

Audit Committee

Date: Wednesday 24th September 2025

Time: 5.30 pm

**Venue: Community Space, Keynsham - Market Walk,
Keynsham**

Councillors: David Biddleston, Sam Ross, Malcolm Treby, Toby Simon and
George Tomlin



Enfys Hughes

Democratic Services

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NOTES:

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

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

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

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

3. **Recording at Meetings:-**

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

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Further details of the scheme can be found at:

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

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Additional information and Protocols and procedures relating to meetings

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Audit Committee - Wednesday 24th September 2025

at 5.30 pm in the Community Space, Keynsham - Market Walk, Keynsham

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 30TH APRIL 2025 (Pages 7 - 12)

8. ANNUAL ACCOUNTS BRIEFING - PRESENTATION AT MEETING (NO REPORT)

9. AUDIT FINDINGS REPORT FOR THE COUNCIL & PENSION FUND & AUDITED STATEMENT OF ACCOUNTS 2024/25 (Pages 13 - 290)

10. EXTERNAL AUDIT - ANNUAL AUDIT REPORT (Pages 291 - 336)

11. TREASURY MANAGEMENT OUTTURN 2024/25 (Pages 337 - 360)

12. ANNUAL REPORT OF THE AUDIT COMMITTEE - MAY 2024 - APRIL 2025 (Pages 361 - 372)
13. AUDIT COMMITTEE WORKPLAN (Pages 373 - 376)

The Democratic Services Officer for this meeting is Enfys Hughes who can be contacted on 01225 394410.

AUDIT COMMITTEE

Minutes of the Meeting held

Wednesday 30th April 2025, 4.00 pm

Councillors: David Biddleston (Chair), Sam Ross (Vice-Chair) and Malcolm Treby

Independent Member: John Barker

Officers in attendance: Enfys Hughes (Democratic Services Officer), Jeff Wring (Director of Financial Services, Assurance & Pensions), Gary Adams (Head of Financial Management), Jamie Whittard (Corporate Finance Manager), Claire Read (Group Accountant – Financial Accounting & Treasury), Tariq Rahman (Head of Audit and Assurance), Lucinda Dixon (Audit Manager) and Alec Austin (Audit Manager)

Guests in attendance: Beth Bowers and George Amos (Grant Thornton)

54 EMERGENCY EVACUATION PROCEDURE

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

55 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillors George Leach and Toby Simon.

56 DECLARATIONS OF INTEREST

There were none.

57 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

59 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

60 MINUTES - 5TH FEBRUARY 2025

RESOLVED that the minutes of the meeting held on 5th February 2025 be confirmed as a correct record and signed by the Chair.

61 SECTION 106 - UPDATE REPORT ON AUDIT FINDINGS

The Head of Planning and Building Control, Louise Morris gave a powerpoint presentation on the Section 106 audit findings.

During discussion the following points were raised:

- That negotiations with developers were logged and systems were being improved to ensure money received was spent within agreed timescales.
- IT platforms were being updated and Heads of Services were now better engaged and there was already a behaviour shift to bring the figure of unspent money down.
- It was noted that the Planning Officers primarily led negotiations whilst other relevant services were responsible for spending the money.
- Ensuring developer contributions were spent was a priority and accountancy and transparency was vital.
- It was explained that some developer contributions could be used for administration purposes.
- Commitment across departments was necessary and all options should be looked at.
- Examples of non-financial benefits were – training, apprenticeships (Councillor David Biddleston).
- The external public facing module sign-off would involve the Head of Planning and Building Control, a senior officer/politician.
- Councillors requested training on the difference between the Community Infrastructure Levy and Section 106 contributions

RESOLVED to note:

- 1) the plans to mitigate the outstanding risks identified in the audit report;
- 2) the Plans to use the public facing module;
- 3) the timescales for implementation, roll out, and delivery of the project; and
- 4) that the Head of Planning and Building Control give an update to the November Committee and also a report to the May 2026 meeting in order for members to be able to track progress.

62 EXTERNAL AUDIT PLAN - B&NES COUNCIL AND AVON PENSION FUND

Beth Bowers (Grant Thornton) presented the external audit plan for the Council and set out the significant risks and Value For Money (VFM), she stated that the materiality threshold and proposed fee remained the same. She explained that the plan was on course for the accounts to be signed off in November with the possibility of that being brought forward. They were continually improving to meet the proposed dates.

George Amos (Grant Thornton) presented the audit plan for the Avon Pension Fund and highlighted that the significant risk areas were the same. There was a significant increase in the materiality threshold. The timeline was consistent, looking to conclude the audit at the end of September.

There were no questions.

On a motion from Councillor Malcolm Treby, seconded by Councillor Sam Ross it was

RESOLVED to endorse the 2024/25 External Audit Plan for the Council (Appendix 1) & External Audit Plan for the Avon Pension Fund (Appendix 2).

63 2024/25 ACCOUNTING POLICIES

Claire Read (Group Accountant) presented the report which was produced in accordance with CIPFA. She explained that a significant change was the adoption of IFRS 16 leases which would result in the need to review leases and account differently and significantly increase the workload for the team. Gary Adams (Head of Financial Management) passed on his thanks to the team for this work.

There was one question relating to the overall impact on Council resources from the changes which was neutral (Councillor Malcolm Treby).

On a motion from Councillor Malcolm Treby, seconded by Councillor Sam Ross it was

RESOLVED

- 1) to approve Accounting Policy 1.20 - Leases (Appendix 1); and
- 2) to note that other than Accounting Policy 1.20 – Leases, the Accounting Policies included as Appendix 2 have not changed since they were approved as part of the Council's 2023/24 Statement of Accounts.

64 COUNTER FRAUD ANNUAL REPORT

Tariq Rahman (Head of Audit and Assurance) presented the report and stated that the annual financial loss to fraud was £7.3bn in local government. The three key areas were whistleblowing, anti-money laundering and anti-bribery and corruption.

Alec Austin (Audit Manager) leading on counter fraud gave a brief presentation to the Committee. He explained that via the national fraud network the authority received alerts of fraudulent activity. They had to raise awareness and highlight and investigate this activity. He explained some of the work the team did involved checking matches on the system for blue badges and payroll. An important part was training and awareness for staff.

During questions the following issues arose:

It was hard to articulate the BANES financial loss figure, but Jeff Wring (Director of Financial Services) stated the authority had good arrangements in place. (Councillor Malcolm Treby)

In respect of money laundering the Head of Audit explained that due diligence was carried out along with passport and experience checks. (Councillor Malcolm Treby)

Jeff Wring explained that as BANES did not have any housing stock there was no business case to have a dedicated fraud team.

With regard to artificial intelligence, as the tool were so new they were not used in counter fraud currently.

On a motion from Councillor Sam Ross, seconded by Councillor Malcolm Treby it was

RESOLVED to note the Counter Fraud Annual Report and review and approve the updated Anti-Fraud & Corruption Strategy and associated policies as detailed below:

- 1) to note work carried out by Internal Audit in relation to Anti-Fraud & Corruption Review and approve the updated Anti-Fraud & Corruption Strategy (Appendix 1);
- 2) to review and approve the updated Whistleblowing Policy (Appendix 2);
- 3) to review and approve the updated Anti-Money Laundering Policy (Appendix 3);
- 4) to review and approve the updated Anti-Bribery & Corruption Policy (Appendix 4).

65 ANNUAL REPORT OF THE HEAD OF AUDIT AND ASSURANCE 2024/25

Tariq Rahman (Head of Audit and Assurance) presented the annual report for the period 2024-2025. In summary he explained that work on the plan was almost complete, 3 audits had been deferred and 2 were no longer required. All final audit reports had a “substantial” or “reasonable” assurance rating and the Annual Governance Statement was satisfactory. He thanked the audit committee for providing critical challenge throughout the year.

There were no questions.

RESOLVED to note the Internal Audit Annual Report for 2024/25 and the opinion on the Internal Control environment.

66 INTERNAL AUDIT PLAN - 2025/2026

Tariq Rahman (Head of Audit and Assurance) presented the report and explained the internal audit plan was flexible to respond to challenges/risks throughout the year.

There were no questions.

On a motion from Councillor Malcolm Treby, seconded by Councillor Sam Ross it was

RESOLVED to approve the Internal Audit Plan 2025/26 (Appendix 1).

67 RISK MANAGEMENT - ANNUAL UPDATE REPORT - CORPORATE RISK

Jeff Wring (Director of Financial Services) presented the report which was a summary of how risk was managed in the Council and gave assurance on the risk management framework. At this meeting they had considered Section 106 update and had previously looked at the DSG, fraud and corporate risk. Looking forward items to be considered in the future were cyber risk and AI.

During questions the following points arose:

The risk matrix was appreciated with further updates (Councillor Malcolm Treby).

It was noted that adult social care had spiralling costs (Councillor David Biddleston).

RESOLVED to note the report and take assurance from the last 12 months reports on the council’s risk management arrangements.

68 AUDIT COMMITTEE - DRAFT WORKPLAN

Jeff Wring (Director of Financial Services) presented the report.

26th November 2025 – progress note on Section 106

13th May 2026 - update on Section 106

RESOLVED to note the workplan.

The meeting ended at 6.04 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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Bath & North East Somerset Council	
MEETING:	Audit Committee
MEETING DATE:	24th September 2025
TITLE:	Audit Findings Reports for Council and Avon Pension Fund, and Audited Statement of Accounts 2024/25
WARD:	All
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Audit Findings Report for Bath & North East Somerset Council</p> <p>Appendix 2 – Audit Findings Report for Avon Pension Fund</p> <p>Appendix 3 – Bath & North East Somerset Council Audited Statement of Accounts 2024/25</p> <p>Appendix 4 – Bath & North East Somerset Letter of Representation 2024/25</p> <p>Appendix 5 – Avon Pension Fund Letter of Representation 2024/25</p>	

1 THE ISSUE

- 1.1 The Audit Findings Report summarises the results of Grant Thornton's audit of the 2024/25 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 2024/25 has been completed in accordance with the framework previously agreed by the Audit Committee.
- 1.3 Whilst the Audit is almost complete there are some finalisation checks still to be carried out by the External Auditor as identified in the Audit Findings report. If any final changes are required to the financial statements these will be presented at the Committee.

2 RECOMMENDATION

The Audit Committee is asked to agree that:

- 2.1 the issues contained within the Audit Findings Reports 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 for 2024/25, are approved.
- 2.3 Authority is delegated to the Chair of the Audit Committee in consultation with the Section 151 Officer to approve any amendments to the Statement of Accounts, below the audit materiality threshold, arising from the concluding stages of Grant Thornton's audit.

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 carried out by Grant Thornton as part of the audit of the financial statements has so far resulted in a number of agreed amendments to the Financial Statements and the accompanying Disclosure Notes, none of which adjusted the total usable reserves.
- 3.3 Details of the agreed changes are listed in **Appendix 1**.
- 3.4 With their work in its completion stages, Grant Thornton are currently proposing to issue an audit report including an unqualified audit opinion on the Council's 2024/25 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 Fund Account, Net Assets Statement and disclosure notes, including removal of immaterial disclosures and some presentational changes. These are detailed in Grant Thornton's Audit Findings Report for the Pension Fund (**Appendix 2**).
- 3.6 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 £257.4m offset by expected contributions of £235.4m giving a net outflow of £22.0m. At 31 March 2025 the Fund had assets of £5.8bn of which £190m 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 99.97% of contributions received on time for the quarter ending 31 March 2025.

- 3.7 The Funding level (i.e. the ratio of the Fund's assets to liabilities) was 96% at the last valuation in 2022. By March 2025 the funding level rose to 102%. The strategic asset allocation is set to deliver the investment returns required to achieve full funding over a reasonable period.
- 3.8 It is therefore concluded that based on this evidence the Avon Pension Fund is a going concern with no material uncertainties.
- 3.9 Grant Thornton are proposing to issue an audit report including an unqualified audit opinion on the Pension Fund's 2024/25 Financial Statements.

Annual Governance Statement

3.10 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.

3.11 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 2024/25 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 2024/25, 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 Section 151 Officer.

Contact person	Jeff Wring Jeff.Wring@bathnes.gov.uk	Jamie Whittard Jamie.Whittard@bathnes.gov.uk
Background papers	None	
Please contact the report author if you need to access this report in an alternative format		

Audit Findings (ISA 260) Report for Bath and North East Somerset Council

Year ended 31 March 2025

16 September 2025



DRAFT –

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IS FINALISED

Bath and North East Somerset

Guildhall
High Street
Bath
BA1 5AW

Grant Thornton UK LLP

2 Glass Wharf
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16 September 2025

Dear Members of the Audit Committee

[T +44] 117 305 7600

www.grantthornton.co.uk**Audit Findings for Bath and North East Somerset Council for the 31 March 2025**

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 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.

Chartered Accountants

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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 manage risk, quality and internal control particularly through our Quality Management Approach. 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-2024-.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

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Director

For Grant Thornton UK LLP

Chartered Accountants

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Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Bath and North East Somerset Council (the 'Authority') and the preparation of the group and Authority's financial statements for the year ended 31 March 2025 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 Authority's financial statements give a true and fair view of the financial position of the group and Authority and the group and Authority'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-September as planned. Our findings are summarised on pages 12 to 34. We have identified 2 adjustments to the financial statements that have resulted in a £3.2m adjustment to the Authority's Comprehensive Income and Expenditure Statement. These have no impact on the level of the Authority's usable reserves.

Audit adjustments are detailed at page 38. We have also raised recommendations for management as a result of our audit work. These are set out at page 42. Our follow up of recommendations from the prior year's audit are detailed at page 44.

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:

- Completion of transaction testing for creditor completeness, other operating expenditure, short term creditors and right of use assets
- Review and agreement of the valuer's report
- Receipt and review of the pension fund auditor letter of assurance
- Final quality control procedures
- 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 unmodified. We anticipate signing your accounts in September 2025.

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 Authority 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 Authority'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 Authority's arrangements under the following specified criteria:

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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified a significant weakness(s) in the Authority's arrangements and so are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (page 46).

Headlines

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 completed the majority of work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until:

- where a local authority also has a pension fund for which the opinion on the financial statements in the pension fund annual report is yet to be issued
- where confirmation has not been received from the NAO that the group audit(Department of Health & Social Care for NHS and Whole of Government Accounts for non-NHS) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor’s duties in relation to consolidation returns under paragraph 2.11 of the Code; or
- where there is an outstanding objection , or other matter that has come to the auditor’s attention, which the auditor has concluded has no material impact on the presentation of the financial statements or their VFM arrangements work.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

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

Headlines

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026

For years ended 31 March 2026 by 31 January 2027

For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Authority

Our work in this area is still ongoing and we will consider:

- whether it has had a financial material impact upon the statements
- accounting policies and disclosures are appropriate
- application of judgment and estimation is appropriate
- related internal controls that required updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

Group audit

Group audit

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

The table below summarises our final group scoping, as well as the status of work on each component.

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Auditor	Key Audit Partner / Responsible Individual	Status	Comments
Bath and North East Somerset	Yes			Grant Thornton UK	Beth Bowers		No issues have been identified that impact on the group audit
Aequus Construction Ltd	Yes			Bishop Fleming LLP	Nathan Coughlin		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. As reported in our Audit Plan in April 2025, 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 was one material balance, in relation to revenue which the group auditor has tested For those other 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
Aequus Development Ltd				Bishop Fleming LLP	Nathan Coughlin		Analytical procedures at a group level have been completed. No issues have been identified
Aequus Holdings Group Ltd				Bishop Fleming LLP	Nathan Coughlin		Analytical procedures at a group level have been completed. No issues have been identified

Audit of entire financial information of the component, either by the group audit team or by component auditors (full-scope)

Specific audit procedures designed by the group auditor (specific scope)

Specific audit procedures designed by a component auditor (specific scope)

Out of scope components are subject to analytical procedures performed by the Group audit team to group materiality.

Planned procedures are substantially complete with no significant issues outstanding.

Planned procedures are ongoing/subject to review with no known significant issues.

Planned procedures are incomplete and/or significant issues have been identified that require resolution.

Materiality

Our approach to materiality

As communicated in our Audit Plan dated 30 April 2025, we determined materiality at the planning stage as £10.62m based on 2.4% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft consolidated financial statements. Materiality has remained the same as at planning as there has not been a significant change in gross expenditure and no further issues or risks have been identified that would require a reduction in the materiality level.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £10.62m based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as prior year errors and misstatements and any significant deficiencies identified at planning.

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We have used 2.4% of gross expenditure as the basis for determining materiality.

- We have chosen gross expenditure as an appropriate benchmark as cost of services is the key driver for the Council and other comprehensive income items are generally non-cash items which are not connected to the running of the organisation
- Our percentage benchmark has increased from 1.9% in 2023-24 to 2.4% in 2024-25

Component Performance materiality

- Where audit work on components is being performed using component performance materiality, this has been set at between £7.965m and £4.422m, with the component performance materiality used reflecting the relative risk and size of that component to the group.

Specific materiality

- We have set a lower materiality for senior officer remuneration disclosure of £20k, on the basis of the sensitivity to public interest and the reader of the accounts.

