income			(177,084)
			16,265	<b>(Surplus) or Deficit on Provision of Services</b>			26,073
24			(25,034)	(Surplus) on Upward Revaluation of Non-current Assets			(21,950)
24			2,661	Deficit on Downward Revaluation of Non-current Assets			12,567
41			(232,937)	Remeasurement of the net defined benefit liability			(33,470)
			(255,310)	<b>Other Comprehensive Income &amp; Expenditure</b>			(42,853)
			(239,045)	<b>Total Comprehensive Income &amp; Expenditure</b>			(16,780)

## MOVEMENT IN RESERVES STATEMENT 2023/24

This Statement shows the movement from the start of the year to the end of the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices, and the statutory adjustments required to return the amounts chargeable to Council Tax for the year. The Net Increase / Decrease line shows the statutory General Fund Balance movements in the year, following those adjustments.

<b>Current Year</b>	Unearmarked General Fund Balance £'000	Earmarked General Fund Balance £'000	<b>Total General Fund Balance £'000</b>	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves (Note 23) £'000</b>	Unusable Reserves (Note 24) £'000	<b>Total Authority Reserves £'000</b>
<b>Balance at 31 March 2023</b>	12,802	70,824	<b>83,626</b>	9,042	-	<b>92,668</b>	316,853	<b>409,522</b>
Movements During 2023/24:								
Total Comprehensive Income & Expenditure	(26,073)	-	<b>(26,073)</b>	-	-	<b>(26,073)</b>	42,853	<b>16,780</b>
Adjustments between accounting basis and funding basis under statutory provisions	28,888	-	<b>28,888</b>	(1,331)	-	<b>27,557</b>	(27,557)	-
<b>Increase / (Decrease) during year</b>	2,815	-	<b>2,815</b>	(1,331)	-	<b>1,484</b>	15,296	<b>16,780</b>
Transfers to / (from) earmarked reserves	(2,828)	2,828	-	-	-	-	-	-
<b>Balance at 31 March 2024</b>	<b>12,789</b>	<b>73,652</b>	<b>86,441</b>	<b>7,711</b>	-	<b>94,152</b>	<b>332,149</b>	<b>426,301</b>

<b>Comparative Year</b>	Unearmarked General Fund Balance £'000	Earmarked General Fund Balance £'000	<b>Total General Fund Balance £'000</b>	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves (Note 23) £'000</b>	Unusable Reserves (Note 24) £'000	<b>Total Authority Reserves £'000</b>
<b>Balance at 31 March 2022</b>	15,876	95,447	<b>111,323</b>	8,518	22	<b>119,863</b>	50,613	<b>170,477</b>
Movements During 2022/23:								
Total Comprehensive Income & Expenditure	(16,265)	-	<b>(16,265)</b>	-	-	<b>(16,265)</b>	255,310	<b>239,045</b>
Adjustments between accounting basis and funding basis under statutory provisions	(11,432)	-	<b>(11,432)</b>	524	(22)	<b>(10,930)</b>	10,930	-
<b>Increase / (Decrease) during year</b>	<b>(27,697)</b>	-	<b>(27,697)</b>	<b>524</b>	<b>(22)</b>	<b>(27,195)</b>	<b>266,240</b>	<b>239,045</b>
Transfers to / (from) earmarked reserves	24,623	(24,623)	-	-	-	-	-	-
<b>Balance at 31 March 2023</b>	<b>12,802</b>	<b>70,824</b>	<b>83,626</b>	<b>9,042</b>	-	<b>92,668</b>	<b>316,853</b>	<b>409,522</b>

## BALANCE SHEET as at 31 MARCH 2024

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 2023 £'000		31 March 2024 £'000
12	262,210	Property, Plant & Equipment:	
	4,335	Land & Buildings	303,503
	22,095	Community Assets	4,874
	61,089	Vehicles, Plant & Equipment	21,923
	3,428	Assets under Construction	40,274
12a	133,532	Surplus assets	3,429
13	48,564	Infrastructure	144,297
14	256,385	Heritage Assets	48,564
15	650	Investment Property	242,016
19	7,596	Intangible Assets	480
	799,883	Long Term Debtors	8,875
		<b>Long Term Assets</b>	<b>818,234</b>
16	13,960	Short Term Investments	7,801
18	520	Inventories	709
19	48,441	Short Term Debtors	56,844
20	28,541	Cash and Cash Equivalents	24,265
17	170	Assets Held for Sale	0
	91,633	<b>Current Assets</b>	<b>89,619</b>
16	-	Short Term Borrowing	(10,413)
21	(74,397)	Short Term Creditors	(70,047)
35	(1,600)	Grants Receipts In Advance - Revenue	(2,402)
35	(19,573)	Grants Receipts In Advance - Capital	(41,215)
	(95,570)	<b>Current Liabilities</b>	<b>(124,077)</b>
22	(15,532)	Provisions	(7,764)
16	(212,551)	Long Term Borrowing	(238,101)
41&42	(126,304)	Other Long Term Liabilities	(92,413)
35	(32,037)	Grants Receipts In Advance - Capital	(19,197)
	(386,424)	<b>Long Term Liabilities</b>	<b>(357,475)</b>
	<b>409,522</b>	<b>Net Assets</b>	<b>426,301</b>
23	92,669	Usable reserves	94,152
24	316,853	Unusable Reserves	332,149
	<b>409,522</b>	<b>Total Reserves</b>	<b>426,301</b>

The accounts were authorised for issue on xx xxxxx 2024.

**Andy Rothery**                      **Executive Director - Resources**

Date: xx xxxxx 2024

## 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.

	2022/23 £'000	See Note 25 for further details	2023/24 £'000
	(16,265)	Net surplus or (deficit) on the provision of services	(26,073)
		Adjustment to surplus or deficit on the provision of services for non cash movements	
A	57,304		37,406
		Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
A	(48,059)		(24,206)
	(7,020)	Operating Activities	(12,874)
C	(5,173)	Investing Activities	(19,482)
D	(9,245)	Financing Activities	28,079
	(21,438)	Net Increase/(decrease) in cash equivalents	(4,276)
E	49,979	Cash & cash equivalents at the beginning of the reporting period	28,541
E	28,541	Cash & cash equivalents at the end of the reporting period	24,265

# NOTES TO MAIN FINANCIAL STATEMENTS

## 1 ACCOUNTING POLICIES

### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end 31 March 2024. 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 2023/24 (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### 1.2 Qualitative Characteristics of Financial Statements

**Relevance** - The accounts have been prepared with the objective of providing information about the Council's financial performance and position that is useful for assessing the stewardship of public funds, and for making financial decisions.

**Materiality** - The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted, provided that in aggregate, they would not affect the interpretation of the accounts.

**Faithful Representation** - The financial information in the accounts is a faithful representation of the economic performance of the Council as they have been prepared to reflect the reality or substance of the transaction, are free from deliberate or systematic bias, are free from material error and contain all the information necessary to aid understanding.

**Verifiability** - Different knowledgeable and independent observers will be able to reach the same conclusion from the information presented in the accounts.

**Timeliness** - The information provided in the accounts is available to decision makers in time to be capable of influencing their decisions.

**Understandability** - These accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and Local Government. Every effort has been made to use plain language, and where technical terms are unavoidable, they have been explained in the glossary contained within the accounts.

### 1.3 Underlying Assumptions

#### Accruals Basis

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

#### Going Concern

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

#### Primacy of Legislation Requirements

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

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

### 1.4 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- \* Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- \* Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received, and their consumption, they are carried as inventories on the Balance Sheet.
- \* Works are charged as expenditure when they are completed, before which they are carried as Works In Progress on the Balance Sheet.
- \* Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- \* Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- \* Income and expenditure are credited and debited to the relevant service account, unless they properly represent capital receipts or capital expenditure.
- \* Employee benefits are accounted for as they are earned.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 1.5 Revenue Recognition

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

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

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

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

### 1.6 Tax Income (Council Tax & Non-Domestic Rates)

Non Domestic Rates (NDR)

- Retained Business Rate income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.
- Top Up income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Council Tax

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

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

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

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

### 1.7 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

### 1.8 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus of Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies below. Capital reserves are not available for revenue purposes.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 1.9 Government Grants and Contributions

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

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

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

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

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

### 1.10 Employee Benefits

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

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

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

### Post-Employment Benefits

Employees of the Council are members of two separate pension schemes:

The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

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

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council.

However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a Defined Contribution Scheme - no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education line in the Comprehensive Income & Expenditure Statement is charged with the employer's contributions payable to Teacher's Pensions in the year.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 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 4.9% (based on the indicative rate of return on high quality corporate bonds [all corporate bonds that have an AA rating from at least one of Moody's and S&P Global Ratings]).

The assets of the Avon Pension Fund attributable to the Council are included in the balance sheet at their fair value:

- Quoted Securities - bid price
- Unquoted Securities - professional estimate
- Unlisted Securities - average of the bid and offer rates
- Property - market value.

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

#### Service Costs:

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

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

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

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

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

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

**Benefits Paid** - payments to discharge liabilities directly to pensioners.

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

### Discretionary Benefits

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

### 1.11 VAT

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

### 1.12 Overheads and Support Services

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

### 1.13 Property, Plant & Equipment (excluding Infrastructure Assets)

Property, plant and equipment are assets held for use in the provision of services or for administrative purposes on a continuing basis.

**Recognition:** expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to revenue as it is incurred. In relation to Assets Under Construction, these are recognised at invoiced cost. Once an Asset Under Construction has reached practical completion, it will become operational and will be transferred to the appropriate asset class.

**Measurement:** Assets are initially measured at cost, comprising of the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The authority does not capitalise borrowing costs incurred while assets are under construction.. Assets are then carried in the Balance Sheet using the following measurement bases:

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

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Non-current assets are valued in accordance with the guidance published by the Royal Institution of Chartered Surveyors. Valuations are undertaken by the Council's Property Services Department on a recurring, minimum 5 year basis and reviewed annually for impairment and material changes. The valuations were done 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.

## NOTES TO MAIN FINANCIAL STATEMENTS

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

Depreciation is calculated on the following bases:

- \* other buildings - straight-line allocation over the life of the property as estimated by the valuer
- \* vehicles, plant and equipment - straight-line allocation over the life of the asset as advised by a suitably qualified officer
- \* community assets - straight line allocation over the life of the property as estimated by the valuer
- \* assets under construction - assets are not depreciated until they become operational.

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being

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

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

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

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

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

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

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

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

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

### 1.13a Highways Infrastructure Assets

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

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

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

**Impairment:** Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. Properties are not depreciated but values are reviewed on a recurring annual basis according to market conditions at year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

### 1.16 Heritage Assets

The Council's museum, galleries, Record Office and libraries hold a number of collections of historical artefacts. The collections include archaeological artefacts, coin collections, fine and decorative art collections, fashionable dress, accessories and associated paperwork collections, rare books, maps, manuscripts and local history collections.

They are maintained for their contribution to knowledge and culture and are held in order to preserve them for future generations. Details relating to accessibility of these items to the public is available on the Council's website.

#### Museum Collections

Museum collections will be reported in the Balance Sheet at market value where the information is available. In other circumstances, valuations for insurance purposes will be used if appropriate. Valuations need not be all recurring and are not required to be carried out or verified by external valuers, and so in most cases will be undertaken by the Museum's Curator. Where officers are unable to value items themselves, external expertise may be used.

Acquisitions will only relate to existing subject fields and areas of collection. The collections will not be extended into new areas. This is in line with the policy set by the Museums and Archives Service. New acquisitions will be recognised at cost for assets purchased. Donated assets will be recognised at valuation if available or insurance values where relevant.

#### Chandeliers

The chandeliers located in the Guildhall will be reported in the balance sheet at a valuation representing their insurance value.

#### Statues and Monuments

The Authority has a number of statues, fountains, memorials and monuments throughout the area. As there is no readily available valuation held by the Council and no definitive market value for these types of assets they will not be recognised on the Council's Balance Sheet.

#### Historical Buildings

The Council owns many historic buildings. Buildings such as the Roman Baths, Victoria Art Gallery and Guildhall are operational buildings and as such remain classified within Property, Plant and Equipment in the Council's balance sheet. Others are held within the Council's Investment Estate. The accounting treatment of these buildings will not change. Some of these buildings contain some items of antique furniture.

### 1.17 Fair Value Measurement

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

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

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

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

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

Level 3 - unobservable inputs for the asset or liability.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 1.18 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Previously called 'Deferred charges' this is expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue expenditure funded from capital incurred during the year has been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the costs from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged on General Fund Balances in the Movement in Reserves Statement so there is no impact on the level of Council Tax.

### 1.19 Cash & Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### 1.20 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### The Authority as Lessee

##### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the leases inception. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset.

Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the period in which they are incurred. Lease payments are apportioned between:

- \* a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and

- \* a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life.

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

##### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

### The Authority as Lessor

#### Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- \* a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease debtor (together with any premiums received), and
- \* finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### Operating Leases

Where the Authority grants an operating lease over a property or item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### 1.21 Financial Instruments

#### Financial Liabilities

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

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

#### Financial Assets

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

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

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

#### Financial Assets Measured at Amortised Costs

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

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

#### Expected Credit Loss Model

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

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 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. The cost of inventories is assigned using the FIFO costing formula.

### 1.23 Controlled Companies

During 2023/24 the Authority had three controlled companies - Aequus Group Holdings Limited, Aequus Construction Limited and Aequus Developments Limited. The turnover and assets held by Aequus Developments Ltd (ADL) and Aequus Construction Ltd. (ACL) is considered significant enough to produce Group Accounts, with further details in Note 45 below.

### 1.24 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but wither is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent Liabilities are not recognised in the accounting statements but disclosed by way of a note giving a brief explanation of any possible obligations and an estimate of the likely financial effect if known.

### 1.25 Accounting for Schools

In determining these accounting policies we have considered the treatment of land and building separately and referred to the requirements and considerations within the following publications and standards:

- The Code of Practice on Local Authority Accounting in the United Kingdom;
- IAS 16 Property, plant and equipment as adopted by the Code;
- IFRIC4 / IAS 17 Leases.

The Code of Practice on Local Authority Accounting concluded that schools are separate entities and that under IFRS 10, Maintained Schools (but not Free Schools or Academies) meet the definition of entities controlled by local authorities which should be consolidated in group accounts. However, rather than requiring local authorities to prepare group accounts, the Code requires local authorities to account for Maintained Schools within their single entity accounts. This includes schools Income and Expenditure as well as assets and liabilities.

Academies and Free Schools are managed completely independently of the Council with funding provided directly by Central Government, with the exception of some top up funding typically for Special Needs. The Council has granted long leases as part of the Academies transfer which includes a peppercorn rent, with the net present value of future minimum lease payments deemed to be nil in the finance lease calculation. No revenue or capital amounts are therefore recognised in the Council's accounts for these schools.

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

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

The recognition of Community Schools Non-current Assets within the Property Plant and Equipment Land and Building Valuations is in accordance with usual Service provision and is generally straightforward, with the Council being the freeholder of land and buildings. However, for other Maintained Schools (Voluntary Aided, Voluntary Controlled Schools and Foundation Schools) the accounting is a little more complex, in particular where ownership with the Trustee is not formalised. A further consideration is that the ownership of these school sites can be split into areas of Playing Fields and Buildings, and individual buildings.

A review of Land Registry records has established ownership of the asset by Trustees. However, there is no formal documentation that assigns control of economic benefits and service potential from Trustees to the schools. This arrangement is termed by CIPFA in LAAP101 as a "mere license", terminable by a Trustee at any time without causal action and the Diocese of Clifton has confirmed this as their view for the Catholic schools. It was concluded that "mere licenses" under a lease accounting analysis would not be recognised as assets.

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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The Council's adopted policy in the Financial Statements for the accounting treatment of Non-Current Assets Used by Local Authority Maintained Schools that fall within the Authority's boundary is as follows:

- i. Where assets are fully transferred to a Diocese or Trustee Body and there is strong supporting evidence of a transfer, the Authority will not include these assets on its Balance Sheet.
- ii. Where elements of an asset are retained by the Authority and there are Land Titles to support this, the Authority will include these as assets on its Balance Sheet.
- iii. Where transfer to a Diocese or Trustee Body is not complete or pending, the Authority will include these assets on its Balance Sheet.
- iv. Where there is no evidence to support transfer to a Diocese or Trustee Body, the Authority will include these assets on its Balance Sheet.

### 1.26 Group Accounts

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

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

### 1.27 Joint Working Arrangements

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

### 1.28 Pooled Budget Arrangements

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

### 1.29 Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date that the Statement of Accounts is authorised for issue. Two types of events can be identified:

- 1) those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- 2) those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### 1.30 City Region Deal

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

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

#### Income

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

#### Expenditure

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2024. The following changes if adopted for the financial year 2023/24 are not expected to have a material effect on the Authorities Statement of Accounts.

**Amendments to IAS1 Presentation of Financial Statements** - Classification of Liabilities as Current or Non- Current

**Amendments to IAS1 Presentation of Financial Statements** - Non-current Liabilities with covenants

**Amendments to IAS 7 Statement of Cash Flows & IFRS7 Financial instruments: Disclosures** - Supplier Finance Arrangements

**Amendments to IAS12 Income Taxes** - International Tax Reform: Pillar Two Model Rules

**Amendments to IFRS 16 Leases** - Lease Liability in a Sale and Leaseback

However the 2024/25 Code also adopts the **International Financial Report Standard 16 Leases (IFRS 16)** for application from 1 April 2024, adopting the following definition of a lease:

*'a contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time'*

The impact of which makes significant changes to the accounting of leases in the Council's Statement of Accounts which is detailed below.

As a result the following changes to the Accounting policy for leases will need to be made in 2024/25.

#### **The Authority as Lessee**

All Leases are finance leases unless they meet one of the following exemption criteria:

1. The lease is for a short term, defined as less than 365 days at inception.
2. The Value of the underlying asset being leased, is of a low value when new, defined as less than £5,000.

Finance leases are recognised on the balance sheet at commencement, as a:

- Right of Use Asset at the date of commencement for the amount equal to the lease liability adjusted for the amount of any prepaid or accrued lease payments; and
- Lease Liability at the date of commencement for an amount equal to the present value of the remaining lease payments discounted using the lessees incremental borrowing rate.

Where a lease meets one of the exemption criteria then it will be classified as an operating lease and accounted for with in the Authorities revenue account.

For existing leases as at 1 April 2024 the Code mandates the following practical expedients:

1. Authorities must apply the Short Term Exemption, based on the remaining life of the lease at transition.
2. To only apply IFRS 16 to contracts previously identified as a lease or containing a lease under IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease, as adopted by the 2023/24 Code.

#### **Nil Considerations leases - Authority as Lessee or Lessor**

The definition of leases adopted by the code brings nil consideration leases into lease accounting, for the first time.

Where assets are leased for nil consideration the right of use asset will be valued at fair value on the date of initial application or where this cannot be obtained at a cost commensurate with the benefits to users of the financial statements, current value shall be used as a proxy. Any gain or loss on transition shall be recognised as a donated asset.

The estimated impact of implementing IFRS 16 accounting, for the authority as lessee, on the main statements are:

- Comprehensive Income & Expenditure Account  
The annual lease payment of £1.16m will be removed from the cost of services and replaced with Minimum Revenue Payments (MRP) and interest payable.
- Balance sheet
  - A £4.79m right of use asset will be added to PPE and accounted for in line with owned assets; and
  - A corresponding lease liability of £4.79m will be created and reported under creditors.

The lease disclose note will from 2024/25 include the in year cost of short term and low value leases currently estimated to be £129k and £180k respectively. Also disclosed will be the weighted average lessee incremental borrowing rate as applied to lease liabilities at initial application which is estimated to be 5.38%, based on the authority being able to borrow at the Public Works Loan Board certainty rate on 1 April 2024.

#### **The Authority as Lessor**

For leases where the authority is a lessor, work is currently ongoing to gather all the information required to make the necessary determination between operating and finance leases. Therefore, the estimated impact of implementing IFRS 16 where the authority is the lessor is not reasonably estimable at the date of production of these accounts.

### 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 above, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

#### **Fair Value of Public Works Loan Board (PWLb) Loans**

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

#### **Pooled Budgets**

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

#### **Group Accounts**

In considering whether or not to produce group accounts in line with Accounting Policy 1.26, the Council has reviewed its group activities for the 2023/24 financial year and based on the estimates of group financials for our 100% owned companies. With turnover of Aequus Construction Ltd. (ACL) of £4.384m and Aequus Developments Ltd (ADL) of £1.564m 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.

## NOTES TO MAIN FINANCIAL STATEMENTS

### 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 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### Pensions Liability

An estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Liabilities have been assessed using the projected unit credit actuarial cost method. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the Council's Fund being based on the latest full valuation of the scheme as at 31 March 2022. The next triennial valuation is due to be completed as at 31 March 2025.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out Note 41. The sensitivity analyses have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analyses have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

The liability as at 31st March 2024 is £83.1m.

#### 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 £2.4m change for Investment Properties (Note14), and £2.6m change for Property Plant and Equipment (Note 12).

### 5 MATERIAL ITEMS OF INCOME AND EXPENSE

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

### 6 EVENTS AFTER THE BALANCE SHEET DATE

The Draft Statement of Accounts was authorised for issue by the Executive Director - Resources on xx xxxxx 2024. 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 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this situation.

#### Academy Schools

These accounts reflect the transfer of assets and liabilities in respect of those schools which became Academies in prior financial years. The following schools have submitted applications to convert to Academy status.

St Mary Bath Catholic Primary

St Johns Bath Catholic Primary

## NOTES TO MAIN FINANCIAL STATEMENTS

### 7 EXPENDITURE AND FUNDING ANALYSIS

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

	As reported for Resource Management	Adjustment to arrive at the new amount chargeable to the General Fund Balance (Note 7a)	Net Expenditure charged to the General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
2023/24	£'000	£'000	£'000	£'000	£'000
Leader	(263)	-	(263)	229	(34)
Council Priorities & Delivery	7,603	(300)	7,303	1,863	9,166
Resources	1,745	12,317	14,062	1,804	15,866
Economic & Cultural Sustainable Development	(3,921)	(896)	(4,817)	4,178	(639)
Adult Services	68,262	(1,137)	67,125	1,152	68,277
Children's Services	46,144	39	46,183	(27)	46,156
Climate Emergency & Sustainable Travel	1,354	43	1,397	243	1,640
Built Environment & Sustainable Development	3,278	(636)	2,642	1,280	3,922
Neighbourhood Services	27,651	(2,025)	25,626	11,787	37,413
Highways	(2,062)	(2,659)	(4,721)	6,760	2,039
<b>Net Cost Of Services</b>	<b>149,791</b>	<b>4,746</b>	<b>154,537</b>	<b>29,269</b>	<b>183,806</b>
Other Income & Expenditure	(139,054)	(18,298)	(157,352)	(381)	(157,733)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>10,737</b>	<b>(13,552)</b>	<b>(2,815)</b>	<b>28,888</b>	<b>26,073</b>
Opening General Fund Balance at 31 March 2023			83,626		
<b>Closing General Fund Balance at 31 March 2024</b>			<b>86,441</b>		

	As reported for Resource Management	Adjustment to arrive at the new amount chargeable to the General Fund Balance (Note 7a)	Net Expenditure charged to the General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
2022/23 (Restated)	£'000	£'000	£'000	£'000	£'000
Leader	(423)	(882)	(1,305)	(41)	(1,346)
Council Priorities & Delivery	2,980	806	3,786	-	3,786
Resources	(4,593)	13,356	8,763	5,478	14,241
Economic & Cultural Sustainable Development	1,664	4,207	5,871	3	5,874
Adult Services	67,826	(2,470)	65,356	3,792	69,148
Children's Services	36,540	(1,238)	35,302	5,274	40,576
Climate Emergency & Sustainable Travel	1,120	(956)	164	1,088	1,252
Built Environment & Sustainable Development	2,767	(10)	2,757	681	3,438
Neighbourhood Services	24,950	(6,752)	18,198	10,960	29,158
Highways	(897)	42	(855)	2,762	1,907
<b>Net Cost Of Services</b>	<b>131,934</b>	<b>6,103</b>	<b>138,037</b>	<b>29,997</b>	<b>168,034</b>
Other Income & Expenditure	(94,131)	(16,209)	(110,340)	(41,430)	(151,769)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>37,803</b>	<b>(10,106)</b>	<b>27,697</b>	<b>(11,433)</b>	<b>16,266</b>
Opening General Fund Balance at 31 March 2022			111,323		
<b>Closing General Fund Balance at 31 March 2023</b>			<b>83,626</b>		

## NOTES TO MAIN FINANCIAL STATEMENTS

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

	Rental Income reported at Portfolio Level (a) £'000	Other Income reported at Portfolio Level (a) £'000	Interest Payments reported at Portfolio Level (a) £'000	Other Payments reported at Portfolio Level (a) £'000	Adjustments to the net amount chargeable to the General Fund £'000
<b>2023/24</b>					
Leader					-
Council Priorities & Delivery				(300)	(300)
Resources	16,113	20,570	(17,941)	(6,425)	12,317
Economic & Cultural Sustainable Development	388			(1,284)	(896)
Adult Services				(1,137)	(1,137)
Children's Services				39	39
Climate Emergency & Sustainable Travel				43	43
Built Environment & Sustainable Development				(636)	(636)
Neighbourhood Services				(2,025)	(2,025)
Highways				(2,659)	(2,659)
<b>Net Cost of Services</b>	16,501	20,570	(17,941)	(14,384)	4,746
Other Income & Expenditure	(16,501)	(20,570)	7,354	11,419	(18,298)
<b>Surplus or Deficit</b>	-	-	(10,587)	(2,965)	(13,552)

	Adjustment for capital purposes (b) £'000	Net charges for Pension Fund adjustment (c) £'000	Other Adjustments (d) £'000	Total Adjustments Between Funding & Accounting Basis £'000
Leader	229	-	-	229
Council Priorities & Delivery	1,859	-	4	1,863
Resources	(9,041)	(1,395)	12,240	1,804
Economic & Cultural Sustainable Development	4,631	(455)	2	4,178
Adult Services	1,802	(652)	2	1,152
Children's Services	763	(803)	13	(27)
Climate Emergency & Sustainable Travel	243	-	-	243
Built Environment & Sustainable Development	1,476	(199)	3	1,280
Neighbourhood Services	12,778	(994)	3	11,787
Highways	7,137	(377)	-	6,760
<b>Net Cost of Services</b>	21,877	(4,875)	12,267	29,269
Other Income & Expenditure	(2,895)	4,841	(2,326)	(381)
<b>Surplus or Deficit</b>	18,981	(34)	9,941	28,888

## NOTES TO MAIN FINANCIAL STATEMENTS

2022/23 (Restated)	Rental Income reported at Portfolio Level (a) £'000	Other Income reported at Portfolio Level (a) £'000	Interest Payments reported at Portfolio Level (a) £'000	Other Payments reported at Portfolio Level (a) £'000	Adjustments to the net amount chargeable to the General Fund £'000
Leader				(882)	(882)
Council Priorities & Delivery				806	806
Resources	15,062	18,015	(16,873)	(2,848)	13,356
Economic & Cultural Sustainable Development	632			3,575	4,207
Adult Services				(2,470)	(2,470)
Children's Services				(1,238)	(1,238)
Climate Emergency & Sustainable Travel				(956)	(956)
Built Environment & Sustainable Development				(10)	(10)
Neighbourhood Services				(6,752)	(6,752)
Highways				42	42
<b>Net Cost of Services</b>	<b>15,694</b>	<b>18,015</b>	<b>(16,873)</b>	<b>(10,733)</b>	<b>6,103</b>
Other Income & Expenditure	(15,694)	(18,015)	7,280	10,220	(16,209)
<b>Surplus or Deficit</b>	<b>-</b>	<b>-</b>	<b>(9,593)</b>	<b>(513)</b>	<b>(10,106)</b>

	Adjustment for capital purposes (b) £'000	Net charges for Pension Fund adjustment (c) £'000	Other Adjustments (d) £'000	Total Adjustments Between Funding & Accounting Basis £'000
Leader	(41)			(41)
Council Priorities & Delivery	-			-
Resources	(6,686)	2,690	9,474	5,478
Economic & Cultural Sustainable Development			3	3
Adult Services	1,327	2,462	3	3,792
Children's Services	2,067	3,148	59	5,274
Climate Emergency & Sustainable Travel	1,088	-	-	1,088
Built Environment & Sustainable Development	162	514	5	681
Neighbourhood Services	8,202	2,753	5	10,960
Highways	1,436	1,326	-	2,762
<b>Net Cost of Services</b>	<b>7,555</b>	<b>12,893</b>	<b>9,549</b>	<b>29,997</b>
Other Income & Expenditure	(20,189)	8,786	(30,026)	(41,429)
<b>Surplus or Deficit</b>	<b>(12,634)</b>	<b>21,679</b>	<b>(20,477)</b>	<b>(11,432)</b>

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

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

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

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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

2023/24	General Fund Balance £'000's	Usable Reserves Capital Receipts Reserve £'000's	Capital Grants Unapplied £'000's	Movement in Unusable Reserves £'000's
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Charges for depreciation of Non-Current Assets	16,431			(16,431)
Revaluation gains / Impairments on Property Plant & Equipment	14,085			(14,085)
Movements in the Market Value of Investment Properties	14,563			(14,563)
Amortisation of Intangible Assets	233			(233)
Capital Grants & contributions applied	(5,879)			5,879
Revenue expenditure funded from Capital under Statute	7,962			(7,962)
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	867			(867)
Impairment allowance for capital expenditure loans	9			(9)
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Statutory provision for the financing of capital investment expenditure charged against the General Fund	(10,184)			10,184
Principal repayment of Avon Loan	(403)			403
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(17,308)		17,308	
Application of grants to capital financing transferred to the Capital Adjustment Account			(17,308)	17,308
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,018)	1,018		
Use of the Capital Receipts Reserve to finance new capital expenditure		(2,356)		2,356
Capital expenditure financed from revenue	(928)			928
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)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-			-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	(169)			169
<b>Adjustments primarily involving the Dedicated Schools Grant Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	8,810			(8,810)
<b>Adjustments primarily involving the Pooled Fund Adjustment Account:</b>				
Amount by which the change in fair value of pooled funds charged to the Comprehensive Income & Expenditure Statement is different from that calculated for the year in accordance with statutory requirements.	1,089			(1,089)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	19,630			(19,630)
Employer's pensions contribution and direct payments to pensioners payable in the year	(19,664)			19,664
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	198			(198)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	27			(27)
Other movements	537			(537)
<b>Total Adjustments</b>	<b>28,888</b>	<b>(1,331)</b>	<b>-</b>	<b>(27,557)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

2022/23

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

## NOTES TO MAIN FINANCIAL STATEMENTS

### 9 OTHER OPERATING EXPENDITURE

	2023/24 £'000	2022/23 £'000
(Gain) / Loss on disposal of non-current assets	(157)	(1,015)
Parish Precepts	3,365	3,074
Levy payments to joint bodies	5,459	5,455
	<u>8,667</u>	<u>7,514</u>

### 10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2023/24 £'000	2022/23 £'000
Interest Payable & Premiums	7,354	7,280
Interest & Investment Income	(2,302)	(1,532)
Net Deficit/(Surplus) on Trading Services	97	-
Income & expenditure in relation to Investment properties and changes in fair value	(401)	6,865
Impairment of Financial Instruments	6	(55)
Loss / (Gain) on Financial Instruments carried at Fair Value through Profit or Loss	1,089	1,529
Net Interest on the Net Defined Benefit Liability (Asset)	4,841	8,786
	<u>10,684</u>	<u>22,873</u>

### 11 TAXATION AND NON-SPECIFIC GRANT INCOME

	2023/24 £'000	2022/23 £'000
Council Tax Income	(117,301)	(110,326)
Non-Domestic Rates Income & Expenditure	(24,206)	(15,275)
Non-ringfenced Government grants	(18,268)	(16,483)
Capital grants and contributions	(17,309)	(40,072)
	<u>(177,084)</u>	<u>(182,156)</u>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 12 PROPERTY, PLANT & EQUIPMENT

Movement in 2023/24:

	Other Land & Buildings £'000	Community Assets £'000	Veh'cls, Plant & Equipment £'000	Assets Under Construction £'000	Surplus Assets £'000	Heritage Assets £'000	Total Property, Plant & Equipment (excl. Infrastructure) £'000
<b>Cost or valuation as at 1 April 2023</b>	263,511	4,335	47,595	61,089	3,428	48,564	<b>428,522</b>
Additions	25,910	527	4,944	8,653	3	-	<b>40,037</b>
Revaluations increases/(decreases) recognised in the Revaluation Reserve	5,712	-	-	-	(2)	-	<b>5,710</b>
Revaluations increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(15,163)	-	-	-	-	-	<b>(15,163)</b>
De-recognition - Disposals	(264)	-	(1,919)	-	-	-	<b>(2,183)</b>
Assets reclassified to/from Held for sale	-	-	-	-	-	-	-
Reclassifications - other	26,457	12	127	(29,467)	-	-	<b>(2,871)</b>
Other Movements	(556)	-	-	-	-	-	<b>(556)</b>
<b>Valuation as at 31 March 2024</b>	<b>305,607</b>	<b>4,874</b>	<b>50,747</b>	<b>40,274</b>	<b>3,429</b>	<b>48,564</b>	<b>453,495</b>

#### Accumulated Depreciation and Impairment

Accumulated depreciation as at 1 April 2023	(1,301)	-	(25,500)	-	-	-	<b>(26,801)</b>
Adjustment to opening balance	-	-	-	-	-	-	-
Depreciation charge in year	(5,567)	-	(4,894)	-	-	-	<b>(10,461)</b>
Depreciation written out to the Revaluation Reserve	3,673	-	-	-	-	-	<b>3,673</b>
Depreciation written out to the Surplus/Deficit on Provision of Services	1,083	-	-	-	-	-	<b>1,083</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services*	-	-	-	-	-	-	-
De-recognition - disposals	8	-	1,570	-	-	-	<b>1,578</b>
Other Movements in Depreciation & Impairment	-	-	-	-	-	-	-
<b>Accumulated depreciation at 31 March 2024</b>	<b>(2,104)</b>	<b>-</b>	<b>(28,823)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(30,928)</b>
<b>Balance sheet amount 31 March 2024</b>	<b>303,503</b>	<b>4,874</b>	<b>21,923</b>	<b>40,274</b>	<b>3,429</b>	<b>48,564</b>	<b>422,567</b>

#### Revaluations (GBV)

Carried at Historic Cost	2,260	4,874	50,747	40,274	6		98,161
Heritage Valuations (Insurance or Curatorial)						48,564	48,564

Surplus Properties at Fair Value

Valued at Current value as at:

Y/E 31/03/2024	256,415				6		256,421
Y/E 31/03/2023	16,591				7		16,598
Y/E 31/03/2022	14,644				2,579		17,223
Y/E 31/03/2021	13,735				812		14,547
Y/E 31/03/2020	1,962				19		1,981
Y/E 31/03/2019	-				-		-
<b>Total Cost or Valuation</b>	<b>305,607</b>	<b>4,874</b>	<b>50,747</b>	<b>40,274</b>	<b>3,429</b>	<b>48,564</b>	<b>453,495</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

Comparative Movements in 2022/23:

	Other Land & Buildings	Community Assets	Veh'cls, Plant & Equipment	Assets Under Construction	Surplus Assets	Heritage Assets	<b>Total Property, Plant &amp; Equipment</b> (excl. Infrastructure)
	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Cost or valuation as at 1 April 2022</b>	232,039	1,558	44,883	72,302	3,543	48,382	<b>402,707</b>
Additions	15,361	558	3,788	27,820	12	-	<b>47,541</b>
Revaluations increases/(decreases) recognised in the Revaluation Reserve	18,969	-	-	-	(92)	182	<b>19,059</b>
Revaluations increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(2,239)	-	-	-	1	-	<b>(2,238)</b>
De-recognition - Disposals	(1,404)	-	(2,022)	-	(28)	-	<b>(3,454)</b>
Assets reclassified to/from Held for sale	-	-	-	-	-	-	-
Reclassifications - other	1,222	2,220	945	(37,930)	-	-	<b>(33,543)</b>
Other Movements	(439)	(1)	-	(1,103)	(7)	-	<b>(1,550)</b>
<b>Valuation as at 31 March 2023</b>	<b>263,511</b>	<b>4,335</b>	<b>47,595</b>	<b>61,089</b>	<b>3,428</b>	<b>48,564</b>	<b>428,522</b>
<b>Accumulated Depreciation and Impairment</b>							
Accumulated depreciation as at 1 April 2022	(980)	-	(22,842)	-	-	-	<b>(23,821)</b>
Depreciation charge in year	(4,825)	-	(4,601)	-	-	-	<b>(9,426)</b>
Depreciation written out to the Revaluation Reserve	3,223	-	-	-	-	-	<b>3,223</b>
Depreciation written out to the Surplus/Deficit on Provision of Services	1,124	-	-	-	-	-	<b>1,124</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services	-	-	-	-	-	-	-
De-recognition - disposals	156	-	1,944	-	-	-	<b>2,100</b>
Other Movements in Depreciation & Impairment	-	-	-	-	-	-	-
<b>Accumulated depreciation at 31 March 2023</b>	<b>(1,301)</b>	<b>-</b>	<b>(25,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,801)</b>
<b>Balance sheet amount 31 March 2023</b>	<b>262,210</b>	<b>4,335</b>	<b>22,095</b>	<b>61,089</b>	<b>3,428</b>	<b>48,564</b>	<b>401,721</b>

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

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

### Depreciation

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

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

## NOTES TO MAIN FINANCIAL STATEMENTS

### Revaluations

The Council carries out a recurrent rolling programme that ensures all PPE required to be measured out at least every five years, along with other revaluations as required. New valuations undertaken in 2023/24 were carried out to the value of £256.4m. Along with existing valid valuations, acquisitions and disposals this gave a total valuation of £306.8m. All valuations of land & buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

- Properties classified as occupied by the council for the purpose of its business have been valued on the basis of Fair Value (Existing Use Value), assuming vacant possession on all parts occupied by the Council.
- Surplus Properties have been valued with their "highest and best use" and are deemed to be level 2 Valuations from the hierarchy outlined in policy 1.17.
- Specialist building are valued at Depreciation replacement cost (e.g. Schools)
- All other assets are valued at Historical Costs, including Infrastructure and Vehicles
- Specific Voluntary Aided / Controlled schools, along with the Foundation School, where title deeds are not assigned to the Council are not included on the Council's Balance Sheet. In addition, no Academy Schools are held on the balance sheet.
- To Assets not revalued in year, estimated for enhancing expenditure and depreciation of useful life is applied.