Reporting threshold

- We will report to you all misstatements identified in excess of £531k, in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Group (£)	Authority (£)	Qualitative factors considered
Materiality for the financial statements	10,720,000	10,620,000	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 2.4% was an appropriate rate to apply to the expenditure benchmark as there are limited misstatements and errors identified in prior years. Further, we are satisfied that the Council has robust appropriate systems in place to manage and monitor financial transactions.
Performance materiality	7,965,000	7,965,000	Our performance materiality has been set as 75% of our overall materiality. We are satisfied that 75% is appropriate as there is little evidence of misstatements in prior years or systemic weaknesses in processes that may give rise to errors and issues in the current financial year.
Specific materiality for Senior officer remuneration disclosure (Authority only)		20,000	Senior Officer Remuneration is considered sensitive and of particular interest to the reader of the accounts.
Reporting threshold	531,000	531,000	Calculated as a percentage of headline materiality and in accordance with auditing standards

Overview of significant risks identified

Overview of audit risks

The below table summarises the significant risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	High	●
Improper revenue recognition	Rebutted	↔	✗	Medium	●
Risk of fraud related to expenditure recognition	Rebutted	↔	✗	Medium	●
Valuation of land and buildings	Significant	↔	✗	High	●
Valuation of investment property	Significant	↔	✗	High	●
Valuation of net pension liability	Significant	↔	✗	High	●

- ↑ Assessed risk increase since Audit Plan
- ↔ Assessed risk consistent with Audit Plan
- ↓ Assessed risk decrease since Audit Plan

- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified	Relates to	Audit procedures performed	Key observations
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p>	Council	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals. 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 tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration. 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. gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness, and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions 	<p>Our testing of journals has identified the following issues</p> <ul style="list-style-type: none"> 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 identified two users who we determined should not have journals access. One is in a senior management position, and one moved from a finance role to a non finance role within the Council in 2023 There is a lack of audit trail for the review of capital journals which are above £500k. We confirmed these are reviewed but there is no documentation to evidence this <p>We have designed specific tests to address these issues, 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.</p> <p>Our work is complete and no further issues have been identified</p>

Significant risks

Risk identified	Relates to	Audit procedures performed	Key observations
<p>Improper revenue recognition</p> <p>Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue.</p>	Council	<p>We have identified and completed a risk assessment of all revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams.</p> <p>Where we have rebutted the risk of fraud in revenue recognition for revenue streams this is due to the low fraud risk in the nature of the underlying transactions, or immaterial nature of the revenue streams both individually and collectively.</p>	We have noted no material adjustments or findings in relation to improper revenue recognition.
<p>Risk of fraud related to expenditure recognition PAF Practice Note 10</p> <p>PAF Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure</p>	Group & Council	<p>We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk for either the group or the Council. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.</p>	We have noted no material adjustments or findings in relation to risk of fraud related to expenditure recognition.

Significant risks

Risk identified	Relates to	Audit procedures performed	Key observations
<p>Valuation of land and buildings</p> <p>The Council 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 (£327.791m in the Council balance sheet at 31/03/25) 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.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	Council	<p>We have:</p> <ul style="list-style-type: none"> evaluated management’s processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work, evaluated the competence, capabilities and objectivity of the valuation expert, written to the valuer to confirm the basis on which the valuation was carried out, challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, tested revaluations made during the year to see if they had been input correctly into the group’s asset register, and 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. Evaluated assets valued at a date prior to year end to ensure there has been no material movement between the date of valuation and the year end 	<p>Our testing requires a consideration of the assumptions used by the valuer and whether these are appropriate to ensure that values are not materially misstated. We have compared these to indices and other sources of information and identified a variance of £3.2m. As this is not material, we are satisfied that the assumptions used are appropriate and in line with our expectation.</p> <p>There was a delay in the valuer providing management with the valuation report and upon receipt it was noted that there were a number of variances. Within land and buildings, the valuers identified one asset that had previously been combined with another asset that they considered should be valued separately. The overall impact is an understatement of £4.148m. This has been adjusted by management and is included in audit adjustments on pg 38</p> <p>Our work in this area is ongoing, and we will report any further findings to management and members</p>

Significant risks

Risk identified	Relates to	Audit procedures performed	Key observations
<p>Valuation of investment property</p> <p>The Council revalue its material investment properties on an annual basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£235.445m in the Council balance sheet at 31/03/25) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	Council	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation expert written to the valuer to confirm the basis on which the valuation was carried out challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding tested revaluations made during the year to see if they had been input correctly into the Council's asset register evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. 	<p>Testing of calculations used by the valuer identified one error for one asset where the value had been incorrectly calculated. This has resulted in a £1.86m overstatement which has been corrected by management – see pg 38 for adjustment</p> <p>The delay in the valuers report as outlined on pg 20 led to an understatement in investment properties of £586k.</p> <p>Testing of rental income identified 2023-24 revenue that was not accrued in that year and was subsequently recognised in 2024-25. This has led to an overstatement and has been reported on pg 40</p> <p>Our testing is complete, and we have not identified any further issues.</p>

Significant risks

Risk identified	Relates to	Audit procedures performed	Key observations
<p>Valuation of net pension liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£52.881m in the Council's balance sheet at 31/03/2025) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	Council	<p>We have:</p> <ul style="list-style-type: none"> updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and agreed the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures. <p>We will:</p> <ul style="list-style-type: none"> obtain assurances from the auditor of Avon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements 	<p>We have yet to receive the letter of assurance from the pension fund auditor and, therefore, our work in this area is ongoing. We have not identified any issues in the work completed to date and will report any findings to management and members.</p>

Other findings

Other areas impacting the audit

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

Issue	Commentary	
Cybersecurity From our IT audit review we note that the Authority has not updated the following policies in a timely manner (bracket shows due date for review). – Acceptable use policy (Sept 2023) – Information security policy (June 2022) – DP and IG policy (September 2023) We also noted that the data classification and retention policy is marked as draft. We cannot, therefore, be assured that it has been approved by senior management and consider that there is no current policy for this control	<p>Based on statistics released by the Department for Science, Innovation and Technology in April 2025, 43% of businesses report having experienced a cyber breach or attack in the last 12 months.</p> <p>High profile cyberattacks undermine trust in an organisation and can shatter hard won reputations. Organisations are also required under GDPR regulation to have appropriate safeguards over personal data they hold and can face large fines if an avoidable breach occurs.</p> <p>The majority of cyberattacks reported are unsophisticated and could be avoided through implementation of simple cybersecurity measures.</p>	Auditor view We recommend that management proactively assess the Authority’s level of cyber risk exposure and put in place appropriate policies/safeguards as required in the areas highlighted. Management response The review of those policies that are overdue will be completed during 2025/26, with any updates considered by senior management where necessary. This will also include those policies with review dates during 2025/26.

Other areas impacting the audit

Issue	Commentary	
IT Control deficiencies Testing undertaken as part of the IT audit review identified the following deficiencies:	User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.	Auditor view The Council should develop formal user access management procedures to ensure activities are consistently performed, logged and monitored.
Lack of controls over granting new user access within Agresso During the audit, it was noted that a new access request for the Chief Financial Officer, was submitted by the Personal Assistant on behalf of the Chief Executive. We understand that the access for the CFO would be required, it may have been verbally provided by the CEO to their PA, however, there should have been a formal approval prior to granting the access within Agresso	An account with administrative access has the ability to both assign additional access rights to users, and to make changes to a system. Those changes may be appropriate, such as updates to the system, or damaging, such as opening a backdoor for an attacker to access the system. Therefore, every additional administrator causes linear-to-exponential growth in risk. As part of the financial statements audit we have undertaken specific targeted testing in relation to those team members with admin rights and have designed journal testing to ensure these have been reviewed. This testing did not identify any issues.	Where new user access requests are initiated, Council should have a process in place to record, appropriate approval and action the request based on user role, team and access level. Management response BANES does have a formal user access procedure when a new user is requested to have Agresso access. The request is actioned via Service Now, and if additional specific access is required (such as Salary access or AP invoice processing) then the relevant approver is contacted to ensure that this access is granted. In this instance the PA of the CEO has been delegated responsibility by the CEO, however, going forward if the request was made by the PA, additional approval will be requested from the CEO.
Duplicate accounts with privileged level access identified on the Agresso Database During the audit, we observed that the 7 members of the IT Team each have two accounts with administrator privileges for accessing the Agresso Database. We noted that the alerts related to unauthorised access attempts are sent to the Financials System Team. The monitoring of activities performed by the identified 7 privileged users were not proactively reviewed.		Auditor view Management should ensure that end users only have one privileged account per application. This privileged account should be in the user's name rather than a generic name. Management response IT are in the process of migrating IT staff to having separate IT Admin accounts so that their normal accounts do not carry elevated privileges. This is a work in progress which is why there are duplicate accounts currently as the transition is not yet complete.

Other areas impacting the audit

Issue	Commentary	
<div data-bbox="96 649 129 771" data-label="Page-Header">Page 40</div> <div data-bbox="104 304 828 1142"><p>Senior Officer Remuneration</p><p>Testing identified the following issues in relation to senior officer remuneration:</p><ul style="list-style-type: none">– The Executive Director – resources role was filled by an interim member of staff between January and March 2025 and this was not disclosed within the financial statements– Agreement of salaries and pension costs for the year identified an error in the pension contribution for one senior manager. This had been disclosed as £5,653 whereas the actual figure is £23,175. This is a variance of £17,522 which is above performance materiality for this disclosure and has, therefore, been amended.– Testing identified two employees who have been incorrectly disclosed within the employer’s emoluments table. This has necessitated a change within the bandings to accurately reflect the annual salary of the two employees</div>	<div data-bbox="828 304 1617 742"><p>Senior officer remuneration and employee emoluments are considered to be of specific interest to readers of the accounts and are therefore often subject to greater scrutiny as a result.</p><p>It is important that the Authority ensure that these are as accurate as possible in order that the reader of the accounts has a full understanding of the cost to the Authority for the financial year.</p><p>As these are areas of specific interest we have applied a lower materiality to ensure that these are as accurate as possible.</p></div>	<div data-bbox="1617 304 2446 706"><p>Auditor view</p><p>Management should ensure there is a more robust review in place to confirm that figures disclosed within the statement of accounts agree to the information held within the payroll system and to the requirements of the Code.</p><p>Management response</p><p>The checking procedure for the disclosure note will be reviewed to identify any potential improvements to mitigate the risk of inaccuracies.</p></div>

Other areas impacting the audit

Issue	Commentary	
<p>Heritage Assets</p> <p>The Authority have undertaken a review of heritage assets in the financial year and identified a number of adjustments. Included within this is the Victoria Art Gallery artefacts which have seen an increase in value of £3.492m.</p> <p>We have tested how this increase has been calculated and have been informed that the revaluation was undertaken by the Collections manager and the Museum Assistant. We are satisfied that they have sufficient knowledge and competencies to undertake the valuation and have undertaken further checks against auction house results to gain assurance that the valuation are not misstated.</p> <p>However, we have not been able to verify the process as no documentation has been retained that demonstrates how the valuation has been arrived at.</p>	<p>Heritage assets represents a material balance within the financial statements. Valuation of assets is an estimate and is considered at higher risk of misstatement.</p> <p>It is therefore vital that, where a revaluation exercise has been undertaken, or any disclosure involving the use of an estimate, management should ensure that supporting documentation is retained to support the conclusion reached. This provides primary evidence to the audit and allows a conclusion to be reached on possible indications of management bias or identify any misstatements.</p> <p>We have undertaken alternative testing to gain assurance that the balance is not misstated.</p>	<p>Auditor view</p> <p>Where management disclose financial statement entries using estimates they should ensure that all supporting documentation is retained and made available as part of the audit process.</p> <p>Management response</p> <p>Future valuation estimates prepared will retain supporting documentation</p>
<p>Historical data</p> <p>As part of our work undertaken to confirm the accuracy of reliefs granted within Council Tax we identified one case where the relief was applied to a claim from 1994. Management were unable to provide evidence to support the relief and therefore we were unable to confirm its accuracy and validity.</p> <p>In line with legal requirements organisations are required to maintain supporting documentation for seven years. We recognise that the Council will undertake data cleansing but note that maintaining evidence is important.</p> <p>The case was reviewed in 2009 and has remained active from this point.</p>	<p>Retention of data and supporting evidence is vital in providing an understanding of transactions and entries within the financial statements. Failure to support entries leads to further testing and consideration on the accuracy of the disclosures within the financial statements</p>	<p>Auditor view</p> <p>Management should consider that where disclosures in the accounts rely on historical data that sufficient review is in place to ensure that appropriate documentation is retained to support these disclosures.</p> <p>Management response</p> <p>Agreed</p>

Other findings – key judgements and estimates

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

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

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of land and buildings £327.791m at 31 March 2025	<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 and Wilks Head & Eve to complete the valuation of properties as at either 31 December 2024 or 31 March 2025 on a five yearly cyclical basis. Approximately 20% of total assets were revalued during 2024/25.</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 2024 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 £327.791m, a net increase of £24.288m from 2023/24 (£303.503m).</p>	<p>We have reviewed the detail of your assessment of the estimate:</p> <ul style="list-style-type: none"> Assessed management’s expert to ensure that they are suitably qualified and independent Assessed the completeness and accuracy of the underlying information used to determine the estimate Confirmed there were no changes to valuation method Assessed the consistency of the estimate against near neighbours and using the Auditor’s expert report Considered sensitivities used by the valuer to assess the completeness and consistency of information in line with our understanding Assessed the adequacy of disclosure of the estimate in the financial statements <p>Testing identified non material variances and, therefore, we consider management’s estimate to be appropriate</p>	<div> <div></div> <div>Green</div> </div>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of investment property £235.445m at 31 March 2025	<p>The Council has engaged Wilks Head & Eve to complete the valuation of properties as at 31 March 2025. 100% of assets were revalued during 2024/25.</p> <p>The total year end valuation of investment property was £235.445m, a net decrease of £6.571m from 2023/24 (£242.016m).</p>	<p>We have carried out the following work in relation to this estimate;</p> <ul style="list-style-type: none"> Assessed management’s expert to ensure they are suitably qualified and independent Assessed the completeness and accuracy of the underlying information and data used to determine the estimate Confirmed there were no changes to the valuation method; and Assessed the consistency of the estimate using the auditor’s expert report <p>We have raised queries with the external valuer, specifically around calculation of valuations, and have received responses to those queries. These have been reviewed and are considered appropriate</p>	<div> <div></div> <div>Green</div> </div>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment																								
Valuation of net pension liability £52.881m at 31 March 2025	<p>The Council's net pension liability at 31 March 2025 is £52.881m (PY £92.413m) 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">• We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. This included gaining assurances over the data provided to the actuary to ensure it was robust and consistent with our understanding. No issues were identified from our review of the controls in place• We also evaluated the competence, expertise and objectivity of the actuary who 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 <table><tr><th>Assumption</th><th>Actuary value</th><th>PwC range</th><th>Assessment</th></tr><tr><td>Discount rate</td><td>5.8%</td><td>5.7% – 5.9%</td><td>Reasonable</td></tr><tr><td>Pension increase rate</td><td>2.7%</td><td>2.7% - 2.8%</td><td>Reasonable</td></tr><tr><td>Salary growth</td><td>4.1%</td><td>3.75% - 4.1%</td><td>Reasonable</td></tr><tr><td>Life expectancy – Males currently aged 45/65</td><td>23.2 / 22</td><td>21.1 – 23.2 / 20.8 – 22</td><td>Reasonable</td></tr><tr><td>Life expectancy – Females currently aged 45/65</td><td>26.1 / 24.1</td><td>25.2 – 26.1/ 23.5 – 24.3</td><td>Reasonable</td></tr></table> <ul style="list-style-type: none">• We have confirmed the consistency of the pension fund assets, liabilities and disclosures in the notes to the financial statement with the actuarial reports• We have gained assurance over the reasonableness of the Council's share of the LGPS pension assets	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.8%	5.7% – 5.9%	Reasonable	Pension increase rate	2.7%	2.7% - 2.8%	Reasonable	Salary growth	4.1%	3.75% - 4.1%	Reasonable	Life expectancy – Males currently aged 45/65	23.2 / 22	21.1 – 23.2 / 20.8 – 22	Reasonable	Life expectancy – Females currently aged 45/65	26.1 / 24.1	25.2 – 26.1/ 23.5 – 24.3	Reasonable	<div>●</div> <div>Green</div>
Assumption	Actuary value	PwC range	Assessment																								
Discount rate	5.8%	5.7% – 5.9%	Reasonable																								
Pension increase rate	2.7%	2.7% - 2.8%	Reasonable																								
Salary growth	4.1%	3.75% - 4.1%	Reasonable																								
Life expectancy – Males currently aged 45/65	23.2 / 22	21.1 – 23.2 / 20.8 – 22	Reasonable																								
Life expectancy – Females currently aged 45/65	26.1 / 24.1	25.2 – 26.1/ 23.5 – 24.3	Reasonable																								

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
<p>Minimum revenue provision</p> <p>£11.563m in 2024/25</p>	<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 £11.563m, a net increase of £1.379m from 2023-24. This represents a 3% charge against the CFR</p>	<p>We have undertaken the following work</p> <ul style="list-style-type: none"> Assessed whether the MRP has been calculated in line with the statutory guidance Considered whether the Authority’s policy on MRP complies with statutory guidance. Assessed whether any changes to the Authority's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full Council Considered the reasonableness of the increase/decrease in MRP charge <p>New statutory guidance takes full effect from April 2025, introducing new provisions for capital loans. This guidance also clarifies the practices that authorities should already be following.</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> <p>Within our testing we have identified three assets that have a borrowing horizon of greater than the 50 years prescribed by the MHCLG. Appropriate advice has been taken that this is appropriate and calculation using 50 years gives a variance of £3.9m. We are therefore satisfied that the MRP charge is materially accurate.</p>	<div> <div></div> <div>Green</div> </div>

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application 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	Detailed ITGC assessment (design effectiveness)	<div><div></div></div> Amber	<div><div></div></div> Amber	<div><div></div></div> Green	<div><div></div></div> Green	N/A
Altair	Detailed ITGC assessment (design effectiveness)	<div><div></div></div> Green	<div><div></div></div> Green	<div><div></div></div> Green	<div><div></div></div> Green	Altair is used for pension calculations based on information within iTrent. We have considered the underlying assumptions included within the pension liability
Civica	Detailed ITGC assessment (design effectiveness)	<div><div></div></div> Green	<div><div></div></div> Green	<div><div></div></div> Green	<div><div></div></div> Green	N/A
Active Directory	Detailed ITGC assessment (design effectiveness)	<div><div></div></div> Green	<div><div></div></div> Green	<div><div></div></div> Black	<div><div></div></div> Black	N/A

Assessment:

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

Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Corporate Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Council.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bank and counterparty institutions. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation,
Disclosures	<p>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 the following issues:</p> <ul style="list-style-type: none"> • We noted that management had included assets with a useful economic life beyond the prescribed 50 years within the minimum revenue provision calculation. • We identified one asset, which had become operational in year, had not been depreciated, in line with the Authority’s accounting policies and, therefore, a charge of £470k for the year should have been incurred
Audit evidence and explanations	<p>All information and explanations requested from management was provided.</p> <p>We were provided with all requests in a timely manner and in line with expectations</p>

Other responsibilities

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 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none">• The use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities• For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none">• the nature of the Authority and the environment in which it operates• the Authority’s financial reporting framework• the Authority’s system of internal control for identifying events or conditions relevant to going concern• management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none">• a material uncertainty related to going concern has not been identified; and• management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

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"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> • Note that work is not required as the Council does not exceed the threshold;
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2024/25 audit of Bath and North East Somerset Council in the audit report, due to the 2023-24 audit certificate remaining open as a result of an objection to the final statements being received and considered and the required completion of the WGA return.</p>

Audit adjustments

Audit adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund
	£'000	£'000	£'000	£'000
Investment property: Verification of asset valuations identified that there was an error within the calculation leading to an overstatement of the asset value	1,862	(1,862)	1,862	(1,862)
Land Building: On receipt of the valuer's report it was identified by management that an additional asset had been included that was not previously included within the valuations schedule. This has resulted in an understatement of the land and buildings balance	(4,418)	4,418	(4,418)	4,418
Investment property: As per Land and buildings above the late receipt of the valuer's report has resulted in an understatement	(568)	568	(568)	568
Overall impact	(3,124)	3,124	(3,124)	3,124

Audit adjustments

Misclassification and disclosure changes

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

Disclosure	Misclassification or change identified	Adjusted?
Cash flow statement	Management has transposed the balances for long-term loans and capital grants repaid. The draft accounts showed £388k for long-term loans and £1,696k for capital grants repaid and these need to be swapped. There is no impact on the overall statement.	✓
Throughout	A number of typographical errors have been identified throughout the financial statements.	✓
Throughout	A number of immaterial accounting policies and disclosures have been included in the financial statements. These should be removed to avoid obscuring material information within the financial statements.	X

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The 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
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.	1,733	(1,733)	1,733	(1,733)
PPE: The aggregated projected impact of the differences identified from the testing of source data and assumptions used in the valuation.	623	(623)	623	(623) Revaluation reserve
Grants received in advance testing identified one transaction that had been incorrectly accrued within the financial year.	1,219	(1,219)	1,219	(1,219)
Investment property rental income testing identified that rental income related to 2023-24 was not accrued in that year and was recognised in 2024-25	(1,020)	1,020	(1,020)	1,020
Overall impact of current year unadjusted misstatements	2,555	(2,555)	2,555	(2,555)

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023/24, and the resulting impact upon the 2024/25 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024/25 financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund	Reason for not adjusting
	£'000	£'000	£'000	£'000	
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
Overall impact of prior year unadjusted misstatements	(1,389)	1,389	(1,389)	0	Not material
Cumulative impact of prior year and current year unadjusted misstatements on 2024/25 financial statements	1,166	(1,166)	1,166	0	Not material

Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our 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	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	Council to consider designing and implementing a formal approval process for posting journals. Management response Over the next 12 months the financial systems team will be implementing an upgraded financial system. As part of the design of the new system the journal authorisation process is being reviewed. Current and retrospective checks will remain in place whilst the financial system is being upgraded.
● Medium	Review of non depreciated assets identified one asset that had become operational in the financial year but which had not been depreciated in line with the Council’s policy. This resulted in understatement in the depreciation charge of £470k and there is a risk a larger charge could be omitted	Management should ensure that depreciation is applied appropriately in line with the Council’s policy to ensure the accuracy of charges to the CIES Management response We will specifically review non-depreciating assets in future
● Medium	Testing of a number of balances has identified errors within the accruals process as reported on pg 40. There is a risk that accruals are not reported accurately and that balances are misstated	Management should ensure that the accrual process is robustly and accurately implemented Management response The process for ensuring that year-end accruals are included in the appropriate year will be reviewed, and the importance of providing accurate information, including estimates where appropriate, will be emphasised to service managers.

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan

Assessment	Issue and risk	Recommendations
<p>●</p> <p>Medium</p>	<p>Testing of journals identified two users who should not have had the ability to post journals. One was a senior manager and and one moved from a finance role to a non finance role within the authority in 2023. There is a risk that fraudulent journals could be posted</p>	<p>Management should ensure regular checks are undertaken to identify users with inappropriate user access either as a result of seniority or as a result of a change in circumstances to their employment</p> <p>Management response</p> <p>Journal input access is requested on the ‘user access request form’ or ‘variation of access’ request. If the user sits outside of Finance an approval is requested. The Financial Systems team administer the access that has been approved. Management propose that a 6 monthly check is completed with Finance to review the Journal Input role and list of users with access.</p> <p>Going forward the council intends to implement another audit recommendation of approving Journals the are registered in the system; therefore, only approved journals will be posted negating the main risk identified to holding this access role.</p>
<p>●</p> <p>Low</p>	<p>Two 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 15 Intangible assets and 22 Provisions for liabilities.</p>	<p>Management should only include material disclosures within the statement of accounts to avoid potential masking of significant information.</p> <p>Management response</p> <p>Consideration will be given to removing these disclosure notes in future years should they continue to be immaterial.</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority’s 2023/24 financial statements, which resulted in 7 recommendations being reported in our 2023/24 Audit Findings Report. We have provided an update on progress below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	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.	We have held a number of conversations with management to discuss the issue previously communicated. This has included the reason for the issue being identified and the implications and the steps that management can take to address the recommendation. Our work in this area is ongoing. We will report to members any findings on conclusion of our work.
✓	Management included related parties which were not material and which did not meet the requirements of the Code	Testing of related parties has not identified any issues and we are satisfied this recommendation has been addressed
✓	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.	Testing within journals identified that one staff member has finance and admin access. We have designed a specific test and noted that the staff member has not posted and journals in the financial year
✓	Within the MRP calculation management had assets with a useful economic life (UEL) 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	Our work confirmed that the three assets with a UEL over 50 years remain. As per our consideration at pg 31 we are satisfied that an appropriate assessment has been undertaken and that the MRP charge is not materially misstated.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	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	Testing of journals in 2024-25 identified one issues in regard to insufficient evidence being retained to show capital journals over £500k are being reviewed. This is an inherent weakness, and we have raised a recommendation again in 2024-25
✓	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.	No such issues for Logotech have been identified from the 2024-25 audit although a similar issue has been identified in relation to Agresso and a recommendation has been raised on page 26
partial	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.	Testing identified that the four notes outlined in the prior year have been removed. Review in 2024-25 identified two further non-material notes and we have raised a recommendation.

Assessment

- ✓ Action completed
- X Not yet addressed

Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our draft AAR accompanies this audit findings report as a separate committee item.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.

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Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

In undertaking this work we have identified one significant weaknesses in arrangements in relation to the Authority's arrangements for managing the ongoing Dedicated Schools Grant deficit.

Independence considerations

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, there are no independence matters that we would like to report to you.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority or group 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 Authority or 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 Authority or 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 Authority or 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 Authority/group, 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.

Fees and non-audit services

The following tables below sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to the date of this report, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the group’s policy on the allotment of non-audit work to your auditor.

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

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Bath and North East Somerset Council The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in that we are satisfied that the level of fee is not significant in relation to the fee for the audit or to Grant Thornton UK LLP’s turnover.

Audit fees		£
Page 14 of 14	Audit of Authority	393,600
	Total	393,600

Fees and non-audit services

Audit-related non-audit services

Service	2023/24	2024/25	Threats Identified	Safeguards applied
	£	£		
Certification of Housing Benefits Subsidy claim	86,130*	46,552**	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 £132,682 in comparison to the total fee for the audit of £393,600 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.
Page 65			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	25,000	12,500**	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £37,500 in comparison to the total fee for the audit of £393,600 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	
Total	111,130	59,052		

*In progress
** Estimate

Fees and non-audit services

Total audit and non-audit fee

Audit fee – 393,600	Non-audit fee - £170,182
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The above fees are exclusive of VAT and out of pocket expenses.

The fees reconcile to the financial statements as follows:

- fees per financial statements £495,000
- Certification work noted post year end £59,000

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Total fees per above £564,000

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

Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and 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 those charged with governance.

Our team and communications

Grant Thornton core team



Beth Bower
Key Audit Partner

- Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers
- Key contact for senior management and Audit and Governance Committee
- Overall quality assurance



David Johnson
Audit Manager

- Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers
- Audit planning
- Resource management
- Performance management reporting



Carmen Ng
Audit In-charge

- Key audit contact responsible for the day to day
- Management and delivery of audit work
- Audit fieldwork

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none">• Annual client service review	<ul style="list-style-type: none">• The Audit Plan• Audit Progress and Sector Update Reports• The Audit Findings Report• Auditor’s Annual Report	<ul style="list-style-type: none">• Weekly meetings to discuss progress during Planning and Fieldwork stage• Communication of Query log and Sample tracker• Communication of issues log	<ul style="list-style-type: none">• Technical updates
Informal communications	<ul style="list-style-type: none">• Open channel for discussion		<ul style="list-style-type: none">• Communication of audit issues as they arise	<ul style="list-style-type: none">• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit In Charge and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.



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Audit Findings (ISA 260) Report for Avon Pension Fund

Page 73

Year ended 31 March 2025

16th September 2025



Avon Pension Fund
Lewis House
Manvers Street, Bath
BA1 1JG

16 September 2025

Dear Members of the Audit Committee

Audit Findings for Avon Pension Fund for the 31 March 2025

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

As 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.

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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 manage risk, quality and internal control particularly through our Quality Management Approach. 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-2024-.pdf](#).

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
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Director
For Grant Thornton UK LLP

Chartered Accountants

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Headlines and status of the audit

Headlines

Financial statements

Introduction

These are the key findings and other matters arising from the statutory audit of Avon Pension Fund (the 'Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

ISA Requirements

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

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund's assets and liabilities, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Audit Work

Our audit work was completed during June - September. Our findings are summarised on pages 20 to 26.

To date, we have not identified any adjustments to the financial statements that have resulted in an adjustment to the Pension Fund's reported financial position. We have identified 6 disclosure amendments. Details of these audit adjustments are detailed from pages 33-34.

To date, we have identified one unadjusted difference in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2025 and the valuation statements received from the third-party investment managers. These unadjusted differences are detailed on page 33. Management are proposing not to amend the financial statements on the basis that the differences are not material both quantitatively and qualitatively. The Audit Committee will be asked to confirm their agreement to this through the Letter of Representation.

We have also raised recommendations for management as a result of our audit work. These are set out in the Action Plan section of this report (from page 33). Our follow up of recommendations from the prior year's audit are detailed in following this from page 36.

Continued overleaf

Headlines

Financial statements

Audit Work - continued

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

- conclusion and review of our testing on Level 2 and Level 3 Investments.
- conclusion of our review of the Fund's Draft Annual Report
- final quality checks and review of all work completed to date
- review of the Pension Fund Annual Report;
- receipt of management representation letter (see separate committee item) and
- review of the final set of financial statements.

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

Our anticipated opinion on the financial statements will be unmodified.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.

We issued/propose to issue our 'consistency' opinion on the Pension Fund's Annual Report as soon as possible following the Audit Committee on 24th September 2025.

Headlines

Local & National Context

Local Context

Local Government Pension Scheme: Fit for the future consultation outcome – May 2025 – The Government has decided to reduce the numbers of LGPS asset pools. Brunel Pension Partnership has been deemed unable to meet the newly set minimum pooling standards and must therefore be dissolved. The Pension Fund must make an ‘in principle’ decision as to what provider they will be transferring to, by the end of September 2025. From regular conversations with the Fund, they are on track to meet this deadline, with a formal decision needing to be made by the end of March 2026.

Grant Thornton

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office’s (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

We are pleased to report that we anticipate issuing our opinion on the pension fund financial statements alongside that of the administering authority in September, well ahead of the statutory deadline.

Financial statements

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 NAO Code of Audit Practice (the 'Code'). Its contents have been discussed with management.

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

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

Audit approach

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

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

Financial statements (continued)

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 Audit Committee meeting on 24 September 2025, as detailed in the separate committee item. Please refer to page 10 for details of outstanding items remaining to conclude the audit.

Acknowledgements

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

Materiality

Our approach to materiality

As communicated in our Audit Plan dated 22 April 2025 (presented at Audit Committee on 30 April 2025) we determined materiality at the planning stage as £102.5m based on 1.7% of Gross Investment Assets as at 30 September 2024. At year-end, we have reconsidered planning materiality based on the 2024/25 figures in the draft financial statements. Materiality for the Net Assets Statement has remained consistent with the thresholds communicated within the Audit Plan. Using Gross Investment assets as at 31 March 2025 per the draft financial statements as the benchmark for our calculation did not significantly alter the thresholds determined and therefore it is appropriate to use those previously communicated for our final audit. We did revise and update our specific materiality for the Fund Account, details of which can be seen below.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- Page 85
- We have determined materiality at £102.5m based on professional judgement in the context of our knowledge of the Fund.
 - We have used 1.7% of gross investment assets as at 30 September 2024 as the benchmark for our materiality.
 - Reporting of gross investment asset positions is common for pension funds and usually forms part of users' evaluation of performance. On this basis, a benchmark of gross investment assets is most appropriate for the circumstances of the client.
 - Using this benchmark is consistent with how materiality has been determined in previous audits. The % of gross investment assets used to determine our materiality threshold has increased from the previous audit. This is in line with sector benchmarking and the risk profile of the Fund.

Performance materiality

- We have determined performance materiality at £76.9m, this is based on 75% of headline materiality. We have not had to revise performance materiality from the planned level.

Reporting threshold

- We will report to you all misstatements identified in excess of £5.1m (set at 5% of headline materiality), in addition to any matters considered to be qualitatively material.

Specific materiality for the Fund Account

- We have determined a lower separate materiality for the fund account at £30m (PM of £22.5m), this is based on 10% of gross expenditure (in the fund account) as at 31 March 2025. The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for the profits and losses on disposal of investments and changes in value of investments as these relate to movements in Investment values and therefore the headline Net Assets statement materiality applies. We have revised the fund account materiality previously communicated in our Audit Plan to the thresholds above upon receipt of the draft financial statements for the year ending 31 March 2025. Due to a significant increase in gross expenditure in comparison to the figure reported as at 31 March 2024, the planning threshold was revised upwards in line with this noted increase.

Our approach to materiality (continued)

A summary of our approach to determining materiality is set out below.

Description	Amount (£)	Qualitative factors considered
Materiality for the financial statements	102.5m	We considered the proportion of gross assets to the Fund to be an appropriate benchmark for the financial year. In the prior year we used the same benchmark. Our materiality equates to approximately 1% of your gross investment assets as at 30 September 2024. This benchmark is that of most interest to the reader in understanding the Fund’s performance over the financial period and therefore is most appropriate for us to base our materiality threshold on this basis.
Performance materiality	76.9m	We have determined this using 75% of materiality. This is considered an appropriate benchmark as we have not identified a history of significant deficiencies in the control environment or a large number of significant misstatements in prior year audits. In addition, the management and finance team remain stable.
Specific materiality for the fund account	30m	Due to the sensitivity of the fund account disclosures to those stakeholders who are admitted members of the Fund, we have determined a lower materiality threshold over the relevant fund account disclosures.
Trivial matters - reporting threshold	5.1m	This is based on 5% of materiality, which we consider to be an appropriate threshold to use in terms of our reporting to the Audit Committee as ‘Those Charged with Governance’.