### Capital Commitments

At 31 March 2024 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2023/24 and future years estimated to cost £14.161m. These are detailed below:

	2023/24	2022/23
	£'000	£'000
Bath Western Riverside Phase 2	374	871
Bath Quays	1,440	1,229
Clean Air Zone	42	206
Cleveland Bridge	70	442
Cycling and Walking Schemes	99	202
Education & Children's Services	300	2
Expansion of St Keyna Primary School	3,760	-
Green Infrastructure incl Parks & Allotments	246	201
Keynsham Reuse and Recycling Centre	391	22,785
Liveable Neighbourhoods	193	579
Resources (Property) Schemes	2,509	3,012
Social Rent Programme	2,511	240
Sydney Gardens	-	261
Waste incl Cleaning Vehicles	1,188	1,484
Other	1,038	1,045
<b>Total</b>	<b>14,161</b>	<b>32,559</b>

### 12a INFRASTRUCTURE ASSETS

Infrastructure assets have been separated from the Property, Plant and Equipment disclosure in Note 12 above, which includes accumulated cost and depreciation, and are shown below, detailing movements in Net Book Value only.

	2023/24	2022/23
	£'000	£'000
<b>Net book Value at 1 April</b>	133,532	104,407
Additions	11,920	18,033
Depreciation	(5,970)	(4,911)
Impairment	-	-
Reclassifications	4,908	16,004
Other Movements	(94)	-
<b>Net book Value at 31 March</b>	<b>144,297</b>	<b>133,532</b>

### 13 HERITAGE ASSETS

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

	Victoria Art Gallery	Roman Baths	Fashion Museum	Chandeliers	Records Office	Library	Total
2023/24 Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1st April	16,050	10,063	12,200	2,000	5,440	2,811	48,564
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Impairment Losses/(reversals)	-	-	-	-	-	-	-
recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment Losses/(reversals)	-	-	-	-	-	-	-
recognised in the Surplus or	-	-	-	-	-	-	-
Deficit on Provision of Service	-	-	-	-	-	-	-
<b>31st March</b>	<b>16,050</b>	<b>10,063</b>	<b>12,200</b>	<b>2,000</b>	<b>5,440</b>	<b>2,811</b>	<b>48,564</b>

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

	Victoria Art Gallery	Roman Baths	Fashion Museum	Chandeliers	Records Office	Library	Total
2022/23 Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1st April	16,135	9,996	12,200	1,800	5,440	2,811	48,382
Additions	-	-	-	-	-	-	-
Revaluations	(85)	67	-	200	-	-	182
<b>31st March</b>	<b>16,050</b>	<b>10,063</b>	<b>12,200</b>	<b>2,000</b>	<b>5,440</b>	<b>2,811</b>	<b>48,564</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 14 INVESTMENT PROPERTIES

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

	2023/24	2022/23
	£'000	£'000
Rental Income from Investment Property	(16,501)	(15,694)
Direct operating expenses arising from Investment Property	2,498	1,691
Net gain/(loss)	(14,964)	(14,003)

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.

	2023/24	2022/23
	£'000	£'000
Balance at start of year	256,385	257,093
Adjustment to opening balance		
Additions of expenditure	2,232	2,688
Disposals	-	-
Net gains/(losses) from fair value adjustments	(14,563)	(20,868)
Transfer (to)/from Property, Plant & Equipment	(2,038)	17,472
<b>Balance at end of the year</b>	<b>242,016</b>	<b>256,385</b>

The Council carries out annual valuations of all investment properties. The valuer's report identified a total valuation of £242.0m, 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.

	2023/24	2022/23
	£'000	£'000
<b>Cost or valuation as at 1 April</b>	<b>1,485</b>	<b>1,507</b>
Purchases	61	154
Transfers	-	66
Disposals	2	(242)
Net gains/losses from fair value adjustments		
<b>Cost or valuation as at 31 March</b>	<b>1,548</b>	<b>1,485</b>
Accumulated Amortisation as at 1 April	836	739
Amortisation for the period	233	224
Amortisation Write Back (Disposals)	-	(127)
Accumulated Amortisation at 31 March	1,069	836
<b>Net Carrying amount at 31 March</b>	<b>480</b>	<b>649</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 16 FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000
Financial liabilities at amortised cost - loans	210,686	236,204	-	10,000
Accrued Interest <sup>(1)</sup>	-	-	1,865	2,311
Financial liabilities at amortised cost trade creditors	-	-	19,994	17,386
<b>Total borrowings</b>	<b>210,686</b>	<b>236,204</b>	<b>21,859</b>	<b>29,697</b>

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

	Long-Term		Current	
	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000
Financial assets held at amortised cost *	-	-	32,300	22,100
Accrued Interest <sup>(1)</sup> *	-	-	268	223
Financial assets held at fair value through profit and loss	-	-	8,782	7,693
Cash	-	-	1,152	2,050
Loans & receivables - Loans	5,974	7,004	64	42
Loans & receivables - trade debtors	-	-	10,863	15,970
<b>Total Investments</b>	<b>5,974</b>	<b>7,004</b>	<b>53,429</b>	<b>48,078</b>

<sup>(1)</sup> 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 £22.215m as at 31st March 2024, with the remaining £0.18m being short term investments. (£27.389m Cash Equivalents as at 31st March 2023, with £5.179m being short term investments).

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

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

#### Financial Instruments Income, Expense, Gains & Losses

	Financial Assets & Liabilities at Fair Value measured at amortised cost through Profit & Loss			Financial Assets & Liabilities at Fair Value measured at amortised cost through Profit & Loss		
	31 March 2023 £'000	31 March 2023 £'000	Total 31 March 2023 £'000	31 March 2024 £'000	31 March 2024 £'000	Total 31 March 2024 £'000
Interest Expense *	(6,751)	-	(6,751)	(7,284)	-	(7,284)
Impairment Losses	-	55	55	-	(6)	(6)
Premium on Early Repayment of Debt	-	-	-	428	-	428
<b>Interest Payable &amp; Similar Charges</b>	<b>(6,751)</b>	<b>55</b>	<b>(6,696)</b>	<b>(6,856)</b>	<b>(6)</b>	<b>(6,862)</b>
Interest Income	1,112	420	1,532	1,863	439	2,302
<b>Interest &amp; investment Income</b>	<b>1,112</b>	<b>420</b>	<b>1,532</b>	<b>1,863</b>	<b>439</b>	<b>2,302</b>
Net Gain / (Loss) on Financial Assets Measured at Fair Value Through Profit or Loss	-	(1,529)	(1,529)	-	(1,089)	(1,089)
<b>Total Net gain/(loss) for the Year</b>	<b>-</b>	<b>(1,529)</b>	<b>(1,529)</b>	<b>-</b>	<b>(1,089)</b>	<b>(1,089)</b>
<b>Total Net Income, Expense, Gains &amp; Losses</b>	<b>(5,639)</b>	<b>(1,054)</b>	<b>(6,693)</b>	<b>(4,993)</b>	<b>(656)</b>	<b>(5,649)</b>

\* The Council also paid £0.900m (of which £0.403m related to principal), in respect of its share of debt relating to the former Avon County Council which is managed by Bristol City Council.

## NOTES TO MAIN FINANCIAL STATEMENTS

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

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

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

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

+ The fair values of long-term "Lender's Option Borrower's Option" (LOBO) loans have been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate and reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.

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

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

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

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

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

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

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

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

	Fair Value Level	31 March 2023		31 March 2024	
		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	191,714	156,834	227,692	195,770
Financial Liabilities - Local & Police Authority Loans (Long Term Borrowing)	2				
Financial Liabilities - Market Loans (Long Term Borrowing)	2	20,838	23,631	10,409	11,616
<b>Total</b>		212,551	180,465	238,101	207,386
<i>Liabilities for which fair values are not disclosed:</i>					
Financial Liabilities - Local & Police Authority Loans (Short Term Borrowing)		0		10,413	
Financial Liabilities - trade creditors (see Note 21)		19,994		17,386	
<b>Total Financial Liabilities</b>		<u>232,545</u>		<u>265,900</u>	

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

The fair value as at 31st March 2024 on the Council's portfolio of loans is lower than the carrying amount because the interest rate payable is lower than prevailing rate at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2024) arising from a commitment to pay interest to lenders below current market rates.

	Fair value Level	31 March 2023		31 March 2024	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
<i>Financial assets held at fair value:</i>					
Strategic Investment funds	2	8,782	8,782	7,693	7,693
<i>Financial assets held at amortised cost:</i>					
Money market funds and S/Term deposits	1	32,300	40,785	22,100	22,100
<b>Total</b>		41,082	49,567	29,793	29,793
<i>Assets for which fair value is not disclosed:</i>					
Accrued Interest		268		223	
Cash		1,152		2,050	
Loans & receivables - Loans		6,037		7,046	
Loans & Receivables - trade debtors (see Note 19)		10,863		15,970	
<b>Total Financial Assets</b>		<u>59,402</u>		<u>55,082</u>	

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

## NOTES TO MAIN FINANCIAL STATEMENTS

### Disclosure of nature and extent of risks arising from financial instruments

The Authority's activities expose it to a variety of financial risks:

\* credit risk - the possibility that other parties might fail to pay amounts due to the Authority

\* liquidity and refinancing risk - the possibility that the Authority might not have funds available, or that it may have to borrow funds at a high rate of interest, to meet its financial obligations.

\* market risk - the possibility that changes in market variables such as interest rates and asset prices may place an unexpected burden on the Authority's finances.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the central treasury team, under policies approved by the Authority in the Annual Treasury Management Strategy. The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk interest rate risk and investment of surplus cash.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. The Council's approved Treasury Management Strategy for 2023/24 sets the minimum credit ratings for the banks and financial institutions with which deposits can be made. The minimum credit ratings were Long Term rating A- or equivalent for UK banks and Foreign banks. The Council also set additional criteria in relation to the time limit and amount of monies which will be invested with financial institutions based on the level of their credit rating with a maximum lending limit of £10m restricted to UK banks and foreign banks.

For operational reasons, the Treasury Management Strategy for 2023/24 permitted the overnight use of the Council's current bank account provider (NatWest), subject to maintaining a credit rating of not lower than BBB-.

Investments in foreign countries will be limited to those that hold a AAA or AA+ sovereign credit rating from all three major credit rating agencies, and to a maximum of £15m per country for those rated AAA and £10 million for those rated AA+ per country. Banks that are domiciled in one country but are owned in another country will need to meet the rating criteria of and will count against the limit for both countries. There is no aggregate limit on investments in the UK.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

IFRS9 Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 112% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. At 31st March 2024, the value of the loss allowances related to treasury investments was £NIL. (2022/23 £4k).

In furtherance of the Council's service objectives, it has lent money to the various companies as set out in the table below. The Council manages the credit risk inherent in its loans in line with its published Investment Strategy, and IFRS9 loss allowances have been calculated by reference to the possibility of default in next 12 months using an interest rate margin approach. No material loans were written off to the Surplus or Deficit on the Provision of Services in 2023/24.

	Aequus Development Limited	Aequus Construction Limited	Aequus Working Capital	Other Loans	Totals
	£'000	£'000	£'000	£'000	£'000
Loans Brought Forward	5,973	-	-	86	6,059
New Loan Issued (*)	-	1,290	-	-	1,290
Repayments	(264)	(1)	-	(8)	(273)
<b>Loans Balance at 31st March 2024</b>	<b>5,709</b>	<b>1,289</b>	<b>-</b>	<b>78</b>	<b>7,076</b>
Cumulative IFRS 9 Loan Impairments at 31st March 2024	(25)	(4)	-	(1)	(30)

## NOTES TO MAIN FINANCIAL STATEMENTS

	2024 £'000	2023 £'000
Trade Debtors	15,970	10,863
Total debtors at 31st March (including trade debtors)	56,844	48,441

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 £15.8m outstanding at 31st March 2024 is all past its due date for payment.

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

	31 March 2024 £'000's	31 March 2023 £'000's
Less than three months	12,696	7,537
Three to six months	730	570
Six months to one year	928	650
More than one year	1,616	2,106
	<u>15,970</u>	<u>10,863</u>

The following table provides analysis of investment balances (including accrued interest) as at 31st March by the country of the counterparty.

If the financial institution is part of a group, the country is assessed by the parent financial institution.

	Amount at 31 March 2024		Amount at 31 March 2023	
	£'000's	%	£'000's	%
<b>Loans &amp; Receivables (Cash on Deposit) by Country Analysis</b>				
UK Debt Management Office	-	0.0%	-	0.0%
UK Local Authorities	-	0.0%	5,079	12.3%
UK - Other Financial Institutions	22,215	74.0%	27,389	66.2%
Pooled funds not subject to credit risk	7,800	26.0%	8,882	21.5%
<b>Total</b>	<b>30,015</b>	<b>100%</b>	<b>41,350</b>	<b>100%</b>

### Liquidity and Refinancing Risk

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

### The maturity analysis of borrowing is as follows:

	31 March 2023 £'000	31 March 2024 £'000
Borrowing due for repayment:		
Under 1 year *	20,432	20,193
Between 1 and 2 years	-	20,000
Between 2 and 5 years	-	-
Between 5 and 10 years	15,000	15,000
Between 10 and 15 years	20,300	40,300
Between 15 and 20 years	55,541	73,838
Between 20 and 25 years	39,141	17,019
Between 25 and 30 years	-	-
Between 35 and 40 years	20,000	20,000
Between 40 and 45 years	30,741	39,854
Between 45 and 50 years	9,532	0
	<u>210,686</u>	<u>246,204</u>

Trade creditors and interest on borrowing are not included in the above table. They fall due to be paid in less than one year.

The Council does hold £10m of borrowing through market loans called LOBO's (Lenders Option Borrowers Option) where, after an initial fixed interest period, the lender has six monthly options to increase the coupon rate of the loan (call date). If the lender decided to increase the coupon rate the Council would have the option to either agree to the increased rate or to repay the loan with no penalty charge. In the event that the Council decided to repay the loan and long term borrowing rates were unfavourable, it is likely that short term borrowing would be undertaken until long term rates return to target levels. The fixed interest period has passed on all loans and the lender has options to change the rate of interest in April and October of each year the loan continues.

\* The Council's LOBO loans are included as maturing within 1 year in the table above as the CIPFA Treasury Management Code requires to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date (6 monthly).

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

The Council has a target to have at least £15m of liquid investments to meet unexpected payments with in a rolling three month period.

As at 31 March 2024 the balance of liquid cash held was £22.2m (2022/23 £27.3m).

## NOTES TO MAIN FINANCIAL STATEMENTS

### Market Risk

#### Interest Rate Risk

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

- \* borrowings at variable rates - the interest expense charged to the Income and Expenditure Statement will rise
- \* borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- \* investments at variable rates - the interest income credited to the Income and Expenditure Statement will rise
- \* investments at fixed rates - the fair value of the assets will fall.

Borrowings and fixed rate investments are not carried at fair value, so nominal gains and losses on fixed rate borrowings & investments would not impact on the Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Statement and effect the General Fund Balance £ for £.

The effect of interest rates is monitored throughout the year and the impacts are reflected in budget monitoring reports which identify performance against the budget. This allows any adverse changes to be accommodated.

For indication purposes, at 31st March 2024, if interest rates had varied by 1% with all other variables held constant, the financial effect would be:

	Rise £'000	Fall £'000
Increase / Decrease in interest payable on variable rate borrowings	102	(27)
Increase / Decrease in interest receivable on variable rate investments	(200)	200
Impact on Income and Expenditure Statement	(98)	173
Decrease / Increase in fair value of fixed rate investment assets (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	(28)	28
Decrease / Increase in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	(17,247)	(20,745)

### 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 2024 would result in a £0.182m 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	
	2023/24	2022/23	2023/24	2022/23
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	170	871	-	-
Assets newly classified as held for sale:				
<i>Property, Plant &amp; Equipment</i>				
Additions	-	(3)	-	-
Revaluation gains/(losses)	-	100	-	-
Assets declassified as held for sale:				
<i>Property, Plant &amp; Equipment</i>				
Assets sold	(170)	(794)	-	-
Other Movement	-	(4)	-	-
<b>Balance outstanding at year end</b>	<b>0</b>	<b>170</b>	<b>-</b>	<b>-</b>

## 18 INVENTORIES

	Balance 31 March 2023	Purchases	Recognised as expense in year	Written off Balances	Balance 31st March 2024
	£'000	£'000	£'000	£'000	£'000
Consumable Stores	520	196	(7)	-	709
<b>Total Inventories</b>	<b>520</b>	<b>196</b>	<b>(7)</b>	<b>-</b>	<b>709</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 19 DEBTORS

	2023/24 £'000	2022/23 £'000
Amounts falling due in one year:		
Central Government bodies	7,013	8,209
Other local authorities	14,181	12,796
NHS bodies	5,196	3,902
Other entities and individuals (Trade Debtors)	15,970	10,863
Other entities and individuals (Non-Trade Debtors)	10,091	9,901
Prepayments	4,393	2,770
<b>Total - Current Assets</b>	<b>56,844</b>	<b>48,441</b>
Amounts falling after one year:	£'000	£'000
Other entities and individuals	8,875	7,596
<b>Total - Long Term Assets</b>	<b>8,875</b>	<b>7,596</b>

### 20 CASH AND CASH EQUIVALENTS

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

	2023/24 £'000	2022/23 £'000
Cash held by the Authority	120	123
Bank current accounts	1,930	1,029
Short-term deposits	22,215	27,389
<b>Total cash and cash equivalents</b>	<b>24,265</b>	<b>28,541</b>

### 21 CREDITORS

	2023/24 £'000	2022/23 £'000
Central government bodies	2,855	7,473
Other local authorities	9,779	9,232
NHS bodies	5,680	1,024
Other entities and individuals (Trade Creditors)	17,386	19,994
Other entities and individuals (Non-Trade Creditors)	21,890	23,415
Income Received in Advance	6,038	6,547
Pensions Fund	6,419	6,712
	<b>70,047</b>	<b>74,397</b>

### 22 PROVISIONS FOR LIABILITIES

Provisions comprise:	31 March 2023 £'000	New Provisions £'000	Utilised in Year £'000	Written Back £'000	31 March 2024 £'000
NNDR Appeals Provision	12,774		(3,953)	(3,624)	5,197
Leisure Rent Review Provision	113		(113)		-
Dilapidations Provisions	2,486	81			2,567
Ex-Avon Insurance Claim Provision	159		(159)		-
	<b>15,532</b>	<b>81</b>	<b>(4,225)</b>	<b>(3,624)</b>	<b>7,764</b>

- \* The NNDR Appeals Provision is for appeals made to the Valuation Office in respect of NNDR valuations.
- \* The Leisure Rent Review Provision The Leisure Rent Review Provision relates to costs associated with a historic lease agreement.
- \* The Dilapidations Provisions relates to dilapidation costs resulting from the exit of a long-term leases.
- \* The Ex-Avon Insurance Provision relates to potential costs in respect of Avon CC run off insurance claims and Municipal Mutual Levy payments which are subject to on-going review.

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

## NOTES TO MAIN FINANCIAL STATEMENTS

### 23 GENERAL FUND BALANCES AND RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2023/24:

<b>Unearmarked Reserves</b>	31 March 2023 £'000	transfers to £'000	transfers from £'000	31 March 2024 £'000
General Fund Balances unearmarked	12,802	27,299	(27,312)	12,789
<b>Earmarked Reserves</b>	31 March 2023 £'000	transfers to £'000	transfers from £'000	31 March 2024 £'000
LMS Schools Balances*	834	357	-	1,191
Corporate Earmarked Reserves	39,840	17,546	(11,270)	46,116
Service Specific Reserves	1,893	2,996	(453)	4,436
General Service Earmarked Reserves	28,257	2,364	(8,712)	21,909
	70,824	23,263	(20,435)	73,652
<b>Total General Fund Balances and Reserves</b>	<b>83,626</b>	<b>50,562</b>	<b>(47,747)</b>	<b>86,441</b>
<b>Other Usable Reserves</b>				
Capital Receipts Reserve	9,042	1,025	(2,356)	7,711
Capital Grants Unapplied Reserve	-	18,332	(18,332)	-
<b>Total Usable Reserves</b>	<b>92,669</b>	<b>69,919</b>	<b>(68,435)</b>	<b>94,152</b>

\* LMS Schools balances will be used by individual schools

	31 March 2023 £'000	transfers to £'000	transfers from £'000	31 March 2024 £'000
<b>Corporate Earmarked Reserves</b>				
Insurance Fund	1,041	241	(206)	1,076
Capital Financing Reserve	10,214	1,449		11,663
Revenue Funding of Capital	616	1,295	(1,015)	896
Financial Planning & Smoothing Reserve	3,200		(358)	2,842
Revenue Budget Contingency Reserve	3,469	109	(230)	3,348
Revenue Grants Unapplied	4,712	371	(4,046)	1,037
Transformation Investment Reserve	1,887		(487)	1,400
Restructuring & Severance Reserve	1,806	3,200	(124)	4,882
Business Rates Reserve	1,301	10,048	(1,201)	10,148
City Region Sustainable Transport Settlement Reserve	3,000			3,000
COVID-19 Reserves	3,814		(2,724)	1,090
Other (Incl. Inflation)	4,780	833	(879)	4,734
	39,840	17,546	(11,270)	46,116

The Insurance Fund exists in order to meet the cost of claims which fall below the policy excesses.

The Capital Financing reserve is used to match capital financing costs arising in the future.

The Revenue Funding of capital reserve is used to finance specific capital spend items.

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

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

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

The Revenue Grants Unapplied Reserve is used to fund future costs where the revenue grant is received without any conditions, in advance of Service spend.

The Transformation Investment Reserve is used to support the Authority's change programme including the development and implementation of specific transformation business cases.

The Restructuring & Severance reserve is used to fund severance related costs related to service changes arising from the Medium Term Financial Plan.

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

The Section 31 Business Rate Relief Compensation Grant Reserve held the government grant received in 2021/22 to compensate for the loss of Business Rate income arising from the extended retail relief scheme, which was announced by government in response to the continued pressure on retail businesses from the COVID pandemic. The loss of Business Rate income from this relief caused a deficit on the Collection Fund, which had to be funded in 2022/23 under the Collection Fund statutory accounting requirements. The grant was transferred to this earmarked reserve in 2021/22 so as to be available in 2022/23 to offset the recovery of this element of the deficit.

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

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

## NOTES TO MAIN FINANCIAL STATEMENTS

	31 March 2023 £'000	transfers to £'000	transfers from £'000	31 March 2024 £'000
<b>General Service Earmarked Reserves</b>				
Information Technology Reserve	471		(54)	417
Finance VAT Advice Reserve	389		(75)	314
Waste Reprovision Reserve	942			942
Public Transport Reserve	155		(12)	143
Combe Down Stone Mines Interpretation Centre Reserve	128		(38)	90
Social Care Reserve	7,171		(1,529)	5,642
ICS Transformation Reserve	5,378		(5,378)	-
Commercial Estate Reinvestment Reserve	1,881		(208)	1,673
Park & Ride Smoothing Reserve	2,334		(415)	1,919
Clean Air Zone Reserves	8,956	2,289	(665)	10,580
Other Service Reserves	452	75	(338)	189
	<b>28,257</b>	<b>2,364</b>	<b>(8,712)</b>	<b>21,909</b>

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

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

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

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

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

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

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

### 24 UNUSABLE RESERVES

	2023/24 £'000	2022/23 £'000
Revaluation Reserve	202,980	195,949
Capital Adjustment Account	236,216	251,492
Deferred Capital Receipts Reserve	361	368
Financial Instruments Adjustment Account	(5,153)	(5,322)
Dedicated Schools Grant Adjustment Account	(22,264)	(13,453)
Pooled Fund Adjustment Account	(2,307)	(1,218)
Accumulated Absences Account	(657)	(630)
Pensions Reserve	(83,136)	(116,640)
Collection Fund Adjustment Account	6,109	6,307
<b>Total Unusable Reserves</b>	<b>332,149</b>	<b>316,853</b>

#### 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.

	2023/24 £'000	2022/23 £'000
Balance at 1 April	195,949	176,555
Adjustment to opening balance		
Upwards revaluation of assets	21,950	25,034
Downwards revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(12,567)	(2,661)
Impairment losses not charged to the Surplus/Deficit on the Provision of Services		-
Transfer of depreciation on re-valued assets	(2,256)	(1,838)
Written Back on asset disposal and transfer	(96)	(1,141)
Impairment of fixed assets - transfer		
<b>Balance at 31 March</b>	<b>202,980</b>	<b>195,949</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set aside by the Authority as finance for the cost of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the

date that the Revaluation Reserve was created to hold such gains.

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

	2023/24 £'000	2023/24 £'000	2022/23 £'000
Balance at 1 April		251,492	236,374
Adjustment to opening balance		-	-
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	(16,431)		(14,338)
Revaluation losses on Property, Plant & Equipment	(14,085)		(1,105)
Amortisation of intangible assets	(233)		(224)
Impairment allowance for capital expenditure loans	(9)		53
Revenue expenditure funded from capital under statute	(7,962)		(5,748)
Grant funding of revenue expenditure funded from capital under statute	5,879		4,740
		(32,840)	(16,621)
Adjusting amounts written out of the Revaluation Reserve			
Transfer of depreciation on re-valued assets		2,256	1,838
Transfer of revaluation reserve balance on asset disposal		96	1,141
Net written out amount of the cost of non-current assets consumed in the year		(30,488)	(13,642)
Capital financing applied in the year:			
Use of capital receipts reserve to finance new capital expenditure	2,356		2,755
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	17,308		40,072
Capital expenditure financed from revenue	928		1,026
Minimum Revenue Provision	10,184		9,174
		30,776	53,027
Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		(14,563)	(20,868)
Deferred liability - Repayment of Avon Loan Debt		403	419
Repayment of CAZ vehicle loan		16	-
Carrying value of fixed assets disposed of		(867)	(2,264)
Other movements		(551)	(1,554)
<b>Balance at 31 March</b>		<b>236,216</b>	<b>251,492</b>

### Financial Instruments Adjustment Account

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

The Council uses the Account to manage premiums paid on early redemption of loans.

Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

Discounts received have the opposite entries.

	2023/24 £'000	2023/24 £'000	2022/23 £'000
Balance at 1 April		(5,322)	(5,492)
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	169		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.		169	170
<b>Balance at 31 March</b>		<b>(5,153)</b>	<b>(5,322)</b>

### Dedicated Schools Grant Adjustment Account

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

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

	2023/24 £'000	2023/24 £'000	2022/23 £'000
Balance at 1 April		(13,453)	(13,437)
Adjustment to Opening Balance			
DSG (Over) / Underspend in year	(8,810)		(16)
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.		(8,810)	(16)
<b>Balance at 31 March</b>		<b>(22,264)</b>	<b>(13,453)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### Pooled Fund Adjustment Account

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

	2023/24 £'000	2022/23 £'000
Balance at 1 April	(1,218)	311
Amount by which the change in fair value of pooled funds charged to the Comprehensive Income & Expenditure Statement is different from that calculated for the year in accordance with statutory requirements.	(1,089)	(1,529)
<b>Balance at 31 March</b>	<b>(2,307)</b>	<b>(1,218)</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2023/24 £'000	2022/23 £'000
Balance at 1 April	(116,640)	(327,898)
Remeasurements of the net defined benefit liability / (asset)	33,470	232,937
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	(19,630)	(39,038)
Employer's pensions contributions and direct payments to pensioners payable in the year	19,664	17,359
<b>Balance at 31 March</b>	<b>(83,136)</b>	<b>(116,640)</b>

### Deferred Capital Receipts Reserve

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

	2023/24 £'000	2022/23 £'000
Balance at 1 April	368	376
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(8)	(8)
Transfer to the Capital Receipts Reserve upon receipt of cash	361	368
<b>Balance at 31 March</b>	<b>361</b>	<b>368</b>

### Collection Fund Adjustment Account

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

	2023/24 £'000	2022/23 £'000
Balance at 1 April	6,307	(15,625)
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(198)	21,932
<b>Balance at 31 March</b>	<b>6,109</b>	<b>6,307</b>

### Accumulated Absences Account

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

	2023/24 £'000	2023/24 £'000	2022/23 £'000
Balance at 1 April		(630)	(550)
Settlement or cancellation of accrual made at the end of the preceding year	630		550
Amounts accrued at the end of the current year	(657)		(630)
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		(27)	(80)
<b>Balance at 31 March</b>		<b>(657)</b>	<b>(630)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 25 CASH FLOW STATEMENT

#### Note A to the cash flow statement

	2023/24 £'000	2022/23 £'000
Net Surplus or (Deficit) on the Provision of Services	(26,073)	(16,265)
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>		
Depreciation	16,431	14,338
Impairment and downward valuations	14,084	2,659
Amortisation	232	223
Impairment allowance on service loans	9	(55)
Adjustment for internal interest charged	247	109
Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss a/c	1,089	1,529
Adjustments for effective interest rates	(430)	(6)
Increase/Decrease in Interest Creditors	638	(49)
Increase/Decrease in Creditors	3,514	(8,391)
Increase/Decrease in Interest and Dividend Debtors	491	29
Increase/Decrease in Debtors	(6,340)	(1,771)
Increase/Decrease in Inventories	(188)	(22)
Pension Liability	(34)	23,955
Contributions to/(from) Provisions	(7,768)	1,624
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	867	2,264
Movement in investment property values	14,563	20,868
Total adjustments on the provision of services for non cash movements	37,406	57,304
<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>		
Capital Grants credited to surplus or deficit on the provision of services	(23,188)	(44,790)
Net adjustment from the sale of short and long term investments	-	-
Proceeds from the sale of property plant and equipment, investm	(1,018)	(3,269)
Total adjustments on the provision of services that are investing or financing activities	(24,206)	(48,059)
<b>Net Cash Flows from Operating Activities</b>	<b>(12,873)</b>	<b>(7,020)</b>

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

	2023/24 £'000	2022/23 £'000
<b>Operating activities within the cash flow statement include the following cash flows relating to interest</b>		
Ordinary interest received	2,240	1,532
Opening Debtor	268	118
Closing Debtor	223	(89)
<b>Interest Received</b>	<b>2,731</b>	<b>1,561</b>
Interest charge for year	(7,354)	(7,280)
Adjustment for difference between effective interest rates and actual interest payable	(431)	(6)
Adjustment for internal interest charged to balance sheet funds	248	109
Opening Creditor	(1,865)	(1,914)
Closing Creditor	2,503	1,865
<b>Interest Paid</b>	<b>(6,899)</b>	<b>(7,226)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

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

	2023/24	2022/23
	£'000	£'000
Property, Plant and Equipment Purchased	(51,957)	(65,573)
Purchase of Investment Properties	(2,232)	(2,688)
Other Capital Payments	(61)	(151)
Opening Capital Creditors	(8,070)	(8,966)
Closing Capital Creditors	6,218	8,070
Purchase of Property, Plant and Equipment, investment property and intangible assets	(56,102)	(69,308)
Purchase of short term investments	(5,000)	(25,000)
Long term loans granted	(1,551)	(49)
Capital Grants Repaid	(904)	(2,200)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	1,025	3,276
Proceeds / (Purchase) from short term investments	10,000	45,000
Other capital cash receipts	273	3,625
Capital Grants Received / (Repaid)	32,777	39,483
Other Receipts / (Payments) from Investing Activities	33,050	43,108
<b>Total Cash Flows from Investing Activities</b>	<b>(19,482)</b>	<b>(5,173)</b>

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

	2023/24	2022/23
	£'000	£'000
Cash receipts of long term borrowing	50,000	-
Billing Authorities - Council Tax and NNDR adjustments	(7,274)	322
Repayment of Short-Term and Long-Term Borrowing	(14,647)	(9,567)
<b>Total Cash Flows from Financing Activities</b>	<b>28,079</b>	<b>(9,245)</b>

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

	2023/24	2022/23
	£'000	£'000
Cash and Bank Balances	2,050	1,152
Cash Investments - regarded as cash equivalents	22,215	27,389
Bank Overdraft	-	-
<b>24,265</b>	<b>28,541</b>	

## NOTES TO MAIN FINANCIAL STATEMENTS

### 26 EXPENDITURE & INCOME ANALYSed BY NATURE

	2023/24 £'000	2022/23 £'000
<b>Expenditure</b>		
Employee expenditure	125,299	134,040
Other service expenditure	287,046	256,835
Depreciation amortisation & impairment	31,300	17,220
Loss/(Gain) on disposal of non-current assets	(157)	(1,015)
Decrease in Investment Estate Fair Value	14,563	20,868
Interest Expenditure (Inc. Net Interest on Net Defined Benefit Liability)	12,195	16,066
Loss / (Gain) & Impairments on Financial Instruments	1,095	-
Precepts and levies	8,824	8,529
	<b>480,165</b>	<b>452,543</b>
<b>Income</b>		
Sales, Fees and charges and other misc. income (including Contributions)	(117,001)	(106,194)
Income from Council Tax & Business Rates	(141,507)	(125,601)
Income from Investment Estate	(16,501)	(15,694)
Government Grants & Contributions	(176,781)	(187,257)
Interest & Investment Income	(2,302)	(1,532)
	<b>(454,092)</b>	<b>(436,278)</b>
<b>(Surplus) / Deficit on provision of services</b>	<b>26,073</b>	<b>16,265</b>

### 26a SEGMENT REPORTING

	2023/24 £'000	2022/23 £'000 Restated
<b>Depreciation amortisation &amp; impairment</b>		
Leader	-	-
Council Priorities & Delivery	-	-
Resources	1,306	1,182
Economic & Cultural Sustainable Development	5,213	4,580
Adult Services	1,812	358
Children's Services	751	1,324
Climate Emergency & Sustainable Travel	242	132
Built Environment & Sustainable Development	2,062	752
Neighbourhood Services	12,778	3,239
Highways	7,136	5,653
<b>Total</b>	<b>31,300</b>	<b>17,220</b>
<b>Revenues from external customers / Contributions</b>		
Leader	(851)	(1,171)
Council Priorities & Delivery	(329)	(358)
Resources	(6,583)	(5,504)
Economic & Cultural Sustainable Development	(26,750)	(22,166)
Adult Services	(39,308)	(35,463)
Children's Services	(5,930)	(6,032)
Climate Emergency & Sustainable Travel	(532)	(543)
Built Environment & Sustainable Development	(5,119)	(4,487)
Neighbourhood Services	(9,277)	(9,265)
Highways	(22,322)	(21,205)
<b>Total</b>	<b>(117,001)</b>	<b>(106,194)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 27 TRADING OPERATIONS

The Council has the following Trading Services which are required to operate in a commercial environment and balance their budget by generating income from providing services to the public and other organisations, or as support functions to other frontline Council Departments.

	2023/24	2023/24	2023/24	2022/23
	Income	Expenditure	(Surplus) / Deficit	(Surplus) / Deficit
	£'000	£'000	£'000	£'000
Catering Services	(1)	5	4	0
Cleaning Services	(8)	121	113	66
Fleet Management	(188)	300	112	261
Passenger Transport Services	(68)	521	453	153
Trade Refuse Collection	(932)	738	(194)	(252)
Bath Museum Shops	(2,634)	2,243	(391)	(228)
<b>Surplus for Year</b>	<b>(3,831)</b>	<b>3,928</b>	<b>97</b>	<b>0</b>

### 28 POOLED FUNDING

The Council has Pooled Budget arrangements under section 31 of the Health Act 1999 with NHS Bath & North East Somerset, Swindon & Wiltshire (NHS BSW) Integrated Care Board (ICB). The Pooled Budgets are hosted by the Council. During 2023/24 there were four Pooled Budgets, detailed below :-

#### Adult Learning Difficulties

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

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

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

	2023/24 £'000	2022/23 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	23,827	23,827
NHS BSW Integrated Care Board	7,266	7,266
Other Funding	-	-
Income from Client Contributions	-	-
<b>Total Funding</b>	<b>31,093</b>	<b>31,093</b>
<b>Total Pooled Expenditure</b>	<b>37,890</b>	<b>36,122</b>
<b>Net (Underspend) / Overspend</b>	<b>6,797</b>	<b>5,029</b>
<b>Overspend Recharged</b>		
Bath & North East Somerset Council	4,585	3,727
NHS BSW Integrated Care Board	2,212	1,302

#### Community Equipment

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

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

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

	2023/24 £'000	2022/23 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	254	203
NHS BSW Integrated Care Board	552	478
<b>Total Funding</b>	<b>806</b>	<b>681</b>
<b>Total Expenditure</b>	<b>1,051</b>	<b>739</b>
<b>Net (Underspend) / Overspend</b>	<b>245</b>	<b>58</b>
<b>Overspend Recharged</b>		
Bath & North East Somerset Council		17
NHS BSW Integrated Care Board	245	41

## NOTES TO MAIN FINANCIAL STATEMENTS

### Better Care Fund

The Council has entered into a pooled budget arrangement with NHS BSW ICB for the provision of services under the Better Care Fund. The government created the Better Care Fund in 2015 with the aim of developing and improving joint health and social care planning. The Better Care Fund is a pooling of health and social care budgets.

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

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

	2023/24 £'000	2022/23 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	8,548	8,343
Bath & North East Somerset Council - Community Services Contract	21,038	21,011
NHS BSW Integrated Care Board	16,367	15,727
NHS BSW Integrated Care Board - Community Services Contract	29,368	27,170
<b>Total Funding</b>	<b>75,321</b>	<b>72,251</b>
Spend on Better Care Fund schemes	23,525	22,680
Spend on Community Services Contract	51,796	49,571
<b>Total Expenditure</b>	<b>75,321</b>	<b>72,251</b>

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

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

The Council and the ICB have an agreement in place for funding these services with the partners contributing funds to the agreed budget equal to 85% and 15% 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.

	2023/24 £'000	2022/23 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	2,574	2,615
NHS BSW Integrated Care Board	454	413
<b>Total Funding</b>	<b>3,028</b>	<b>3,028</b>
<b>Total Expenditure</b>	<b>7,064</b>	<b>9,671</b>
<b>Net (Underspend) / Overspend</b>	<b>4,036</b>	<b>6,643</b>
<b>Overspend Recharged</b>		
Bath & North East Somerset Council	3,431	5,737
NHS BSW Integrated Care Board	605	906

## NOTES TO MAIN FINANCIAL STATEMENTS

### 29 MEMBERS' ALLOWANCES

The total cost of Members Allowances for 2023/24 including employers national insurance, pensions contributions and expenses was £1,053,347 (£924,769 in 2022/23).

		Basic Allowance	Special Responsibility Allowance	Expenses	Total
		£	£	£	£
APPLEYARD	R	1,032	582	-	1,614
AUTON	M	9,537	-	-	9,537
BALL	TM	10,542	20,166	-	30,708
BEAUMONT	A	9,537	-	-	9,537
BEVAN	SF	993	-	-	993
BIDDLESTON	D	9,537	-	-	9,537
BLACKBURN	C	10,542	-	-	10,542
BORN	A	10,542	19,380	-	29,922
BOX	A	9,537	435	-	9,972
BROMLEY	S	993	-	-	993
BUTTERS	TN	993	-	-	993
CLARKE	V	993	-	-	993
COLLINS	D	9,537	7,395	-	16,932
CRAIG	S	1,032	1,696	-	2,727
CROSSLEY	PN	10,542	5,316	-	15,858
CURRAN	G	993	-	-	993
DANDO	C	10,542	4,051	-	14,593
DAVID	J	10,542	-	-	10,542
DAVIES	T	1,032	1,123	-	2,155
DAVIS	S	1,032	413	-	1,444
DEACON	DE	993	-	-	993
DUGUID	P	1,032	231	-	1,263
ELLIOTT	M	10,542	18,257	240	29,039
EVANS	M	993	-	-	993
EVANS	S	9,537	-	-	9,537
FURSE	AJ	993	-	-	993
GOURLEY	F	9,537	-	-	9,537
GUY	K	10,542	53,129	332	64,003
HALE	AD	10,542	-	-	10,542
HALSALL	I	9,537	3,352	-	12,889
HARDING	D	9,537	-	-	9,537
HARDMAN	EJ	9,264	-	-	9,264
HEATHCOTE	G	9,537	-	-	9,537
HEDGES	SP	10,542	4,733	-	15,276
HEIJLTJES	S	9,537	-	-	9,537
HENMAN	O	9,537	7,395	-	16,932
HIRST	J	10,542	7,626	-	18,168
HODGE	L	10,542	7,395	-	17,938
HOUNSELL	D	10,542	13,781	124	24,448
HUGHES	S	10,542	4,380	-	14,923
JACKSON	EM	10,542	-	-	10,542
JOHNSON	G	9,264	-	-	9,264
KELLY	S	9,537	-	-	9,537
KUMAR	Y	993	-	69	1,062
LEACH	G	9,537	-	-	9,537
LEACH	J	9,537	-	-	9,537
MACFIE	H	10,542	-	-	10,542
MALLOY	R	10,542	-	-	10,542
MANSELL	L	9,537	-	40	9,577
MAY	P	10,542	19,258	892	30,693
MCCABE	M	10,542	18,931	-	29,473
MCGALL	S	10,542	5,631	247	16,421
MOORE	S	10,542	9,311	-	19,854
MORGAN	A	9,537	-	-	9,537
MOSS	R	10,542	12,526	34	23,103
MYERS	P	993	-	-	993
O'BRIEN	B	993	-	-	993
ODOHERTY	M	10,542	231	-	10,773
PANKHANIA	B	10,542	-	-	10,542
PLAYER	J	10,542	-	-	10,542
PRITCHARD	VL	1,032	751	113	1,897
RIGBY	A	10,542	20,503	-	31,045
ROMERO	UM	10,542	9,901	-	20,443
ROPER	M	1,032	1,685	-	2,717
ROPER	P	9,537	18,257	-	27,794
ROSS	S	9,537	-	-	9,537
SAINI	O	9,537	-	-	9,537
SAMUEL	R	1,032	2,246	-	3,278
SHEARN	B	1,032	440	-	1,472
SIMMONS	B	993	-	-	993
SIMON	T	9,537	3,611	670	13,818
SINGLETON	A	993	-	149	1,143
STREATFEILD-JAMES	A	9,537	-	-	9,537
TOMLIN	G	9,537	-	-	9,537
TREBY	M	9,537	-	-	9,537
WAIT	A	10,542	7,654	36	18,233
WALKER	K	10,542	3,783	249	14,575
WARREN	E	10,542	20,166	-	30,708
WARREN	T	9,537	3,582	-	13,119
WARRINGTON	K	1,032	942	-	1,974
WATT	C	993	-	-	993
WILLS	R	993	-	-	993
WOOD	D	10,542	20,692	340	31,574
WRIGHT	J	10,542	7,193	-	17,735
<b>Total</b>		<b>619,531</b>	<b>368,128</b>	<b>3,537</b>	<b>991,195</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 30 SENIOR OFFICER REMUNERATION

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

#### Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2024

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	165,000				33,165	198,165

#### Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2024

Post Holder	Salary (incl. Honorary)	Expenses	Benefits in Kind e.g. Relocation, Subscriptions	Compensation for Loss of Office	Employer Pension Contrib'ns	Total
	£	£	£	£	£	£
* Chief Operating Officer (to 31/12/23)	96,041				19,304	115,346
Executive Director - Chief Operating Officer (from 01/01/24)	32,014				6,435	38,449
* Chief Finance Officer (S151) (to 31/12/23)	90,127				18,115	108,242
Executive Director - Resources (from 01/01/24)	30,042				6,038	36,081
* Director of Sustainable Communities (to 31/12/23)	86,736				17,434	104,170
Executive Director - Sustainable Communities (from 01/01/24)	28,912				5,811	34,723
Director of Adult Social Care (DASS)	115,648				23,245	138,893
Director of Children's Services & Education (DSC)	115,648				23,245	138,893
* Director of People & Policy (to 31/12/23)	91,088				18,309	109,397
Director of People & Change (from 01/01/24)	24,560				4,936	29,496
Director of Place Management	115,648				23,245	138,893
* Director of Regeneration & Housing (to 31/12/23)	83,066				16,947	100,014
Director of Capital & Housing Delivery (from 01/01/24)	27,499				5,653	33,151
* Director - One West (to 31/12/23)	84,125	63	297		16,909	101,394
Director of One West & APF (from 01/01/24)	28,122	29			5,652	33,803
Director of Public Health	103,014				14,813	117,827
Director of Education & Safeguarding	97,338				19,565	116,903
Director of Business Change & Customer Services (to 10/01/24)	83,191			122,485	16,086	221,762
Director of External Affairs	63,110				-	63,110

\* Following a restructure of the Council's Senior Officers, there were some changes to job titles on 01/01/2024. The new job title from this date, along with the associated previous job title to 31/12/2023, are boxed together in the above table.

#### Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2023

Post Holder	Salary	Expenses	Benefits in Kind e.g. Relocation, Subscriptions	Compensation for Loss of Office	Employer Pension Contrib'ns	Total
	£	£	£	£	£	£
Chief Executive - William Godfrey	162,000				34,020	196,020

#### Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2022

Post Holder	Salary (incl. Honorary)	Expenses	Benefits in Kind e.g. Relocation, Subscriptions	Compensation for Loss of Office	Employer Pension Contrib'ns	Total
	£	£	£	£	£	£
Chief Operating Officer	123,725				25,982	149,707
Director of People & Policy	108,683				22,823	131,506
Chief Finance Officer (S151)	116,105	8	635		24,382	141,130
Director of Adult Social Care (DASS)	111,737				23,464	135,201
Director of Children's Services & Education (DSC)	108,683				22,823	131,506
Director of Sustainable Communities	108,683				22,823	131,506
Director of Place Management	108,683				22,823	131,506
Director of Regeneration & Housing	108,683	107	283		22,823	131,896
Director - One West	108,683				22,823	131,506

## NOTES TO MAIN FINANCIAL STATEMENTS

### 31 EMPLOYEES' EMOLUMENTS

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

Remuneration band	2023/24 Teachers	2023/24 Others	2023/24 Total	2022/23 Teachers	2022/23 Others	2022/23 Total
£50,000 - £54,999	15	97	112	4	59	63
£55,000 - £59,999	10	43	53	3	39	42
£60,000 - £64,999	6	24	30	-	24	24
£65,000 - £69,999	2	23	25	1	6	7
£70,000 - £74,999	2	7	9	2	6	8
£75,000 - £79,999	1	6	7	2	1	3
£80,000 - £84,999	1	-	1	-	3	3
£85,000 - £89,999	1	4	5	1	13	14
£90,000 - £94,999	-	17	17	-	2	2
£95,000 - £99,999	-	3	3	-	2	2
£100,000 - £104,999	-	1	1	-	1	1
£105,000 - £109,999	-	-	-	-	6	6
£110,000 - £114,999	-	3	3	-	1	1
£115,000 - £119,999	-	5	5	-	1	1
£120,000 - £124,999	-	1	1	-	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	-	-	-	-	-	-
£155,000 - £159,999	-	-	-	-	-	-
£160,000 - £164,999	-	-	-	-	1	1
£165,000 - £169,999	-	1	1	-	-	-
£170,000 - £174,999	-	-	-	-	-	-
£175,000 - £179,999	-	-	-	-	-	-
£180,000 - £184,999	-	-	-	-	-	-
£185,000 - £189,999	-	-	-	-	-	-
£190,000 - £194,999	-	-	-	-	-	-
£195,000 - £199,999	-	-	-	-	-	-
£200,000 - £204,999	-	-	-	-	-	-
£205,000 - £209,999	-	1	1	-	-	-
	<b>38</b>	<b>237</b>	<b>275</b>	<b>13</b>	<b>166</b>	<b>179</b>

The above totals include 3 members 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 2022/23). This included 0 in the Teacher category (0 in 2022/23) and 3 in the Others category (1 in 2022/23).

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 2023/24, incurring liabilities of £0.376m (£0.333m in 2022/23). 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)	2023/24 Number of Compulsory Redundancies	2023/24 Number of Other Exits Agreed	2023/24 Total Cost £	2022/23 Number of Compulsory Redundancies	2022/23 Number of Other Exits Agreed	2022/23 Total Cost £
£0 - £20,000	14	19	145,580	3	15	86,451
£20,001 - £40,000	1	-	27,340	-	-	0
£40,001 - £60,000	-	-	0	-	1	50,135
£60,001 - £80,000	-	-	0	-	-	0
£80,001 - £100,000	-	1	80,795	1	-	82,496
£100,001 - £150,000	-	1	122,485	1	-	113,572
£150,001 - £200,000	-	-	0	-	-	0
£200,001 - £250,000	-	-	0	-	-	0
£250,001 - £300,000	-	-	0	-	-	0
	<b>15</b>	<b>21</b>	<b>376,200</b>	<b>5</b>	<b>16</b>	<b>332,653</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 33 EXTERNAL AUDIT COSTS

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

	2023/24	2022/23
	£'000	£'000
Fees payable with regard to external audit services	366	164
Fees payable for the certification of grant claims and returns	53	53
	<b>419</b>	<b>217</b>

### 34 DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2016. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2023/24 are as follows:

	2023/24 Central Expenditure £'000	2023/24 Individual Schools Budget £'000	2023/24 Total £'000	2022/23 Total £'000
Final DSG for before Academy & High Needs recoupment			177,104	167,047
Academy & High Needs figure recouped			123,873	118,513
Total DSG after Academy & High Needs recoupment			<b>53,231</b>	48,534
<i>plus</i> Brought forward from previous year				
<i>less</i> Carry forward into future year agreed in advance				
Agreed initial budget distribution	24,046	29,185	53,231	48,534
In Year Adjustments	550	(110)	440	8,391
Final budget distribution	24,596	29,075	53,670	56,925
<i>less</i> Actual central expenditure	33,083		33,083	44,926
<i>less</i> Actual ISB deployed to schools	-	29,397	29,397	12,015
plus Local Authority contribution for year	-		-	
In-Year Carry forward	(8,488)	(322)	(8,810)	(16)
Carry forward into future year agreed in advance			-	
DSG unusable reserve brought forward			(13,453)	(13,437)
Addition to DSG unusable reserve for year			(8,810)	(16)
Total of DSG unusable reserve at the end			(22,264)	(13,453)
Net DSG position at year end			<b>(22,264)</b>	<b>(13,453)</b>

### 35 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24:

	2023/24 £'000	2022/23 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
<b>Non-Ringfenced Government Grants</b>		
s31 Grants - DLUHC	18,268	16,483
<b>Capital Grants &amp; Contributions</b>		
Department for Education	346	820
Department for Transport	230	660
Department for Health & Social Care	933	100
West of England Combined Authority	11,152	24,441
Other	1,337	10,508
Third party contributions	356	691
Section 106 Developer / CIL Contributions	2,955	2,852
	<b>35,577</b>	<b>56,555</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### Credited to Services

Education Funding Agency (incl. Universal Infant Free School Meals)	3,187	3,125
Pupil Premium Grant	1,046	1,012
Mandatory rent allowances	28,470	27,739
Public Health Grant	10,005	9,645
Department for Health & Social Care	4,306	3,415
Department for Education	-	207
Department for Environment, Food & Rural Affairs	39	85
Department for Transport	1,347	1,082
Department for Levelling Up, Housing & Communities (DLUHC)	21,834	16,734
Sales, Fees & Charges Compensation Grant	-	11
Homes for Ukraine Scheme	322	3,997
COVID Test & Trace Support Payments	-	70
New Homes Bonus Grant	425	2,038
Home Office	2,175	-
West of England Combined Authority	4,270	2,740
Other	8,546	7,937
Third party contributions	100	113
Section 106 Developer / CIL Contributions	1,901	1,507
	<b>87,973</b>	<b>81,457</b>

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

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

### Current Liabilities

	31 March 2024 £'000	31 March 2023 £'000
<b>Grants Receipts In Advance (Capital Grants &amp; Contributions)</b>		
Section 106 Developer, CIL & 3rd Party Contributions	7,119	5,006
Various Capital Grants	34,096	14,567
<b>Total</b>	<b>41,215</b>	<b>19,573</b>
<b>Grants Receipts In Advance (Revenue Grants)</b>		
Various Service Grants	2,402	1,600
<b>Total</b>	<b>2,402</b>	<b>1,600</b>

### Long-Term Liabilities

	31 March 2024 £'000	31 March 2023 £'000
<b>Grants Receipts In Advance (Capital Grants &amp; Contributions)</b>		
Section 106 Developer, CIL & 3rd Party Contributions	11,073	13,057
Various Capital Grants	8,124	18,980
<b>Total</b>	<b>19,197</b>	<b>32,037</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 36 RELATED PARTIES

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

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

#### Central Government

Central UK Government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the Grants Note 35.

#### Pension Fund

Details of Contributions to the Avon Pension Fund are shown in note 41. As administering body to the Fund, the Council charged the fund for the direct costs of £3,655,673 (£2,920,515 2022/23) and support services costs of £532,108 (£536,575 2022/23). Five B&NES Councillors are voting members on the Pensions Committee.

#### Aequus Group Holdings Ltd (AGHL)

Bath & North East Somerset Council is a 100% shareholder of Aequus Group Holdings Ltd (AGHL), which was incorporated on 5th April 2022. It was set up as a parent company to Aequus Developments Ltd (ADL) and Aequus Construction Ltd (ACL). Further details are included in Note 44 Controlled Companies.

#### Aequus Developments Ltd (ADL)

Aequus Developments Limited (ADL), which was incorporated on 14th March 2016 and commenced trading on the same day, is a 100% owned subsidiary of Aequus Group Holdings Ltd (AGHL). The purpose of ADL is to develop, deliver, own and manage existing property, as well as carry out new development on a case by case basis. Further details are included in Note 44 Controlled Companies.

#### Aequus Construction Ltd (ACL)

Aequus Construction Limited (ACL), which was incorporated on 22nd June 2017 and commenced trading on the same day, is a 100% owned subsidiary of Aequus Group Holdings Ltd (AGHL). The purpose of ACL is to carry out construction and development of building projects. Further details are included in Note 44 Controlled Companies.

#### 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

Eleven Members are Parish / Town Councillors

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

The Council made payments of £87,513 (£1,264,768 in 2022/23) to voluntary bodies and organisations where Members have declared an interest (either due to a Council nomination or in an independent capacity).

	2023/24
	£
Bath Royal Literary & Scientific Association	192
Community Catalysts CIC	68,818
Heart of Bath Medical Partnership	30
The Keynsham Music Festival Association	3,172
South West Councils	14,551
World Heritage Enhancement Fund Committee	750
	<u>87,513</u>

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

The Council is in partnership with the NHS BSW ICB to commission health, social care and preventative support services. Community Health & Social Care services, previously delivered through the partnership between the Council and PCT, then transferred to Sirona Care & Health Community Interest Company are now delivered by HCRG Care Group (Previously Virgin Care Ltd) through a 7 year prime provider contract that was awarded in November 2016, following the Your Care, Your Way community services review, with the contract commencing April 2017. The contract is a "tri-partite" contract between the Council, ICB and HCRG Care Group, with the Council acting as lead commissioner for this contract. Contract funding is pooled under Section 75 of the 2016 NHS Act through the Council and ICB Better Care Fund. Relevant elements of the Council's budget are reported to the Health & Wellbeing Board. The Board is Co-Chaired by the Cabinet Member for Adult Care, Health & Wellbeing along with the ICB GP Board Chair. The Council Chief Executive and Cabinet Members are on the Board. Following a decision not to extend this contract for the three year extension term, decision, this contract expired on the 31st March 2024.

## NOTES TO MAIN FINANCIAL STATEMENTS

### 37 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

Capital expenditure on fixed assets was as follows:	2023/24 £'000	2022/23 £'000
Keynsham Reuse and Recycling Centre	20,649	17,345
Highways, Transport, Road Safety & Bridge Strengthening	14,681	15,133
Capitalised Buildings Maintenance	3,306	2,621
Bath City Centre Security	2,835	1,607
Housing Delivery Schemes	2,560	3,767
Commercial Estate Investment	1,738	1,533
Bath Western Riverside	1,430	2,987
Preparing for the Future - New Technology	1,046	1,105
Decarbonisation / Renewables Schemes	811	640
Liveable Neighbourhoods	704	1,521
School Improvements	594	1,096
Bath Regeneration	460	8,172
Clean Air Zone	444	52
Keynsham High Street Renewal Incl Public Realm	346	534
Somer Valley Enterprise Zone	345	702
Midsomer Norton High Street Renewal incl Public Realm	230	303
Bath Quays: North, South & Bridge	107	5,632
Office Reconfiguration Costs	0	713
Sydney Gardens	2	430
Other	1,962	2,519
<b>Total</b>	<b>54,250</b>	<b>68,412</b>

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

Capital Expenditure was categorised as follows:	2023/24 £'000	2022/23 £'000
Property, plant and equipment	43,304	37,753
Investment properties	2,232	2,688
Intangible assets	61	154
Heritage Assets	-	-
Assets under construction	8,653	27,820
Non Current Assets held for sale	-	(3)
Capital Loans	1,290	-
Revenue expenditure funded from capital under statute (*)	7,962	5,748
<b>Total expenditure</b>	<b>63,502</b>	<b>74,160</b>

\* This includes £1,481k of transformation and severance costs funded under the Government's flexible use of capital receipts scheme (£162k in 2022/23). These costs will contribute to ongoing revenue savings in line with the Council's approved Efficiency Strategy.

Sources of finance:	2023/24 £'000	2022/23 £'000
Capital Receipts	2,356	2,755
Grants	17,876	39,650
Borrowing	37,030	25,567
3rd Party Contributions	456	804
S.106 / CIL contributions	4,856	4,358
Revenue	928	1,026
<b>Total financing</b>	<b>63,502</b>	<b>74,160</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### Capital Financing Requirement

	2023/24 £'000	2022/23 £'000
Opening Capital Financing Requirement	341,039	328,171
Capital Investment	63,502	74,160
Other Adjustments to CFR (including revenue reversion of prior years spend)		
Sources of Finance:		
Capital Receipts	(2,629)	(6,280)
Government grants & other contributions	(23,188)	(44,812)
Sums set aside from revenue (including MRP)	(11,112)	(10,200)
Closing Capital Financing Requirement	367,612	341,039
Increase in underlying need to borrow unsupported by Government financial assistance	37,030	25,567
Repayments received in respect of Capital Expenditure Loans	(273)	(3,525)
Less minimum revenue provision repayment	(10,184)	(9,174)
Increase / (decrease) in Capital Financing Requirement	26,573	12,868

## 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:

	2023/24 £'000	2022/23 £'000
Other Land & Buildings	2,730	2,930
	2,730	2,930

No deferred liability is disclosed in the Council's Balance Sheet for Other Land & Buildings as these properties are subject to peppercorn rents only.

#### Operating Leases

The Council uses vehicles and other equipment financed under the terms of various operating leases. The lease rentals paid in 2023/24 were £397K (£565K in 2022/23).

The future payments required under these leases are £1,274K comprising the following elements:

	2023/24 £'000	2022/23 £'000
Not later than one year	323	400
Later than one year and not later than five years	951	1,452
Later than five years	-	985
	1,274	2,837

The Council holds property leases which are operating leases. The amount paid in rent for 2023/24 was £764K (2022/23 was £689K).

	2023/24 £'000	2022/23 £'000
Not later than one year	681	536
Later than one year and not later than five years	1,496	1,076
Later than five years	8,960	8,840
	11,137	10,452

## NOTES TO MAIN FINANCIAL STATEMENTS

### Authority as Lessor

#### Finance Leases

The Authority has leased out a number of commercial properties on finance leases in 2023/24, there are no capital receipts from these in 23/24 (2022/23 £8K)

#### Operating Leases

The Authority leases out a large number of investment properties.

Rental income receivable from operating property leases on investment properties totalled £16.501m (£15.694m in 2022/23).

The net book value of these properties is £242.016m (£256.385m in 2022/23).

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

	2023/24	2022/23
	£'000	£'000
Not later than one year	15,364	14,588
Later than one year and not later than five years	40,346	42,308
Later than five years	122,223	124,649
	<u>177,933</u>	<u>181,545</u>

Rental income receivable from Property Plant and Equipment leases totalled £1,384K in 2023/24 (£1,640K in 2022/23).

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:

	2023/24	2022/23
	£'000	£'000
Not later than one year	935	1,018
Later than one year and not later than five years	2,117	2,002
Later than five years	5,442	5,497
	<u>8,494</u>	<u>8,517</u>

### 39 EXCEPTIONAL ITEMS

There were no exceptional items in 2023/24.

### 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 2023/24 the Council paid £1.582m to Teachers' Pensions in respect of teachers' retirement benefits, representing an average of 23.1% of pensionable pay. The figures for 2022/23 were £1.560m and 23.6%. There were no contributions remaining payable at the year end.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 41. The Authority is not liable to the scheme for any other entities obligations under the plan.

## NOTES TO MAIN FINANCIAL STATEMENTS

### 41 PARTICIPATION IN PENSIONS SCHEMES

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

The Council participates in two pension schemes:

- The Teachers' Pension Scheme, as detailed in Note 40, and,
- The Local Government Pension Scheme via the Avon Pension Fund. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into the fund which are calculated at a level intended to balance the pension liabilities with investment assets, and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

#### 2021/22 & 2022/23 Up-Front Payment of Local Government Pension Scheme Deficit Contributions (PRIOR YEAR ONLY)

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

The actual payment made in 2020/21 was £7.082m (£6.862m after Academy conversion refunds), and the actuary calculated the Equivalent Discounted annual Lump Sums Certified across the 3 years as follows:

£2.366m (£2.302m after Academy conversions adjustment) relating to 2020/21,  
£2.361m (£2.284m after Academy conversions adjustment) relating to 2021/22, and  
£2.355m (£2.275m after Academy conversions adjustment) relating to 2022/23.

The Pension Liability as at 31st March 2021 was reduced by the total £6.862m net payment, and the full amount was reflected in the actuarial valuation as at 31st March 2021. The £2.302m relating to 2020/21 was charged to the General Fund in the 2020/21 Statement of Accounts, £2.284m in the 2021/22 Statement of Accounts and £2.275m charged to the General Fund in 2022/23 via the Movement In Reserves Statement.