Overview of audit risks

Overview of audit risks

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	●
Valuation of Level 3 Investments	Significant	↔	✗	High	●
The revenue cycle includes fraudulent transactions	Rebutted	↔	✗	Low	●
The expenditure cycle includes fraudulent transactions	Rebutted	↔	✗	Low	●

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- ↑

Assessed risk increased since audit plan
- ↔

Assessed risk consistent with audit plan
- ↓

Assessed risk decrease since audit plan
- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant changes to disclosures within the 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.

Risk identified	Audit procedures performed	Key observations
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <div>Significant</div>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none">1. Evaluated the design and implementation of relevant controls around the financial reporting process.2. Challenged management’s key accounting estimates, judgements and decisions; considering whether these judgements and estimates are individually or cumulatively indicative of management bias.3. Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity.4. Used our data analytic software (‘Inflo’) to interrogate journal entries, with particular focus on those journal entries that exhibited unusual characteristics such as journals with unusual posting combinations, journals that were back-posted or journals that were posted by unusual users. Journal entries identified as high risk were then tested to supporting documentation.	<p>We have noted no material adjustments or findings in relation to management override of controls.</p> <p>We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.</p> <p>Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.</p> <p>Please note the control findings on page 36 in the ‘Action Plan’ section that relate to Agresso. These finding from our IT Audit were considered as part of our testing strategy and execution of Journals testing and no issues were noted with journals posted by privileged accounts.</p>

Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
<p>Valuation of level 3 investments</p> <p>The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.</p> <p>Significant</p> <p>Relevant assertion(s) Valuation, Existence</p> <p>Applicable assertion(s) Rights & Obligations, Presentation</p> <p>Planned level of control reliance None</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"> 1. Evaluated the design and implementation of relevant controls of management's process for valuing Level 3 investments. 2. Challenged management's valuation (for a sample – where applicable) of the investments through: <ol style="list-style-type: none"> a) Comparing the valuation to purchase and sale transactions of the investment near the reporting date where available and appropriate. b) Reviewing the audited financial statements of the investment accounts. Where there were different reporting dates, we carried out 'look back tests' to gain assurance on the valuation methods of the investment manager, comparing audit accounts to capital statements and then considering calls and distributions to year end (and indices where appropriate). c) Reviewing the corresponding independently sourced capital statement at 31 March 2025. 3. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts. 4. Challenged management's classification of the assets. 5. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate. 	<p>We have noted no material adjustments or findings in relation to the valuation of level 3 investments.</p> <p>We have noted a £23.075m potential overstatement following auditor point estimate comparisons due to differences in recalculation of year end values of sampled investments using audited financial statements and year end fund reporting. More detail on this can be found on page 21, however this is not noted as an unadjusted misstatement as this is an immaterial estimation difference only.</p> <p>We are satisfied that judgements made by management are appropriate and the valuations have been determined using consistent methodology.</p>

Other findings

Other findings – key judgements and estimates

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

Summary of management's approach

Level 3 investments - £1.521bn

The Pension Fund has investments in Hedge Funds, Property, Infrastructure and Private Debt that total £1.521bn on the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates.

Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. To determine the value, management rely on the valuations provided by the investment managers.

The value of these investments have increased by £106m in 2024/25. Level 3 investments represent 26.4% of the total investment assets of the Fund.

Audit comments

In response to management's approach, we have:

1. Evaluated the design and implementation of relevant controls of management's process for valuing Level 3 investments
2. Completed an assessment of management's experts – the investment managers

continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments (continued)

3. For a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2025 with reference to known movements in the intervening period.
4. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts
5. Considered the impact of any changes to valuation method from the prior period (where applicable)
6. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate
7. Evaluated the reasonableness of any increase/decrease in valuation of the estimate, using relevant indices where appropriate
8. Challenged management’s classification of the assets

Additionally, the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements.

We did identify a maximum £23.075m estimated over-statement in respect of the valuation of level 3 investments because of differences in auditor point estimates using audited financial statements in comparison to year end Fund reporting. This included one investment with above trivial estimation difference, which were: GREENCOAT GRI LP (£26.339m over-stated). As this is an immaterial estimation variance and not an error, this is not an unadjusted misstatement in the financial statements, but it is reported for transparency of the work performed.

Assessment

● [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Assessment Key

- [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

Other findings – key judgements and estimates (continued)

Summary of management's approach

Level 2 investments - £4.046bn

The Pension Fund has investments in Equities, Risk Management Strategy, Diversified Return Funds, Multi Asset Credit, Property and Derivatives (Forward FX) that total £4.046bn on the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. To determine the value, management rely on the valuations provided by the investment managers.

The value of the investment has decreased by £179m in 2024/25. Level 2 investments represents 70.3% of the total investment assets of the Fund.

Continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments

In response to management's approach, we have:

1. For a sample of investments, tested the valuation by obtaining independent pricing data (where available) and/or reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2025 with reference to known movements in the intervening period.
2. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts
3. Considered the impact of any changes to valuation method from the prior period (where applicable)
4. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate
5. Evaluated the reasonableness of any increase/decrease in valuation of the estimate, using relevant indices where appropriate
6. Challenged management's classification of the assets













Our work in this area found an unadjusted misstatement of £12.227m due to the OAKTREE (LUX) III SA SICAV MUTUAL FUND asset value (understatement) in the Fund's accounts not including unrealised gains. There were no estimation variances greater than triviality to report other than this. As this is not material, no adjustment was proposed. See page 33 for more details.

Assessment

● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious





Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application 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 which can be shared on request – this has been discussed and agreed with Management.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating		
			Security management	Technology acquisition, development and maintenance	Technology infrastructure
Agresso	Detailed ITGC assessment (design effectiveness)				
Altair	Detailed ITGC assessment (design effectiveness)				
Active Directory	Detailed ITGC assessment (design effectiveness)				

Details on Non-significant deficiencies identified relating to Agresso will be discussed in the Action Plan section of the report.

Assessment:

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

Communication requirements and other responsibilities

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
2	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Pension Fund, which is included within the Audit Committee papers.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to all of the fund managers that work with the Fund and all banking institutions that management. This permission was granted and the requests were sent, of these requests all were returned with positive confirmation.
6	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements
7	Audit evidence and explanations	<ul style="list-style-type: none"> All information and explanations requested from management were provided.

Other communication requirements (continued)

Going Concern

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).

Commentary

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 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10.

continued overleaf

Other communication requirements (continued)

Going Concern

Commentary (continued)

The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of the Pension Fund and the environment in which it operates
- the Pension Fund's financial reporting framework
- the Pension Fund's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
- The fact that the Fund's investment pooling arrangement with Brunel Pensions Partnership has been instructed to be wound down does not impact the Fund's ability to operate or continue as a Going Concern and adequate disclosure of these events has been made in the accounts also.

Other responsibilities

Issue	Commentary
Other information	The Pension Fund is administered by Bath & North East Somerset Council (the ‘Council’), and the Pension Fund’s accounts form part of the Council’s financial statements. We are required to read any other information published alongside the Council’s financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	<p>We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our ‘consistency’ opinion on the Pension Fund’s Annual Report as soon as practically possible after the Audit Committee on 24 September 2025.</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.</p>

Audit adjustments

Adjusted misstatements

This is a summary of adjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance. There were no audit adjustments found that impacted the Fund Account or Net Asset Statement. All disclosure amendments either above our triviality threshold or deemed reportable have been set out below and overleaf.

Disclosure misstatement	Detail	Auditor recommendations
Accounting Policy 1.28	The policy states an infrastructure investment balance of £676m. This was inconsistent with the figure for infrastructure found in Note 10 of the accounts, which was £746m. This also affected the total of the effect if actual results differ from assumptions, changing the figure from £106m to £113m (sensitivity analysis)..	For consistency within the accounts, we recommend that the figures be corrected in Note 1.28. There was no impact on the other Notes to the accounts as these figures were displayed correctly in the draft statements. Management response These figures have been updated and are consistent in the final version of the accounts.
Accounting Policy 1.32	The inclusion of IFRS 16 in the 'Accounting Standards that have been issued but not yet adopted' was factually incorrect as this policy had been widely adopted in Local Government accounts from 1 April 2024.	We recommend the fund revise the content of this policy and ensure it is factually correct Management response The accounting policy has been removed from the accounts. The Fund have assessed the requirements of IFRS 16 and have deemed this not relevant to the Fund as they have no assets as a lessee and therefore no further disclosure is required.
Note 2 - Membership Data	It was noted that we could not reconcile the totals disclosed easily to the benefits payable listing in terms of number of individuals receiving pension benefits. It was discovered that the Membership Data disclosed is the totals number of pensions payable (i.e. individual pay references), rather than number of individuals.	This disclosure is reasonable in line with the CIPFA Code, however we recommend that clarity is added in the accounts so that the reader can understand the information that the note is displaying. Management response Further detail has been added to this note to clarify the content of the disclosure.

Adjusted misstatements

Disclosure misstatement	Detail	Auditor recommendations
Note 7 – Management Expenses	The breakdown of the make up of audit fees within this note was not easily reconcilable to the figures in the Audit Plan and we challenged management to update the narrative to ensure this was understandable for both the auditor and reader.	<p>We recommend that the detail around audit fees is updated for clarity around the make up of the total seen in the table and to differentiate between costs relating to scale fees, fee variations and other fees, as well as which year these relate to.</p> <p>Management response</p> <p>The narrative in Note 7 has been amended to ensure this is clearer.</p>
Note 19 – Related Parties	The audit team were unable to agree the fact stated in the note that 4 members of the Pension Board were members of the LGPS during 2024/25.	<p>We recommend the Fund revise the note to display the actual number of Pension Board members that were members of the LGPS in 2024/25, which was 5.</p> <p>Management response</p> <p>The note has been updated to reflect the fact that 5 members of the Pension Board were members of the LGPS in 2024/25.</p>
Note 20 – Key Management Personnel	Due to changes in key management in 2024/25, in particular the S151 position at the Council, we challenged management on the clarity of the note, including the roles of the individuals disclosed. The note states that the S151 officer is not included in this note, which is correct, however Jeff Wring, who is included in the note for the role they held in the year ended 31 March 2025, became interim S151 officer on 1st April 2025.	<p>We recommend that the narrative in Note 20 be revised to ensure clarity and transparency for the reader.</p> <p>Management response</p> <p>To ensure transparency in this disclosure, the narrative in Note 20 has been updated to:</p> <p>"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 Financial Services, Assurances and Pensions. It does not include the Executive Director - Resources (S151).</p> <p>The Director of Financial Services, Assurances and Pensions was appointed as Interim S151 from 1st April 2025 to 31st December 2025. In this capacity he has approved these accounts. He will be included again in this note next year."</p>

Unadjusted misstatements

This is a summary of unadjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

Detail	Fund Account		Net Asset Statement £'000		Impact on total net assets £'000	Reason for not adjusting
	Debit £'000	Credit £'000	Debit £'000	Credit £'000		
Total net assets per final accounts					5,786,286	
Differences identified between the value of level 2 Investments disclosed in the financial statements and the capital statements as at 31 March 2025.						
£12.227m of Unrealised gains were not captured within the Fund's total, but were present in the Capital Account Statement and Custodian reporting, meaning the Fund had understated their assets by this amount for the 'OAKTREE (LUX) III SA SICAV MUTUAL FUND'. There were no other variances of this nature identified.		12,227	12,227		12,227	Not material
Non-Property Pooled Investment Vehicles			12,227			
Profit and loss on disposal of investments and changes in value of investments		12,227				
Total net assets – recalculated to include unadjusted misstatements					5,798,513	

Action plan

We have identified 4 recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2025/26 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
1 ● [Amber]	Lack of controls over granting new user access within Agresso - the risk relates to the fact that user access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.	<p>We recommend that the Council/Fund develop formal user access management procedures to ensure activities are consistently performed, logged and monitored.</p> <p>Management response</p> <p>BANES does have a formal user access procedure when a new user is requested to have Agresso access. The request is actioned via Service Now, and if additional specific access is required (such as Salary access or AP invoice processing) then the relevant approver is contacted to ensure that this access is granted.</p> <p>In this instance the PA of the CEO has been delegated responsibility by the CEO, however, going forward if the request was made by the PA, additional approval will be requested from the CEO.</p>
2 ● [Amber]	Duplicate accounts with privileged level access identified on the Agresso Database - an account with administrative access has the ability to both assign additional access rights to users, and to make changes to a system. Those changes may be appropriate, such as updates to the system, or damaging, such as opening a backdoor for an attacker to access the system. Therefore, every additional administrator causes linear-to-exponential growth in risk.	<p>Management should ensure that end users only have one privileged account per application. This privileged account should be in the user's name rather than a generic name.</p> <p>Management response</p> <p>IT are in the process of migrating IT staff to having separate IT Admin accounts so that their normal accounts do not carry elevated privileges. This is a work in progress which is why there are duplicate accounts currently as the transition is not yet complete.</p>

Assessment key:

● [Red] High – Significant effect on financial statements ● [Amber] Medium – Limited effect on financial statements ● [Green] Low – Best practice

Action plan

	Assessment	Issue and risk	Recommendations
3	● [Green]	<p>No process for proactively reviewing the Altair IT service provider assurance report. Without periodic review and assessment of the independent assessor's report over the third-party service provider's control environment, the following risks are created:</p> <ul style="list-style-type: none">- Effective controls may not be in place to address all relevant risks to the service provided by the third party. This includes, but is not limited to, applying only approved updates; and- Controls which remain the responsibility of the service users may not be identified and implemented in a timely manner. This includes, but is not limited to, implementing a process to ensure all requests to the provider come through an appropriate local request/approval process.	<p>We recommend that management implement a process to periodically request copies of relevant independent assurance reports available from the vendors. These reports should be reviewed by appropriate members of staff in order to gain assurance that the report appropriately covers the key controls operated by the service provider. The controls are deemed effective based on independent auditor testing all locally operated controls have been implemented. This review should be formally documented along with actioned undertaken based on any exceptions noted.</p> <p>Management response</p> <p>Following a rigid procurement process, the service delivery of Heywoods/Altair was reviewed by APF and independently by BANES IT and Financial Systems. Subsequently a new contract was awarded to Heywood wef April 2025 via Softcat. As part of the contract, regular service reviews are now in place as follows:</p> <ul style="list-style-type: none">• APF receive monthly performance reports (including service requests) from Heywoods which are monitored by APF and Financial Systems• Monthly informal service calls between Heywoods CRM and APF Business Change Manager and Pensions Operations Manager• Formal quarterly service reviews, which are minuted. Actions are recorded and reviewed on a regular basis.• System upgrades are taken quarterly after UAT testing by Financial Systems and APF.• Quarterly service reviews held with Softcat with APF Business Change Manager and Pensions Operations Manager• Oversight by APF Governance team

Action plan

	Assessment	Issue and risk	Recommendations
4	● [Green]	No timely review or finalisation of IT and Cybersecurity policies. It was noted within the Cybersecurity assessment performed, that 3 policies (Information Security Policy, DP & IG Policy and Acceptable Use Policy) had not been reviewed in line with the dates they were due to be reviewed. It was also noted that the Data Classification Policy had been marked as 'Draft' with no formal approval noted.	<p>We are satisfied that these policies exist, however the administration or review and approval needs to be improved. It is recommended that a formal process should be established to ensure that these policies are reviewed and updated in a timely manner, in accordance with their scheduled review dates.</p> <p>Management response</p> <p>We note that several of the documents listed have not been reviewed within the time set. Some of these documents are not authored and managed by the IT Department, although the department does have input into them. A document management and control process has been put in place covering general IT and especially cyber security documents, as well as documents that are authored by the Information Governance Team. Those identified are scheduled for review and will be updated very soon.</p>

Follow up of prior year recommendations

This is a summary of where we identified recommendations for the Pension Fund because of issues identified during the prior year audit, and an update on actions taken by management as a result.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	Contributions Receivable - The Finance officer reconciles the LGPS50 with the amounts received in Agresso on a daily basis. The Pensions & Projects Accountant reviews the reconciliations periodically. Upon testing the effective design and implementation of this control, the auditor identified that there is no formal documentation of the control for authorization of reconciliation and journals before they flow into the ledgers. We recommended that the review of the reconciliation and subsequent authorisation is formally documented to allow for a clear audit trail to be viewed. Management agreed with our recommendation.	Reviews have been carried out thrice in 24/25 (once in July, December and March), with a ‘light touch’ review performed in September due to changing work commitments of the Assistant Finance Manager. This continue to be performed and documented to maintain a clear audit trail in future periods.
	✓	Bank Reconciliations - There is only one individual who signs off the bank reconciliations. There have been extended periods of leave during 23/24 for this person and as a result the reconciliations were not signed off in a timely manner. We recommended that there is more than one individual that can sign off the bank reconciliation to ensure timely review and resolution of any issues, should they arise and should there be extended periods of leave in future periods.	There are now two individuals who can sign off the bank reconciliation to avoid this issue.