The result of this is that the Pensions Liability and the Pensions Reserve self-balanced as at 31st March 2023. **There was no upfront payment of future years' contributions made during 2023/24.**

#### Transactions relating to post-employment benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

## NOTES TO MAIN FINANCIAL STATEMENTS

	Local Government Pension Scheme		Unfunded Liabilities (Teachers) Discretionary Benefits	
	2023/24	2022/23	2023/24	2022/23
<b>Comprehensive Income and Expenditure Statement</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Cost of Services:</i>				
Current Service Costs	14,178	29,816	-	-
Past Service Cost	-	-	-	-
Settlement and Curtailment (Gain) / Loss	121	1	-	-
Administration Expenses	490	435	-	-
<i>Financing and Investment Income &amp; Expenditure:</i>				
Net Interest Expense	4,119	8,266	722	520
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>18,908</b>	<b>38,518</b>	<b>722</b>	<b>520</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</i>				
Remeasurement of the net defined benefit liability:				
Experience (gains) and losses	6,849	120,769	689	2,211
Actuarial (gains) and losses arising on changes in demographic assumptions	(10,998)	(386,845)	-	(4,405)
Actuarial (gains) and losses arising on changes in financial assumptions	(10,084)	(21,844)	(239)	(703)
Return on Plan Assets (excluding interest)	(19,687)	57,880	-	-
Total Remeasurements	(33,920)	(230,040)	450	(2,897)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(15,012)</b>	<b>(191,522)</b>	<b>1,172</b>	<b>(2,377)</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	18,908	38,518	722	520
<b>Actual amount charged against General Fund Balance for pensions in the year:</b>				
Employer Contributions	18,147	13,675		
<i>add</i> upfront deficit payment recognised in year (paid 2020/21)	-	2,276		
Employers' contributions payable to scheme	18,147	15,951	-	-
Retirement benefits payable to pensioners			1,517	1,408

## NOTES TO MAIN FINANCIAL STATEMENTS

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

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

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities (Teachers) Discretionary Benefits	
	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000
Present value of defined benefit obligation	742,405	733,957	15,149	15,494
Fair value of plan assets	(674,418)	(632,811)	-	-
<b>Net liability arising from defined benefits obligation</b>	<b>67,987</b>	<b>101,146</b>	<b>15,149</b>	<b>15,494</b>

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities (Teachers) Discretionary Benefits	
	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000
Opening Balance at 1 April	733,957	985,952	15,494	19,279
Current service cost	14,178	29,816	-	-
Interest cost	34,602	27,310	722	520
Contributions from scheme participants	5,621	5,001	-	-
Actuarial gains and losses	(14,233)	(287,920)	450	(2,897)
Benefits paid	(31,841)	(26,203)	(1,517)	(1,408)
Settlements	-	-	-	-
Past service costs	121	1	-	-
Past service gain	-	-	-	-
<b>Closing Balance at 31 March</b>	<b>742,405</b>	<b>733,957</b>	<b>15,149</b>	<b>15,494</b>

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

	Local Government Pension Scheme	
	2023/24 £'000	2022/23 £'000
Opening Fair Value of scheme assets at 1 April	632,811	679,609
Interest on Plan Assets	30,483	19,044
Remeasurement Gain (Loss)	19,687	(57,880)
Administration Expenses	(490)	(435)
Business Combinations	-	-
Settlements	-	-
Contributions from employer	18,147	13,675
Contributions from employees into the scheme	5,621	5,001
Benefits paid	(31,841)	(26,203)
<b>Closing Balance at 31 March</b>	<b>674,418</b>	<b>632,811</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £50.169m [2022/23 (£50.005m)].

### Scheme History

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Present value of liabilities:						
Local Government Pension Scheme	(875,027)	(844,609)	(967,476)	(985,952)	(733,957)	(742,405)
Discretionary Benefits	(22,569)	(19,940)	(20,250)	(19,279)	(15,494)	(15,149)
Fair value of assets in the Local Government Pension Scheme	587,757	538,396	627,797	679,609	632,811	674,418
Surplus/(deficit) in the scheme:						
Local Government Pension Scheme	(287,270)	(306,213)	(339,679)	(306,343)	(101,146)	(67,987)
Discretionary Benefits	(22,569)	(19,940)	(20,250)	(19,279)	(15,494)	(15,149)
<b>Long Term Liability in Balance Sheet</b>	<b>(309,839)</b>	<b>(326,153)</b>	<b>(359,929)</b>	<b>(325,622)</b>	<b>(116,640)</b>	<b>(83,136)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £83m 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 2023/24 are estimated to be £17.9m. Estimated contributions to the Discretionary Benefits scheme are £1.5m.

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

The weighted average duration of the Authority's defined benefit obligation is 16 years, measured on the actuarial assumptions used for IAS19 purposes.

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both scheme liabilities have been assessed by an independent firm of actuaries Mercer Ltd, estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31 March 2024.

The principal assumptions used by the actuary have been:

	Avon Pension Fund		Discretionary Benefits (Teachers) Scheme	
	2023/24	2022/23	2023/24	2022/23
<b>Mortality assumptions :</b>				
Longevity for current pensioners:	<u>at 65</u>		<u>at 75</u>	
Men	22.0	22.4	13.5	13.8
Women	24.1	24.4	15.1	15.3
Longevity for future pensioners:				
Men	23.3	23.7	22.0	22.4
Women	25.8	26.4	24.1	24.4
Rate of inflation	2.7%	2.7%	2.7%	2.7%
Rate of increase in salaries	4.2%	4.2%		
Rate of increase in pensions	2.8%	2.8%	2.8%	2.8%
Rate for discounting scheme liabilities	4.9%	4.8%	4.9%	4.9%

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

### Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption £'000	Decrease in Assumption £'000
Rate of discounting scheme liabilities (increase or decrease by 0.5%)	(51,248)	51,248
Rate of Inflation (increase or decrease by 0.25%)	27,031	(27,031)
Rate of increase in salaries (increase or decrease by 0.25%)	3,075	(3,075)
Longevity (increase or decrease in 1 year)	17,544	(17,544)

## NOTES TO MAIN FINANCIAL STATEMENTS

### Risks and Investment strategy

The Avon Pension Fund does not have an explicit asset and liability matching strategy. The primary objective of its investment strategy is to generate positive real investment return above the rate of inflation for a given level of risk to meet the liabilities as they fall due over time. When setting the investment strategy, the expected volatility of the assets relative to the value placed on the liabilities was measured and taken into account. The aim of the strategy and management structure is to minimise the risk of a reduction in the value of the assets and maximise the opportunity for asset gains across the Fund.

To achieve its investment objective the Fund invests across a diverse range of assets such as equities, bonds, property and other alternative investments, and uses a number of investment managers. The risk management process identifies and mitigates the risks arising from the Fund's investment strategy and policies which are reviewed regularly to reflect changes in market conditions.

### Constitution of the fair value of scheme assets

The Discretionary Benefits Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Assets Held :	Assets at 31 March 2024		Assets at 31 March 2023	
	£'000	%	£'000	%
Equity investments	337,209	50.0%	220,938	34.9%
Government Bonds	155,116	23.0%	121,528	19.2%
Other Bonds	60,698	9.0%	56,378	8.9%
UK Property Funds	35,070	5.2%	40,615	6.4%
Alternatives	189,512	28.1%	181,300	28.6%
Cash Accounts	(103,186)	(15.3)%	12,052	1.9%
<b>Total</b>	<b>674,418</b>	<b>100%</b>	<b>632,811</b>	<b>100%</b>

### History of experience gains and losses

Actuarial losses identified as movements on the Pensions Reserve in 2023/24 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2024.

	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19
<b>Difference between the expected and actual return on scheme assets:</b>						
amount (£'000)	19,687	(57,880)	48,982	81,048	(52,191)	14,615
percentage	2.9%	7.2%	7.2%	12.9%	9.7%	2.5%
<b>Experience (gains) and losses on liabilities</b>						
amount (£'000)	6,849	120,769	2,694	(18,696)	1,878	-
percentage	0.9%	0.3%	0.3%	1.9%	0.2%	0.0%
	<b>26,536</b>	<b>62,889</b>	<b>51,676</b>	<b>62,352</b>	<b>(50,313)</b>	<b>14,615</b>
<b>Cumulative (gains) / losses recognised</b>	<b>244,826</b>	<b>218,290</b>	<b>155,401</b>	<b>103,725</b>	<b>41,373</b>	<b>91,686</b>

## 42 AVON COUNTY COUNCIL DEBT

Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment. The amount of residual debt outstanding at 31 March 2024 apportioned to this Council is £9.664m (£10.067m at 31st March 2023). 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 2023	Principal Repaid	31 March 2024
	£000	£000	£000
<b>Ex- Avon loan debt principal repayment</b>	<b>10,067</b>	<b>(403)</b>	<b>9,664</b>
<b>Split Between Short-Term &amp; Long-Term:</b>			
Short-Term Liability	403		387
Long-Term Liability	9,664		9,277
<b>Total</b>	<b>10,067</b>		<b>9,664</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 43 MINIMUM REVENUE PROVISION (MRP)

#### Minimum Revenue Provision - Provision for Repayment of External Debt

The Local Government Act 2003 requires that where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008.

The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the CLG Guidance), whilst making its own assessment of a prudent MRP.

The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP.

The Council reviewed and amended its MRP Policy during 2016/17. The following approved MRP statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

- For capital expenditure incurred before 1st April 2008 MRP will be determined as the principal repayment on a 50 year annuity with an annual interest rate equal to 2% which will fully finance this element of the Capital Financing Requirement (CFR) within 50 years, incorporating an "Adjustment A" of £38.8m.

- For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

- For assets acquired by finance leases or the Private Finance Initiative, [and for the transferred debt from Avon County Council], MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.

Capital expenditure incurred during each financial year will not be subject to a MRP charge until the following financial year or until the year after the asset becomes operational.

Using the various elements outlined in this MRP Policy the Council will calculate a gross amount that it considers prudently necessary to fund previously incurred borrowing in respect of capital expenditure. It will then decide how much of this to fund from capital receipts with the residual amount being the Council's MRP for the year.

The net amount charged to revenue in compliance with the statutory requirement to set aside a Minimum Revenue

Provision for the repayment of external debt is £10.184m calculated as follows:

	2023/24 £000	2022/23 £000
Provision for capital expenditure incurred before 1st April 2008	611	599
Provision based on estimated useful life of new assets since 2008	9,573	8,575
<b>Total Minimum Revenue Provision (MRP)</b>	<b>10,184</b>	<b>9,174</b>

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

## NOTES TO MAIN FINANCIAL STATEMENTS

### 44 TRUST FUNDS

The Council is the trustee of a small number of Trusts which were inherited from the predecessor authorities. These include bequests, schools prize and scholarship funds and grave maintenance.

The only Trusts with material assets are:

	2023/24 Exp. £'s	2023/24 Income £'s	2023/24 Assets £'s	2023/24 Liabilities £'s
Alice Park Trust	43,304	(43,304)	189,762 *	
<b>Total</b>	<b>43,304</b>	<b>(43,304)</b>	<b>189,762</b>	<b>0</b>

\* Includes external investments valued at £18,369

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

\* Includes external investments valued at £18,216

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:

	2023/24 Exp. £'s	2023/24 Income £'s	2023/24 Assets £'s	2023/24 Liabilities £'s
Educational Funds		(1,809)	39,680	
Graves / Memorial maintenance		(653)	13,637	
Twinning Fund	598	(1,308)	27,308	
Bequests	455	(1,891)	39,021	
<b>Total</b>	<b>1,053</b>	<b>(5,661)</b>	<b>119,646</b>	<b>0</b>

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

### 45 CONTROLLED COMPANIES

#### Aequus Developments Ltd (ADL)

The Council set up ADL to develop, deliver, own and manage existing property as well as carry out new developments on a case by case basis. ADL is a 100% subsidiary of AGHL.

The company's draft un-audited accounts to 31st March 2024 show a turnover of £1,563,794, a net loss of £209,152, net current liabilities of £1,416,882 and net assets of £1,753,834. (Turnover of £1,538,432, a net profit of £217,038, net current liabilities of £62,059 and net assets of £1,617,614 in the company's audited 2022/23 accounts). These figures include outstanding loans made to the company by the Council of £6,997,717 (£5,972,491 2022/23).

#### Aequus Construction Ltd (ACL)

ACL, which is a 100% subsidiary of AGHL, was set up during 2017/18 to carry out construction and development of building projects.

The company's draft un-audited accounts to 31st March 2024 show a turnover of £4,383,919, a net profit of £7,854, net current assets of £1,915,310 and net assets of £1,944,242 (a turnover of £8,056,920, a net profit of £284,119, net current assets of £2,793,560 and net assets of £2,784,387 in the company's audited 2022/23 accounts). These figures include outstanding loans made to the company by the Council of NIL (NIL in 2022/23).

#### Aequus Group Holdings Ltd (AGHL)

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

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

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

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

### 46 CONTINGENT LIABILITIES

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

### 47 HERITAGE ASSETS; FURTHER INFORMATION ON THE COLLECTIONS

#### Roman Baths Museum

The Roman Baths Museum holds a number of collections principally of an archaeological nature but also includes a diverse local history collection and a major collection of coins which together tell the story of 7,000 years of human activity around the hot springs of Bath. The collections have been designated as being of outstanding national significance.

**Archaeology:** The prehistoric collections include flint and stone objects, mostly from the downs to the north and south of Bath. There is also bronze age metalwork and small quantities of prehistoric pottery, human and faunal remains including objects from the iron age hillfort at Little Solsbury.

In the Roman collection, the bulk of materials relate to the Baths and Temple site in which the museum is situated, consisting of building blocks, architectural fragments, sculptural reliefs, inscriptions, tile and lead and bronze plumbing fittings. There are similar objects from elsewhere in Bath. From elsewhere in the District there are objects from the Roman Villas at Combe Hay, Somerdale Roman House and Medieval Abbey site which is managed locally by the Keynsham Heritage Trust.

The museum has been approved by English Heritage for the deposition of excavation material and the collections are added to continually through receipt of excavation material as well as the occasional stray find. The museum will only normally collect within the boundaries of Bath & North East Somerset.

**Numismatics:** There is a strong collection of Roman coins of which the most important are those excavated from the King's Spring, as well as the recently acquired Beau Street hoard of coins, purchased with the support of external grants. There are also coins from the Saxon mint at Bath as well as a representative collection of English coinage from the Saxon period to the 20th century. The collection also includes miscellaneous foreign coins, commemorative medals, jettons and reckoning counters and a comprehensive collection of 17th, 18th and 19th century tokens, tickets, inn checks and bank notes from Bath and north eastern Somerset. The museum will continue to develop its collection of locally associated objects.

**Local History:** These collections consist principally of objects relating to the city and immediate environs of Bath, including a significant and substantial collection of old photographs, postcards and glass negatives.

The museum will continue to take a leading role in promoting the acquisition of objects of local and social historical significance.

Valuations are carried out by the museums curator and where necessary supplemented with advice is sought from an external source.

#### Bath Record Office

Bath is the only city in the UK to be designated as a UNESCO world heritage site, selected for its 18th century townscape, built around the ancient thermal spa. The archive collections of the Record Office are exceptional for their quality and completeness in documenting the transition from medieval market town to fashionable Georgian resort, preserved today as one of Britain's top visitor destinations.

The wide-ranging subject matter touches on almost every aspect of life in the developing city throughout the last 400 years including records of parishes, schools, crime and punishment, hospitals and medicine, charities, societies, commerce and entertainment. The role played by the Corporation of Bath as a major property developer, from the 17th century to the present is represented by an outstanding collection of title deeds, complemented by major collections from local solicitors. Since the creation of the Record Office in 1967 many substantial and historically important archives collections have been received from private sources.

The Bath Record Office collection will be developed through the acquisition of archives and records from within the Bath & North East Somerset area and may encompass records in any form including manuscripts, photographs, pictures, film and all communication media. Items from the records office are not kept on display but access to the material can be arranged by appointment.

The collections are valued for insurance purposes. Valuations are carried out in the main by the records manager, where this is not possible advice is sought from a commercial source.

#### Fashion Collection

The Museum in the Assembly Rooms closed in October 2022, with the collection will be housed close to Bath in temporary accommodation. We continue to loan items to other museums for exhibitions. The asset is one of the largest and most comprehensive collections of fashionable dress and associated material in this country and contains approximately 60,000 objects. The collection has been designated as one of outstanding national significance.

The collection includes items of fashionable dress and accessories to dress for men, women and children from the late 16th century to the present day including day and evening dress, separate garments such as blouses, skirts, shirts and trousers, underwear and outerwear, as well as fashion accessories such as hats, shoes, gloves, parasols, fans and costume jewellery.

The collection also includes works on paper associated with fashionable dress including fashion magazines, fashion photographs and drawings, fashion plates, knitting and dressmaking patterns, historic costume books, trade and designers' archives and costume historians' papers.

The museum's acquisition objectives break down into three areas: to fill the gaps in the collection of fashionable dress; to build on strengths in the collection and to ensure that the collection is up to date.

The collections are valued for insurance purposes. Valuations are carried out in the main by the Museum's Curator, where this is not possible advice is sought from a commercial source.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### Victoria Art Gallery

The Victoria Art Gallery's collections of fine and decorative art date from the 16th century to the present day. To a significant extent they tell the story of art in the city of Bath and the surrounding area. Most of the 15,350 items in the collection were acquired by way of gift and bequest. Valuations are carried out by the museums curator, and where necessary supplemented with advice 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.

## NOTES TO MAIN FINANCIAL STATEMENTS

### 48 CITY REGION DEAL

#### Background

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

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

#### Transactions

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

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

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

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

Cash receivable and disbursements payable by the BRP and the Council's share of these are reflected under 'Cash Transactions' in the table below. Expenditure and Revenue recognised in the Council's CIES is also disclosed:

	Cash Transactions		Revenue & Expenditure	
	Business Rates Pool Total £'000	of which the Council's Share £'000	Council Expenditure £'000	Council Revenue £'000
Funds held by BRP at 1 April 2023	(77,917)	(2,191)	0	0
Receipts into the Pool in-year:				
- Growth sums payable by Councils to BRP in-year	(53,358)	(1,633)	843	0
Distributions out of the Pool in-year:				
- Tier 1 no worse off	18,592	581	0	(581)
- BRP Management Fee	36	9	0	0
- EDF Management Fee	75	19	0	0
- Tier 2 EDF funding	6,509	71	0	(67)
- Tier 3 Demographic and service pressures	4,908	164	0	(270)
<b>Funds held by the BRP at 31 March 2024</b>	<b>(101,154)</b>	<b>(2,980)</b>		
Analysed between:				
Uncommitted cash (Tier 2 incl. Contingency)	(3,278)	(99)	44	n/a
Committed cash not yet allocated	(97,877)	(2,881)	746	n/a
	<b>(101,154)</b>	<b>(2,980)</b>		
<b>Expenditure / (Revenue) recognised</b>			<b>1,633</b>	<b>(918)</b>

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

The Council's share of this committed and uncommitted cash balance held by the BRP (£2.980m) 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 £6.509m on behalf of the EDF in 2023/24.

The council itself has recognised revenue income of £918,000 (2022/23: £868,000) from the BRP and expenditure of £1,633,000 (2022/23: £885,000) to the BRP for the year.

## NOTES TO MAIN FINANCIAL STATEMENTS

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

#### Restatement of Service Income & Expenditure

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income & Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2023/24 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 2023/24, the Portfolios of responsibility are structured differently to those included in the 2022/23 Statement of Accounts. This note shows how the net expenditure and income has been restated.

	As originally reported in the CIES 2022/23 £'000	Adjustments between Cabinet Portfolio structure £'000	As Restated 2022/23 £'000
<b>NET EXPENDITURE</b>			
<b>Cabinet Portfolio</b>			
Leader	(3,291)	3,020	(271)
Resources	21,621	(11,478)	10,144
Economic Development, Regen. & Growth	1,549	(1,549)	-
Adult Services & Council House Building	69,893	(69,893)	-
Children and Young People & Communities	46,614	(46,614)	-
Climate Emergency & Sustainable Travel	(1,565)	2,817	1,252
Planning & Licensing	2,255	(2,255)	-
Neighbourhood Services	36,261	(6,256)	30,005
Transport	(5,303)	5,303	-
Council Priorities & Delivery	-	3,786	3,786
Economic & Cultural Sustainable Developm't	-	6,557	6,557
Adult Services	-	69,772	69,772
Children's Services	-	41,232	41,232
Built Environment & Sustainable Development	-	3,441	3,441
Highways	-	2,117	2,117
<b>Cost of Services</b>	<b>168,034</b>	<b>0</b>	<b>168,034</b>
<b>GROSS EXPENDITURE</b>			
<b>Cabinet Portfolio</b>			
Leader	15,981	(15,079)	902
Resources	69,349	(18,372)	50,978
Economic Development, Regen. & Growth	3,396	(3,396)	-
Adult Services & Council House Building	115,384	(115,384)	-
Children and Young People & Communities	137,282	(137,282)	-
Climate Emergency & Sustainable Travel	5,896	(3,427)	2,469
Planning & Licensing	7,144	(7,144)	-
Neighbourhood Services	45,090	(6,168)	38,922
Transport	9,600	(9,600)	-
Council Priorities & Delivery	-	8,915	8,915
Economic & Cultural Sustainable Developm't	-	28,271	28,271
Adult Services	-	122,978	122,978
Children's Services	-	119,786	119,786
Built Environment & Sustainable Development	-	11,519	11,519
Highways	-	24,384	24,384
<b>Cost of Services</b>	<b>409,122</b>	<b>0</b>	<b>409,122</b>
<b>GROSS INCOME</b>			
<b>Cabinet Portfolio</b>			
Leader	(19,272)	18,100	(1,173)
Resources	(47,728)	6,894	(40,835)
Economic Development, Regen. & Growth	(1,847)	1,847	-
Adult Services & Council House Building	(45,491)	45,491	-
Children and Young People & Communities	(90,668)	90,668	-
Climate Emergency & Sustainable Travel	(7,461)	6,244	(1,217)
Planning & Licensing	(4,889)	4,889	-
Neighbourhood Services	(8,829)	(88)	(8,917)
Transport	(14,903)	14,903	-
Council Priorities & Delivery	-	(5,129)	(5,129)
Economic & Cultural Sustainable Developm't	-	(21,714)	(21,714)
Adult Services	-	(53,206)	(53,206)
Children's Services	-	(78,553)	(78,553)
Built Environment & Sustainable Development	-	(8,078)	(8,078)
Highways	-	(22,267)	(22,267)
<b>Cost of Services</b>	<b>(241,088)</b>	<b>0</b>	<b>(241,088)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 50 CLEAN AIR ZONE

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

#### Clean Air Zone Income & Expenditure

	2023/24		2022/23	
	£'000	£'000	£'000	£'000
CAZ Income		(4,228)		(6,186)
Expenditure	1,939		2,470	
<i>less Grant Funding</i>			(58)	
Expenditure net of Grant Funding		1,939		2,412
(Surplus) / Deficit transferred to Earmarked Reserve		(2,289)		(3,774)

#### Clean Air Zone Earmarked Reserves

	31 March 2023 £'000	transfers to £'000	transfers from £'000	31 March 2024 £'000
Smoothing Reserve	3,224	834	(529)	3,529
Decommissioning Reserve	377	23	-	400
Decommissioning Monitoring and Modelling Reserve	250	150	-	400
Transport Investment Reserve	5,105	1,282	(136)	6,251
<b>Total Clean Air Zone Reserves</b>	<b>8,956</b>	<b>2,289</b>	<b>(665)</b>	<b>10,580</b>

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

## COLLECTION FUND 2023/24

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	2023/24 £'000	2022/23 £'000
<b>INCOME</b>				
Council Tax	2	(141,565)		(133,197)
Income collectable from business ratepayers	3	(67,659)		(62,160)
			(209,224)	(195,357)
<b>EXPENDITURE</b>				
Council Tax - Precepts and demands				
Bath & North East Somerset		116,839		109,964
Avon & Somerset Police	1	18,264		17,045
Avon Fire	1	5,691		5,289
			140,794	132,298
National Non-Domestic Rates (NNDR)				
Central share payment to Government		-		-
Local share payment to Bath & North East Somerset		60,699		52,886
Local share payment to WECA		3,229		2,813
Local share payment to Avon Fire Authority		646		563
Transfer of City Deal Growth Disregard to General Fund	6	1,083		603
Transfer of Renewable Energy Growth Disregard to General Fund		20		13
Cost of Collection Allowance		268		268
Interest charged to the collection fund		27		
			65,972	57,146
Impairments of debts/Appeals provision				
Contribution to Provision for Bad Debts	4		561	879
Contribution to Provision for NNDR Appeals	5		(3,624)	2,492
Contributions				
Contribution towards previous year's estimated Collection Fund Surplus/(Deficit)			5,848	(19,946)
			209,551	172,869
(Surplus)/Deficit for the Year			327	(22,488)
(Surplus)/Deficit Brought Forward as at 1 April			(6,098)	16,390
<b>(Surplus)/Deficit as at 31 March</b>	7		(5,771)	(6,098)
Council Tax Surplus / (Deficit) to be refunded to Police & Fire Authorities			25	15
NNDR Surplus / (Deficit) to be refunded / charged to Government, WECA & Fire Authority			338	361
<b>Bath &amp; North East Somerset (Surplus)/Deficit</b>			(5,408)	(5,722)

## 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 (NDR). 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 2023/24 £'000	Surplus / (Deficit) 2023/24 £'000	Precept 2022/23 £'000	Surplus / (Deficit) 2022/23 £'000
The Avon & Somerset Police Authority	18,264	66	17,045	288
The Avon Fire Authority	5,691	19	5,289	90

### 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 68,609.95 (67,853.70 for 2022/23). This amount of Council Tax for a Band D property £2,052.09 (£1,949.75 - 2022/23) is multiplied by the proportion specified for the particular band to give an individual amount due.

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

	Discounted Properties	Ratio to Band D	Band D Equivalents
Band A - Disabled Relief	10	5/9	6
Band A	6,787	6/9	4,525
Band B	16,681	7/9	12,974
Band C	18,091	8/9	16,081
Band D	12,851	9/9	12,851
Band E	9,212	11/9	11,259
Band F	5,295	13/9	7,649
Band G	4,702	15/9	7,837
Band H	391	18/9	783
			73,965
Overall Adjustment for Council Tax Support and Technical Changes			(5,355)
<b>Council Tax Base</b>			<b>68,610</b>

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

The income for 2023/24 is receivable from the following sources:-

	2023/24 £'000	2022/23 £'000
Billed to Council Tax payers	(141,248)	(133,153)
Localism Act Discounts funded from General Fund	(8)	(6)
DWP Benefits funded from General Fund	-	8
Foster Carers Locally Defined Discount funded from General Fund	(14)	(12)
Care Leavers Locally Defined Discount funded from General Fund	(50)	(37)
Council Tax Covid-19 Hardship Relief funded from General Fund	1	2
Council Tax Support Fund	(245)	
	<b>(141,564)</b>	<b>(133,198)</b>

## NOTES TO THE COLLECTION FUND

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

The Council collects NNDR for its area based on local rateable values multiplied by a uniform business rate set nationally by Central Government. The national multipliers for 2023/24 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 £67.659 million for 2023/24 (£62.160 million for 2022/23) resulted from a total rateable value at 31 March 2024 of £193.879 million (2022/23: £183.371 million).

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

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

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

The closing surplus on the business rates retention scheme in 2023/24 is £5.625m (£6.008m surplus in 2022/23). The surplus is to be allocated to the Council (94%), WECA (5%) and Fire Authority (1%) based on the proportional shares agreed under the 100% retention pilot.

### 4 Council Tax and NNDR - Provision for Bad Debts

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

	2023/24 £'000	2022/23 £'000
<b>Council Tax</b>		
Balance at 1 April	1,669	1,374
Write-offs during the year	(180)	(170)
Contributions to provisions during the year	215	465
Net Increase/(Decrease) in Provision	35	295
Balance at 31 March	1,704	1,669
<b>NNDR</b>		
Balance at 1 April	1,202	1,044
Write-offs during the year	(504)	(256)
Contributions to provisions during the year	347	414
Net Increase/(Decrease) in Provision	(157)	158
Balance at 31 March	1,045	1,202
<b>Total</b>		
Balance at 1 April	2,871	2,418
Write-offs during the year	(684)	(426)
Contributions to provisions during the year	562	879
Net Increase/(Decrease) in Provision	(122)	453
Balance at 31 March	2,749	2,871

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 2024.

	2023/24 £'000	2022/23 £'000
Balance at 1 April	13,590	14,474
Cost of Appeals settled during the year	(4,436)	(3,377)
Contributions to provisions during the year	(3,624)	2,492
Net Increase/(Decrease) in Provision	(8,060)	(884)
Balance at 31 March	5,530	13,590

The net reduction in appeals provision is mainly due to the impact of settled appeals in respect of the 2017 rating list and the release from the 2017 rating list provision, due to the closure of the 2017 rating list as at 31st March 2023 and review of outstanding appeals as at 31st March 2024. Provision for appeals on the 2023 rating list has been made at 3.4% of the net business rates payable.

## NOTES TO THE COLLECTION FUND

### 6 City Deal Growth Disregard

From 2014/15, the Council is allowed to retain 100% of the growth in Business Rates in its Enterprise Area. The growth is transferred to the Council's General Fund before being pooled with other participating authorities (see Note 48 to the Main Financial Statements for full details).

### 7 Balance of Fund & Distribution

As at 31 March 2024, the balance on the Collection Fund stood at an overall surplus of £5.772m

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

	Council Tax	NNDR	Total
	£'000	£'000	£'000
Central Government	-	-	-
Bath & North East Somerset	(123)	(5,287)	(5,410)
West of England Combined Authority (WECA)	-	(281)	(281)
Avon & Somerset Police	(19)	-	(19)
Avon Fire Authority	(6)	(56)	(62)
	<b>(148)</b>	<b>(5,624)</b>	<b>(5,772)</b>

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

## NARRATIVE REPORT

### Introduction

In common with many other local authorities, Bath & North East Somerset Council has created separate companies with its partners to further the goals of the Council. The use of separate companies means that the Council's single entity financial statements on their own do not fully reflect the assets and liabilities or income and expenditure associated with all of its activities. The Group Financial Statements more fully reflect the overall financial picture of the Council's activities.

This section presents the statutory financial statements for Bath & North East Somerset Council Group (the Group) for the period from 1 April 2023 to 31 March 2024. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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 2024, with comparative figures for the previous financial year.

### Consolidation of subsidiaries

#### Inclusion Within The Group Financial Statements

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

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

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

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

The Council has two material subsidiary companies which are both 100% owned, these are:

Aequus Developments Limited (ADL) &  
Aequus Construction Limited (ACL)

Both ACL and ADL are 100% owned subsidiary of Aequus Group Holdings Limited (AGHL), which is a non-trading parent company. As AGHL is 100% owned by the Bath & North East Somerset Council, both ADL & ACL are treated as separate companies 100% owned by the Council. More detail regarding each of these organisations can be found in note G3.

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

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

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

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2023/24

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	2022/23	2022/23	2022/23		2023/24	2023/24	2023/24
	Gross	Gross	Net		Gross	Gross	Net
	Exp	Inc	Exp		Exp	Inc	Exp
	£'000	£'000	£'000	<b>Expenditure on Services</b>	£'000	£'000	£'000
	Restated	Restated	Restated				
	902	(1,173)	(271)	Leader	1,275	(1,309)	(34)
	8,915	(5,129)	3,786	Council Priorities & Delivery	10,686	(1,520)	9,166
	48,443	(40,229)	8,214	Resources	58,514	(45,236)	13,278
	28,271	(21,714)	6,557	Economic & Cultural Sustainable Developm't	26,065	(26,704)	(639)
	122,978	(53,206)	69,772	Adult Services	128,196	(59,919)	68,277
	119,785	(78,553)	41,232	Children's Services	124,483	(78,326)	46,157
	2,469	(1,217)	1,252	Climate Emergency & Sustainable Travel	4,073	(2,434)	1,639
	11,518	(8,077)	3,441	Built Environment & Sustainable Development	15,303	(11,381)	3,922
	38,922	(8,917)	30,005	Neighbourhood Services	47,011	(9,598)	37,413
	24,383	(22,267)	2,116	Highways	24,644	(22,605)	2,039
	7,939	(6,803)	1,136	Activities of Subsidiaries	6,500	(4,072)	2,428
	414,525	(247,285)	167,240	<b>Cost of Services - continuing Operations</b>	<b>446,750</b>	<b>(263,104)</b>	<b>183,646</b>
			7,514	Other Operating Expenditure			8,667
				Financing and Investment Income			
			24,297	& Expenditure			11,901
				Taxation and Non-Specific Grant			
			(182,156)	Income			(177,138)
			16,895	<b>(Surplus) or Deficit on Provision of Services</b>			<b>27,076</b>
				(Surplus) or Deficit on Upward			
			(25,034)	Revaluation of Non-current Assets			(21,950)
				(Surplus) or Deficit on Downward			
			2,661	Revaluation of Non-current Assets			12,567
				Remeasurement of the			
			(234,365)	net defined benefit liability			(33,542)
			(256,738)	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>(42,925)</b>
			(239,843)	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(15,849)</b>

## GROUP MOVEMENT IN RESERVES STATEMENT 2023/24

This statement shows the movement in the year on the different reserves held, analysed into 'usable reserves' (that is, those that can be applied to fund expenditure or reduce local taxation) and other reserves.

<u>Current Year</u>	<b>Total General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>	<b>Authority's share of reserves of subsidiaries</b>	<b>Total Group Reserves</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2023</b>	<b>83,626</b>	9,042	-	<b>92,668</b>	316,855	<b>409,523</b>	4,836	<b>414,358</b>
Movements During 2023/24:								
Adjustment to Opening Balance				-		-	(453)	(453)
Total Comprehensive Income & Expenditure	(26,073)			(26,073)	42,853	<b>16,780</b>	(931)	<b>15,850</b>
Adjustments between group accounts and authority accounts	848			848		848	(848)	-
<b>Net Increase/ (Decrease) before transfers</b>	<b>(25,225)</b>	-	-	<b>(25,225)</b>	42,853	<b>17,628</b>	<b>(2,232)</b>	<b>15,397</b>
Adjustments between accounting basis and funding basis under statutory provisions	28,888	(1,331)	-	27,557	(27,557)	-	-	-
<b>Increase / (Decrease) during year</b>	<b>3,663</b>	<b>(1,331)</b>	-	<b>2,332</b>	15,296	<b>17,628</b>	<b>(2,232)</b>	<b>15,397</b>
Transfers to / (from) earmarked reserves	(848)			(848)		(848)	848	-
<b>Balance at 31 March 2024</b>	<b>86,441</b>	7,711	-	<b>94,152</b>	332,151	<b>426,302</b>	3,452	<b>429,754</b>
<u>Comparative Year</u>	<b>Total General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>	<b>Authority's share of reserves of subsidiaries</b>	<b>Total Group Reserves</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2022</b>	<b>111,323</b>	8,518	22	<b>119,863</b>	50,614	<b>170,477</b>	4,075	<b>174,552</b>
Movements During 2022/23:								
Adjustment to Opening Balance				-		-	(37)	(37)
Total Comprehensive Income & Expenditure	(16,265)			(16,265)	255,310	<b>239,045</b>	797	<b>239,842</b>
Adjustments between group accounts and authority accounts	1,169			1,169		1,169	(1,169)	-
<b>Net Increase/ Decrease before transfers</b>	<b>(15,096)</b>	-	-	<b>(15,096)</b>	255,310	<b>240,214</b>	<b>(372)</b>	<b>239,843</b>
Adjustments between accounting basis and funding basis under statutory provisions	(11,432)	524	(22)	(10,930)	10,930	-		-
<b>Increase / (Decrease) during year</b>	<b>(26,528)</b>	<b>524</b>	<b>(22)</b>	<b>(26,026)</b>	266,240	<b>240,214</b>	<b>(372)</b>	<b>239,843</b>
Transfers to / (from) earmarked reserves	(1,169)			(1,169)		(1,169)	1,169	-
<b>Balance at 31 March 2023</b>	<b>83,626</b>	9,042	-	<b>92,668</b>	316,855	<b>409,522</b>	4,836	<b>414,358</b>

## GROUP BALANCE SHEET as at 31 MARCH 2024

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 2023 £'000		31 March 2024 £'000
	262,210	Property, Plant & Equipment:	
	4,335	Land & Buildings	306,264
	22,095	Community Assets	4,874
	61,126	Vehicles, Plant & Equipment	21,952
	3,428	Assets under Construction	40,274
	133,532	Surplus assets	3,429
	48,564	Infrastructure	144,297
<b>G4</b>	264,431	Heritage Assets	48,564
	650	Investment Property	249,516
<b>G6</b>	1,678	Intangible Assets	480
	-	Long Term Debtors	1,910
	802,048	Deferred tax asset	-
		<b>Long Term Assets</b>	<b>821,560</b>
	13,960	Short Term Investments	7,801
<b>G5</b>	3,132	Inventories	5,464
<b>G6</b>	48,688	Short Term Debtors	56,894
	31,980	Cash and Cash Equivalents	26,998
	170	Assets Held for Sale	0
	12	Deferred tax asset	-
	97,942	<b>Current Assets</b>	<b>97,157</b>
	-	Short Term Borrowing	(14,498)
	(76,299)	Short Term Creditors	(71,512)
	(1,600)	Grants Receipts In Advance - Revenue	(2,402)
	(19,573)	Grants Receipts In Advance - Capital	(41,215)
	(97,472)	<b>Current Liabilities</b>	<b>(129,627)</b>
	(15,532)	Long Term Creditors	(1,543)
	(214,184)	Provisions	(7,764)
	(35)	Long Term Borrowing	(238,101)
	(126,372)	Deferred tax liability	(318)
	(32,037)	Other Long Term Liabilities	(92,413)
	(388,160)	Grants Receipts In Advance - Capital	(19,197)
		<b>Long Term Liabilities</b>	<b>(359,336)</b>
	414,358	<b>Net Assets</b>	<b>429,754</b>
	97,505	Usable reserves	97,605
	316,853	Unusable Reserves	332,149
	414,358	<b>Total Reserves</b>	<b>429,754</b>

## GROUP CASH FLOW STATEMENT

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

2022/23 £'000	See Note G7 for further details	2023/24 £'000
(16,895)	Net surplus or (deficit) on the provision of services	(27,076)
61,435	Adjustment to surplus or deficit on the provision of services for non cash movements	36,106
(48,059)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(24,206)
-	Tax Paid	(86)
(3,520)	Operating Activities	(15,262)
(8,710)	Investing Activities	(21,454)
(8,780)	Financing Activities	31,732
(21,010)	Net Increase/(decrease) in cash equivalents	(4,984)
52,990	Cash & cash equivalents at the beginning of the reporting period	31,981
31,981	Cash & cash equivalents at the end of the reporting period	26,996

## NOTES TO GROUP FINANCIAL STATEMENTS

### G1 Accounting policies

The Group Financial Statements summarise the Council's and its Group's transactions for the 2023/24 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 supported by International Financial Reporting Standards (IFRS).

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

Notes to the Group Financial Statements have been presented where the figures are materially different from those of the Council entity accounts. Where there are no material differences, the Notes to the Council entity accounts provide the required disclosures.

Where material, Accounting policies of the individual members of the Group have been aligned to the Council's accounting policies.

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

#### 1.1 Inventories

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

#### 1.2 Taxation

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

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

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

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

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

#### 1.3 Assets recognised from costs to fulfil a contract

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

### G2 Bodies not consolidated

The following have not been consolidated in to the Group Financial Statements for 2023/24.

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

#### Aequus Group Holdings Limited (AGHL)

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

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

## NOTES TO GROUP FINANCIAL STATEMENTS

### G3 Bodies Consolidated

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

#### Aequus Developments Ltd (ADL)

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

The draft accounts for the year to 31 March 2024 for ADL have been summarised below, with comparator figures for the previous reporting period.

	Year ended 31 March 2023 (from audited accounts) £000	Year ended 31 March 2024 £000
<b>Aequus Developments Ltd (ADL)</b>		
Profit for the year	178	(164)
Other Comprehensive Income	1,071	54
Total Comprehensive Income	1,249	(110)
Net assets	1,618	1,508

#### Aequus Construction Ltd (ACL)

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

The draft accounts for the year to 31 March 2024 for ACL have been summarised below, with comparator figures for the previous reporting period.

	Year ended 31 March 2023 (from audited accounts) £000	Year ended 31 March 2024 £000
<b>Aequus Construction Ltd (ACL)</b>		
Profit for the year	284	(9)
Other Comprehensive Income	-	-
Total Comprehensive Income	284	(9)
Net assets	2,784	1,945

### G4 Investment Properties

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

	2023/24 £'000	2022/23 £'000
Rental Income from Investment Property	(17,060)	(16,228)
Direct operating expenses arising from Investment Property	2,651	1,886
Net gain/(loss)	(14,409)	(14,342)

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

	2023/24 £'000	2022/23 £'000
Balance at start of year	264,431	265,229
Adjustment to opening balance	-	-
Additions of expenditure	2,232	2,688
Disposals	(268)	(153)
Net gains/(losses) from fair value adjustments	(14,563)	(20,805)
Transfer (to)/from Property, Plant & Equipment	(2,316)	17,472
<b>Balance at end of the year</b>	<b>249,516</b>	<b>264,431</b>

The Council carries out annual valuations of all investment properties. The valuer's report identified a total valuation of £242m, being all level 2 in the hierarchy outlined in policy 1.17 of the single entity accounts.

The fair value of investment properties held by Aequus Development Limited are reviewed annually based on a 20% sample of properties across the portfolio, with a full property revaluation done every 4 years. The 2024 review identified a total valuation of £7.5m, being all level 2 in the hierarchy outlined in accounting policy 1.17 of the single entities accounts.

Both valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## NOTES TO GROUP FINANCIAL STATEMENTS

### G5 Inventories

2022/23 £'000		2023/24 £'000
520	Consumable stores	709
2,611	Work in progress	4,755
<u>3,131</u>		<u>5,464</u>

### G6 Debtors

2022/23 £'000	Amounts falling due in one year:	2023/24 £'000
8,209	Central Government bodies	7,024
12,796	Other local authorities	14,181
3,902	NHS bodies	5,196
10,845	Other entities and individuals (Trade Debtors)	15,631
9,925	Other entities and individuals (Non-Trade Debtors)	10,123
2,783	Prepayments	4,739
<u>48,460</u>	<b>Total - Current Assets</b>	<u>56,894</u>
£'000	Amounts falling after one year:	£'000
1,678	Other entities and individuals	1,910
<u>1,678</u>	<b>Total - Long Term Assets</b>	<u>1,910</u>

### G7 Cash Flow Statement

#### Note A to the cash flow statement

	2023/24 £'000	2022/23 £'000
Net Surplus or (Deficit) on the Provision of Services	(27,076)	(16,895)
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>		
Depreciation	16,447	14,340
Impairment and downward valuations	14,084	2,659
Amortisation	232	223
Impairment allowance on service loans	9	(55)
Adjustment for internal interest charged	247	109
Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss a/c	-	-
Adjustments for effective interest rates	1,089	1,529
Increase/Decrease in Interest Creditors	(430)	(6)
Increase/Decrease in Creditors	638	(49)
Increase/Decrease in Interest and Dividend Debtors	3,709	(7,809)
Increase/Decrease in Debtors	491	29
Increase/Decrease in Inventories	(6,739)	(1,404)
Pension Liability	(2,332)	1,965
Contributions to/(from) Provisions	(34)	24,041
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	(7,768)	1,624
Movement in investment property values	867	2,264
Other movements	14,849	20,872
Total adjustments on the provision of services for non cash movements	<u>747</u>	<u>1,103</u>
	36,106	61,435
<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>		
Capital Grants credited to surplus or deficit on the provision of services	(23,188)	(44,790)
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	-	-
	(1,018)	(3,269)
Total adjustments on the provision of services that are investing or financing activities	<u>(24,206)</u>	<u>(48,059)</u>
Tax Paid	(86)	
<b>Net Cash Flows from Operating Activities</b>	<u>(15,262)</u>	<u>(3,520)</u>

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

	2023/24 £'000	2022/23 £'000
<b>Operating activities within the cash flow statement include the following cash flows relating to interest</b>		
Ordinary interest received	2,331	1,564
Other adjustments for differences between Effective Interest Rates and actual interest receivable-Long Term Debtors	-	-
Opening Debtor	268	118
Closing Debtor	223	(89)
<b>Interest Received</b>	<u>2,822</u>	<u>1,593</u>
Interest charge for year	(7,585)	(7,416)
Adjustment for difference between effective interest rates and actual interest payable	(431)	(6)
Adjustment for impairment loss on service loans	-	-
Adjustment for internal interest charged to balance sheet funds	248	109
Opening Creditor	(1,865)	(1,914)
Closing Creditor	2,503	1,865
<b>Interest Paid</b>	<u>(7,130)</u>	<u>(7,362)</u>

## NOTES TO GROUP FINANCIAL STATEMENTS

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

	2023/24	2022/23
	£'000	£'000
Property, Plant and Equipment Purchased	(54,727)	(65,610)
Purchase of Investment Properties	(2,232)	(2,688)
Other Capital Payments	(61)	(151)
Opening Capital Creditors	(8,070)	(8,966)
Closing Capital Creditors	6,218	8,070
Purchase of Property, Plant and Equipment, investment property and intangible assets	(58,872)	(69,345)
Purchase of short term investments	(5,000)	(25,000)
Long term loans granted	(1,551)	(49)
Capital Grants Repaid	(904)	(2,200)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	1,285	3,362
Proceeds / (Purchase) from short term investments	10,000	45,000
Proceeds from long term investments	-	-
Other capital cash receipts	(752)	39
Capital Grants Received / (Repaid)	34,340	39,483
Other Receipts / (Payments) from Investing Activities	33,588	39,522
<b>Total Cash Flows from Investing Activities</b>	<b>(21,454)</b>	<b>(8,710)</b>

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

	2023/24	2022/23
	£'000	£'000
Cash receipts of long term borrowing	53,740	-
Billing Authorities - Council Tax and NNDR adjustments	(7,274)	322
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	-	-
Other receipts from Financing Activities	(848)	(1,169)
Repayment of Short-Term and Long-Term Borrowing	(13,886)	(7,933)
Payments for the reduction of a finance lease liability	-	-
<b>Total Cash Flows from Financing Activities</b>	<b>31,732</b>	<b>(8,780)</b>

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

	2023/24	2022/23
	£'000	£'000
Cash and Bank Balances	4,783	4,591
Cash Investments - regarded as cash equivalents	22,215	27,389
Bank Overdraft	-	-
	26,998	31,980

## PENSION FUND ACCOUNTS 2023/24

### Fund Account

For the Year Ended 31 March 2024

	Notes	2023/24 £'000	2022/23 £'000
<b>Dealings with members, employers and others directly involved in the fund</b>			
Contributions Receivable	4	(251,239)	(202,854)
Transfers In		(14,320)	(15,070)
		<u>(265,559)</u>	<u>(217,924)</u>
Benefits Payable	5	229,436	197,821
Payments to and on account of Leavers	6	17,473	14,572
		<u>246,909</u>	<u>212,393</u>
<b>Net (additions) / withdrawals from dealings with member</b>		<b>(18,650)</b>	<b>(5,531)</b>
Management Expenses	7	25,718	25,338
<b>Net (additions)/withdrawals including fund management expenses</b>		<b>7,068</b>	<b>19,807</b>
<b>Returns on Investments</b>			
Investment Income	8	(68,383)	(61,908)
Profits and losses on disposal of investments and change in value of investments	9	(375,006)	474,883
<b>Net Returns on Investments</b>		<b>(443,389)</b>	<b>412,975</b>
<b>Net (Increase) / Decrease in the net assets available for benefits during the year</b>		<b>(436,321)</b>	<b>432,782</b>
<b>Opening Net Assets of the Fund</b>		<b>5,389,210</b>	<b>5,821,992</b>
<b>Closing Net Assets of the Fund</b>		<b>5,825,531</b>	<b>5,389,210</b>

### Net Assets Statement at 31 March 2024

	Notes	31 March 2024 £'000	%	31 March 2023 £'000	%
<b>INVESTMENT ASSETS</b>					
Property Pooled Investment vehicles		680,454	11.7	612,977	11.4
Non Property Pooled Investment Vehicles		4,950,627	85.0	4,624,767	85.8
Cash Deposits		162,500	2.8	113,597	2.1
Derivative Contracts (Foreign Exchange hedge) - Gross Asset	9 & 10	17,309	0.3	36,669	0.7
Derivative Contracts: FTSE Futures - Gross Asset	9	688	0.0	361	0.0
Long-Term Investments		722	0.0	707	0.0
Other Investment balances		7,428	0.1	12,732	0.2
Total Investment Assets		<u>5,819,728</u>		<u>5,401,810</u>	
Long-Term Investments		722	-	707	-
<b>INVESTMENT LIABILITIES</b>					
Derivative Contracts (Foreign Exchange hedge) - Gross Liability	9 & 10	(4,674)	(0.1)	(19,873)	(0.4)
Derivative Contracts: FTSE Futures - Gross Liability	9 & 10	-	-	-	-
Other Investment balances		(9)	(0.0)	(282)	(0.0)
Total Investment Liabilities		<u>(4,683)</u>		<u>(20,155)</u>	
<b>TOTAL NET INVESTMENT ASSETS</b>	10	<b>5,815,045</b>		<b>5,381,655</b>	
Long Term Debtors	12a	257	-	272	
<b>Net Current Assets</b>					
Current Assets	12	18,776	0.3	17,773	0.3
Current Liabilities	12	(8,547)	(0.1)	(10,490)	(0.2)
<b>Net assets of the scheme available to fund benefits at the period end</b>		<b>5,825,531</b>	<b>100.0</b>	<b>5,389,210</b>	<b>100.0</b>

An analysis of Non Property Pooled Investment Vehicles is included within note 10 to the accounts

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2024. The actuarial present value of these liabilities is disclosed in note 15.

# Notes to Accounts - Year Ended 31 March 2024

## 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 2023 to 31 March 2024.

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 2023/24 based on International Financial Reporting Standards as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis, except for certain transfer values as described at 'Statement of Accounting Policies' – item 1.21 They do not take account of liabilities to pay pensions and other benefits in the future.

### 1.4 Actuarial Valuations

As required by the Local Government Pension Scheme Regulations 2013 (as amended) an actuarial valuation of the Fund was carried out as at 31 March 2022. The key elements of the funding policy are as follows:

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

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

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

1.6 The 2022 actuarial valuation was carried out using the projected unit actuarial method. The main assumptions used to set employers' contributions, are set out in the table below:

	Past Service Liabilities (Primary Contribution Rate)	Future Service Liabilities (Secondary Contribution Rate)
Rate of return on investments (discount rate)	5.1% per annum	4.60% per annum
Rate of pay increases (long term)	4.6% per annum	4.6% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	3.1% per annum	3.1% per annum

1.7 The 2022 triennial valuation was completed during 2022/23 using market prices and membership data as at 31 March 2022. This valuation set the employer contribution rates for future service and deficit recovery payments (expressed as a monetary amount payable annually) with effect from 1 April 2023. The discount rate used in the 2022 valuation is based on CPI plus a real investment return of 1.5% p.a. for past service (the secondary contribution rate) and CPI plus 2.0% p.a. for future service (the primary contribution rate). The discount rate for the lower risk investment strategy was 2.55% per annum.

1.8 The Actuary has estimated that the funding level is 98% as at 31 March 2024 based on the 2022 valuation assumptions. The funding level calculation of 98% is based on a CPI Plus Discount basis (which is a different approach from valuing liabilities as prescribed by IAS 26).

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

The McCloud Regulations became effective on 1 October 2023. The bulk of the estimated cost of the additional liabilities arising due to the McCloud remedy was already factored into the actuarial valuations at 31 March 2022 in line with guidance previously issued centrally. Whilst the allowance made will not reflect the final implemented position precisely, for most employers, it is expected to substantially cover the cost of the additional McCloud liabilities. Overall, the differences to come through at the 31 March 2025 valuations are not expected to be material, although individual employer impacts will vary.

## PENSION FUND ACCOUNTS 2023/24

- 1.10 **Note 15** to the accounts shows the actuarial present value of promised retirement benefits for the purposes of IAS26 using the assumptions and methodology of IAS 19. The discount rate referenced for IAS19 is the Corporate Bond yield. The discount rate used for the Actuarial Valuation references the Fund's investment strategy.
- 1.11 The Fund's Funding Strategy Statement can be found on the Fund's website [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk) (search Funding Strategy Statement) and is summarised within the Fund's Annual Report. The purpose of the Funding Strategy Statement is to set out a clear and transparent funding strategy that will identify how each employer's pension liabilities are to be met going forward.
- Investment Strategy Statement**
- 1.12 The Fund's Investment Strategy Statement (ISS) as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 can be found on the Fund's website [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk) (search Investment Strategy Statement) and is summarised within the Fund's Annual Report. The ISS is updated following strategic reviews.
- 1.13 The Fund's assets are currently managed externally by investment managers appointed and monitored by the Fund. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require funds to pool their investments assets. The Fund is a member of Brunel Pension Partnership which has established an FCA regulated company, Brunel Pension Partnership Limited (Brunel), to manage the assets of the pool. Each of the 10 LGPS funds 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 and the local impact portfolio being directly managed by the Fund. For the assets that have transferred, Brunel is responsible for appointing and monitoring managers and other investment related operational aspects of the Fund.
- 1.14 The Fund has implemented three investment strategies to manage specific risks within the asset portfolio. These strategies are held within a Qualified Investment Fund (QIF) called Risk Management Strategy managed by Blackrock.
- (i) A Liability Driven Investment strategy provides a hedge against changes in the value of the pension liabilities within the asset portfolio. This strategy consists of bonds and derivatives such as gilt repurchase agreements and interest and inflation swaps, structured to achieve the desired hedge profile.
  - (ii) An Equity Protection Strategy to protect the funding position against significant falls in equity markets. The strategy uses Over the Counter Equity Option Index Swaps.
  - (iii) A Low Risk Investment Strategy where the assets (mainly corporate bonds) better match the liability profile of the employers within the strategy. These employers include those that have exited the Fund and those that have chosen a less risky investment strategy to explicitly manage investment risk.

### Statement of Accounting Policies

#### Basis of Preparation

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

#### Investments

- 1.16 Investments are shown in the accounts at fair value, which has been determined as follows:
- i) Quoted Securities have been valued at 31 March 2024 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 2024 or audited valuations lagged by a quarter adjusted for known cash flows are used.
  - 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 2024.
  - v) Derivative contracts are included in the Net Asset Statement at their fair market value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract. The amounts included in the change in market value are the realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.
  - vi) Forward foreign exchange contracts outstanding at the year-end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. Foreign currency transactions are recorded at the prevailing rate at the date of transaction.
  - vii) The only Long Term Investment is shares in Brunel Pension Partnership Ltd. Its fair value is based on the value of equity in Brunel Pension Partnership Ltd accounts.
  - viii) Acquisition costs of investments (e.g. stamp duty and commissions) are treated as part of the investment cost.
  - ix) Investment debtors and creditors at the year-end are included in investment assets in accordance with the CIPFA code of practice on local authority accounting.
  - x) The Fund's surplus cash is managed separately from the surplus cash of Bath and North East Somerset Council (B&NES) and is treated as an investment asset.

### Contributions

- 1.17 Contributions represent those amounts receivable from the employing bodies in respect of their own and their pensionable employees' contributions. Employers' contributions are determined by the Actuary on the basis of triennial valuations of the Fund's assets and liabilities and take into account the Funding Strategy Statement set by the administering authority. The rates applying in 2023/24 relate to the 2022 valuation and the employer contribution rates range from 12.5% to 41.1%. 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 2024. The deficit contribution is expressed as a cash sum, and ranges from £0 to £13.9 millions.
- 1.18 Normal contributions both from members and the employer are accounted for on an accruals basis in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

### Benefits, Refunds of Contributions and Cash Transfer Values

- 1.19 From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is up-rated annually in line with the Consumer Prices Index.
- 1.20 Benefits payable and refunds of contributions have been brought into the accounts as they fall due.
- 1.21 Cash Transfer Values are those sums paid to or received from other pension schemes and relate to previous periods of pensionable employment. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. Accruals are only made when it is certain that a transfer is to take place.
- 1.22 Charges for splitting pensions on divorce are either invoiced to members or, on request, paid out of future benefits. In the case of payment from future benefits the charge against benefits and income to the Fund are both made in the current year. The charges are index linked to pension's increases to ensure that the Fund receives the full value.

### Investment Income

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

### Investment Management & Administration

- 1.24 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 permit Bath & North East Somerset Council to charge administration costs to the Fund. A proportion of relevant Council costs has been charged to the Fund on the basis of time spent on Pension Fund business.
- 1.25 The fees charged by the Fund's external investment managers reflect their differing mandates. Fees are linked to the market value of the Fund's investments and therefore may increase or reduce as the value of the assets change. Management fees are recognised in the year in which the management services are provided. A provision has been made for performance fees that have been incurred but are subject to phased payments or are not to be paid until the realisation of the related investments. These remain subject to change as a consequence of future performance. Fees are also payable to the Fund's global custodian and other advisors.

### Taxation

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

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

- 1.27 The Statement of Accounts contains estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty actual results could be materially different from the assumptions and estimates.
- Estimates are used in the valuation of unquoted investments and in the actuarial valuation for the purposes of IAS 26 (note 15) in which the actuarial calculation of the liability is subject to the professional judgement of the Scheme Actuary. The Fund's investments are stated at fair value. The subjectivity of the inputs used in making an assessment of fair value is explained in note 24.

The items in the financial statements for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Unlisted Assets	The Hedge Fund (£17m), Infrastructure (£675m), Private Debt (£203m) and closed-ended Property Funds (£123m) 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.	A +/-10% change in the valuations of the Property Limited Partnerships, Hedge Fund and Infrastructure assets included in the accounts for these portfolios would result in an increase or reduction of +/- £102m 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 2024 is £6,296 million.	The effects on the actuarial present value of promised retirement benefits (the Fund's liabilities) of changes in individual assumptions can be measured. For instance, based on the 2022 actuarial valuation results: <ul style="list-style-type: none"> <li>• a 0.25% per annum reduction in the real investment return assumption would increase deficit by £261m (to £499m)</li> <li>• a 0.25% per annum increase in the assumed pensionable salary growth would increase the deficit by £32m (to £270m)</li> <li>• a 0.25% per annum increase in the long term improvement rate in life expectancy would increase the deficit by £45m (to £283m)</li> </ul>

## Events After the Balance Sheet Date

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

## Financial Instruments

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

## Going Concern

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

## Accounting Standards that have been issued but not yet adopted

- 1.31 IFRS 16 Lease Accounting will apply to CIPFA Accounts for the financial year 24/25 onwards. However, both the 2022/23 and the 2023/24 Codes will allow for adoption should an authority consider that it is able to do so as of 1 April 2022 or 2023. The Fund does not have embedded finance leases or service concessions in its contracts and so this standard will not have any impact on the Accounts.

## Critical Judgements in Applying Accounting Policies

- 1.32 It has not been necessary to make any material critical judgements in applying accounting policies about complex transactions or those involving estimation uncertainty about future events during 2023/24.

## PENSION FUND ACCOUNTS 2023/24

### 2 MEMBERSHIP

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

	31 March 2024	31 March 2023
Employed Members	41,642	40,290
Pensioners	39,605	38,796
Members entitled to Deferred Benefits	44,653	44,058
Undecided Leavers	14,147	11,531
<b>TOTAL</b>	<b>140,047</b>	<b>134,675</b>

### 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:-

	2023/24 £'000	2022/23 £'000
<b>Employers' normal contributions</b>		
Scheduled Bodies	134,202	117,529
Administering Authority	15,272	12,780
Admission Bodies	7,715	7,380
	<b>157,189</b>	<b>137,689</b>
<b>Employers' deficit Funding</b>		
Scheduled Bodies	30,846	12,052
Administering Authority	1,585	-
Admission Bodies	5,528	742
	<b>37,959</b>	<b>12,794</b>
<b>Total Employer's normal &amp; deficit funding</b>	<b>195,148</b>	<b>150,483</b>
<b>Employers' contributions - Augmentation</b>		
Scheduled Bodies	950	1,000
Administering Authority	115	1
Admission Bodies	6	84
	<b>1,071</b>	<b>1,085</b>
<b>Members' normal contributions</b>		
Scheduled Bodies	46,906	43,531
Administering Authority	5,494	4,923
Admission Bodies	2,141	2,235
	<b>54,541</b>	<b>50,689</b>
<b>Members' contributions toward additional benefits</b>		
Scheduled Bodies	407	508
Administering Authority	62	82
Admission Bodies	10	7
	<b>479</b>	<b>597</b>
<b>Total</b>	<b>251,239</b>	<b>202,854</b>

The increase in Employers' contributions between 2022/23 and 2023/24 is partly due to employers paying their deficits three years in advance. The increase can also be attributed to an increase in contributions as a result of an overall increase in the primary contribution rate from 17.2% to 18.6% as a result of the 2022 valuation.

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

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

## PENSION FUND ACCOUNTS 2023/24

### 5 BENEFITS PAYABLE

#### Analysis of Gross Benefits Payable by Type:-

	2023/24 £'000	2022/23 £'000
Retirement Pensions	189,839	168,770
Commutation of Pensions and Lump Sum Retirement Benefits	34,485	25,402
Lump Sum Death Benefits	5,112	3,649
	<u>229,436</u>	<u>197,821</u>

#### Analysis of Gross Benefits Payable by Employing Body:-

	2023/24 £'000	2022/23 £'000
Scheduled & Designating Bodies	184,380	161,405
Administering Authority	25,538	19,967
Admission Bodies	19,518	16,449
	<u>229,436</u>	<u>197,821</u>

### 6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

Leavers	2023/24 £'000	2023/24 £'000
Refunds to members leaving service	618	978
Individual Cash Transfer Values to other schemes	16,855	13,594
Group Transfers	-	-
	<u>17,473</u>	<u>14,572</u>

A group transfer took place between Offender Learning Services and Milton Keynes College (Buckinghamshire) on 1st April 2023. The value of the transfer will be established in 2024/25.

## PENSION FUND ACCOUNTS 2023/24

### 7 MANAGEMENT EXPENSES

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

	2023/24 £'000	2022/23 £'000
Administrative Costs	3,973	3,227
Oversight & Governance Costs	2,504	2,405
Investment Management Expenses	19,241	19,706
	<b>25,718</b>	<b>25,338</b>
<b>Further Analysis of Management Expenses:-</b>		
<b>Administrative Costs</b>		
Management Costs	2,696	2,144
Administration and Processing	1,102	891
Service from Administrating Body	466	508
Fees and Income	(291)	(316)
	<b>3,973</b>	<b>3,227</b>
<b>Oversight &amp; Governance Costs</b>		
Management costs	1,068	872
Specialist advice and Governance	1,651	1,650
Actuarial recharges	(327)	(177)
Audit Fees	112	60
	<b>2,504</b>	<b>2,405</b>
<b>Investment Management Expenses (Note 7a)</b>	<b>19,241</b>	<b>19,706</b>
	<b>25,718</b>	<b>25,338</b>

Management costs in Oversight & Governance Costs include investments, actuarial and accounting staff costs. Audit fees include; the £0.095m external audit fee (2022/23 £0.041m), £0.009m scale fee variation for 22/23 and £0.008m scale fee variation for 23/24 (ISA 315). Internal audit costs are included within Specialist advice and Governance.

#### 7a INVESTMENTS MANAGEMENT EXPENSES

2023/24	Total £'000	Management Fees £'000	Performance related fees £'000	Transaction costs £'000
Equity	-	-	-	-
Pooled Property	2,013	2,209	(196)	-
Private Infrastructure	3,260	3,260	-	-
Derivatives	430	430	-	-
Pooled Investments *	13,493	12,210	1,271	12
	<b>19,196</b>	<b>18,109</b>	<b>1,075</b>	<b>12</b>
Custody Fees	45			
Total	<b>19,241</b>			
2022/23	Total £'000	Management Fees £'000	Performance related fees £'000	Transaction costs £'000
Equity	-	-	-	-
Pooled Property	(1,475)	2,663	(4,138)	-
Private Infrastructure	3,165	3,165	-	-
Derivatives	432	429	-	3
Pooled Investments *	17,529	12,216	5,182	131
	<b>19,651</b>	<b>18,473</b>	<b>1,044</b>	<b>134</b>
Custody Fees	55			
Total	<b>19,706</b>			

\* Included within Pooled Investments is £1.645m (£1.514m in 22/23) paid to Brunel Pension Partnership for core investment services.

Fund Manager Performance Fees include fees that have been accrued but are subject to phased payment or not due to be paid until the realisation of the related assets. Unpaid fees remain subject to variation as a result of future performance. Total fund manager fees include management charges for pooled investments that are settled directly within the pooled vehicles in accordance with the investment management agreement.

The performance fees included in 22/23 represent a decrease in the provision for pooled property of £0.137m and a rebate received in year of £0.059m. For Pooled investments there is a payment in year of £3.302m and decrease in provision of £1.990m. The current total provision for performance fees is included in note 12 Current Asset and Liabilities.

Of the £19.2m of investment management fees, £12.8m relates to the fees paid to the underlying managers of the portfolios managed by Brunel. Fees were relatively stable year on year, partially due to the switch from active to lower cost passive equities which offset the impact of rising asset values on fees.

## PENSION FUND ACCOUNTS 2023/24

### 8 INVESTMENT INCOME

	2023/24 £'000	2022/23 £'000
Dividends from equities	30	45
Income from pooled Property Investments	13,560	20,037
Income from other pooled investment vehicles	47,170	38,626
Interest on cash deposits	7,623	3,200
Other Income	-	-
<b>TOTAL</b>	<b>68,383</b>	<b>61,908</b>

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 £10.8m. During the year the Fund's share of stock lending income in this portfolio was £0.04m. 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 31/03/23 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31/03/24 £'000
Bonds					-
Equities					-
Long Term Investments	707	-	-	15	722
Pooled Investments-					
- Property	612,977	161,088	(29,147)	(64,464)	680,454
- Non Property	4,624,767	720,480	(790,801)	396,181	4,950,627
Derivatives					
- Foreign Exchange Hedge	16,796	36,526	(78,937)	38,250	12,635
- FTSE Futures	361	499	(1,503)	1,331	688
<b>Sub Total</b>	<b>5,255,608</b>	<b>918,593</b>	<b>(900,388)</b>	<b>371,313</b>	<b>5,645,126</b>
Other Investment Balances:					
- Cash Deposits	113,597				162,500
- Amount receivable for sales	11,888				6,333
- Payable for purchases	(282)				(9)
- Investment Debtors & Creditors	844				1,095
<b>Total Investment Assets</b>	<b>5,381,655</b>			<b>371,313</b>	<b>5,815,045</b>

#### Reconciliation to Fund Account:

	£'000
Change in market value of Investment Assets	371,313
Net Purchases & Sales	18,205
Movement in other Investment Balances	43,872
Movement in Long Term Debtors	(15)
Movement in Current Assets	2,946
Less Net Revenue of Fund	(61,315)
<b>Profits and losses on disposal of investments and change in value of investments</b>	<b>375,006</b>

The **Change in Market Value** of investments comprises all gains and losses on Fund investments during the year, whether realised or unrealised.

The **Change in Market Value** for cash deposits represents net gains on foreign currency deposits and foreign exchange transactions during the year.

**Derivatives.** The purchases and sales of derivatives are shown at the values of the realised profits and losses of the net derivatives transactions.

The Net Revenue of Fund equals the Net Withdrawals / additions including fund management expenses (£7.068m) plus Investment income (£-68.383m) as shown in the Fund account.