- Assessment:
- ✓ Action completed
 - Work in progress / Partially addressed
 - ✗ Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p>3 →</p>	<p>Inadequate oversight around generic user in Agresso application</p> <p>During the audit, we obtained and inspected the evidence relating to the administration of generic accounts with privileged access within the Agresso application and observed that the access to a generic account [Administrator] is shared between the multiple administrators from Finance systems department. The Council has no controls in place to monitor the appropriateness of the activities performed by the account.</p> <p>Risk:</p> <p>The use of generic or shared accounts with high-level privileges increases the risk of unauthorised or inappropriate changes to the application or database. Where unauthorised activities are performed, they will not be traceable to an individual.</p> <p>Also, without appropriate audit logging and monitoring, unauthorised activities may not be detected in a timely manner, can go unnoticed, and evidence of whether the attack led to a breach can be inconclusive.</p>	<p>An update to this recommendation was made as a result of the IT Audit work carried out in 24/25 – see recommendation 2 in the ‘Action Plan’ section of this report, where this recommendation supersedes this one.</p>
<p>4 →</p>	<p>The audit team would recommend that there should be a functionality is the system where each journals is authorised by an approver before being posted into the ledger. We are aware that retrospective reviews occur monthly, however real-time review would be considered best practice.</p>	<p>Management proposed to investigate if the implementation of this would be practical alongside the Council. BANES are planning to implement a new finance system from 1st October 2026, so no changes are likely before this date.</p>

Independence considerations

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 and network firms). In this context, we disclose the following to you (which was also disclosed in our audit plan):

Matter	Potential threats	Safeguards	Conclusion
<p>The Key Audit Partner, Beth Bowers, has a close family member who is an admitted member of the Pension Fund. An internal ethics consultation has been completed, and it has been cleared that there is no threat to independence arising from this and that Beth can continue to fulfil the role of Key Audit Partner on this audit engagement.</p> <p>The Audit Manager, George Amos, has a similar situation, where a close family member also has a pension with the fund, but is no longer an active contributor, nor are they of retirement age at which they would be drawing pension. Consultation was also taken and cleared by ethics, meaning that George can continue to fulfil their role on this audit engagement.</p>	Self Interest	<p>Layers of review and ability to call in further reviewers of work.</p> <p>Confidentiality agreements within contracts.</p>	Appropriate safeguards are in place. There have been no changes to these relation since the consultations were made for the 2023/24 audit and therefore, we deem this conclusion to remain appropriate.

Independence considerations (continued)

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund or investments in the Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Fund.
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 Fund's committees, 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 and network firms 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.

Fees and non-audit services

The following tables overleaf set out the total fees for non-audit services that we have been engaged to provide or charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

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

Our firm also provides audit and non-audit services to the [Administering Authority]. The fees in relation to these services and the related ethical considerations are reported in the Audit Findings Report issued to TCWG for that entity. Consequently, such fees are disclosed in the Council’s financial statements rather than the Pension Fund’s.

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Audit fees

	£
Audit of Pension Fund (scale fee)	105,842

Detail on fees for audit related non-audit services is detailed overleaf.

Fees and non-audit services

Audit related non-audit services	£	Threats identified	Safeguards applied
IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice	8,250 (estimated 2024-25) £8,596 (actual 2023-24)	Self-Interest, Self-Review and Management	<p>Self-Interest – Fee is recurring but not significant compared to the audit of the financial statements as the total estimated fee for this work is £8,250 in comparison to the total proposed fee for the audit of £105,842 and relative to Grant Thornton UK LLP’s turnover overall. The fee is also fixed based on the number of admitted bodies who request an assurance letter. Further, the work is on audit related services and integrated with the testing undertaken as part of the audit. The main self interest threat would arise if we reported weaknesses that would impact the content of these letters to Those Charged With Governance (TCWG) that they then put pressure on us not to report to other auditors that are seeking to rely on the information reported. The safeguard to this would be to have a safeguarding partner review the Audit Findings Report should this instance arise. We therefore are comfortable there is no self-interest threat, the work is undertaken by the same team of individuals as the work considered as work under the Code.</p> <p>Self Review - We have not prepared the financial information on which our assurances will be used by the requesting auditor. Any decisions whether to change controls over, or edits required to, financial information arising from our findings will be a matter for informed management.</p> <p>Management - We may make recommendations to the Pension Fund in respect of control weaknesses, in the same way as we would in an audit of financial statements. Informed management understand the operation of systems and can challenge our recommendations as appropriate.</p> <p>We are comfortable that the proposed safeguards are sufficient to mitigate the threats to independence. IAS 19 assurances letter are a standard response that is provided to a number of admitted bodies by pension fund auditors across the country. Summary outcomes of the work are reported to TCWG in the council through audit findings reports and they are aware of the Firm and have the role of overseeing work of external audit. Again, we are satisfied they would be of the view that this is work that external auditors would undertake and they are appropriately informed. Therefore, we are satisfied independence and safeguards appropriate from perspective of objective, reasonable and informed third parties.</p>

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Fees and non-audit services (continued)

Total audit and audit related non-audit fee		Total
£105,842	£8,250 (estimated)	£114,092

The above fees are exclusive of VAT.

The fees reconcile to the financial statements as follows:

- fees per financial statements – Note 7 - £138k
- £19k scale fee variation from 22/23 that were approved by PSAA and billed in 24/25
- £5k of IAS 19 assurances for 23/24 commissioned and completed in the 24/25 financial year.

Therefore, £114k, plus the two reconciling items above total the £138k disclosed in Note 7.

We are satisfied these reconciling items are reasonable and in line with auditor expectation and are appropriately accounted for as part of the 24/25 costs, due to the total value of these and the fact they were both confirmed within this financial year. As per ‘Audit Adjustments’ section, further narrative has been included in Note 7 to explain the make-up of the audit fees total.

This covers all services provided by us and our network to the Fund, its directors and senior management, that may reasonably be thought to bear on our integrity, objectivity or independence.





Appendices

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A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund’s accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		
Non-compliance with laws and regulations		
Unadjusted misstatements and material disclosure omissions		
Expected modifications to the auditor's report, or emphasis of matter		

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and 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 those charged with governance.

B. Our team and communications

Grant Thornton core team



Beth AC Bowers
Key Audit Partner

- Provides oversight of the delivery of the audit including regular engagement with Audit / Pensions Committees and senior officers.



George Amos
Audit Manager

- Plans and manages the delivery of the audit including regular contact with senior officers



Ananya Mehta
In-charge

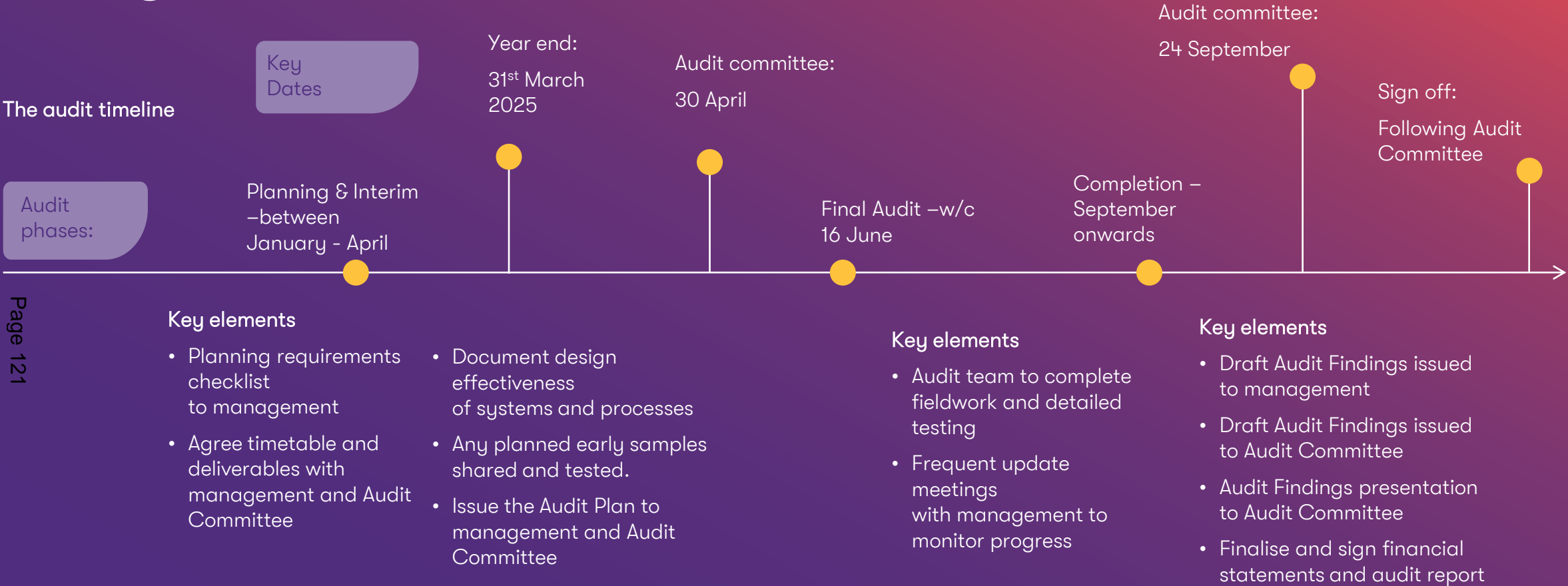
- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Pool of specialists and other technical support (eg IT audit, Digital Audit)

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none">• Client Surveys	<ul style="list-style-type: none">• The Audit Plan• The Audit Findings Report	<ul style="list-style-type: none">• Bi-monthly liaison meetings with Management	<ul style="list-style-type: none">• Technical updates
Informal communications	<ul style="list-style-type: none">• Open channel for discussion		<ul style="list-style-type: none">• Communication of audit issues as they arise• Weekly meetings with the audit team to discuss progress	<ul style="list-style-type: none">• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

C. Logistics



D. Management letter of representation

We have requested a letter of representation from management. The letter includes representations on the unadjusted misstatements as included in this audit findings report.

This had been taken to Audit Committee as a separate agenda item.

E. Audit opinion

See separate committee item for Draft opinion.



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BATH & NORTH EAST SOMERSET COUNCIL

STATEMENT OF ACCOUNTS 2024/25

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TO FOLLOW

TO FOLLOW

TO FOLLOW

TO FOLLOW

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

TO FOLLOW

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

TO FOLLOW

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 2025.

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 2024/25, 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)

2.5% Unemployment rate, lower than national, regional and most similar authorities (ONS)

Wellbeing

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)

The Next Twelve Months & Medium Term Outlook

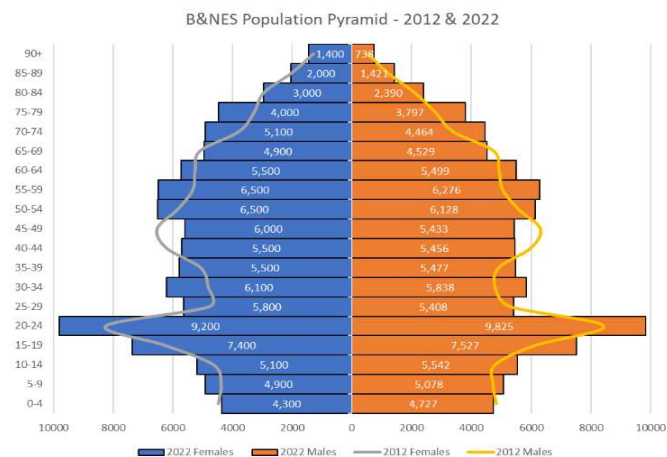
The Medium-Term Financial Strategy (MTFS) was approved in September 2024 and outlined how the budget would be delivered over the medium to long-term. This considers the current economic outlook of constrained national public finances due to continued low economic growth together with Council services being impacted by sustained inflation and National Insurance increases impacting the Council's running costs as well as the supply chain for external provision. In addition, the Council continues to see demand and activity rise for essential Social Care services, which is compounded by high market costs and a reliance on out of area provision.

The Council needs to deliver a balanced budget over the term of the plan. A balanced budget means that Council one-off cash balances (reserves) are not being used to fund recurrent expenditure. The updated plan shows a balanced budget for 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. In recognition of the significant budget risks from changes in cost as a result of the government National Insurance changes, demand on statutory services rising above modelled levels, alongside savings delivery risk, the following contingencies and provisions have been included in the budget:

- Corporate Contingency of £3m for savings delivery risk and slippage
- Contract Inflation Provision of £2.6m for the impacts of Employer National Insurance on supplies and services and contract spend across services.
- High Risk Service Demand & Cost Increase Provision of £4.2m

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 2025/26 budget is a funding gap of £14.01m. The proposed budget meets this funding gap in two ways:

- 1) Income generation plans of £6.70m, and
- 2) Cost reduction plans of £7.31m.



The Next Twelve Months & Medium Term Outlook (Continued)

The ongoing impact of sustained inflation and high demand for Social Care has created an imbalance in how the Council funds its services. Income from Council tax and Business rates alone do not fully fund the Council's services. To balance the budget the Council needs to reduce its running costs and grow its commercial and fees and charges income. The Council revenue support grant has reduced from £31m in 2013/14 to £1.3m per annum in 2025/26 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 £27.62m 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 are listed below, this illustrates some of the economic and financial challenges the Council is facing.

- Adult Services budget growth £6.5m
- Children's Services budget growth £9.2m
- Neighbourhood Services budget growth £3.2m

To deliver a balanced budget in 2025/26 savings and income generation plans total £14.01m. The Council has a good track record of delivering proposed savings. In relation to the 2024/25 approved savings of £16.42m, 77% (£12.66m) have been delivered in full, 17% (£2.78m) have been mitigated through savings, contingency or income elsewhere in the respective service, with the remaining 6% (£0.98m) delayed until 2025/26 or addressed through the budget setting proposals.

An updated Efficiency Strategy was approved in February 2025, 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 £1.38m of capital receipts to fund one-off costs of delivering savings in 2024/25 with £0.39m balance remaining for use in 2025/26.

The Local Government Finance Settlement for 2025/26 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 2025/26. This provides a significant financial benefit to the Council with estimated benefits of c.£3.2 million factored into the Councils budget in 2025/26.
 - The Services Grant has been removed from 2025/26 with funding repurposed into a new Recovery Grant. This represents a loss of £0.165m of grant in 2025/26 from this change.
 - The introduction of a new Recovery Grant, worth £600m, which is targeted at places the government assesses as having greater need and demand for services (using deprivation as a proxy for this) and less ability to raise income locally from Council Tax. Based on this allocation methodology, the Council doesn't receive any funding through this grant.
 - An increase of £2.205m in Social Care grant funding taking the grant for 2025/26 to £15.455m. This increase has been allocated to fund Adults and Children's Social Care demand and inflation pressures. This funding is assumed as recurrent in the base budget.
 - Grant funding for 2025/26 of £3.193m through the Market Sustainability & Improvement Fund Grant. This is the same level of grant as received in 2024/25. This funding is assumed as recurrent in the base budget.
 - The transfer of the Adult Social Care Discharge Fund grant funding, fixed at the 2024/25 level of £1.146m, into the newly named "Local Authority Better Care Grant".
 - Confirmation that the existing Improved Better Care Fund social care grant will be renamed the Local Authority Better Care Grant and will be maintained at the same value as 2024/25, for B&NES this is £4.903m, with the funding from the Adult Social Care Discharge Fund rolled into the grant for 2025/26 at the same level as received in 2024/25 (£1.146m). The total funding from these two grants is £6.049m.
 - The announcement of a new Children's Social Care Prevention grant with total funding of £270m. The grant is to fund the national rollout of "Family Help" a whole family preventative service. Conditions placed on the grant were published in the final settlement. The Council's share of the grant for 2025/26 is £0.401m and it is assumed that this will be ring-fenced to cover the costs of implementing the Family Help service.
 - The government announced proposals to consolidate 6 children's social care programmes into a new Children's & Families Grant. The programmes are as follows:
 - Supporting Families
 - Supported Accommodation Reforms - New Burdens to LA's
 - Staying Put
 - Virtual School Heads Extension for previously looked after children
 - Leaving Care Allowance uplift
 - Personal Advisors
- Funding for each component will maintain 2024/25 funding levels and the Council's total of the consolidated funding is £0.982m.
- The 2025/26 Public Health Grant allocation is £10.901m, an increase of £0.627m over the 2024/25 grant. The grant is ring-fenced to public health activity.
 - 2025/26 will be the first year of the Extended Producer Responsibility for Packaging (pEPR) scheme. The extra funding announced at the Autumn Budget includes a guarantee that local authorities in England will receive at least £1.1 billion in total in 2025/26 from the new scheme, with each local authority guaranteed at least the level of income indicated in provisional local payment figures for the first year. The payment for the Council in 2025/26 is £2.7m, which has been incorporated into the budget reflecting the cost pressures and investment made into waste services in this and previous years budgets. Future years funding will be based on data submitted by the Council to the scheme administrators, and this will be reviewed as part of the 2026/27 budget process.
 - The announcement that £515 million of new funding will be provided to support councils and mayoral combined authorities with the costs associated with the increase in employer National Insurance Contributions (NICs). Individual allocations are based on 2023/24 Revenue Outturn data and were published at the final settlement. Our original assumption was that the cost pressure from this change would be fully funded by government. The final grant allocation creates a £1.3m shortfall in funding of the Council's direct staffing cost increase of £2.6m from the Employers National Insurance increases in 2025/26.
 - 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 2025/26.
 - A general council tax increase cap of 3% for 2025/26 (this excludes the Adult Social Care Council Tax increase).