## PENSION FUND ACCOUNTS 2023/24

### Change in Total Net Assets 2022/23

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

### Reconciliation to Fund Account:

	£'000
Change in market value of Investment Assets	(454,875)
Net Purchases & Sales	77,468
Movement in other Investment Balances	(68,559)
Movement in Long Term Debtors	54
Movement in Current Assets	13,130
Less Net Revenue of Fund	(42,101)
<b>Total Net Assets</b>	<b>(474,883)</b>

## 10 INVESTMENT ASSETS

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

	31 March 2024 £'000	31 March 2023 £'000
<b>Non-Property Pooled Investment Vehicles</b>		
Global Equity	1,818,719	1,897,256
Risk Management Strategy	1,522,335	1,300,555
Diversified Growth Funds	373,169	336,583
Infrastructure	674,975	633,970
Multi Asset Credit	340,487	304,609
Hedge Funds	17,575	22,891
Private Debt	203,367	128,903
	<b>4,950,627</b>	<b>4,624,767</b>
<b>Other Investments</b>		
Pooled Property Investments	680,454	612,977
Derivative contracts		
• Foreign Exchange Hedge	17,309	36,669
• Derivative contracts: FTSE Futures	688	361
	<b>698,451</b>	<b>650,007</b>
Cash deposits	162,500	113,597
Investment Income due	1,095	844
Amounts receivable for sales	6,333	11,888
<b>Total Investment Assets</b>	<b>5,819,006</b>	<b>5,401,103</b>
<b>Long Term Investments</b>		
Equities	<b>722</b>	<b>707</b>
<b>Investment Liabilities</b>		
Derivative contracts		
• Foreign Exchange Hedge	(4,674)	(19,873)
• Derivative contracts: FTSE Futures	-	-
Amounts payable for purchases	(9)	(282)
<b>Total Investment Liabilities</b>	<b>(4,683)</b>	<b>(20,155)</b>
<b>Total Net Investments</b>	<b>5,815,045</b>	<b>5,381,655</b>

During the year there were large transitions within the equity portfolio to achieve the strategic active/passive equity split. £200m was transferred from the Brunel passive Paris-aligned equity portfolio into the BlackRock Risk Management vehicle to facilitate further interest rate hedging. The Fund rebalanced its core infrastructure and equity portfolios to address overweight positions arising from strong returns. Proceeds were used to fund private markets calls arising from the Brunel portfolios. £35m was invested in the Fund's local impact portfolio to finance the acquisition of an operational solar portfolio. Towards the end of the year the Fund reduced its equity hedge by 50%, releasing cash into the portfolio.

The Long term investment of £0.722m 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 2023.

## PENSION FUND ACCOUNTS 2023/24

### DERIVATIVES ANALYSIS

#### Open Forward Currency Contracts

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value	Liability Value
		000		000	£'000	£'000
Up to one month	EUR	43,478	GBP	37,980	-	(53)
Up to one month	JPY	2,769,700	GBP	14,606	-	(68)
Up to one month	USD	127,476	GBP	101,456	7	(567)
Up to one month	GBP	15,573	JPY	2,769,700	1,035	-
Up to one month	GBP	37,980	EUR	43,478	774	(0)
Up to one month	GBP	102,268	USD	127,476	1,430	(59)
One to six months	EUR	17,614	GBP	15,172	0	(62)
One to six months	JPY	100,300	GBP	558	-	(29)
One to six months	USD	71,717	GBP	58,186	37	(1,489)
One to six months	GBP	175,389	EUR	201,434	2,449	-
One to six months	GBP	73,741	JPY	13,284,300	3,064	-
One to six months	GBP	479,099	USD	603,127	3,115	(1,134)
Six to twelve months	GBP	31,686	EUR	36,764	5	-
Six to twelve months	GBP	14,225	JPY	2,636,800	16	-
Six to twelve months	GBP	523,958	USD	657,721	5,140	(855)
Six to twelve months	USD	20,029	GBP	16,148	42	(358)
Six to twelve months	EUR	-	GBP	-	-	-
Six to twelve months	JPY	-	GBP	-	-	-
More than twelve months	GBP	84,108	USD	106,282	194	-
<b>Total</b>					<b>17,309</b>	<b>(4,674)</b>
<b>Net forward currency contracts at 31st March 2024</b>						<b>12,635</b>
Open forward currency contracts at 31 March 2023					36,668	(19,872)
<b>Net forward currency contracts at 31st March 2023</b>						<b>16,796</b>

#### Exchange Traded Derivatives held at 31 March 2024:-

Contract Type	Expiration	Book Cost	Unrealised Gain / (Loss)
		£'000	£'000
FTSE equity futures	June 2024	33,629	688

#### Exchange Traded Derivatives held at 31 March 2023:-

FTSE equity futures	June 2023	8,785	361
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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.

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## PENSION FUND ACCOUNTS 2023/24

### 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 2024 £'000	%	31 March 2023 £'000	%
<b>Investments managed by Brunel Pension Partnership:</b>				
BlackRock Risk Management Strategy	1,522,352	26.2	1,300,563	24.2
Brunel Renewables Portfolio	206,889	3.6	163,699	3.0
Brunel Secured Income Portfolio	600,319	10.3	435,092	8.1
Brunel Multi Asset Credit	340,487	5.9	304,609	5.7
Brunel Global Sustainable Equity	666,871	11.5	792,532	14.7
Brunel Paris Aligned Developed Equity	427,700	7.4	278,856	5.2
Brunel Diversified Returns Fund	373,169	6.4	336,583	6.3
Brunel UK Property	178,154	3.1	180,700	3.4
Brunel Global High Alpha Equity	720,796	12.4	698,860	13.0
Brunel Private Debt	203,367	3.5	128,903	2.4
Avon Transition Fund	5	0.0	5	0.0
	<b>5,240,109</b>	<b>90.1</b>	<b>4,620,402</b>	<b>85.9</b>
<b>Investments managed outside Brunel Pension Partnership:</b>				
Blackrock	3,354	0.1	127,088	2.4
Record	46,603	0.8	25,681	0.5
Partners Group	104,225	1.8	158,745	2.9
TT International	311	0.0	314	0.0
IFM Investors	228,645	3.9	313,207	5.8
Schroder Investment Management	13,750	0.2	13,473	0.3
Avon Local Impact Fund	35,085	0.6	-	-
JP Morgan	23,907	0.4	34,779	0.6
Custodian Cash	87,300	1.5	65,328	1.2
Long Term Investment	722	0.0	707	0.0
Treasury Management	31,034	0.5	21,931	0.4
	<b>574,936</b>	<b>9.9</b>	<b>761,253</b>	<b>14.1</b>
<b>TOTAL INVESTMENT ASSETS</b>	<b>5,815,045</b>	<b>100.0</b>	<b>5,381,655</b>	<b>100.0</b>

### 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 2024 £'000	% of Net Asset	Value at 31st March 2023 £'000	% of Net Asset
Blackrock Liability SOL Mutual Fund	1,522,352	26.13%	1,300,563	24.13%
Brunel Global High Alpha Equity Fund	720,796	12.37%	698,860	12.97%
Brunel Global Sustainable Equity	666,871	11.45%	792,531	14.71%
Brunel Paris Aligned Developed Equity	427,700	7.34%	278,856	5.17%
Brunel Diversified Returns Fund	373,169	6.41%	336,583	6.25%
IMF Global Infrastructure (UK)*	228,645	3.92%	313,207	5.81%

\* Included as comparative to single investment over 5% of the Fund in 22/23

## PENSION FUND ACCOUNTS 2023/24

### 12 CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2024.

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

	31 March 2024 £'000	31 March 2023 £'000
<b>CURRENT ASSETS</b>		
Contributions Receivable		
- Employers	12,970	11,438
- Members	4,462	4,214
Discretionary Early Retirement Costs	81	489
Other Debtors	1,263	1,632
	<u>18,776</u>	<u>17,773</u>
<b>CURRENT LIABILITIES</b>		
Management Fees	(468)	(1,169)
Provision for Performance Fees	(1,968)	(4,136)
Lump Sum Retirement Benefits	(2,866)	(2,228)
Contributions received in advance	-	-
Other Creditors	(3,245)	(2,957)
	<u>(8,547)</u>	<u>(10,490)</u>
<b>NET CURRENT ASSETS</b>	<u>10,229</u>	<u>7,283</u>

The provision for Performance Fees includes fees that have been incurred but are subject to phased payment or not due to be paid until the realisation of the related assets. They remain subject to variation as a result of future performance.

### 12a LONG TERM DEBTORS

Provision has been made in the accounts for long term debtors known to be outstanding at 31 March 2024.

	31 March 2024 £'000	31 March 2023 £'000
Reimbursement of lifetime tax allowances	257	272
	<u>257</u>	<u>272</u>

The Lifetime tax allowance was introduced in 2006. It limits the amount of pension that can be paid without an extra charge. Responsibility for payment rests with the pensioner. Avon Pension Fund offer to pay the tax upfront and are reimbursed from pension deductions over time. This creates a long term debtor in the accounts. The LTA has been removed wef 6/4/23 and will be abolished altogether from 6/4/24.

### 13 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2024. (31 March 2023 £Nil)

### 14 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2024 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 2024 (the 31 March 2023 assumptions are included for comparison):

	31st March 2024	31st March 2023
Rate of return on investments (discount rate)	4.9% per annum	4.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	2.7% per annum
Rate of pay increases*	4.2% per annum*	4.2% per annum*
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.8% per annum	2.8% per annum

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

The demographic assumptions are the same as those used for funding purpose for the 2022 actuarial valuation, with a long-term rate of life expectancy improvement of 1.5% p.a. For the year end assumptions, we have also updated to the latest CMI tables available (CMI 2022) and applied a suitable reweighting.

Full details of the demographic assumptions are set out in the formal report on the actuarial valuations dated March 2023.

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

	Liabilities
Start of period	£6,160m
Interest	£291m
Net benefits accrued/paid over the period*	(£24m)
Actuarial losses / (gains) - see below	(£131m)
End of period	£6,296m

\*this includes any increase in liabilities arising as a result of early retirements, plus a small allowance for historic pension increases.

Key factors leading to actuarial gains above year are:

- Change in financial assumptions: Corporate bond yields increased slightly over the year, with a corresponding increase in discount rate from 4.8% p.a. to 4.9% p.a. The long-term assumed CPI is the same at the end of year as it was at the start of year. In combination, these factors lead to a small reduction in liabilities.
- Change in demographic assumptions: As noted above, the assumptions have been updated to reflect the new CMI model available. This acts to reduce the liabilities.
- Pension increases / recent high short-term inflation: The figures allow for the impact of the April 2024 pension increase of 6.7%, to the extent it wasn't allowed for in the 2023 statement, along with known CPI since September 2023 (which will feed into the 2025 pension increase). As current inflation is higher than the long-term assumption, this increases the liabilities. The figures also allow for a small increase due to historic pension increases, which lead to a very small increase in liabilities.

**15a VALUE OF PROMISED RETIREMENT LIABILITIES**

	31 March 2024	31 March 2023
	£m	£m
Value of Net Assets per NAS	5,826	5,389
Present Value of promised retirement benefits	(6,296)	(6,160)
IAS 26 Surplus/(Deficit) in the Fund	(470)	(771)

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022

**16 TRANSFERS IN**

During the year there were no group transfers into the fund.

**17 AGENCY SERVICES**

The Fund makes payments with regard to added year benefits awarded by the Employer to Local Government Pension Scheme members, including related pension increases. The Fund also pays a small number of other pension supplements. These are not funded by the Fund and are recharged in full. They are not included in the Fund Account.

	2023/24	2022/23
	£'000	£'000
Benefits Paid and Recharged	5,797	5,497

The Fund also administered £25.5m pension payments on behalf of the Fire Service and the Teachers' pension schemes. (£30.9m in 2022/23). They are not included in the Fund Account. The Fire Service and Teachers' employers also pay for the cost of providing this service. On 1st February 2024 administration of the Fire Service was transferred to West Yorkshire Pension Fund.

**18 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)**

Scheme members may make Additional Voluntary Contributions that are invested in insurance policies. From January 2023 the main provider moved from Aviva to Legal & General. There are members still with Aviva or Utmost Life & Pensions due to their type of investments, however.

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

	Contributions Paid	Market Value	Contributions Paid	Market Value
	2023/24	31 March 2024	2022/23	31 March 2023
	£'000	£'000	£'000	£'000
Legal & General	925	5,596	136	4,787
Aviva	-	185	549	445
Utmost Life & Pensions	-	15	-	77
	925	5,796	685	5,309

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 2023/24 £39,745 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£36,922 in 2022/23). Five voting members and one non-voting member of the Avon Pension Fund Committee (including one B&NES Councillor Members) were members of the Local Government Pension Scheme during the financial year 2023/2024. (Seven voting members and one non-voting member in 2022/2023, including two B&NES Councillor Members).

### Independent Member Related:-

Three Independent Members were paid allowances of £10,967, £18,946 and £12,762 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 2023/24 the Fund paid B&NES Council £532,108 for administrative services (£536,575 in 2022/23). Various Employers paid the Fund a total of £267,116 for pension related services including pension's payroll and compiling data for submission to the actuary (£224,911 in 2022/23).

### Pension Board Related:-

In 2023/24 £8,488 was charged to the Fund in respect of Allowances and expenses paid to the Members of the Pension Board (£7,714 in 2022/23). Five members of the Pension Board were members of the LGPS during 2023/2024 (six members in 2022/2023).

### 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 2023/24 the Pension Fund paid BPP £1,645,376 (2022/23 £1,513,855).

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 Pensions and the Director of One West & Avon Pension Fund. It does not include the Executive Director - Resources (S151).

	31 March 2024 £'000	31 March 2023 £'000
Proportion of salary Recharged to Avon Pension Fund	131	87
Proportion of employers contributions recharged to Avon Pension Fund	29	19
	<u>160</u>	<u>106</u>

The Head of Business Finance & Pensions charged approximately 50% of their time to the fund. The post was replaced by the Head of Pensions, in October 2022, who now charges 100% of their time to the fund.

## 21 OUTSTANDING COMMITMENTS

As at 31 March 2024 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 £453.3m (31 March 2023 £772.0m)

22 FINANCIAL INSTRUMENTS

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

2023/24	Fair Value through Profit and Loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000
<b>Financial Assets</b>			
Long Term Investments	722	-	-
Pooled Investments (Non-Property)	4,950,627	-	-
Pooled Property Investments	680,454	-	-
Derivative Contracts Futures	688	-	-
Derivative Contracts FX Hedge	17,309	-	-
Derivative Contracts Equity Options	-	-	-
Cash	150,587	11,913	-
Other investment balances	-	7,428	-
Debtors	-	19,033	-
<b>Total Financial Assets</b>	<b>5,800,387</b>	<b>38,374</b>	<b>-</b>
<b>Financial Liabilities</b>			
Other investment balances	-	-	(9)
Derivative Contracts Futures	-	-	-
Derivative Contracts FX Hedge	(4,674)	-	-
Creditors	-	-	(8,547)
<b>Total Financial Liabilities</b>	<b>(4,674)</b>	<b>-</b>	<b>(8,556)</b>
<b>Total Net Assets</b>	<b>5,795,713</b>	<b>38,374</b>	<b>(8,556)</b>
<b>2022/23</b>	<b>Fair Value through Profit and Loss £'000</b>	<b>Assets at amortised cost £'000</b>	<b>Financial liabilities at amortised cost £'000</b>
<b>Financial Assets</b>	PPA*	PPA*	
Long Term Investments	707	-	-
Pooled Investments (Non-Property)	4,624,767	-	-
Pooled Property Investments	612,977	-	-
Derivative Contracts Futures	361	-	-
Derivative Contracts FX Hedge	36,669	-	-
Derivative Contracts Equity Options	-	-	-
Cash	111,333	2,264	-
Other investment balances	-	12,732	-
Debtors	-	18,045	-
<b>Total Financial Assets</b>	<b>5,386,814</b>	<b>33,041</b>	<b>-</b>
<b>Financial Liabilities</b>			
Other investment balances	-	-	(282)
Derivative Contracts Futures	-	-	-
Derivative Contracts FX Hedge	(19,873)	-	-
Creditors	-	-	(10,490)
<b>Total Financial Liabilities</b>	<b>(19,873)</b>	<b>-</b>	<b>(10,772)</b>
<b>Total Net Assets</b>	<b>5,366,941</b>	<b>33,041</b>	<b>(10,772)</b>

\* Prior period adjustment to reflect that cash held within bank accounts and money market funds are fair value through P&L. Previously the cash value for assets at amortised cost was £102,128k and for fair value through P&L it was £11,469k. The total value of cash remains unchanged.

As all investments are disclosed at fair value (apart from cash held at amortised cost), carrying value and fair value are therefore the same.

Net gains and losses on Financial Instruments

	31st March 2024 £'000	31st March 2023 £'000
<b>Financial assets</b>		
Fair value through profit & loss	435,777	3,567
Amortised Cost - realised gains on derecognition of assets	-	-
Amortised cost - unrealised gains	3,693	(20,008)
<b>Financial Liabilities</b>		
Fair value through profit & loss	(64,464)	(458,442)
Amortised Cost - realised losses on derecognition of assets	-	-
Amortised cost - unrealised losses	-	-
	<b>375,006</b>	<b>(474,883)</b>

### 23 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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 2024 Brunel Pension Partnership (Brunel) manages £5.24 billion of the Fund's assets while the remaining assets are managed by other external Investment Managers. Managers are required to invest in accordance with the terms of the agreed investment guidelines that set out the relevant benchmark, performance target, asset allocation ranges and any restrictions. The Avon Pension Fund Committee has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The Committee regularly monitors each investment portfolio and its Investment Consultant advises on the nature of the investments made and associated risks.

The Fund's investments are held by State Street Bank and Trust who acts as custodian on behalf of the Fund.

Because the Fund adopts a long-term investment strategy, the high-level risks described below will not normally alter significantly during any one year unless there are significant strategic or tactical changes to the portfolio. The risk management process identifies and mitigates the risks arising from the Fund's investment strategy and policies which are reviewed regularly to reflect changes in market conditions. Although Brunel is the investment manager for a number of asset classes, it appoints a number of underlying managers to each portfolio, so there is sufficient manager diversification within the Fund.

#### (a) Market Risk

Market risk is the risk of loss from fluctuations in market prices, interest rates, credit spreads and currencies. The Fund is exposed through its investment portfolio to all these risks. The level of risk depends on market conditions, expectations of future price and yield movements and asset allocation. The objective of the investment strategy is to identify, manage and control market risk within acceptable parameters, while optimising the return.

Volatility in market risk is primarily managed through diversification across asset class and underlying investment managers.

#### Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate caused by factors other than interest rates or currencies. These changes can be caused by factors specific to the individual instrument, its issuer or factors affecting the market in general e.g., COVID-19 type shocks and geopolitical trade tensions or conflicts 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 fluctuation in equity prices is the largest market risk within the portfolio over the longer term; 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. However due to the significant volatility in bond prices over the last few years, the Risk Management Strategies is currently the largest market risk in the portfolio. As these assets are a better match for the liabilities, they help reduce the total risk within the Fund.

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 equity assets. In addition, it is investing in renewable infrastructure projects that will power the new economy. The analysis below does not take account of the potential impact of climate change on asset prices.

## PENSION FUND ACCOUNTS 2023/24

### 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 2024. This analysis assumes all other variables including interest rates and foreign currency exchange rates remain the same.

Movements in market prices could increase or decrease 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 2024:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Global Equities	1,819,407	11.7%	2,032,278	1,606,536
Risk Management	1,522,335	34.2%	2,042,974	1,001,696
Diversified Return Funds	373,169	7.8%	402,276	344,062
Multi Asset Credit	340,487	6.6%	362,959	318,015
Property	680,454	7.0%	728,086	632,822
Fund of Hedge Funds	17,575	3.1%	18,120	17,030
Infrastructure	674,975	11.3%	751,247	598,703
Private Debt	203,367	6.4%	216,382	190,352
Long Term Investment	722	15.0%	830	614
Cash & Equivalents	182,554	0.6%	183,649	181,459
<b>Total Investment Assets</b>	<b>5,815,045</b>		<b>6,738,801</b>	<b>4,891,289</b>

The analysis for the year ending 31 March 2023 is shown below:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Global Equities	1,897,617	13.8%	2,159,488	1,635,746
Risk Management	1,300,555	20.3%	1,564,568	1,036,542
Diversified Return Funds	336,583	7.8%	362,836	310,330
Multi Asset Credit	304,609	7.5%	327,455	281,763
Property	612,977	7.1%	656,498	569,456
Fund of Hedge Funds	22,891	4.0%	23,807	21,975
Infrastructure	633,970	12.8%	715,118	552,822
Private Debt	128,903	7.5%	138,571	119,235
Long Term Investment	707	15.0%	813	601
Cash & Equivalents	142,843	0.3%	143,272	142,414
<b>Total Investment Assets</b>	<b>5,381,655</b>		<b>6,092,425</b>	<b>4,670,885</b>

### Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates which will affect the value of fixed interest and index linked securities, as held through the Fund's Risk Management Strategy 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 2024	31st March 2023
	£'000	£'000
Cash and Cash Equivalents	182,554	142,843
Multi Asset Credit	340,487	304,609
Risk Management Strategy	1,522,335	1,300,555
<b>Total</b>	<b>2,045,376</b>	<b>1,748,007</b>

## PENSION FUND ACCOUNTS 2023/24

### 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 2024 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 2024

Value	Change in net assets	
	+100 bps	-100 bps
£'000	£'000	£'000
Cash and Cash Equivalents	182,554	-
Multi Asset Credit	340,487	(8,853)
Risk Management Strategy	1,522,335	(339,024)
<b>Total</b>	<b>2,045,376</b>	<b>(347,877)</b>

A 1% rise in interest rates will reduce the fair value of the relevant net assets and vice versa. Changes in interest rates do not impact the value of cash balances but they will affect the interest income received on those balances.

The same analysis for the year ending 31 March 2023 is shown below:

#### As at 31 March 2023

Value	Change in net assets	
	+100 bps	-100 bps
£'000	£'000	£'000
Cash and Cash Equivalents	142,843	-
Multi Asset Credit	304,609	(6,884)
Risk Management Strategy	1,300,555	(286,252)
<b>Total</b>	<b>1,748,007</b>	<b>(293,136)</b>

### Currency Risk

Currency risk represents the risk that the fair value of financial instruments when expressed in Sterling will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on investments denominated in a currency other than Sterling. A significant proportion of the Fund's equity portfolio is invested in overseas equities, and there are also investments in overseas property, infrastructure and hedge funds (where the fund units are denominated in foreign currency). 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 exposure within the portfolio, before the Fund's currency hedge is applied. For the global property funds the share class of the pooled funds held has been used. The Global Equity value includes the equity exposure in the Risk Management Strategies Portfolio. The data for 2023 has been restated to include all unhedged currency exposures.

Currency risk by asset class:

#### Currency Exposure - Asset Type

	Asset value as at 31st March 2024	Asset value as at 31st March 2023
	£'000	£'000
Global Equities	2,775,685	2,614,917 *
Global Property Funds	103,788	144,114
Diversified Returns Fund	373,169	336,583
Exchange Traded Funds	3,354	127,088
Fund of Hedge Funds	17,575	22,891
Infrastructure Funds	45,297	44,133

\* Prior period adjustment to reflect updated information provided by the actuary. Previously the figure for Global Equities exposure was £2,107,722k. From the 2023/24 financial year two additional asset types, Diversified Returns Funds and Exchange Traded Funds, have been added to the table.

### 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 currencies (where there is a material exposure) over the 3 years to 31 March 2024. This 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.

The table below discloses the material unhedged exposures. The table has been restated for 2023 to show the sensitivity to all material currency exposures. Prior to this only sensitivity to the US Dollar, Yen and Euro were disclosed.

Currency Risk:

Currency	Value at 31 March 2024 £'000	Implied volatility	Value at 31 March 2023 £'000	Implied volatility
USD	1,015,676	8.3%	867,292	9.0%
YEN	161,556	8.9%	163,717	8.5%
CAD	81,724	5.5%	54,709	5.6%
NOK	78,588	9.4%	107,242	9.1%
EUR	77,985	4.5%	153,913	5.2%
CHF	52,248	6.1%	73,707	6.6%
AUD	-	-	76,644	7.6%

**(b) Credit Risk**

Credit risk is the risk that the counterparty to a financial instrument or transaction will fail to meet an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The entire Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties including brokers, custodian and investment managers minimises credit risk that may occur through the failure to settle transactions in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. Credit risk on exchange-traded derivative contracts is minimised by the various insurance policies held by exchanges to cover defaulting counterparties. Over-the-counter (OTC) derivative contracts are bilateral agreements where the Fund faces the credit risk of the financial counterparty directly. This is the case for forward currency contracts where a line of credit is extended to the Fund in place of a collateral posting agreement (as is the case for exchange-traded contracts). The hierarchy and replacement of an OTC contract on default of one of the counterparties is detailed in the ISDA, which is a market standard legal document governing derivative contracts.

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

The derivative instruments held within the Risk Management Strategy are fully collateralised on a daily basis with cash and/or gilts. Management of collateral is delegated to the manager who has access to a pool of eligible collateral (gilts, cash and equities). Daily collateralisation mitigates credit risk to a large extent as in the event a counterparty defaults sufficient assets are held to re-establish any lost position at the prevailing market rate.

The Fund's bond portfolios have significant credit risk through their underlying investments. This risk is managed through diversification across sovereign and corporate entities, credit quality and maturity of bonds. The market prices of bonds incorporate an assessment of credit quality in their valuation which reflects the probability of default (the yield of a bond will include a premium that will compensate for the risk of default).

The MAC portfolio is comprised of assets with the following array of credit ratings as at 31st March 2024:

Credit Rating	Value £'000
AAA	2,349
AA+ to AA-	5,005
A+ to A-	18,386
BBB+ to BBB-	53,797
BB+ to BB-	93,123
B+ to B-	134,084
CCC+ to C-	20,940
Unrated	12,802

The Fund is subject to credit risk within its general debtors although none of these would represent a material risk to the Fund. General debtors were £1.3m for 2023/24 (£1.6m for 2022/23)

Another source of credit risk is the cash balances held to meet operational requirements or by the investment 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. Investment cash balances held by the Fund and managers are 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 2024 was £150.6m. This was held with the following institutions:

	31st March 2024		31st March 2023	
	Rating	Balance £'000	Rating	Balance £'000
<b>Custodian's Liquidity Fund</b>				
State Street Global Services	AAA	119,689	AAA	89,454
<b>Money Market Funds</b>				
Goldman Sachs Global Treasury Fund	AAA	-	AAA	2,519
Aberdeen Liquidity Fund	AAA	2,620	AAA	970
Federated Investors	AAA	10,000	AAA	30
State Street Global Advisors	AAA	9,460	AAA	950
CCLA - The Public Sector Deposit Fund	AAA	1,050	AAA	7,000
Morgan Stanley	AAA	10	-	-
Invesco	AAA	6,100	-	-
<b>Bank</b>				
NatWest Special Interest Bearing Account	A+	88	A+	410
Handelsbanken	AA	1,560	AA	10,000
NatWest Current Account	A+	10	A+	-

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 2024 the market value of shares on loan totalled £10.2m, which generated £0.04m in income. Lending was conducted solely through the Brunel Global High Alpha portfolio.

**(c) Liquidity Risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's investment strategy and cash management policy ensure that the Fund has adequate cash to meet its working requirements including pension payments. Cash flow forecasts are prepared to manage the timing of and changes to the Fund's cash flows. The Fund has access to an overdraft facility for short term cash needs, although this is rarely utilised.

The Fund has immediate access to its cash holdings and a substantial portion of the Fund's investments consist of readily realisable securities, in particular equities even though they are held in pooled funds. In addition, the Fund invests in a range of Exchange Traded Funds that provide a similar liquidity profile to cash so that capital calls from the private market portfolios can be managed efficiently. The main liabilities of the Fund are the benefits payable as they fall due over a long period and the investment strategy reflects the long-term nature of these liabilities. As a result, the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes such as property, infrastructure, private debt and fund of hedge funds which are subject to longer redemption periods and cannot be considered as liquid as the other investments. As at 31 March 2024 the value of the illiquid assets was £1,577m, or 27% of the total Fund assets (31 March 2023: £1,399m which represented 26% of the total Fund assets).

24 FAIR VALUE HIERARCHY

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

- Level 1 – Asset and liabilities where the fair value is derived from unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Assets and liabilities where quoted market prices are not available but uses inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. For example where an instrument is traded in a market that is not considered to be active, or where valuation techniques based significantly on observable market data are used to determine fair value.
- Level 3 – assets and liabilities where at least one unobservable input used to measure fair value could have a significant effect on the valuation and the Fund's holding in these pooled funds is not immediately realisable at the net asset value.

**Fair Value Hierarchy**

The basis of the valuation of each class of investment asset is set out below.

Description of Asset	Fair Value Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published closing bid price ruling at year end.	Not required.	Not required.
Exchange traded futures	Level 1	Published exchange prices at the year end.	Not required.	Not required.
Forward currency contracts	Level 2	Market forward exchange rates at the year end	Price of recent transactions in identical instruments, exchange rate risk	Not required.
Pooled Investment vehicles including unitised insurance policies and other managed funds	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published.	NAV based pricing set on a forward looking basis.	Not required.
Pooled property funds (Open Ended)	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published. Market values are in accordance with RICS valuation standards and FV processes with IPEV guidelines.	NAV based pricing set on a forward looking basis using transactional data and cash flow forecasts.	Not required.
Private Debt	Level 3	Private Debt investments are valued at the end of each quarter by the underlying fund manager and annually appraised by a 3rd party for appropriateness. The valuation method employed for each asset is at the discretion of the valuer but must fall within the standards prescribed by the relevant accounting bodies as appropriate (US GAAP and IFRS) and be in accordance with IPEV guidelines.	Initial recognition cost, principal repayments, effective interest method, impairment reductions	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cash flows and any differences between audited and unaudited accounts.
Hedge Funds	Level 3	Closing bid price where bid and offer prices are published; closing single price where single price published. Market values are determined as of the last calendar day of each month. Where the underlying investment funds do not report a month end NAV on a timely basis, the NAV will be determined using the most recently available month end valuation as well as other relevant information available including market inputs that may impact the performance of a particular fund.	NAV based pricing set on a forward looking basis.	Valuations can be affected by material events between the date of the financial accounts provided and the Fund's own reporting date, by changes to expected cash flows and by any differences between the audited and unaudited accounts.

## PENSION FUND ACCOUNTS 2023/24

### 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.

In instances where an asset can fluctuate in the amount of observable inputs / comparators the fund holds it at the higher of the levels that it would fall into. The following sets out the Fund's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31 March 2024.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled Investments:-				
Equities	3,352	1,815,367		1,818,719
Risk Management Strategy	-	1,522,335		1,522,335
Fund of Hedge Funds	-	-	17,575	17,575
Diversified Return Funds	-	373,169	-	373,169
Multi Asset Credit	-	340,487		340,487
Property	-	161,867	518,587	680,454
Infrastructure	-		674,975	674,975
Private Debt	-		203,367	203,367
Long Term Investment	-		722	722
Cash	151,087	-		151,087
Derivatives: Forward FX	-	12,635		12,635
Derivatives: Futures	688			688
Investment Debtors/Creditors	7,419			7,419
	<b>162,546</b>	<b>4,225,860</b>	<b>1,415,226</b>	<b>5,803,632</b>

The fair value hierarchy as at 31 March 2023 was:

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

There were no re-classifications of assets between levels in 2023/24.

## PENSION FUND ACCOUNTS 2023/24

### Reconciliation of Fair Value measurements within Level 3

Level 3	Market Value 31 March 2023 £'000	Transfer into Level 2 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Unrealised gains / losses £'000	Realised gains / losses £'000	Market value 31 March 2024 £'000
Property	439,879		146,991	(12,373)	(55,720)	(190)	518,587
Fund of Hedge Funds	22,891		-	(6,333)	662	355	17,575
Infrastructure	633,970		141,763	(105,850)	5,097	(5)	674,975
Private Debt	128,903		77,313	(2,713)	(136)		203,367
Long Term Investment - Equities	707				15		722
	<b>1,226,350</b>	<b>-</b>	<b>366,067</b>	<b>(127,269)</b>	<b>(50,082)</b>	<b>160</b>	<b>1,415,226</b>

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

### 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 2024.

	Assessed valuation range +/-	Value at 31 March 2024 £'000	Value on increase £'000	Value on decrease £'000
Property	10%	518,587	570,446	466,728
Fund of Hedge Funds	10%	17,575	19,333	15,818
Infrastructure	15%	674,975	776,221	573,729
Private Debt	15%	203,367	233,872	172,862
Long Term Investment	15%	722	830	614
<b>Total</b>		<b>1,415,226</b>	<b>1,600,702</b>	<b>1,229,750</b>

The same analysis for 31 March 2023:

	Assessed valuation range +/-	Value at 31 March 2023 £'000	Value on increase £'000	Value on decrease £'000
Property	10%	439,879	483,867	395,891
Fund of Hedge Funds	10%	22,891	25,180	20,602
Infrastructure	15%	633,970	729,066	538,875
Private Debt	15%	128,903	148,238	109,568
Long Term Investment - Equities	15%	707	813	601
<b>Total</b>		<b>1,226,350</b>	<b>1,387,164</b>	<b>1,065,536</b>

## 25 EMPLOYING BODIES

As at 31 March 2024 the following employing bodies had contributing scheme members in the Avon Pension Fund:

### Principal Councils and Service Providers

Avon Fire & Rescue Service  
Bath & North East Somerset Council  
Bristol City Council

North Somerset Council  
South Gloucestershire Council  
West of England Combined Authority

### Further & Higher Education Establishments

Bath College  
Bath Spa University  
City of Bristol College  
Offender Learning Services (part of Weston College)  
Restart Employment and Skills Limited (part of Weston College)

South Gloucestershire & Stroud College  
St. Brendan's Sixth Form College  
University of the West of England  
Weston College

### Academies and Schools

Abbeywood Community School  
Abbot Alphege Academy  
All Saints East Clevedon C of E Primary School  
Ashcombe Primary School  
Ashton Park School  
Ashton Vale Primary School  
Aspire Academy  
Avanti Gardens School  
Backwell C of E Junior School  
Backwell School  
Badock's Wood E-ACT Academy  
Bannerman Road Community Academy  
Banwell Primary School  
Barton Hill Academy  
Bathampton Primary School  
Batheaston Church School  
Bathford Church School  
Bathwick St Mary Church School  
Becket Primary School  
Bedminster Down School  
Beechen Cliff School  
Begbrook Primary Academy  
Birdwell Primary School  
Bishop Sutton Primary School  
Blackhorse Primary School  
Blagdon Primary School  
Blaise High School  
Bournville Primary School  
Bowsland Green Primary School  
Bradley Stoke Community School  
Bridge Farm Primary School  
Bridge Learning Campus  
Bristol Cathedral School Trust  
Bristol Free School  
Broadlands Academy  
Broadoak Academy  
Brook Academy  
Burrington CofE Primary School  
Cabot Learning Federation  
Cabot Primary School  
Cadbury Heath Primary School  
Callicroft Primary School  
Cameley CEVC Primary School  
Castle Batch Primary School Academy  
Castle Primary School (Keynsham)  
Chandag Primary School  
Charborough Road Primary School  
Charfield Primary School  
Charlton Wood Primary Academy  
Cheddar Grove Primary School  
Chestnut Park Primary School  
Chew Magna Primary School  
Chew Stoke Church School  
Chew Valley School  
Chipping Sodbury School  
Christ Church C of E Primary School (Bristol)  
Christ Church C of E Primary School (WSM)  
Churchill Academy  
Churchill CofE Primary School  
City Academy  
Clevedon School  
Clutton Primary School  
Combe Down C of E Primary School  
Compass Point South Street Primary School  
Corpus Christi Catholic Primary School  
Cotham Gardens Primary School  
Cotham School  
Court de Wyck Church School  
Crockerne C of E Primary School  
CST Trinity Academy  
Culverhill School  
Digitech Studio School  
Diocese of Bristol Academy Trust (Central Functions)

Downend School  
Dundry C of E Primary School  
E-ACT (Central Functions)  
East Harptree Primary School  
Easton C of E Academy  
Elmlea Infant School  
Elmlea Schools' Trust  
Emersons Green Primary School  
Evergreen Primary Academy  
Excalibur Academies Trust (Central Functions)  
Extend Learning Academies Network (Central Functions)  
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  
Golden Valley Primary School  
Gordano School  
Greenfield E-ACT Primary Academy  
Grove Junior School  
Hanham Abbots 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 Forest Primary School  
Kings Oak Academy  
Kingshill Church School  
Knowle DGE Academy  
Lansdown Park Academy  
Lime Hills Academy  
Little Mead Primary Academy  
Locking Primary School  
Longvernal Primary School  
Luckwell Primary School  
Lyde Green Primary School  
Mangotsfield Church of England 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  
Montpelier High School  
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 Daventry Road  
Oasis Academy John Williams  
Oasis Academy Long Cross  
Oasis Academy Marksburry Road  
Oasis Academy New Oak  
Oasis Academy Temple Quarter  
Oldfield Park Infant School  
Oldfield Park Junior School  
Oldfield School  
Oldmixon Primary School  
Olympus Academy Trust (Central Functions)  
Orchard School Bristol  
Palladian Academy Trust (Central Functions)  
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 Academy  
Ralph Allen School  
Redfield Educate Together Primary Academy  
Redland Green School  
Roundhill Primary School  
Saltford C of E Primary School  
Samuel White's Infant 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 Andrews CofE Primary School  
St Anne's Church Academy  
St Barnabas C of E 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

## 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

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  
Stanbridge Primary School  
Stanton Drew Primary School  
Staple Hill 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  
The Tynings Primary School  
Three Ways School  
Tickenham C of E Primary School  
Torthworth 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  
Wheatfield 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 Academy  
Worle Village Primary School  
Worlebury St Paul's Church School  
Wraxall C of E VA Primary School  
Wrington CofE Primary School  
Writhlington School  
Yate Academy  
Yatton C of E Junior School  
Yatton Infant School  
Yeo Moor Primary School

Emersons Green Town Council  
Filton Town Council  
Frampton Cotterell Parish Council  
Futura Commercial Services Limited  
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  
Staple Hill & Mangotsfield Parish Council  
Stoke Gifford Parish Council  
Stoke Lodge & the Common Parish Council

### Community Admission Bodies

Adoption West  
Ashley House Hostel  
Bristol Music Trust  
Clifton Suspension Bridge Trust  
Destination Bristol  
Merlin Housing Society Ltd (New staff since 2007)  
Merlin Housing Society Ltd (SG)

### Transferee Admission Bodies

ABM Catering Limited - Athelstan Trust (Chipping Sodbury)  
ABM Catering Limited - Christchurch Infant & Junior School  
ABM Catering Limited - Cotham School  
ABM Catering Limited - SGC Schools  
ABM Catering Limited - South Gloucestershire Council (Bromley Heath Cluster)  
ABM Catering Limited – St Mary's School, Bath  
ABM Catering Limited – St Mary's School, Bradley Stoke  
ABM Catering Limited - The Leaf Trust  
Active Community Engagement Ltd  
Active Nation UK Limited  
Agilisys Limited  
Agilisys Limited 2015  
Alliance Homes - Ebdon Court  
Alliance in Partnership Limited - Henleaze Junior Academy  
Alliance in Partnership Limited - Parkwall Primary School  
Alliance in Partnership Limited - South Gloucestershire Council  
  
Alliance in Partnership Limited - St Anne's CEVC Primary School  
Alliance in Partnership Limited - The Park Primary School  
Alliance in Partnership Limited - Westbury on Trym C of E Academy  
Aspens Services Limited - Academies Enterprise Trust  
Aspens Services Limited - Blackhorse Primary School  
Aspens Services Limited - Bristol City Council PFI Contracts  
Aspens Services Limited - Cabot Learning Federation  
Aspens Services Limited - Castle Primary School (Keynsham)  
Aspens Services Limited - Culverhill School  
Aspens Services Limited - Elmlea School Trust (MAT admission)  
Aspens Services Limited - Extend Learning Academies Network  
Aspens Services Limited - Hanham Primary Federation  
Aspens Services Limited - Kaleidoscope MAT  
Aspens Services Limited - Lighthouse Schools Partnership  
Aspens Services Limited - St Anne's Church Academy (Priory Learning Trust)  
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  
BAM Construction UK Ltd  
Bespoke Cleaning Services Limited - South Gloucestershire & Stroud College  
Care Quality Services Limited  
Cater Link Limited - Castle Schools Education Trust  
Churchill Contract Services Ltd - Futura Learning Partnership  
Churchill Contract Services Ltd - Westhaven School  
Circadian Trust  
City Leap Energy Partnership Limited  
Clever Chefs Limited - BAM Construction  
Compass Contract Services (UK) Ltd - Bath and Wells MAT  
Compass Contract Services (UK) Ltd - Beacon Rise Primary School  
Compass Contract Services (UK) Ltd - Bristol City Council  
Compass Contract Services (UK) Ltd - North Star Academy Trust  
Compass Contract Services (UK) Ltd - Palladian Academy Trust  
Compass Contract Services (UK) Ltd - St Bede's Catholic College (BCCfw)  
Compass Contract Services (UK) Ltd - St Mary's C of E Primary School, Writhlington  
Compass Contract Services (UK) Ltd - St Patrick's Catholic Primary School (BCCfw)  
Compass Contract Services (UK) Ltd - St Teresa's Catholic Primary School (BCCfw)

Thornbury Town Council  
Westerleigh Parish Council  
Westfield Parish Council  
Weston Super Mare Town Council  
Whitchurch Village Council  
Wrington Parish Council  
Yate Town Council  
Yatton Parish Council

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

Compass Contract Services (UK) Ltd - St Werburgh's Primary School (BCCfw)  
Compass Contract Services (UK) Ltd - Westbury Park Primary School (BCCfw)  
Coombs Catering Partnership - New Siblands School  
Coombs Catering Partnership - South Gloucestershire Council  
Creative Youth Network - South Gloucestershire Council Youth Service  
Direct Cleaning Services (South West) Limited - DBAT MAT  
Direct Cleaning Services (South West) Limited - New Siblands School (Enable Trust)  
Direct Cleaning Services (South West) Limited - Palladian MAT  
Direct Cleaning Services (South West) Limited - South Gloucestershire Council  
Direct Cleaning Services (South West) Limited - St Gregory's Catholic College  
Dolce Ltd - Mangotsfield C of E Primary School  
Dolce Ltd - St Mary's School, Yate (SGC)  
Edwards and Ward Ltd - Paulton Infant School  
Edwards and Ward Ltd - SGC  
Edwards and Ward Ltd - St Keyna Primary School  
Elite Sports UK Limited (E.S.D.C UK Ltd)  
Foundation for Active Community Engagement (FACE) - South Gloucestershire Council  
Youth Service  
Future Stars Coaching Limited - High Down Schools  
Glen Cleaning Company Limited - Christ Church Junior School  
Glen Cleaning Company Limited - Excalibur Academies Trust (BCCfw)  
Greenwich Leisure Ltd - Bath & North East Somerset Council  
HCRG Care Services Limited (formerly Virgin Care Services Limited)  
Imperial Cleaning Services (South West) Limited - The Tynings Primary School  
Innovate Services Ltd - Cathedral Schools Trust  
Innovate Services Ltd - Excalibur Academies Trust  
Junior Adventures Group - St Werburghs School  
KGB Cleaning (South West) Ltd - Cabot Learning Federation  
KGB Cleaning (South West) Ltd - Cathedral Schools Trust  
KGB Cleaning (South West) Ltd - Midsomer Norton Schools Partnership  
KGB Cleaning (South West) Ltd - Olympus Academy Trust  
Kindred - Futura Learning Partnership  
Liberata UK Limited  
Mentoring Plus (Bath & North East Somerset)  
Portway Sports Centre Limited  
Prestige Cleaning & Maintenance Limited  
Purgo Supply Services Ltd - Castle School Education Trust  
Purgo Supply Services Ltd - E-ACT  
Purgo Supply Services Ltd - Excalibur Academies Trust  
Purgo Supply Services Ltd - Lighthouse Schools Partnership  
Ridge Crest Cleaning Ltd - Bristol City Council  
Sansum Solutions Group Limited - ELAN  
Sansum Solutions Group Limited - St Bede's Catholic College  
Shine Wraparound Care Ltd - Olympus Academy Trust  
Skanska Rashleigh Weatherfoil Ltd  
SLM Community Leisure Trust  
SLM Fitness & Health Ltd  
Sodexo Ltd - Diocese of Bristol Academies Trust (DBAT)  
Sodexo Ltd - Oasis Community Learning  
Taylor Shaw - Olympus Academy Trust  
The Brandon Trust  
Weston Support Services - Ashcombe Primary School  
Weston Support Services - North Somerset Council Campus School  
Xerox (UK) Limited  
Youth Connect South West

## 1. Scope of Responsibility – Context for Statement

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.

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.

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

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

- The Accounts and Audit (England) Regulations 2015 (amended 2022), specifically Regulation 6 (1) in respect of the annual review of the effectiveness of its system of internal control and preparation and publication of an Annual Governance Statement.
- The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

The governance framework described in this Statement has been in place at the council for the year ended 31 March 2024, and up to the date of the approval of the statement of accounts.

## 2. The Purpose of the Governance Framework – Background & Overview for 2023/24

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



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

An updated Constitution was adopted by Council at its 21st July 2022 meeting, which included changes proposed by the Constitution Working Group. Subsequent minor amendments to the Constitution have been made within the delegated authority of the Council's Monitoring Officer following the Council's AGM in May 2023 and again in April 2024. Council is required to note minor amendments made through Officer Delegated Decision making.

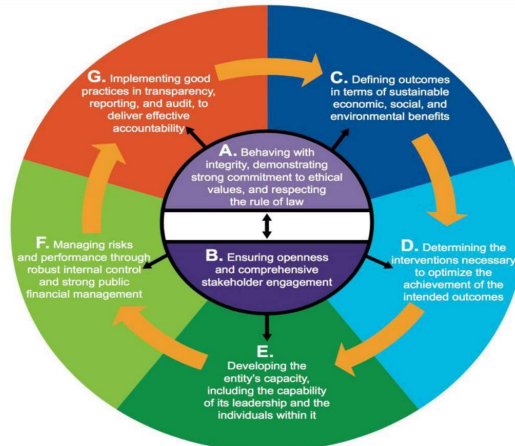
The council maintains a Local Code of Corporate Governance. The objective of the Local Code is to ensure that in conducting its business the Council:

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

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

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

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



Source: CIPFA/SOLACE

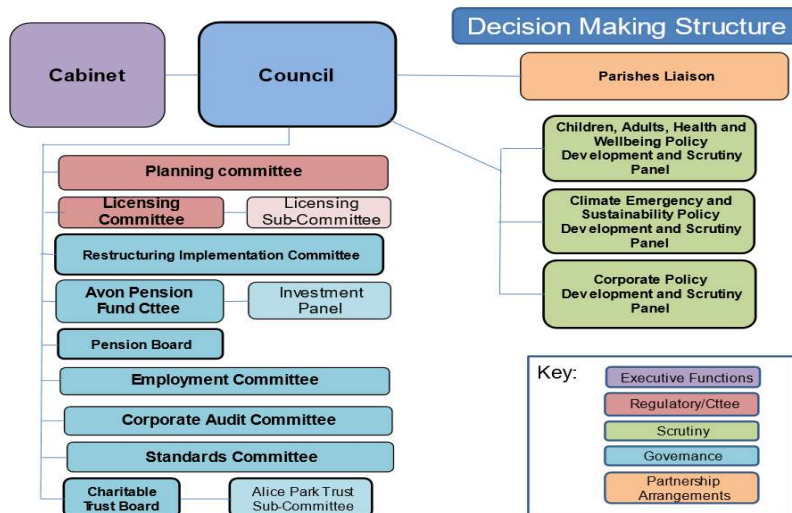
The governance framework and a Local Code of Corporate Governance has continued to be in place at Bath & North East Somerset Council for the year ended 31 March 2024 and up to the date of approval of the Council's Statement of Accounts.

### 3. Key Elements of our Code of Corporate Governance – Our Framework

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

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

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



## Key Corporate Management Groups

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

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

**Strategic Leadership Team (Executive Leadership Team w.e.f. January 2024)** - 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

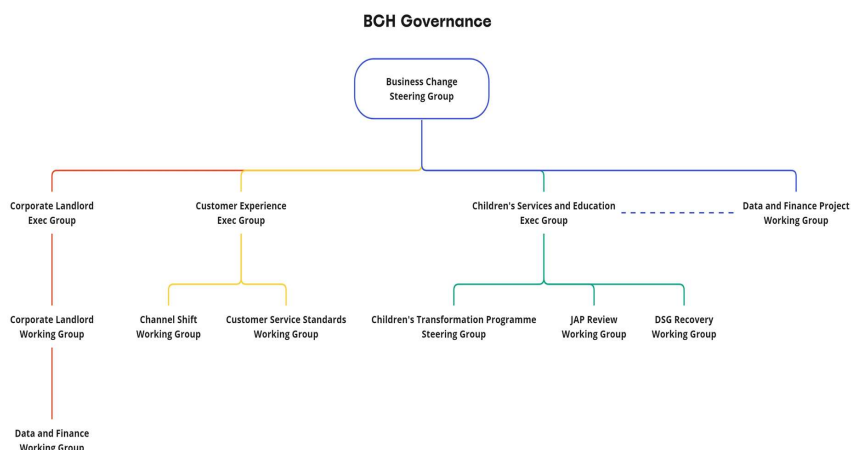
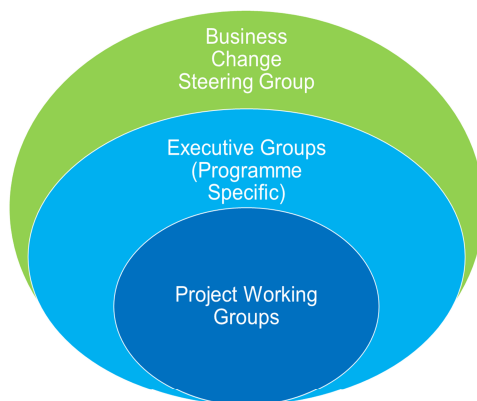
**Capital Strategy Group** – To govern the council's capital programme providing assurance to the Executive Leadership Team and cabinet on the budget setting, scheme approval, management and delivery of the council approved capital programme.

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

## Corporate Advisory & Steering Groups

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

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



### Key Partnerships

#### West of England Combined Authority

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

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

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

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

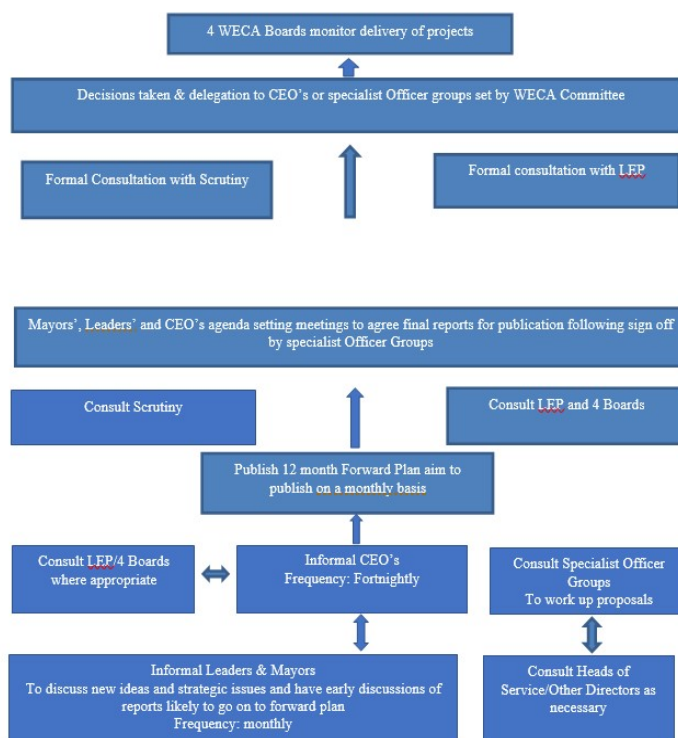
- 1.Elected Mayor
- 2.Constituent councils' representatives
- 3.Chair of the West of England Local Enterprise Partnership

#### West of England Joint Committee

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

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

West of England Combined Authority Regional structure:



#### **Avon Fire Authority (Avon Fire & Rescue Service)**

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

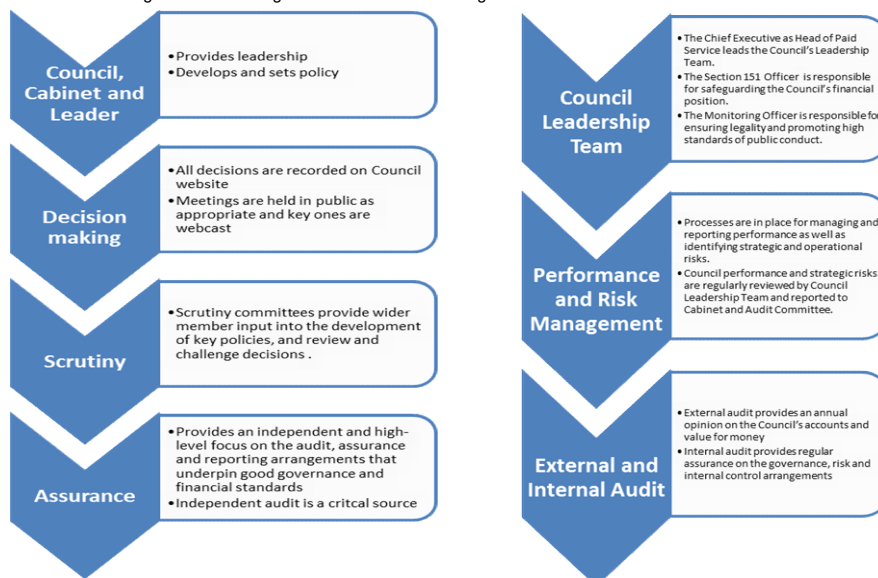
The Fire Authority has overall responsibility for the strategic direction, establishment, budget and functions of a fire and rescue service and over the acquisition, disposal and alteration of premises and appliances.

#### **Avon & Somerset Police and Crime Panel**

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

## ANNUAL GOVERNANCE STATEMENT 2023/24

The wider elements of the framework of our governance arrangements at the council during 2023/24 were:



### Council Business 2023/24 – Key Governance Decisions

#### 25th May 2023 - Council's Annual General Meeting (AGM)

- Appointment of Council Chair, Vice Chair and Leader of the Council
- Notification of Members elected 4th May 2023
- Appointment of Committees and Panels.

At the council's AGM Councillors Sarah Moore and Karen Walker were appointed Chair and Vice Chair respectively for the council year 2023/24. Councillor Kevin Guy remained elected Council Leader until the May 2027 AGM. In addition the Terms of Reference for Committees and Panels were approved.

#### Cabinet Members & Portfolios Appointments

Cllr Kevin Guy Council Leader	<ul style="list-style-type: none"> <li>Responsible for Cabinet direction and decision making.</li> <li>Representation on external bodies such as WECA</li> <li>Democratic Reform</li> <li>Connecting Communities, Community relations and involvement, Resident Engagement and communication</li> </ul>
Cllr Sarah Warren Deputy Council Leader (Statutory)	Cabinet Member for Climate Emergency & Sustainable Travel
Cllr Tim Ball	Cabinet Member for Neighbourhood Services
Cllr Alison Born	Cabinet Member for Adult Services
Cllr Mark Elliott	Cabinet Member for Resources
Cllr Paul May	Cabinet Member for Children Services
Cllr Matt McCabe	Cabinet Member for Built Environment and Sustainable Development
Cllr Manda Rigby	Cabinet Member for Highways
Cllr Paul Roper	Cabinet Member for Economic and Cultural Sustainable Development
Cllr David Wood	Cabinet Member for Neighbourhood Services

### How the council has fulfilled the principles of good governance.

#### Review of the council's Code of Corporate Governance

As explained above, the council's Code of Corporate Governance is made up of the arrangements that the council has in place to deliver the requirements of each principle of the framework.

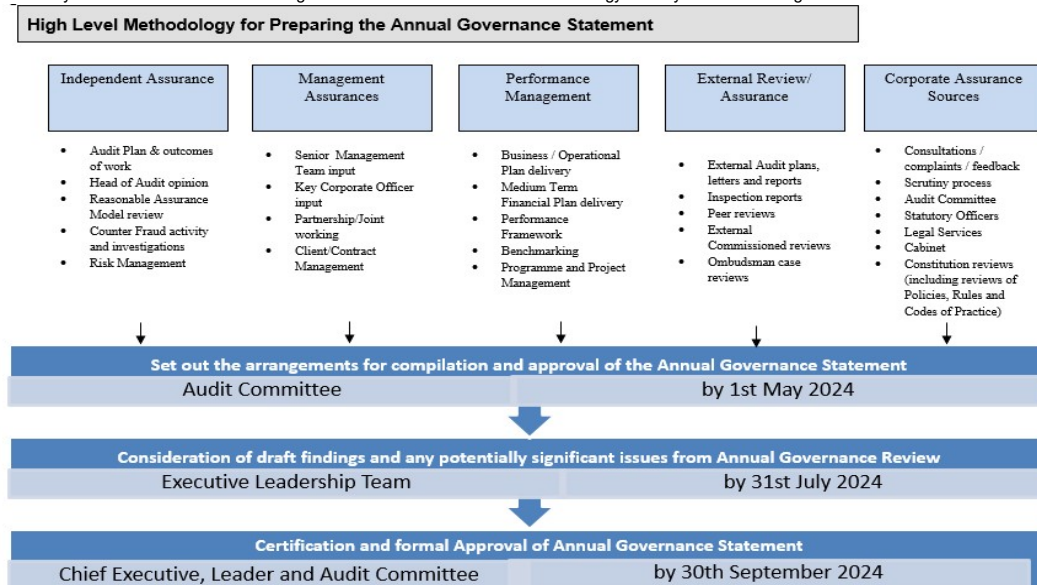
In preparing this Annual Governance Statement the Council has:

- 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 has complied with the principles set out in the Framework during 2023/24, however it is not intended to be exhaustive.

## 4. Review of Governance Framework

The council formally review the effectiveness of its governance framework and the methodology to carry out the annual governance review 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.

The 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>

The Code has been reviewed and updated and consultation is underway to formally adopt the 2024 version.

An explanation – but not exhaustive list - is now provided on how the authority has complied with its Local Code – the seven principles of good governance.

### 5. Principles of our Governance Framework

#### **i. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**

##### Behaving with integrity

Bath & North East Somerset Council has both a Members Code of Conduct and an Employees Code of Conduct which the respective individuals are required to adhere to in their respective roles. The Member's Code is recorded within the Council's Constitution (Part 4). The Employees Code of Conduct is accessible through the council's intranet (HR + Payroll / HR Policies) and this was revised and updated in June 2021.

All members of the council are obliged to sign an "acceptance of office" and following election to office they have a full induction and training programme, including the Members' Code of Conduct. Dependent on the roles allocated to members additional tailored training is provided. The council's Monitoring Officer is overall responsible for member induction and support services for elected members. Part 3 of the Constitution records the 'Procedural Rules' of the Council. Members are required to declare interests and this and the Councillors attendance record and declarations at meetings are recorded against their individual Councillors page accessible through the council's internet webpages. Councillors receive an annual reminder from the Monitoring Officer about the need to review and update their register of interests and that it is a legal requirement to declare and register all disclosable pecuniary interests - under the Localism Act 2011, failure to register any disclosable interests within 28 days is potentially a criminal offence.

Officers sign contracts of employment and are required to complete a probationary period of employment as standard. All relevant HR policies are in place and made available from the Council Information Service (intranet). These include a formal disciplinary procedure, a Whistleblowing Policy, Information Governance Policies, Counter Fraud Strategy bringing together the Council's Anti-Fraud and Corruption Policy, Anti-Bribery Policy and Money Laundering Policy under one umbrella. The council maintains electronic registers of interests and gifts & hospitality for staff.

##### Demonstrating strong commitment to ethical values

Bath & North East Somerset Council maintains a Standards Committee which under the Constitution (Part 2) records the Committee's Terms of Reference. The Terms of Reference includes:

- Promote and maintain high standards of conduct by councillors; parish councillors; co-opted members and church and parent governor representatives,
- Oversee the effectiveness of the council's constitutional arrangements from an ethical perspective and make recommendations to the council on any desirable or necessary changes.

The Committee is scheduled to meet every three months if required, but it only met twice in 2023/24. A report of the Committee is presented to Council at least annually and the last annual report for the year April 2022 to March 2023 was submitted to the 20th July 2023 Council meeting. It recorded that Committee comprised of 12 members (5 B&NES Councillors, 1 Parish Councillor (2 vacancies) and 3 independents (4 served during the 2022/23 year - 1 serving part year and 1 appointed March 2022)). Following the May 2023 elections there was a change of the B&NES councillor membership with 4 out of the 5 being replaced. The Committee has 2 Independent Persons who are non-voting observers. To maintain the non-political nature of the Committee and maintain trust and confidence in its operation the Committee operates with one of the independent persons taking the chair.

In addition to basic training through the Authority's Member Induction Programme training sessions on the Local Government Association Model Code of Conduct for Members (adopted by B&NES in 2021) were held in the Autumn of 2023.

At each meeting, the Committee monitored its work plan and noted the current position of complaints using the complaints tracker. The number of complaints reduced to 15 in 2022/23 from 18 the previous year, this was in line with the average number of cases per annum. In terms of outcomes – 'No Action Required' for 7 cases, 5 cases were 'withdrawn / rejected' and 3 were found to have 'no breach' of the Code of Conduct.

The Code of Conduct for Members and Co-opted Members makes specific reference to the need to adhere to seven principles of public life (the Nolan principles).

All formal meetings of the Council require declarations of interest from Members as a standing item and meetings are minuted / recorded.

##### Respecting the rule of law

The Council's Constitution sets out the legal requirements around Council business including decision making. Guidance is available on both the Council's Information Service (Intranet) and public accessible website (Internet) to guide Officers in ensuring that decisions are taken by the appropriate Committee, Member or Officer (Part 2 of the Constitution – Responsibility for Functions and Delegation Schemes). The Constitution is reviewed by a Constitution Working Group and amendments are recommended to Full Council to ensure it remains fit for purpose and is legally compliant.

All reports requiring decision must be cleared by the council's S151 and Monitoring Officers. The adopted report template requires the author to record 'Statutory Considerations' and there is a separate 'Equalities' section. The 'Statutory Considerations' section should contain details of any relevant considerations regarding specific council statutory responsibilities and also more general legal requirements. This section is required to specify the legal power or duty that authorises any decision requested by the report to be made. Specific report writing guidance is available to Officers to provide clarification of actions required.

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

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

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

All Council contracts must comply with the Council's Contract Standing Orders and guidance from specialist procurement and legal Officers is available to comply with legal requirements, e.g., The Public Procurement Act (Amendment etc) (EU Exit) Regulations 2020. The Procurement Act 2023 received Royal Assent on 26th October 2023 and will come into force on 28th October 2024. The council's procurement team have provided training to officers to ensure compliance with new requirements.

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. 30th November 2023 Liberal Democrat Group motion on the Climate Commitments which called for the Leader of the Council to write to the Prime Minister to express concern about changes in policy and to join with other councils to challenge Government policy change.

### ii. Ensuring openness and comprehensive stakeholder engagement.

#### Openness and engaging with individual citizens and service users effectively

Part 3 of the Constitution (Procedural Rules) records the 'Access to Information Procedural Rules'. It details, rights to attend meetings; notice of meetings being held; access to agendas and reports; provision of agenda and report copies; access to meeting minutes; and rules around the exclusion of access by the public to meetings. Part 1 of the Constitution records the 'Residents Rights & Responsibilities' and summarises the public's right to attend meetings, make submissions to meetings / cabinet members and inspect documents.

Key decisions are all recorded and accessible to the public and the templates for decisions require officers to provide all necessary and pertinent information to make an informed decision. The cabinet forward plan of business is published in advance in accordance with access to information requirements.

To help ensure decision making rules are followed, an intranet page provides officers with information about the stages to be followed for single member, cabinet, officer and urgent decisions.

The council's website contains information about services and provides easy access key links such as 'Cabinet Decisions'.

We monitor compliance with the Department for Communities and Local Government Transparency Code and the Transparency page on the internet provides the links to access business operations and outcomes (such as payments to suppliers / expenditure over £500) as required by the Code.

We are very open with our communications and digital communication channels are used including a library of webcasts e.g. Council, Policy Development and Scrutiny Panels 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 – e.g. Race Equality Charter Progress (6th February 2024 and Retrofitting Listed Buildings (25th April 2024). A weekly e-connect newsletter is produced and can accessed through the public website. Council Staff also receive a weekly communications e-mail.

#### Engaging Comprehensively with Institutional Stakeholders

Our strategic partnership landscape has changed significantly with the Health Clinical Commissioning Groups transitioning to Integrated Care Boards, further development of the West of England Combined Authority and an Area Forum structure in place and operating to help engage with local communities. There are currently three 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:

- Local Plan Options: (12 February 2024)
- Revised plans to facilitate development of the Somer Valley Enterprise Zone (22nd September 2023).
- Somer Valley Links - Transport (30th June 2023)
- Emission Based Parking Charges (13th July 2023)
- Improvements for Keynsham Woodland (15th May 2023)
- Funding New Community Projects (19th October 2023)

Partnership working with our health and West of England partners is of critical importance in both service delivery and in shared financial efficiencies. NHS England has challenged the health and care system to develop a Sustainability and Transformation Plan (STP) and the council has been fully engaged in the STP development process. The Integrated Care Board (ICB) and B&NES Council are continuing to pool budgets. The Health & Wellbeing Board is responsible for preparing a Joint Health and Wellbeing Strategy and reviewing and reporting on health and social care commissioning. The council and ICB are represented on the Board.

Following the transfer of functions to the West of England Combined Authority (WECA) on 1st February 2017 the Authority represents Bath and North East Somerset Council, Bristol City Council and South Gloucestershire Council. A Joint Committee, Overview & Scrutiny Committee and an Audit Committee assist in the good

### iii. Defining outcomes in terms of sustainable, economic, social and environmental benefits.

#### Defining outcomes

At the 20th July 2023 Council Meeting, Bath & North East Somerset Council adopted the Corporate Strategy 2023-27. The 2023-2027 Corporate Strategy retains the purpose, policy and principles set out in the Corporate Strategy adopted in February 2020. The single overriding purpose – to improve people's lives.

The new Corporate Strategy introduced nine priorities which set out how people's lives will be improved over the four years period. These reflect the priorities of administration elected in May and build on work to implement the current Corporate Strategy over the last three years. They also reflect how the council will pursue the delivery of shared outcomes agreed with partners through our Health and Wellbeing Strategy and the Future Ambition Board's "One Shared Vision".



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The nine priorities are:

- **The right homes in the right places** - improving availability of affordable housing, accessible to local jobs and services
- **More travel choices** – making it easier for people to walk, wheel and use public transport to reduce transport emissions
- **Clean, safe and vibrant neighbourhoods** - working with local communities to promote civic pride and preventative approaches
- **Support for vulnerable adults and children** – securing safe, effective services that meet the needs of our changing population
- **Delivering for our children and young people** – working with our partners to narrow the early years attainment gap
- **Healthy lives and places** – working with health and other partners to tackle inequalities, promote healthy places, and support people to live healthier lives
- **Good jobs** - aiming to increase the median wage in a regenerative economy
- **Skills to thrive** - an inclusive economy where prosperity is shared
- **Cultural life** - valuing and developing its contribution to Bath and North East Somerset.

The Strategy's outcomes framework provides a clear way of assessing plans and activities; drawing on the 'doughnut economics' model it contains:

- A climate, ecological and environmental ceiling – linked to the core policy of talking the climate and ecological emergency.
- A social and economic foundation - linked to the council's priorities.
- A space for local communities and organisations to collaborate and innovate - linked to the core policy of giving people a bigger say.