NARRATIVE REPORT

The Next Twelve Months & Medium Term Outlook (Continued)

The Budget agreed for 2025/26 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 2025/26.
- 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 £1,823.06 (£1,736.42 in 2024/25) an increase of 4.99% and £86.64 per Band D (£1.67 per week).
- A General Fund net revenue budget of £151.71m for 2025/26 and an approved Capital Programme for 2025/26 of £76.41m.

Corporate Strategy

The 2025/26 Budget proposal set 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.

Bath & North East Somerset Council has one overriding purpose – **to improve people's lives**. Our Corporate Strategy provides a clear and ambitious framework for delivery. It sets out our two core policies of **tackling the climate and ecological emergency** and **giving people a bigger say** as well as our three principles for how we will deliver – **preparing for the future, delivering for local residents** and **focusing on prevention**. It also sets out how shared outcomes will be delivered through key partnerships that the council works with such as our Future Ambition Board and Health and Wellbeing Board.

Our four values - **bold, empowered, supportive** and **transparent** - continue to underpin all of our work.

In the report to cabinet in September 2024 on the Medium-Term Financial Strategy (MTFS), it was highlighted that work was underway to identify key scenarios, particularly in the light of central government fiscal policy and approach to local government funding. This work has been reflected in the budget papers and process. The MTFS report also identified that the council is introducing a new operating model which delivers the council's purpose through innovation in our ways of working. A report to cabinet in November 2024 approved the council's operating model and directorate functions for use in service planning and redesign work, within the context of the Being Our Best programme with its workstreams of 'Great Jobs', 'Smarter Structures' and 'Culture of Excellence'.

Given this, the budget proposal set out in the report aims to establish a longer-term approach to budget planning, built around the council's priorities, operating model and partnerships and investing in prevention to address budget pressures and reduce costs. This includes

- Focusing on securing financial sustainability in children's services, recognising the increased demand and complexity of caseloads.
- Ensuring the full benefits to service users of adult social care redesign following bringing of services in-house from April 2024
- Making sure that the council's property holdings best serve the needs of service delivery
- New ways to interact and receive council information and services, using improved digital channels and Artificial Intelligence (AI).

The council will also continue to work closely with the West of England Mayoral Combined Authority (MCA) to maximise the benefits to our area and communities from our membership. We will also work closely with the MCA and with the Future Ambition Board to deliver our ambitious Economic Strategy for Bath and North East Somerset, prioritising green growth, good jobs and affordable housing, and work with our health partners through the Health and Wellbeing Board to deliver our Joint Health and Wellbeing Strategy.

Total Resources Available for the Capital Programme

The table below summarises the approved resources available for the 2025/26 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.

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Total Schemes	160,957	125,999	108,279	74,980	36,921
Funding Sources					
Grant	73,309	42,809	14,500	8,836	8,786
Capital Receipts	2,745	8,400	635	635	202
Revenue	2,292	3,570	50	50	50
Borrowing	73,704	66,400	92,316	65,456	27,883
3rd Party (incl. s106 & CIL)	8,907	4,820	778	3	0
Total Funding	160,957	125,999	108,279	74,980	36,921

Revenue Outturn and Balances 2024/25

The Council's net revenue budget was set at £135.854m with an increase of 4.99% in its part of the 2024/25 Council Tax (split 2% for the Adult Social Care precept and a 2.99% general increase). Dedicated Schools Grant funding of £65.133m separately supports expenditure on schools.

Total net spending amounted to £149.560m against a revised budget of £149.560m, giving a year end balanced position on the general fund before carry forwards. After allowing for the carry forwards of underspends of £0.206m, the final outturn position is an overspend of £0.206m. The Cabinet Outturn report proposes the transfer of the £0.206m from the corporate revenue budget contingency earmarked reserve. This transfer and the carry forwards will be reflected in the 2025/26 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 risk assessed target range approved by the Council in February 2024.

Schools balances have increased by £0.685m to £1.876m 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 demand cost pressures have continued to impact the Council during the year, most significantly in Children's Services where demand led placement package costs and Home to School Transport costs continued to escalate. With a projected unmitigated overspend of £5.5m forecast based on the first half of the financial year, the Council developed urgent management action plans which totalled £4.1m taking the forecast overspend to £1.4m. The management action plans included reducing discretionary spend, maximising use of grant income, release of risk and inflation contingencies and repairs provision. These actions, in addition to reduced borrowing costs from rephased capital spend, the release of remaining corporate contingency and additional service income contributed to the achievement of a balanced position by year end.

NARRATIVE REPORT

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

Children's Services - over budget by £6.179m - The over budget position is primarily due to the continuing pressures from 2023/24 across the demand-led placement and package budgets (£2.6m continued pressure from 2023/24 into 2024/25), the additional pressures in-year from the demand-led budgets (£1.5m), continuing pressure from home to school transport (£1.4m) and staffing pressures due to agency usage (£0.4m).

The biggest area of demand-led pressure is Residential (£3.37m 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, in conjunction with upward cost pressures on placements from providers. The other principal areas of pressure are Disabled Children's Team (DCT) (£1.28m over budget), Unaccompanied Asylum Seeker Children (UASC) support (£0.37m over budget) and Parent and Baby support (£0.11m 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 £0.72m under budget). There is also an under-budget position across In House Foster Care and Permanence allowances (£0.34m under budget). The reduction of spend on In House Foster Care is partially due to the success of some Foster Carers becoming long term carers via Special Guardianship Orders.

These pressures are net of £0.88m in-year mitigations delivered, plus the full delivery of the £1.26m budgeted savings across the Children's Portfolio.

To address the over budget position in the demand-led budget areas, cost reduction strategies have been assessed and form part of a transformation program which aims to significantly reduce the cost pressures in future years.

In Education there is an over budget position of £0.53m, which is mainly because of Teachers Pension costs rising (which is an ongoing pressure from 2023/24), and staffing pressures due to the use of agency to maintain statutory service provision amid rising demand.

Home to School Transport (HTST) ended the year with a £1.40m over budget position. This is due to both increased demand and a challenging marketplace when procuring HTST, including reduced availability of drivers, cost inflation and reduced tendering activity for many routes. The end-to-end process for HTST is being reviewed to ensure the most efficient and effective delivery of our statutory responsibility. This includes increasing internal provision of the service to reduce reliance on costly routes and providers.

Economic & Cultural Sustainable Development – over budget by £0.414m – The Corporate Estate ended the year with an adverse budget position of £0.5m, resulting from high running costs of surplus properties and loss of income from un-let buildings, which in turn means an ongoing savings target to reduce maintenance costs across the estate is not being met. The Regeneration service recorded a £1m adverse outturn position due to delays in securing budgeted rental income. Heritage Services also ended the year with a £0.6m over budget position, primarily due to visitor numbers being lower than budgeted. These overspends were offset by one-off income relating to a historical broadband investment windfall to the Council, along with a technical adjustment to reduce an accounting provision.

Neighbourhood Services – over budget by £1.209m – Cost pressures across Waste Services (£1.0m), reduced income for Bereavement Services (£0.1m) as a result of a chapel closure for remedial works, and delays in achieving savings in Customer Services (£0.1m), contributed to the adverse outturn position for the portfolio.

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

Resources - under budget by £5.918m – Borrowing costs were £1.4m 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 £0.8m less than budgeted. Release of corporate contingencies (£2.3m) to support the Council's bottom line position, along with favourable positions on net investment income (£0.3m), income from City Deal Business Rate Pooling (£0.4m), and government business rates grant income (£0.3m), resulted in corporate budgets coming in at a total favourable variance of £5.3m.

Underspends in Procurement (£0.2m) due to staffing, ICT (£0.1m) due to contract spend, and Housing Benefit Subsidy (£0.3m) as a result of lower cost and internal housing provision to meet temporary accommodation demands, added to the favourable portfolio outturn position. Commercial Estate ended the year with a £0.2m adverse position as a result of additional rental income being insufficient to cover increased legal and borrowing costs.

Highways – under budget by £1.249m – Parking income has exceeded budget across the majority of locations. This, combined with a number of staff vacancies and reduced discretionary expenditure, means the service ended the year with a £1.0m favourable budget position. The Network and Traffic Management service also ended the year with a favourable £0.2m outturn position due to both higher income and lower staffing costs than budgeted.

Schools Outturn & Balances

The overall Dedicated Schools Grant (DSG) for 2024/25 was £195.260m, however of this sum £130.347m was returned to the Department For Education (DFE) to be allocated to Academies. A further £19.567m was allocated to maintained schools through funding formula. A further £18.060m was allocated directly to nurseries and early years settings under the Early Years formula with the remaining £27.285m was used by the Local Authority (LA) to support Special Educational Needs (SEND), Central Expenditure, and Early Years support services.

The centrally held elements of the DSG were over budget by £10.532m, due to significant increases in numbers and cost of placements for children with SEND, which is funded from the High Needs Block within the DSG. This overspend will be carried forward along with the accumulated deficit on the DSG of £22.263m giving a total overspend to be carried forward of £32.795m. In line with Government guidance, any overspend is carried forward for recovery against future DSG funding. Therefore, the LA 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 £32.795m 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 LA's General Fund and covers the period to 31st March 2026. Further guidance on the treatment of DSG deficits is anticipated as part of the June public spending review.

In March 2023, the LA entered into a Safety Valve Agreement recovery plan with the DFE to bring spending in line with budget over the next 6 years. 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 required us to submit a revised version, so also shown below are 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
Total	£19.22m	£8.23m to date

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 DFE are currently reviewing our latest submission, and a revised plan is anticipated to be agreed with the DFE in the next few months. Once agreed a new schedule of payments will be agreed as part of that process.

The seven schools maintained by the LA have balances that have increased by £0.685m to £1.876m 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.

Two of the seven maintained schools have recently converted to academy. Their balances are included in the figures above as they were maintained as at the 1st April 2025. Their balances will be removed from the council's accounts during 2025/26 financial year.

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

	Budget	Actual	(Under)/ Over
Service (based on Cabinet Portfolios)	£'000	£'000	Budget £'000
Leader	(274)	(437)	(163)
Council Priorities & Delivery	6,283	5,943	(340)
Resources	9,549	3,631	(5,918)
Economic & Cultural Sustainable Development	(5,867)	(5,453)	414
Adult Services	62,883	62,952	69
Children's Services	46,407	52,586	6,179
Climate Emergency & Sustainable Travel	1,524	1,457	(67)
Built Environment & Sustainable Development	2,920	2,786	(134)
Neighbourhood Services	27,089	28,298	1,209
Highways	(954)	(2,203)	(1,249)
Total (before carry forwards)	149,560	149,560	-
Carry Forward Requests (Underspends)			206
Total (Including Carry Forwards)			206

The Leader Portfolio is made up of Emergency Services and Housing Delivery Vehicle.

The Council Priorities and Delivery Portfolio includes Human Resources & Organisational Development and Business Change, as well as Corporate Office.

The Resources Portfolio is made up of Finance, Procurement, 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), Home to School Transport 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.

Build Environment & Sustainable Development is made up Building Control, Development Management and Housing.

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 Park & Ride.

NARRATIVE REPORT

Collection Fund

As part of the 2025/26 budget setting, an estimate was made on the position of the Collection Fund as at 31st March 2025. 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 worsened by £1.460m over the estimated position. The main reason for the surplus reduction relating to Business Rates is due to an increase in Empty Property Relief and Retail Relief, partially offset by improved Bad Debt provision. The difference will be taken into consideration when estimating the closing 2025/26 Collection Fund as part of the 2026/27 budget process.

	Estimated surplus / (deficit) £'000	Actual surplus / (deficit) £'000	Difference £'000
Council Tax	664	320	(344)
Business Rates	6,261	5,145	(1,116)
Total	6,925	5,465	(1,460)

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 £167.7m. This reconciles to the General Fund spending reported above as follows:

	£'000	£'000
Total net spending by departments		149,560
Add:		
Charges related to capital assets:		
- depreciation, amortisation and impairments	17,366	
- revenue expenditure funded from capital under statute	9,596	
- loss / (gain) on revaluations	(3,533)	
		23,429
Other Movements:		
Grant funded revenue expenditure funded from capital under statute	(7,881)	
Unapportioned pensions contributions	(480)	
Levy payments	(5,462)	
Interest received and paid	(7,895)	
Non-Ringfenced Government Grants	19,969	
Other movements on funds and balances	10,883	
Minimum Reserve Payment (MRP)	(11,563)	
Net transfers from / (to) reserves	(5,545)	
		(7,974)
Cost of services - continuing operations		165,015

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

Capital Expenditure

Capital expenditure in 2024/25 totalled £53.0m. Overall capital spending was 75% of the revised capital budget, primarily reflecting the delivery time to complete projects moving into future financial periods. Details of Capital expenditure by Cabinet Portfolio are set out in the table below:

Cabinet Portfolios	Planned Spend £'000	Actual Spend £'000	Variation on planned spend £'000
Leader	224	170	(54)
Climate Emergency & Sustainable Travel	3,926	3,079	(847)
Resources	11,178	6,762	(4,416)
Economic & Cultural Sustainable Development	14,388	10,896	(3,493)
Children's Services	9,276	5,558	(3,718)
Adult Services	2,389	2,349	(40)
Highways	17,541	15,312	(2,228)
Neighbourhood Services	5,318	4,021	(1,297)
Built Environment & Sustainable Development	6,294	4,894	(1,400)
	70,534	53,041	(17,493)

NARRATIVE REPORT

Capital expenditure was financed by:

	£'000
Capital Receipts	2,436
Grants	27,417
Borrowing	18,103
3rd Party Contributions	565
Revenue	1,389
S.106 / CIL contributions	3,131
	<u>53,041</u>

Key Programme Spend is illustrated as follows :

	£'000
Highways Maintenance Block	9,204
Local Active Travel Safety Programme (LATS)	2,754
City Centre Security	1,463
CRSTS Liveable Neighbourhoods	1,077
CRSTS Somer Valley Links	1,326
Social Rent Programme (Phase 1 of BANES Homes)	2,497
Local Authority Housing Fund (Ukrainian/Afghan homes)	1,952
Disabled Facilities Grants	2,021
Property Company Investment - Council Loans	1,434
Midsomer Norton High Street Renewal Programme	1,608
Bath Quays North	1,215
Bath Western Riverside (BWR) Phase 2	1,736
Basic Needs - School Improvement / Expansion	2,784
SEND (Special Education Needs & Disability) Programme	1,892
Corporate Estate Planned Maintenance	2,008
Commercial Estate Refurbishment Programme	2,187
Flexible Use of Capital Receipts (Transformation)	1,383
Council Vehicles	1,842

Property, Plant & Equipment

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

Transfers of £0.622m from Assets Under Construction reflecting projects becoming operational in the year:-

	£'000
5G Network	278
CCTV Upgrades	274
Other	70
	<u>622</u>

Net Property Revaluation gain of £26.721m for Other Land and Buildings and Surplus Assets for the following classes of assets:-

	£'000
Heritage	16,851
Leisure Centres	12,363
Adults Day Centre	5,042
Housing	389
Playing Fields	344
Children Centres	82
Depot/Stores	(169)
Car Parks	(1,636)
Schools	(1,828)
Refuse/CA Sites	(2,147)
Offices	(3,156)
Other	586
	<u>26,721</u>

Investment Property Assets Values

Investment Properties were subject to new valuations in 2024/25 and reflected a valuation basis of fair value.

A £9.012m reduction in Investment Property values has occurred since the last full valuation was undertaken (31st March 2024)

NARRATIVE REPORT

Non Financial Performance of the Council

The council adopted a new four-year Corporate Strategy at its meeting on 20 July 2023. The document set a new direction for the council, reflecting the aims of the administration elected in May 2023. It provides a clear approach to deliver the council's activities and priorities.

The Corporate Strategy is the council's overarching strategic plan. It sets out what we plan to do, how we plan to do it, and how we will measure performance over the next four years. The Corporate Strategy framework is set out below:

- 1) We have one overriding purpose - to improve people's lives. This brings together everything we do, from cleaning the streets to caring for our older people. It is the foundation for our strategy, and we will ensure that it drives our commitments, spending, and service delivery.
- 2) We have two core policies - tackling the climate and ecological emergency and giving people a bigger say. These will shape our work.
- 3) To translate our purpose into commitments, we have identified three principles. We want to prepare for the future, deliver for residents and focus on prevention.

These, in turn, help us to identify specific delivery commitments across our 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

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.

NARRATIVE REPORT

Non Financial Performance of the Council (cont.)

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.

Tackling the Climate Emergency

Over the last year:

We have launched our Carbon Reduction Accelerator, a 12-week pilot programme to help SMEs reduce their carbon footprint and increase energy efficiency.

We have planted new trees. We are working in partnership with the Western Forest project which aims to create at least 2,500 hectares of new woodlands and other habitats created across Bath and North East Somerset over the next five years.

We have continued investing in green initiatives, with over £5.435 million to be allocated to capital schemes, including renewable energy projects, active travel and nature recovery projects such as the Chew Valley Recreational Trail. Additionally, we are working to decarbonise our corporate estate.

We have supported community led-action on energy by securing over £1.5 million in grant funding. We also helped open a new base of operations for Climate Hub B&NES, a climate group set up by local residents to engage the community and advise on the climate crisis.