### Sustainable economic, social and environmental benefits

The Capital Programme 2023 includes investments that provide economic, social and environmental benefits including: Bath Quays development; Bath Western Riverside development, highways maintenance; cycling / walking routes and school improvement / expansion.

The council's wholly owned property investment company, Aqueus Development Ltd (ADL) and its subsidiary company ACL, develop, deliver, own and manage property as well as delivering new development.

### **iv. Determining the interventions necessary to optimise the achievement of the intended outcomes.**

#### Determining interventions

As stated earlier in the Statement the council's decision-making processes are set by its Constitution and citizens and service users are consulted where appropriate prior to decisions being taken.

The decision-making process requires objective and rigorous analysis of options and associated risks. A Risk Management Strategy and Toolkit has been adopted and this provides guidance on the assessment of risks related to recommended actions / decisions.

The Monitoring and S151 Officers are consulted on all decision-making reports, and they are able to provide their professional opinion on the matter being reported and actions / decisions to be taken.

#### Planning interventions

The council's Forward Plans set out clearly the forthcoming business that will be taken to the relevant decision-making committees and by key officers and members. This includes dates of cabinet meetings and anticipated dates for Single Member Decisions. The council conforms to all legislation and best practice in publishing plans in advance of meetings etc.

#### Optimising achievement of intended outcomes

The Medium-Term Financial Strategy (MTFS) outlines how the council's budget will be delivered over the medium to long-term. The MTFS for B&NES spans two years with a further three added to show the likely longer-term picture.

Linked to the MTFS and the annual budget process the council's S151 Officer is required to make a statutory statement (Section 25 of the Local Government Act 2003) on the robustness of estimates and adequacy of reserves for the budget year and Financial Plan. The Directors review and completion of Robustness Statements and other financial management processes including the provision of qualified and experienced financial staff to support service areas is considered by the S151 Officer as part of the statement.

The council's 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 development and maintenance of an integrated reporting framework is helping management to review operations, performance and use of assets. 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

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

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

In May 2022 a new Performance Management and Personal Development portal called Clear Review was launched and this is now in use council-wide. This system is to support staff across the organisation in objective setting and identifying ways to support staff in their personal development and growth. The Clear Review platform is 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 Corporate Risk Management Group meet quarterly. 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).

#### Managing Performance

Performance Management has been overhauled and is aligned with the Corporate Strategy 2023-27 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 an 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.

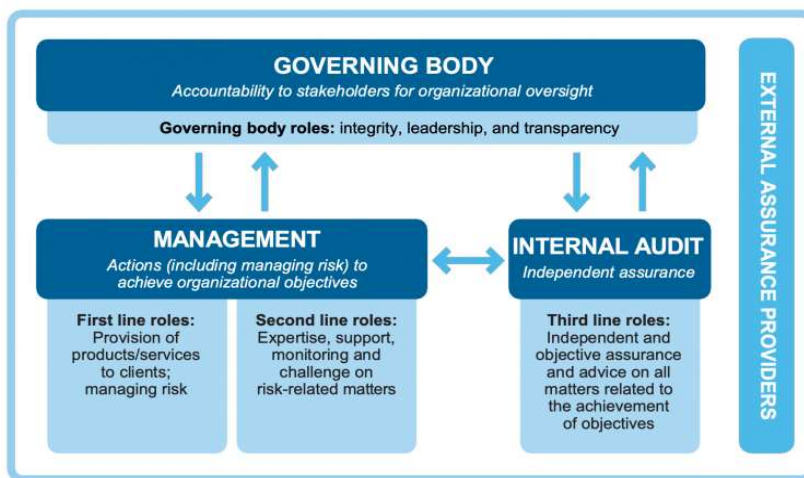
- DirectorateDashboards including key performance indicators
- Corporate and Directorate risk registers
- Contracts and commissioning intentions
- People/Human Resources data
- Geographical Information System
- Local facts and figures

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

Each quarter a key set of strategic indicators is reported to cabinet, this basket of 22 key indicators is used to give an overall picture against the delivery of the council Corporate Strategy. The Corporate Scrutiny Panel also receives corporate performance reports aligned with the reports to Cabinet.

#### 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.

## ANNUAL GOVERNANCE STATEMENT 2023/24

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### Managing Data

Bath & North East Somerset Council supports the objectives of increasing openness, accountability and transparency in the public sector.

Since the introduction of the Freedom of Information Act in January 2000, 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 Intranet. 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 are maintained 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 complied with in performing their duties. The S151 Officer is a member of the Executive 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, and cabinet member require S151 financial sign-off before the decision can be taken.

Financial updates are reported to cabinet and the Corporate Policy Development and Scrutiny Panels, and this quarterly budget monitoring reports 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 2022/23 was presented to the 22nd November 2023 meeting of Corporate Audit Committee. The Committee approved the audited Statement of Accounts, including the Letters of Representation for both Bath & North East Somerset Council and the Avon Pension Fund for 2022/23, subject to, any amendments necessary upon quantification of the impacts of any issues arising from the ongoing work by the external auditors, that the Chair of the Corporate Audit Committee and the Chief Finance Officer make arrangements to sign the Statement of Accounts for 2022/2023 as representing a "true and fair view" of the financial position as at 31st March 2023.

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

The Budget and Council Tax 2024/25 and Financial Outlook Report was taken to Council at its 20th February 2024 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) 2024/25 to 2028/29 was approved by cabinet on 9th November 2023 and sets out the strategic direction and priorities for the council as well as outlining the financial context and challenges the council faces over a five-year period and the strategy to be used to inform its annual budget process. The 2024/25 budget takes into account the forecast out-turn for 2023/24 and estimates for 2024/25. Directors 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 2024/25 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, or their nominated representatives.

Officers write reports to assist understanding of the matter / issues and provide clarity regarding what is being asked of the recipient of the report, including recommended actions.

The annual governance review which has been carried out to produce this statement requires a robust methodology to be followed to enable a statement to be published within the statutory statement of accounts.

#### Assurance and effective accountability

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

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

The Committee reports annually to Council on its work.

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

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

### **PROCESSES FOR MAINTENANCE AND REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK**

The process for the Annual Governance Statement is a continuous process and senior officers and Members consider emerging issues during the course of the year. This means that controls issues and risks can be addressed more quickly.

Publication of this Annual Governance Statement is the culmination of this work. The council's Chief Executive Officer signs the Statement as a summary of the effectiveness of the council's governance framework.

### OTHER CONTRIBUTORY REVIEW / ASSURANCE MECHANISMS

In evaluating the effectiveness of the council's governance, information is available from a wide range of sources. These include the Internal Audit Service, the Information Governance Group, the External Auditors, inspectorates such as the Care Quality Commission and directorates themselves.

Audit West in conjunction with Statutory Officers reviews the effectiveness of the governance framework during the year and the draft Annual Governance Statement. The Statement is signed by the Chief Executive and Leader of Council and formally reviewed by the Audit Committee as part of the Financial Statements.

Key risks have been kept under review during the year and will continue to form an ongoing focus for successful delivery of the council's plans. The council's Corporate Risk Register has been maintained throughout the year and includes 26 risks as at Quarter 3 2023/24 linked to the following –

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

#### **Chief Audit Executive - Internal Audit Opinion**

Internal Audit has not reviewed all risks and assurances relating to Bath & North East Somerset Council during 2023/24 and cannot provide absolute assurance on the internal control environment. Senior management and members are ultimately responsible for ensuring an effective system of internal control. In terms of breadth of coverage, audit work has been performed across the Council's key services and in relation to its strategic risks.

Recruitment and retention of internal audit professionals has been an issue in 2023/24 and this has resulted in amendments to the internal audit plan. However, sufficient internal audit work has been carried out and it's my opinion taking into account the wider governance framework including assurances provided by other reliable sources such as the council's External Auditor, that the council's internal control framework and systems to manage risk are reasonable.

The council's internal control framework and systems to manage risk had not altered significantly from the previous year.

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

Financial pressure on the council continues and in addition to the implications of Brexit and the Covid-19 pandemic, the economy has been impacted by the on-going conflicts in Ukraine and the Middle East which have added inflationary pressures to council budgets. The financial challenge is a significant issue and the related risks need to be managed.

It is important to maintain an effective framework of internal control, risk management and governance to manage risks and provide services to achieve the Council's objectives. An effective Internal Audit service is a vital component of the council's governance, providing the third and final line of defence.

Signed:



Andy Cox  
Chief Audit Executive  
1st May 2024

## ANNUAL GOVERNANCE STATEMENT 2023/24

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### CONCLUSION & CERTIFICATION

As laid out in the statement the Council's governance arrangements have been reviewed and considered in line with the CIPFA/SOLACE code of practice. To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2023/24. Significant governance issues identified through the Annual Governance Review are recorded in Section 6.

We propose to take actions to address the issues raised with the objective of enhancing the Council's governance arrangements. The issues and related actions will be monitored as part of the annual governance review process.

SIGNED BY:



KEVIN GUY

LEADER OF THE COUNCIL



WILL GODFREY

CHIEF EXECUTIVE

DATE: 27th November 2024

## ANNUAL GOVERNANCE STATEMENT 2023/24

### 6 Significant Governance Issues 2023/24

Issue in 2023/24	Commentary & Mitigating actions for 2024/25
<p><b><u>1. Financial Challenge – Service Demand and Cost Pressures</u></b></p> <p>Based on the Revenue Budget Monitoring (April to December 2023), the budget outturn for 2023/24 was forecast to be £1.84m over budget. Demand-led placement and package costs continue to cause a significant pressure in Children's Services. Combined with pressures on Home to School Transport. The forecast for Children Services was £4.47m over budget position.</p> <p>Pressures were not just being felt in social care but also in other service areas including - Corporate Estate (costs of vacant buildings and maintaining the estate); Commercial Estate (reduced income); Homelessness (temporary accommodation costs). In addition to cost pressures income shortfalls in services added to the adverse forecast financial position.</p> <p>Increased income from Heritage and a reduction of capital financing costs partially mitigated pressures.</p> <p>Savings delivery was monitored closely, and management action plans identified if delivery was at risk. Services responded to the earlier significant adverse £6.5m forecast overspend reported in Quarter 2 monitoring by reducing discretionary spend, holding staffing posts vacant where viable to do so, and maximising the use of external funding sources. This reduced the forecast overspend considerably, but nevertheless an over budget position was still forecast.</p> <p>Directors continued to focus on mitigation plans during the final quarter of the year with the final outturn reporting the improved position of £0.1m overspend (after carry forwards) which was funded by utilising the Council's Revenue Budget Contingency Reserve.</p>	<p>The Council's 2024/25 budget was approved by Council on 20th February 2024. The paper to Council included savings and income generation proposals for 2024/25 to 2026/27 (£16.42m for 2024/25).</p> <p>Key components of the budget included:</p> <ol style="list-style-type: none"> <li>1) increasing Council Tax to 2.99% and an Adult Social Care Precept of 2.00%</li> <li>2) Children's Services Management Plan</li> <li>3) Efficiency Strategy (flexible use of capital receipts &amp; savings projects)</li> <li>4) Schedule of asset disposals and delegation of disposal decision to Officers and relevant Cabinet Portfolio Holder.</li> <li>5) Increase in fees and charges</li> </ol> <p>Children Services Management Plan key priorities include:</p> <ul style="list-style-type: none"> <li>• Enhancing elements of early help and prevention, to include further strengthening family group conferencing and reunification.</li> <li>• Continued focus on recruiting in house foster carers and supported lodgings providers.</li> <li>• Provision of local residential accommodation and education arrangements, linked to the Dedicated Schools Grant Safety Valve Programme.</li> <li>• Develop arrangements for young people as they move from children to adult services.</li> <li>• Refresh workforce strategy.</li> <li>• Improving financial management, decision making, controls and governance across teams and functions.</li> </ul> <p>Improvement recommendations included in the External Auditors Annual Report (2021/22 &amp; 2022/23) included:</p> <ul style="list-style-type: none"> <li>• monitor and report on the amount of non-recurrent savings planned and delivered each year (linked to current reliance on vacancy management rather than permanent removal of posts from the establishment).</li> <li>• ensure it takes advantage of the Transformation Programme (four workstreams – customer experience; children services; corporate landlord model; and, working well together) to consider service redesign and identify savings for 2024/25 and beyond.</li> <li>• strengthen the Medium-Term Financial Strategy by including more detailed sensitivity and scenario analysis of the key financial risks and key demand pressures facing the Council.</li> </ul>
<p><b><u>2. Children Services – Dedicated Schools Grant Deficit &amp; the Safety Valve Agreement</u></b></p> <p>The DSG is a ring-fenced budget which is allocated in four blocks: schools, early years, high needs and central school services. Since 2019/20 the council has spent more than the funding provided and has been in a deficit (overspend) position. This deficit is attributable to the high needs block, i.e. to fund services to those with special educational needs and disabilities.</p> <p>The Department for Education (DfE) established two programmes to support councils who have large deficits within their DSG high needs block; the Safety Valve (SV) and the Delivering Better Value programmes. In 2022/23, B&amp;NES Council was successful in being accepted into this programme and the SV agreement and recovery plan were agreed with the DfE in January 2023, with ministerial approval granted in March 2023.</p> <p>The council was successful in securing £19.22m. The council received £7.68m in March 2023 and the remainder is payable in stages over six years based on the DSG Recovery Plan. The B&amp;NES Council recovery plan agreed with the DfE set out to save £48.2m over 6 years to 2028/29.</p> <p>During Q2 2023/24, the council reported slippage against the plan which has resulted in a DfE review and pausing of the safety valve payments. The cumulative deficit balance at the end of the 2023/24 financial year was £22.3m.</p>	<p>The council has been categorised by the DfE as requiring enhanced monitoring as the savings planned for 2023/24 did not materialise fully. This was mainly due to the continued significant increases in requests for assessment for EHCPs.</p> <p>The Enhanced monitoring process requires the LA to resubmit its recovery plan and the LA is currently negotiating with DfE financial and SEN advisers some of the details of that new plan. The enhanced monitoring regime also pauses the payments of the Safety Valve funding (£19.22m) until a new plan is agreed with the DfE.</p> <p>The plan is due to be submitted to the DfE at the end of May 24. The LA has used external consultants to challenge and support the development of the new plans and the feedback received has been positive.</p> <p>Extensive work has been completed to reestablish good practice across the SEND services to ensure decisions are taken in accordance with the legal requirements but also ensuring financial efficiency where possible.</p> <p>The new safety valve agreement sets out the continued investment across the SEND services in both staffing and service delivery along with capital investment to establish local efficient school places for pupils with SEN.</p> <p>It is anticipated that the new plan will create a new timeframe for the recovery programme and will allow the DfE to reinstate the payments of the safety valve funding to the LA.</p>

## ANNUAL GOVERNANCE STATEMENT 2023/24

### 7 Update on Significant Governance Issues 2022/23

Issue in 2022/23	Update on Mitigating Actions
<p><b>1. Financial Challenge – Inflationary Pressures</b></p> <p>The council's 2023/24 Medium Term Financial Strategy recognised the budgetary impact of rising inflation on the cost of Council services.</p> <p>The Consumer Prices Index (CPI) rose by 10.1% in the 12 months to September 2022, up from 9.9% in August 2022. On a monthly basis, CPI rose by 0.5% in September 2022, compared with a rise of 0.3% in September 2021.</p> <p>The CPI rate to March 2023 was 10.1%.</p> <p>The high levels of inflation have impacted on the cost of running the council and its budgets, resulting in an increase in staffing costs for employed and contracted employees, also on its supplies and services provided through contracts.</p> <p>Financial recovery plans were put in place to enable the Council to respond to the budgetary pressure from rising costs, the material areas of inflation include the Council's pay bill c£2.6m, pressures in Children's Services c£4.8m and Home to School Transport £0.8m.</p>	<p>The Council's 2023/24 budget has rebased budgets in service areas that are at risk of rising demand and increases in contract costs.</p> <p>The material items requiring additional funding on top of annual budget adjustments are listed below, this illustrates some of the economic and financial challenges the Council is facing post pandemic and as a result of rising inflation.</p> <ul style="list-style-type: none"> <li>• Investment in Neighbourhoods services £1.9m</li> <li>• Children's Services budget rebasing £2.46m</li> <li>• Education Services budget rebasing £1.6m</li> <li>• Home to School Transport £1.1m</li> </ul> <p>In total the 2023/24 budget had £17.52m of adjustments for inflationary pressures, budget rebasing and demand changes.</p> <p>Due to the risk exposure and volatility in the current economic climate the Council undertook an assessment of unfunded budgetary risk on its reserve levels and set a unearmarked general reserve of £12.58m. This is held as a corporate mitigation in the event of an over budget position, the first step will be to mitigate any unfunded pressures through cost and income recovery plans from within the current approved budget.</p> <p>The budget rebasing and inflationary pressures income and savings plans (totalling £14.38m) was made up of:</p> <ol style="list-style-type: none"> <li>1) Income generation plans of £5.09m.</li> <li>2) Cost reduction plans of £9.29m.</li> </ol> <p>Due to the level of income and savings plans required to balance the budget, the Council's Corporate Management Team are regularly reviewing and monitoring delivery against these targets so risks can be identified and managed accordingly.</p> <p>At Q2 of 2023/24 a revenue overspend of £6.5m was being forecast including demand led pressures in Children's Services of £4.6m and Adult Social Care of £3m.</p> <p>In response to this position management actions were implemented including reducing discretionary spend, holding staffing posts vacant where viable to do so, and maximising the use of external funding sources. These actions in addition to lower borrowing costs and the release of corporate contingency contributed to a reduction in the forecast overspend to £1.8m at Quarter 3 with further improvement in the final quarter resulting in a net overspend position of £0.1m (after carry forwards) at outturn.</p>

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

## 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 Executive Director - Resources 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.

### Executive Director - Resources responsibilities:

The Executive Director - Resources 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 Executive Director - Resources 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 Executive Director - Resources 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 Executive Director - Resources

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 2024.

### SIGNED:

**Executive Director - Resources**

DATE: xx xxx 2024

**Andy Rothery**

### Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee on 27th November 2024.

### SIGNED:

**Chair, Corporate Audit Committee**

DATE: xx xxxxx 2024

**Councillor David Biddleston**

The Statement of Accounts were authorised for issue on xx xxxxx 2024.

## GLOSSARY OF TERMS

### Accounting Policies

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

### Accruals

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

### Actuary

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

### Actuarial Valuation

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

### Appropriation

The assignment of revenue for a specific purpose.

### Balance Sheet

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

### Capital Charges

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

### Capital Expenditure

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

### Capital Receipts

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

### Collection Fund

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

### Contingent Liabilities

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

### Council Tax

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

### Creditors

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

### Debtors

Amounts owed to the Council for goods and services provided on or before 31st March.

### Deferred Charges

Items for which expenditure is charged to capital, but there is no tangible asset.

### Depreciation

The loss in value of an asset due to age, wear and tear, deterioration and obsolescence.

### Earmarked Reserves

Amounts set aside for a specific purpose or a particular service or type of expenditure.

### Fixed Assets

Tangible assets that result in benefits to the local authority and the services it provides for more than a year.

## GLOSSARY OF TERMS

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### **General Fund**

The account that summarises the revenue costs of providing services that are met by the Council's demand on the Collection Fund, specific government grants and other income.

### **Gross Expenditure**

Total expenditure before deducting income.

### **Infrastructure Assets**

Fixed assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of assets.

### **Minimum Revenue Provision**

The minimum amount the Council must charge to its revenue account to provide for repayment of debt.

### **National Non-Domestic Rates (NNDR)**

A flat rate in the pound set by government and levied on businesses in the Council area.

### **Net Expenditure**

Gross expenditure less income.

### **Operating Lease**

A lease under which the asset is not the property of the lessee.

### **Outturn**

Actual income and expenditure for the financial year.

### **Precept**

The charge made by one authority to another to finance its net expenditure.

### **Provision**

Amounts set aside for any liability or loss that is likely to be incurred, but where the exact amount and date is uncertain.

### **Rateable Value**

The value of a property for rating purposes set by the inland revenue. Business rates payable are calculated by multiplying the rateable value of the property by the rate in the pound set by government.

### **Reserves**

The amount held in balances and funds that are free from specific liabilities or commitments.

### **Revenue Expenditure**

The regular day-to-day running costs incurred in providing services.

### **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.

**Executive Director - Resources**

Lewis House  
Manvers Street  
Bath BA1 1JG

**Telephone:** 01225 477103

**E mail:** [Andy\\_Rothery@bathnes.gov.uk](mailto:Andy_Rothery@bathnes.gov.uk)  
[www.bathnes.gov.uk](http://www.bathnes.gov.uk)

Grant Thornton UK LLP  
2 Glass Wharf  
Bristol  
BS2 0EL

Date: 28 November 2024  
Our ref:  
Your ref:

Dear Grant Thornton UK LLP,

**Bath and North East Somerset Council**  
**Financial Statements for the year ended 31 March 2024**

This representation letter is provided in connection with the audit of the financial statements of Bath & North East Somerset Council and its subsidiary undertakings, Aequus Group Holding Limited, Aequus Developments Limited and Aequus Construction Limited for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 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 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuations of land and buildings and investment properties assets, the valuation of the defined benefit pension net liability, the provision for NNDR appeals, and the minimum revenue provision. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii Except as disclosed in the group and Council financial statements:
  - a) there are no unrecorded liabilities, actual or contingent
  - b) none of the assets of the group and Council has been assigned, pledged or mortgaged
  - c) there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii We have considered whether the Council is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised on the grounds that:
  - a) A Collective Agreement was reached in May 2000 with the recognised trade unions as part of the Single Status Agenda.
  - b) The Council has adopted the equality proofed National Joint Council (NJC) for Local Government's Job Evaluation Scheme which ensures that work of equal value is allocated to the same salary banding, progression within which is determined by performance. The scheme is regularly updated to comply with equal pay legislation
  - c) The Council's Pay Policy Statement determines its approach to pay and the Remuneration Committee ensures the provisions set out in the statement are applied consistently throughout the Council.
  - d) Roles and working arrangements whereby individuals or groups may work less time than their contracted hours do not exist in the Council as services where these practices might arise have been contracted out.
- xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

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

- a) the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b) the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c) the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

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

### **Information Provided**

xvii We have provided you with:

- a) access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
- b) additional information that you have requested from us for the purpose of your audit; and
- c) access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

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

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

- xx We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
  - a) management;
  - b) employees who have significant roles in internal control; or
  - c) others where the fraud could have a material effect on the financial statements.
- xxii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

### **Annual Governance Statement**

- xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

### **Narrative Report**

- xxvii The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

## Approval

The approval of this letter of representation was minuted by the Council's Corporate Audit Committee at its meeting on **27<sup>th</sup> November 2024**.

Yours faithfully

Name Andy Rothery

Position Executive Director - Resources

Date .....

Name Cllr David Biddleston

Position Chair of Corporate Audit Committee

Date .....

Grant Thornton UK LLP  
2 Glass Wharf  
Bristol  
BS2 0EL

## Date

Dear Sirs

## **Avon Pension Fund Financial Statements for the year ended 31 March 2024**

This representation letter is provided in connection with the audit of the financial statements of the Avon Pension Fund for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 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 2023/24 ("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 Level 2 and Level 3 Investments and the IAS 26 Actuarial Valuation of the Fund. 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

**Avon Pension Fund, Local Government Pension Scheme administered by Bath & North East Somerset Council.**

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. 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. The prior period adjustments disclosed in Notes 22 and 23 (Financial Instruments and Nature and extent of risks arising from financial instruments) are accurate and complete. There are no other material prior period errors to bring to your attention.
- 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. 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**

- xv. We have provided you with:

- ## Approval

Yours faithfully

Date .....

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

## Opinion on financial statements

We have audited the financial statements of Avon Pension Fund (the 'Pension Fund') administered by Bath and North East Somerset Council (the 'Authority') for the year ended 31 March 2024, which comprise the Fund Account, the Net Assets Statement and notes to accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

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

In our evaluation of the Executive Director - Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Executive Director - Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Executive Director - Resources with respect to going concern are described in the relevant sections of this report.

### **Other information**

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

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

We have nothing to report in this regard.

### **Opinion on other matters required by the Code of Audit Practice (2024) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)**

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

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

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

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

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

### **Responsibilities of the Authority and the Executive Director - Resources**

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive

Director - Resources. The Executive Director - Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director - Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Executive Director - Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

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

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

We enquired of management and the Corporate Audit Committee concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

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

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the valuation of level 3 investments. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on large and unusual entries
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 and level 3 Investments and IAS 26 pensions liability valuations, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

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

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

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

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

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Beth Bowers, Key Audit Partner

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

Bristol

Date:

## **Access to Information Arrangements**

### **Exclusion of access by the public to Council meetings**

Information Compliance Ref: LGA- 2140999
Meeting / Decision: Audit Committee
Date: 27 <sup>th</sup> November 2024
Author: Andy Rothery
<b>Report Title: Audit Findings Reports for Council and Audited Statement of Accounts for Council and Avon Pension Fund 2023/24</b>
<b>List of attachments to this report:</b> Appendix 1 – Audit Findings Report for Bath & North East Somerset Council Appendix 2 – Bath & North East Somerset Council Audited Statement of Accounts 2023/24 Appendix 3 – Bath & North East Somerset Letter of Representation 2023/24 Appendix 4 – Avon Pension Fund Letter of Representation 2023/24 Appendix 5 – Revised Audit Opinion for Avon Pension Fund 2023/24 <b>Exempt Appendix 6</b> – Confidential Appendix to Annual Audit Report 2023/24

The Report and appendices contain exempt information, according to the categories set out in the Local Government Act 1972 (amended Schedule 12A). The relevant exemption is set out below.

Stating the exemption:

- 3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

The public interest test has been applied, and it is concluded that the public interest in maintaining the exemption outweighs the public interest in disclosure at this time. It is therefore recommended that the exempt appendix and be withheld from publication on the Council website. The paragraphs below set out the relevant public interest issues in this case.

### **PUBLIC INTEREST TEST**

If the Panel wishes to consider a matter with press and public excluded, it must be satisfied on two matters.

Firstly, it must be satisfied that the information likely to be disclosed falls within one of the accepted categories of exempt information under the Local Government Act 1972. Paragraph 3 of the revised Schedule 12A of the 1972 Act exempts information which relates to the financial or business affairs of the organisations which is commercially sensitive to the organisations. The officer responsible for this item believes that this information falls within the exemption under paragraph 3 and this has been confirmed by the Council's Information Compliance Manager.

Secondly, it is necessary to weigh up the arguments for and against disclosure on public interest grounds. The main factor in favour of disclosure is that all possible Council information should be public and that increased openness about Council business allows the public and others affected by any decision the opportunity to participate in debates on important issues in their local area. Another factor in favour of disclosure is that the public and those affected by decisions should be entitled to see the basis on which decisions are reached.

The exempt appendix contains commercially sensitive information regarding potential risk of claims against the Council. It is considered that this information is commercially sensitive and could prejudice the commercial interests of the organisation if released. It would not be in the public interest if advisors and officers could not express in confidence opinions or proposals which are held in good faith and on the basis of the best information available.

It is also important that the Panel should be able to retain some degree of private thinking space while decisions are being made, in order to discuss openly and frankly the issues under discussion in order to make a decision which is in the best interests of the council.

Therefore, it is recommended that exemption set out above applies. The Council considers that the public interest has been served by the fact that a significant amount of information regarding the appendix has been made available – by way of the main report. The Council considers that the public interest is in favour of not holding this matter in open session at this time and that any reporting on the meeting is prevented in accordance with Section 100A(5A)

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	25 <sup>th</sup> November 2024	AGENDA ITEM NUMBER
TITLE:	Audit Committee – Draft Workplan	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Draft Workplan 2024/25		

## 1 THE ISSUE

1.1 The draft workplan for the Committee is attached at Appendix 1 for comment.

## 2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to –

Note the 2024/25 workplan for the Committee subject to any proposed amendments.

## 3 THE REPORT

3.1 The workplan for the Committee ensures that the terms of reference for the Committee are appropriately delivered. Appendix 1 details the current workplan which is kept under ongoing review and the Committee is asked to note this, subject to any comments or proposed amendments.

## 4 STATUTORY CONSIDERATIONS

4.1 There are no specific statutory considerations related to this report.

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

5.1 This is an information report so there are no direct implications arising from this report.

## **6 RISK MANAGEMENT**

6.1 There are no new significant risks or issues to report to the Committee as a result of this report.

## **7. EQUALITIES**

7.1 An equalities impact assessment has been considered 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 This is an update report, no decisions or recommendations are being proposed so no other options are being considered.

## **10 CONSULTATION**

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

<b>Contact person</b>	Jeff Wring, Director – One West (01225 477323)
<b>Background papers</b>	
<b>Please contact the report author if you need to access this report in an alternative format</b>	

## Appendix 1 - CORPORATE AUDIT COMMITTEE WORKPLAN – 2024/25

Date of meeting	Report title	Requirement & Purpose (TOR)
1 <sup>st</sup> May 2024	External Audit Plan for Council - Y/E 2023/24	To Approve – Oversight of work of External Auditor
	External Audit Plan for Avon Pension Fund – Y/E 2023/24	To Approve – Oversight of work of External Auditor
	Internal Audit Annual Report – Y/E 2023/24	To Note – Oversight of work of Internal Audit
	Internal Audit Annual Plan – Y/E 2024/25	To Approve – Oversight of work of Internal Audit
	Risk Management Update Report – Fraud Risk	To Note – Oversight of Risk Management Arrangements
	Annual Governance Statement & Local Code of Corporate Governance – Update Report	To Note & Endorse – Oversight of Corporate Governance Arrangements

<p><i>25<sup>th</sup> September 2024</i></p>	<p>External Audit – Update Report &amp; Avon Pension Fund Audit Findings Report</p> <p>Y/E 2023/24 External Audit Annual Report (Including VFM Assessment Report)</p> <p>Audit Committee Annual Report &amp; Review of Effectiveness 2023/24</p> <p>Treasury Management Outturn Report – Y/E/ 2023/24</p> <p>Internal Audit Update Report - 2023/24</p> <p>Risk Management Update Report – Corporate Risk</p>	<p>To Note – Oversight of work of External Audit</p> <p>To Note – Oversight of work of External Audit</p> <p>To Approve &amp; Recommend to Council – Report back to Council on delegation of responsibility</p> <p>To Note – Oversight of Treasury Management (Financial Governance)</p> <p>To Note – Oversight of work of Internal Audit</p> <p>To Note – Oversight of Risk Management Arrangements</p>
<p><i>27<sup>th</sup> November 2024</i></p>	<p>Annual Accounts 2023/24 – Informal Briefing</p> <p>Y/E 2023/24 External Audit Findings &amp; Accounts &amp; Annual Governance Statement Approval</p> <p>ADL Accounts Y/E 2023/24 - Accounts Update</p> <p>Treasury Management 6 month update - 2023/24</p>	<p>To Note – Oversight of Financial Governance</p> <p>To Approve Accounts – Approve Accounts on behalf of Council</p> <p>To Note – Oversight of work of External Audit</p> <p>To Note – Financial Oversight of Council Owned Companies</p> <p>To Note – Oversight of Treasury Management (Financial Governance)</p>
<p><i>5<sup>th</sup> February 2025</i></p>	<p>Treasury Management Strategy - 2025/26 Consultation</p> <p>Internal Audit Plan - 2025/26 Consultation</p>	<p>To Recommend to Council/Cabinet – Oversight of Treasury Management (Financial Governance)</p> <p>To Note – Oversight of work of Internal Audit</p>

	<p>DSG Deficit Recovery Plan</p> <p>Annual Governance Statement Update</p> <p>Risk Management Update Report</p>	<p>To Note – Update on Significant Issues</p> <p>To Note – Update on Significant Issues</p> <p>To Note – Oversight of Risk Management arrangements</p>
<i>30<sup>th</sup> April 2025</i>	<p>External Audit Plan for Council &amp; Avon Pension Fund - Y/E 2024/25</p> <p>Internal Audit - Annual Report – Y/E 2024/25</p> <p>Internal Audit - Annual Plan – Y/E 2025/26</p> <p>Risk Management Update Report</p>	<p>To Approve – Oversight of work of External Audit</p> <p>To Note – Oversight of work of Internal Audit</p> <p>To Approve – Oversight of work of Internal Audit</p> <p>To Note – Oversight of Risk Management arrangements</p>
<i>24<sup>th</sup> September 2025</i>	<p>External Audit – Update Report</p> <p>Y/E 2024/25 External Audit Annual Report (Including VFM Assessment Report)</p> <p>Audit Committee Annual Report &amp; Review of Effectiveness 2024/25</p> <p>Treasury Management Outturn Report – Y/E/ 2024/25</p> <p>Internal Audit Update Report - 2025/26</p> <p>Risk Management Update Report – Corporate Risk</p>	<p>To Note – Oversight of work of External Audit</p> <p>To Note – Oversight of work of External Audit</p> <p>To Approve &amp; Recommend to Council – Report back to Council on delegation of responsibility</p> <p>To Note – Oversight of Treasury Management (Financial Governance)</p> <p>To Note – Oversight of work of Internal Audit</p> <p>To Note – Oversight of Risk Management Arrangements</p>
<i>26<sup>th</sup> November 2025</i>	<p>Annual Accounts 2024/25 – Informal Briefing</p> <p>Y/E 2024/25 External Audit Findings &amp; Accounts &amp; Annual Governance Statement</p>	<p>To Note – Oversight of Financial Governance</p> <p>To Approve Accounts – Approve Accounts on behalf of Council</p>

	<p>Approval</p> <p>ADL Accounts Y/E 2024/25 - Accounts Update</p> <p>Treasury Management 6 month update - 2025/26</p>	<p>To Note – Oversight of work of External Audit</p> <p>To Note – Financial Oversight of Council Owned Companies</p> <p>To Note – Oversight of Treasury Management (Financial Governance)</p>
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