We have improved and created Green spaces across the area. These aim to improve biodiversity and conserve the landscape. We have completed a wild meadow footpath in Somer Valley and started work on a 10km linear park alongside the Avon called the Bath River Line project.

We received national recognition on our work tackling the climate emergency. We were awarded a B by the Carbon Disclosure Project for progress on tackling the climate emergency and were ranked 7th on Climate Action for all UK councils. Additionally, 6 of our parks have received Green Flags of excellence.

Some of the ways progress has been measured are shown below:

Number of air quality monitoring locations exceeding the targeted level of Nitrogen Dioxide	Current 3 Mar 23	Previous 7 Mar 22
Indicator update This indicator has been rated as amber because 3 locations exceed the local objective target of 36µg/m3 - Bath New Rd, Radstock (37) & Walcot Parade 2 Bath (38). The UK national objective target of nitrous dioxide (NO ₂) levels set by Government is 40 µg/m3. We want to be aspirational in further protecting public health and reducing pollution. In 2022, in a Cabinet Report, we referenced an ambition to create our own local target for NO ₂ of 36µg/m3. In the 2024 Air Quality Annual Status Report, we monitored air quality at over 169 locations. At all these sites, all but one monitoring result was below the national objective, with two other sites exceeding our own local objective of 36µg/m3.		

EPC Score A-C for B&NES residential	Current 35% Sep 24	Previous 31% Sep 23
This indicator has been rated green because it is on target. Through the enforcement of minimum energy efficiency standards (MEES), we have seen improvements in more than 70 privately rented homes, enabling a saving of more than 125 tonnes CO ₂ .		

Giving People a Bigger Say

Over the last year:

We have consulted local communities on where to allocate funding. We used public consultation to help inform where to allocate the funding for the Bath neighbourhood portion of the Community Infrastructure Levy (CIL), leading to eight new projects sharing over £325,000 in funding. Some of these projects include extra activities for young people, playpark improvements and a new pedestrian crossing.

We began new Community Conversations to provide avenues for residents and community organisations to discuss topics and address concerns. At the 9 events held from November 2024 to March 2025, we heard from more than 130 people, with over 150 issues raised.

We have invested in improved communication services. This will ensure that all individuals are able to easily access and use our services. Over £251,000 in funding is being invested to enhance customer contact services by replacing outdated telephony and contact centre systems. This is part of our Unified Communications strategy, which will see us move to a single phone number to help residents get their issues resolved first time.

What have we done? 30 public meetings and events 92 partners involved 660+ people actively engaged 1,600+ people kept informed £325,000 funding secured for partnership goals £372,063.63 funding granted to community projects
--

Percentage of residents who feel they can inform decision making	Current 11% Dec 23	Previous 20% Dec 22
Indicator update This indicator has been rated red because the figure has fallen, although comparative data with other councils is not readily-available .		

NARRATIVE REPORT

Non Financial Performance of the Council (cont.)

Focusing on Prevention

Healthy Lives & Places

Over the last year:

We have equipped people to save lives. We have installed twelve emergency first aid kits in Bath and Keynsham, providing the tools needed to care for someone suffering a life-threatening injury.

We have provided healthier options for smokers. Swap to Stop is a campaign designed to help individuals quit smoking. We offer a free vape kit from our Stop Smoking Service, allowing residents to swap cigarettes for vapes, which are less harmful than smoking.

We have set-up plans to help tackle the increasing challenges of food insecurity. To help mitigate its damaging consequences, we launched Tackling Food Insecurity in B&NES: Rising to the Challenge. Alongside this, we are producing a Local Sustainable Food Resilience Strategy.

Delivering for Young People & Children

Over the last year:

We have provided additional support to our Lifelong Links programme. We have secured additional funding to ensure children in care have access to a positive support network. The service currently works with 20 children and young people, and this funding will enable the service to be extended to more children who desperately need support.

We have been recognised for the support we provide to young people. Our Children's Services were praised by Ofsted for their support and commitment to care-experienced young people, noting that children are well supported and "benefit from enduring relationships with people who care for them and about them". A HM Inspectorate of Probation report, highlighted the outstanding work of Youth Justice Service staff, rating the service as "Good" overall.

We have secured funding for more facilities and activities for young people. The Lux Youth Project, a charity that works with young people from Bath, Peasedown St John and Timsbury, was awarded community funding of over £52,389 to help deliver more activities and improve their facilities. Its services include breakfast clubs, 1:1 mentoring, a street dance academy and a food pantry.

Support for Vulnerable Adults and Children

Over the last year we have:

We have set up plans to open new schools for vulnerable children in Bath and North East Somerset. These include proposals to redevelop the former site of the Bath Community Academy School into a school to support children with SEND. There are also plans to develop a new special residential and day school in Keynsham that would cater for young people aged 11-17 with special complex educational needs. Additionally, we have hosted events to raise awareness of the local support available for SEND individuals and their families.

We have developed the first ever co-produced carers strategy. The plan was created with the help of more than 380 adult carers, identifying what is and isn't working for them and how support for carers can be made as effective as possible in the future.

Here are some ways we have measured our progress:

% of mothers known to be smokers at the time of delivery	Current 7% Dec 24	Previous 8% Dec 23
Indicator update This indicator has been rated green because it is falling, in line with target goals. This number has been decreasing since 2021, where it was 9%. B&NES out performs regional and national statistics which are 8% and 7% respectively.		

Child Protection Plans stepped down or closed	Current 80% Mar 25	Previous 70% Mar 24
Indicator update This indicator has been rated green because it is performing well. The number of child protection plans, which are made when a child is judged to be at risk of significant harm, ending per quarter with a reason for 'plan end' or risk reduced has dramatically improved.		

Mental health: Adult service users in employment	Current 11% Mar 24	Previous 9% Mar 23
Indicator update This indicator has been rated green because in line with national averages. Our adult service users in employment dropped significantly from 13% in December 2019 to 7% in September 2022. However, it is currently rising.		

Key Stage 4 Average Attainment for all pupils	Current 49.2 Jul 24	Previous 49.7 Jul 23
Indicator update This indicator has been rated green because it is on target and above regional and national statistics. KS4 attainment remained strong in 2022/23; pupils in B&NES achieved a higher proportion of grades (9-5) in English and Maths (51%), compared to the South West (45%) and England (45%). Nationally, we have one of the highest performances outside of London.		

Early Years Foundation Stage Achievement Gap	Current 32% Jul 24	Previous 39% Jul 23
Indicator update This indicator has been rated green because it has improved significantly over the last year. B&NES has a long-standing attainment gap between the educational outcomes of disadvantaged pupils and non-disadvantaged pupils. This gap starts in the early years and is particularly concerning in Key Stage 2 (year groups 3-6). This indicator is improving with the current gap falling from 39% seen in July 2023.		

% of adults at home 91 days after reablement service	Current 77% Dec 24	Previous 76% Dec 23
Indicator update This indicator has been rated green because it is on target. It shows sustained improvement in performance by the reablement service.		

NARRATIVE REPORT

Non Financial Performance of the Council (cont.)

Delivering for Local Residents

Clean, Safe and Vibrant Neighbourhoods

Over the last year:

We have worked to make our streets cleaner and greener. We have introduced a chewing gum littering task force and to help make recycling easier a new trial for reusable red bags has been established across five hundred households. We are also investing an additional £1 million in neighbourhood services.

We have also invested over £251k for demand-led rapid response teams to tackle weeds, graffiti and litter in the 2025-26 budget to keep our streets cleaner and greener

We have developed a new streets strategy to help manage and support outdoor trading and events whilst ensuring that streets remain safe and accessible for highway users. This strategy will detail how we use our outdoor spaces, including permissions for street trading, events and filming and what items can be placed on the highway.

More Travel Choices

Over the last year:

We have invested in extending our Park and Ride hours. This service will now run until 11:30pm from Monday to Saturday on a trial basis until 31 August. This aims to help support local businesses and offer greater opportunities for tourists and workers. The National Highways and Transport Network Satisfaction survey saw us rated 2nd for our Park and Ride services out of 96 local authorities.

We have launched a Transport Action Map. Over the next three years we are planning to deliver an unprecedented number of transport schemes. This interactive tool allows people to view over 200 of our current and future transport projects.

We have approved funding for improvements to walking, cycling, wheeling, public transport infrastructure across the region. The Somer Valley Links scheme aims to improve links and reduce congestion along the A37 and A367. The next steps including a full business case, further consultation and detailed designs are set to go ahead.

We have been recognised for the excellent work of our staff. The National Highways and Transport Network Satisfaction survey ranked 1st for the speed and quality of response from our staff.

The Right Homes in the Right Places

Over the last year:

We progressed the delivery of the council's Housing Plan 2025-30, which outlines commitments over the next five years to provide affordable, safe and high-quality homes. This plan sets the strategic direction for meeting future housing need and outlines how the council will use council land resources, new land acquisition opportunities and partnering arrangements to unlock and deliver homes that meet local housing needs and priorities.

We have increased the availability of affordable homes. Construction of 18 new affordable homes for social rent is underway at the Argyle Works site. They will be energy-efficient apartments, three of which will be set aside for young people.

We have received planning permission for homes in Bath city centre for the development of 96 energy-efficient homes, located in Bath Quays North.

We have begun work on Bath's Western Riverside Development to develop over 900 quality, sustainable market and affordable homes, as well as a riverside park. This will transform a 12.4-acre redundant brownfield site into a new landmark place to live in the centre of Bath.

We have developed plan to provide much-needed accommodation for adults with learning disabilities at Englishcombe Lane. We have approved the construction of 16 community housing units which are designed to support adults with learning difficulties and autism.

Here are some ways we have measured our progress:

% of household waste reused, recycled, composted or recovered	Current 94% Dec 24	Previous 96% Dec 23
Indicator update This indicator has been rated green because, even though the trend is decreasing, it is still on-target.		
Road traffic collisions resulting in personal injury	Current 228 Dec 24	Previous 275 Dec 23
Indicator update This indicator has been rated green because the number of road traffic collisions has been falling consistently. There was a small rise to 275 in 2023, but this is likely to be due to the increase in traffic following the easing of COVID-19 measures.		
Traffic volumes	Current 601,502 Dec 24	Previous 635,437 Dec 23
Indicator update This indicator has been rated red because traffic volumes are higher than our target. This is reflected nationally. In 2023, overall traffic levels in Great Britain were higher than in 2022 although still 2.3% lower than 2019 pre-pandemic levels. B&NES has a similar profile to the national one.		

Households in temporary accommodation	Current 85 Mar 25	Previous 58 Dec 24
Indicator update This indicator has been rated amber because the numbers have risen slightly, but based on 2024 data, the council is in the top 30 th percentile of national authorities. Demand for temporary accommodation remains high locally and nationally with no sign that demand is decreasing.		
Housing delivery targets – net new homes	Current 712 Mar 24	Previous 511 Mar 23
Indicator update This indicator has been rated amber because, while the number of homes built is progressing, it is not in line with the new extended Government targets. Our past delivery of homes has comfortably exceeded targets set by central government. However, in December 2024, the National Planning Policy Framework was updated. It now outlines a target of 1.5 million homes.		

NARRATIVE REPORT

Non Financial Performance of the Council (cont.)

Preparing for the Future

Cultural Life

Over the last year:

We have secured funding for Fashion Museum Bath, one of the leading fashion collections in the world. This grant will see a prototype developed for an online catalogue, allowing people to engage with the collection while plans for its new home remain undecided.

Skills to Thrive

Over the last year:

We have launched a new early years careers workforce recruitment and careers website. Shape Your Future aims to increase the number of early years education and childcare practitioners so that our children will have the support they need.

We have provided specialist skills training support to Bridges Electrical Engineers to upskill staff and create new jobs. So far, Skills Bootcamp funding has seen more than 70 existing staff upskilled and 14 unemployed learners going on to gain long-term employment.

We have promoted volunteering activities through our Volunteers Fair. Our Employment and Skills Pods ran this for the second time in Bath, offering opportunities from employers such as Guide Dogs for the Blind and Dorothy House.

Good Jobs

Over the last year:

We have created more job opportunities. The council have secured the future of Jolly's store on Milsom Street, Bath. This will not only bring a new shopping destination for residents but also new employment opportunities to the local area.

We have helped businesses connect through our Business Show. This two-day event provided opportunities for local businesses to explore new opportunities and network. The show included specialist clinics and talks from organisations such as Radio Bath and Bath & North East Somerset Council's Invest in B&NES service.

Here are some ways we have measured our progress:

Median wage for B&NES residents	Current £40,218 <i>Apr 24</i>	Previous £38,669 <i>Apr 23</i>
Indicator update This indicator has been rated green because our median wages for B&NES residents have increased over 4% from 2023. This is higher than the national and regional median wages, which are £37,617 and £36,112 respectively.		

Median wage for people who work in B&NES	Current £36,382 <i>Apr 24</i>	Previous £34,945 <i>Apr 23</i>
Indicator update This indicator has been rated green because it has increased 4.1% over the last year. Our workplace gross full-time pay has increased 4.1% since 2023 and the average pay has increased 8.0% since 2023, now reaching £44,398. We perform well in the region, with the median wage for the South West being £35,634.		

NARRATIVE REPORT

Corporate Risk Management

The Council's overall risk management approach seeks to minimise potential adverse effects impacting on its priorities, plans and operational objectives.

The Risk Management Strategy is a structured approach that is used to identify, assess, and manage risks that could potentially impact the Council's plans and operational objectives. It outlines how we will proactively address potential threats, develop mitigation plans, and monitor the effectiveness of the risk management efforts. The Risk Management Strategy is planned to be next reviewed in 2026 post implementation of the Council's new Financial System.

The approved Corporate Strategy 2023-27 has one overriding purpose of 'improving people's lives' and two core policies which are i) tackling the climate and ecological emergency and ii) giving people a bigger say.

Key risks to the achievement of the Council's outcomes continue to be managed at a strategic level to respond to the challenges of delivering services. A Corporate Risk Register is owned and managed by the Corporate Management Team and subject to formal quarterly review. The Audit Committee also regularly review Corporate Risk Management arrangements to provide assurance that the system is working effectively. The Corporate Risk Register is included in the Corporate Risk Management Section of the Council's Integrated Reporting Framework which brings together finance, performance and risk into one corporate reporting portal.

A Corporate Risk Management Steering Group, chaired by the Council's Chief Operating Officer, helps to also support our overall arrangements by providing further oversight on major project/departamental/service and corporate risks.

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 £38.0m 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 2024/25 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 Aequis Developments Ltd (ADL) (develop, deliver, own & manage property) and Aequis Construction Ltd. (ACL) (building construction & development). Both entities are ultimately 100% subsidiaries of the Council, with ADL and ACL both being 100% subsidiaries of Aequis Group Holdings Ltd (AGHL) (non-trading holding company), which itself is a 100% subsidiary of the Council.

The turnover and assets held by Aequis Developments Ltd (ADL) and Aequis 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 impacting on our finances. This has resulted in increased demand across all services, including finance. 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.

Jeff Wring

Director of Financial Services, Assurance & Pensions (s151 Officer)

Date: **xx xxxxxxxx 2025**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2024/25

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	2023/24 Gross Exp £'000	2023/24 Gross Inc £'000	2023/24 Net Exp £'000		2024/25 Gross Exp £'000	2024/25 Gross Inc £'000	2024/25 Net Exp £'000
				Expenditure on Services			
	1,275	(1,309)	(34)	Leader	656	(772)	(116)
	10,686	(1,520)	9,166	Council Priorities & Delivery	8,968	(1,445)	7,523
	61,050	(45,185)	15,866	Resources	61,295	(43,582)	17,713
	26,065	(26,704)	(639)	Economic & Cultural Sustainable Developm't	21,704	(30,972)	(9,268)
	128,196	(59,919)	68,277	Adult Services	120,228	(62,695)	57,533
	124,483	(78,326)	46,157	Children's Services	149,463	(95,148)	54,315
	4,073	(2,434)	1,639	Climate Emergency & Sustainable Travel	5,581	(3,810)	1,771
	15,303	(11,381)	3,922	Built Environment & Sustainable Development	12,198	(10,840)	1,358
	47,011	(9,598)	37,413	Neighbourhood Services	39,227	(9,482)	29,745
	24,645	(22,605)	2,039	Highways	25,675	(21,234)	4,441
	442,787	(258,981)	183,806	Cost of Services - continuing Operations	444,995	(279,980)	165,015
9			8,667	Other Operating Expenditure			7,739
10			10,684	Financing and Investment Income & Expenditure			7,150
11			(177,084)	Taxation and Non-Specific Grant Income			(186,480)
			26,073	(Surplus) or Deficit on Provision of Services			(6,576)
24			(21,950)	(Surplus) on Upward Revaluation of Non-current Assets			(37,158)
24			12,567	Deficit on Downward Revaluation of Non-current Assets			5,887
41			(33,470)	Remeasurement of the net defined benefit liability			(43,159)
			(42,853)	Other Comprehensive Income & Expenditure			(74,430)
			(16,780)	Total Comprehensive Income & Expenditure			(81,006)

MOVEMENT IN RESERVES STATEMENT 2024/25

This Statement shows the movement from the start of the year to the end of the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices, and the statutory adjustments required to return the amounts chargeable to Council Tax for the year. The Net Increase / Decrease line shows the statutory General Fund Balance movements in the year, following those adjustments.

Current Year	Unearmarked General Fund Balance £'000	Earmarked General Fund Balance £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves (Note 23) £'000	Unusable Reserves (Note 24) £'000	Total Authority Reserves £'000
Balance at 31 March 2024	12,789	73,652	86,441	7,711	-	94,152	332,149	426,301
Adjustment to Opening Balance: IRFS16 Lease Transition (Note 16)			-			-	(8,370)	(8,370)
Movements During 2024/25:								
Total Comprehensive Income & Expenditure	6,576	-	6,576	-	-	6,576	74,430	81,006
Adjustments between accounting basis and funding basis under statutory provisions	(1,235)	-	(1,235)	1,071	-	(164)	164	-
Increase / (Decrease) during year	5,340	-	5,340	1,071	-	6,411	74,594	81,006
Transfers to / (from) earmarked reserves	(5,545)	5,545	-	-	-	-	-	-
Balance at 31 March 2025	12,584	79,197	91,781	8,782	-	100,563	398,373	498,936
Comparative Year	Unearmarked General Fund Balance £'000	Earmarked General Fund Balance £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves (Note 23) £'000	Unusable Reserves (Note 24) £'000	Total Authority Reserves £'000
Balance at 31 March 2023	12,802	70,824	83,626	9,042	-	92,668	316,853	409,522
Movements During 2023/24:								
Total Comprehensive Income & Expenditure	(26,073)	-	(26,073)	-	-	(26,073)	42,853	16,780
Adjustments between accounting basis and funding basis under statutory provisions	28,889	-	28,889	(1,331)	-	27,557	(27,557)	-
Increase / (Decrease) during year	2,815	-	2,815	(1,331)	-	1,484	15,296	16,780
Transfers to / (from) earmarked reserves	(2,828)	2,828	-	-	-	-	-	-
Balance at 31 March 2024	12,789	73,652	86,441	7,711	-	94,152	332,149	426,301

BALANCE SHEET as at 31 MARCH 2025

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 2024 £'000		31 March 2025 £'000
12	303,503	Property, Plant & Equipment:	
	4,874	Land & Buildings	332,209
	21,923	Community Assets	3,466
	40,274	Vehicles, Plant & Equipment	21,098
	3,429	Assets under Construction	53,356
12a	144,297	Surplus assets	3,571
13	48,564	Infrastructure	155,248
14	242,016	Heritage Assets	52,143
15	479	Investment Property	233,005
19	8,875	Intangible Assets	305
	818,234	Long Term Debtors	9,035
		Long Term Assets	863,436
17	7,800	Short Term Investments	7,648
	709	Inventories	767
19	56,844	Short Term Debtors	60,903
20	24,265	Cash and Cash Equivalents	23,548
	-	Assets Held for Sale	-
	89,619	Current Assets	92,866
17	(10,413)	Short Term Borrowing	(66,686)
21	(70,047)	Short Term Creditors	(63,377)
35	(2,402)	Grants Receipts In Advance - Revenue	(1,808)
35	(41,215)	Grants Receipts In Advance - Capital	(25,974)
	(124,077)	Current Liabilities	(157,845)
22	(7,764)	Provisions	(6,645)
17	(238,101)	Long Term Borrowing	(212,719)
21,41&42	(92,413)	Other Long Term Liabilities	(52,881)
35	(19,197)	Grants Receipts In Advance - Capital	(27,276)
	(357,475)	Long Term Liabilities	(299,521)
	426,301	Net Assets	498,936
23	94,152	Usable reserves	100,563
24	332,149	Unusable Reserves	398,373
	426,301	Total Reserves	498,936

The audited accounts were authorised for issue on xx xxxxxxxx 2025, and replace the unaudited accounts that were issued on 12th June 2025.

Jeff Wring

Director of Financial Services, Assurance & Pensions (s151 Officer)

Date: xx xxxxxxxx 2025

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.

	2023/24 £'000	See Note 25 for further details	2024/25 £'000
	(26,073)	Net surplus or (deficit) on the provision of services	6,576
A	37,406	Adjustment to surplus or deficit on the provision of services for non cash movements	12,366
A	(24,206)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(34,613)
	(12,874)	Operating Activities	(15,672)
C	(19,482)	Investing Activities	(16,073)
D	28,079	Financing Activities	31,027
	(4,276)	Net Increase/(decrease) in cash equivalents	(717)
E	28,541	Cash & cash equivalents at the beginning of the reporting period	24,265
E	24,265	Cash & cash equivalents at the end of the reporting period	23,548

NOTES TO MAIN FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end 31 March 2025. 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 2024/25 (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Qualitative Characteristics of Financial Statements

Relevance - The accounts have been prepared with the objective of providing information about the Council's financial performance and position that is useful for assessing the stewardship of public funds, and for making financial decisions.

Materiality - The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted, provided that in aggregate, they would not affect the interpretation of the accounts.

Faithful Representation - The financial information in the accounts is a faithful representation of the economic performance of the Council as they have been prepared to reflect the reality or substance of the transaction, are free from deliberate or systematic bias, are free from material error and contain all the information necessary to aid understanding.

Verifiability - Different knowledgeable and independent observers will be able to reach the same conclusion from the information presented in the accounts.

Timeliness - The information provided in the accounts is available to decision makers in time to be capable of influencing their decisions.

Understandability - These accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and Local Government. Every effort has been made to use plain language, and where technical terms are unavoidable, they have been explained in the glossary contained within the accounts.

1.3 Underlying Assumptions

Accruals Basis

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

Going Concern

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

Primacy of Legislation Requirements

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

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

1.4 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- * Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- * Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received, and their consumption, they are carried as inventories on the Balance Sheet.
- * Works are charged as expenditure when they are completed, before which they are carried as Works In Progress on the Balance Sheet.
- * Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- * Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- * Income and expenditure are credited and debited to the relevant service account, unless they properly represent capital receipts or capital expenditure.
- * Employee benefits are accounted for as they are earned.

NOTES TO MAIN FINANCIAL STATEMENTS

1.5 Revenue Recognition

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

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

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

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

1.6 Tax Income (Council Tax & Non-Domestic Rates)

Non Domestic Rates (NDR)

- Retained Business Rate income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.
- Top Up income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Council Tax

- Council Tax income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

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

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

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

1.7 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

1.8 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus of Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies below. Capital reserves are not available for revenue purposes.

NOTES TO MAIN FINANCIAL STATEMENTS

1.9 Government Grants and Contributions

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

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

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

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

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

1.10 Employee Benefits

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

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

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

Post-Employment Benefits

Employees of the Council are members of two separate pension schemes:

The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

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

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council.

However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a Defined Contribution Scheme - no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education line in the Comprehensive Income & Expenditure Statement is charged with the employer's contributions payable to Teacher's Pensions in the year.

NOTES TO MAIN FINANCIAL STATEMENTS

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a Defined Benefit Scheme:

The liabilities of the Avon Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the Projected Unit Method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.8% (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:

When the calculation results in an asset for the Council, the asset must be recognised at the lower of that asset and the asset ceiling, which is calculated as the net present value of future service costs less net present value of future contributions over the future working lifetime. Where the asset ceiling is the lower, an adjustment is required, which is included as a rereasurement.

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.
- asset ceiling adjustment - reduces to the calculated asset ceiling if this is lower than the asset position.

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

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

Benefits Paid - payments to discharge liabilities directly to pensioners.

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

Discretionary Benefits

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

1.11 VAT

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

1.12 Overheads and Support Services

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

1.13 Property, Plant & Equipment (excluding Infrastructure Assets)

Property, plant and equipment are assets held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to revenue as it is incurred. In relation to Assets Under Construction, these are recognised at invoiced cost. Once an Asset Under Construction has reached practical completion, it will become operational and will be transferred to the appropriate asset class.

Measurement: Assets are initially measured at cost, comprising of the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The authority does not capitalise borrowing costs incurred while assets are under construction. Assets are then carried in the Balance Sheet using the following measurement bases:

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

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Non-current assets are valued in accordance with the guidance published by the Royal Institution of Chartered Surveyors. Valuations are undertaken by the Council's Property Services Department on a recurring, minimum 5 year basis and reviewed annually for impairment and material changes. The valuations were done on the basis of Existing Use Value, Market Value or, in the case of specialised properties on the basis of, Depreciated Replacement Cost in accordance with the RICS Valuation Standards. Valuations are reviewed and signed off by Richard Long FRICS (Registered Valuer), Head of Property Services. The carrying value of asset in the Balance Sheet ahead of new valuations can be different due to both depreciation, an assumed diminution in value, as well as new capital spend.

Where decreases in value are identified, they are accounted for by:

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Impairment: Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- * where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains).
- * where there is no balance or insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

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

NOTES TO MAIN FINANCIAL STATEMENTS

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

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

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

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

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

Charges to Revenue for Property, Plant & Equipment

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

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

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

1.13a Highways Infrastructure Assets

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

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

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

Impairment: Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

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

NOTES TO MAIN FINANCIAL STATEMENTS

1.14 Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment on a straight line basis to reflect the pattern of consumption of benefits.

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

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the capital adjustment account and the capital receipts reserve.

1.15 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods.

Investment properties are measured initially at cost and subsequently at fair value, 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

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

A lease is a contract that conveys the right to control the use of an identified asset for a period of time, through rights to both obtain all the economic benefits or service potential of the asset.

This includes arrangements with nil consideration, peppercorn or nominal payments.

The Authority as Lessee

All leases are classified as finance leases, and are included on the balance sheet, unless they meet one of the following exemptions:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- the lease is for a short term, defined as less than 365 days at inception or at implementation, (including extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Exempt lease payments are charged directly to revenue service expenditure in the Comprehensive Income and Expenditure Statement, whereas the accounting for finance leases are as follows:

Initial measurement

Finance leases are recognised as right-of-use assets with a corresponding lease liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later).

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments,
- variable lease payments that depend on an index or rate,
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for assets held under non-commercial leases. Typically these are leases for nil consideration of a peppercorn and are valued using market prices or rentals for equivalent land and properties.

Right-of use assets held under index-linked leases are adjusted for changes in the relevant index.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

NOTES TO MAIN FINANCIAL STATEMENTS

The lease liability is subsequently measured at amortised cost, using the effective interest method.

The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability.

Depreciation and impairments are not charges against council tax, as the cost of non-current 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.

The authority as lessor

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.

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 – 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 the 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 non-current 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 an 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.

1.21 Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Costs

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

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

Expected Credit Loss Model

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

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

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

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

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

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

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

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

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

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

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 2024/25 the Authority had three controlled companies - Aequis Group Holdings Limited, Aequis Construction Limited and Aequis Developments Limited. The turnover and assets held by Aequis Developments Ltd (ADL) and Aequis 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

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.

NOTES TO MAIN FINANCIAL STATEMENTS

A review of Land Registry records has established ownership of the asset by Trustees. However, there is no formal documentation that assigns control of economic benefits and service potential from Trustees to the schools. This arrangement is termed by CIPFA in LAAP101 as a "mere license", terminable by a Trustee at any time without causal action and the Diocese of Clifton has confirmed this as their view for the Catholic schools. It was concluded that "mere licenses" under a lease accounting analysis would not be recognised as assets.

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

The Council's adopted policy in the Financial Statements for the accounting treatment of Non-Current Assets Used by Local Authority Maintained Schools that fall within the Authority's boundary is as follows:

- i. Where assets are fully transferred to a Diocese or Trustee Body and there is strong supporting evidence of a transfer, the Authority will not include these assets on its Balance Sheet.
- ii. Where elements of an asset are retained by the Authority and there are Land Titles to support this, the Authority will include these as assets on its Balance Sheet.
- iii. Where transfer to a Diocese or Trustee Body is not complete or pending, the Authority will include these assets on its Balance Sheet.
- iv. Where there is no evidence to support transfer to a Diocese or Trustee Body, the Authority will include these assets on its Balance Sheet.

1.26 Group Accounts

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

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 2025/26 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2025. The following changes if adopted for the financial year 2024/25 are not expected to have a material effect on the Authorities Statement of Accounts.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rate - Lack of exchangeability

IFRS 17 Insurance Contracts - Recognition, measurement, presentation & disclosure of insurance contracts

These changes are not expected to have a material effect on the Council's Statement of Accounts.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 above, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Fair Value of Public Works Loan Board (PWLb) Loans

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

Pooled Budgets

Under the Section 75 Pooled Funding Arrangement, where the Council is lead commissioner and responsible for making contract payments, the Council and 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, which is a jointly funded and managed program between NHS England and local authorities to integrate health and social care services.

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 2024/25 financial year and based on the estimates of group financials for our 100% owned companies. With turnover of Aequus Construction Ltd. (ACL) of £11.804m and Aequus Developments Ltd (ADL) of £1.650m 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 2025 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 2025 is £38.0m.

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 £2.3m change for Investment Properties (Note 14), and £2.7m change for Property Plant and Equipment (Note 12).

5 MATERIAL ITEMS OF INCOME AND EXPENSE

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

6 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Financial Services, Assurance & Pensions (s151 Officer) on xx xxxxxxxx 2025. 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 2025, 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
2024/25	£'000	£'000	£'000	£'000	£'000
Leader	(437)	320	(117)	1	(116)
Council Priorities & Delivery	5,943	-	5,943	1,580	7,523
Resources	3,631	11,814	15,445	2,268	17,713
Economic & Cultural Sustainable Development	(5,453)	(2,346)	(7,799)	(1,469)	(9,268)
Adult Services	62,952	(1,368)	61,584	(4,052)	57,532
Children's Services	52,586	(241)	52,345	1,970	54,315
Climate Emergency & Sustainable Travel	1,457	75	1,532	239	1,771
Built Environment & Sustainable Development	2,786	(1,169)	1,617	(259)	1,358
Neighbourhood Services	28,298	(2,559)	25,739	4,006	29,745
Highways	(2,203)	(1,215)	(3,418)	7,859	4,441
Net Cost Of Services	149,560	3,311	152,871	12,144	165,015
Other Income & Expenditure	(140,194)	(18,017)	(158,211)	(13,380)	(171,591)
(Surplus) or Deficit on Provision of Services	9,366	(14,706)	(5,340)	(1,236)	(6,576)
Opening General Fund Balance at 31 March 2024			86,441		
Closing General Fund Balance at 31 March 2025			91,781		

	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
Net Cost Of Services	149,791	4,746	154,537	29,269	183,806
Other Income & Expenditure	(139,054)	(18,298)	(157,352)	(381)	(157,733)
(Surplus) or Deficit on Provision of Services	10,737	(13,552)	(2,815)	28,888	26,073
Opening General Fund Balance at 31 March 2023			83,626		
Closing General Fund Balance at 31 March 2024			86,441		

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
2024/25					
Leader				320	320
Council Priorities & Delivery				-	-
Resources	16,248	22,310	(22,185)	(4,559)	11,814
Economic & Cultural Sustainable Development	245			(2,591)	(2,346)
Adult Services				(1,368)	(1,368)
Children's Services				(241)	(241)
Climate Emergency & Sustainable Travel				75	75
Built Environment & Sustainable Development				(1,169)	(1,169)
Neighbourhood Services				(2,559)	(2,559)
Highways				(1,215)	(1,215)
Net Cost of Services	16,493	22,310	(22,185)	(13,307)	3,311
Other Income & Expenditure	(16,493)	(22,310)	10,236	10,550	(18,017)
Surplus or Deficit	-	-	(11,949)	(2,757)	(14,706)

	Adjustment for capital purposes (b) £'000	Net charges for Pension Fund adjustment (c) £'000	Other Adjustments (d) £'000	Total Adjustments Between Funding & Accounting Basis £'000
Leader	1	-	-	1
Council Priorities & Delivery	1,577	-	3	1,580
Resources	(12,093)	(1,063)	15,424	2,268
Economic & Cultural Sustainable Development	(907)	(564)	2	(1,469)
Adult Services	(2,978)	(1,076)	2	(4,052)
Children's Services	2,951	(977)	(4)	1,970
Climate Emergency & Sustainable Travel	239		-	239
Built Environment & Sustainable Development	(36)	(225)	2	(259)
Neighbourhood Services	5,127	(1,123)	2	4,006
Highways	8,322	(463)	-	7,859
Net Cost of Services	2,203	(5,490)	15,431	12,145
Other Income & Expenditure	(13,493)	3,493	(3,380)	(13,380)
Surplus or Deficit	(11,290)	(1,997)	12,051	(1,235)

NOTES TO MAIN FINANCIAL STATEMENTS

	Rental Income reported at Portfolio Level (a)	Other Income reported at Portfolio Level (a)	Interest Payments reported at Portfolio Level (a)	Other Payments reported at Portfolio Level (a)	Adjustments to the net amount chargeable to the General Fund £'000
2023/24	£'000	£'000	£'000	£'000	£'000
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)
Net Cost of Services	16,501	20,570	(17,941)	(14,384)	4,746
Other Income & Expenditure	(16,501)	(20,570)	7,354	11,419	(18,298)
Surplus or Deficit	-	-	(10,587)	(2,965)	(13,552)

	Adjustment for capital purposes (b)	Net charges for Pension Fund adjustment (c)	Other Adjustments (d)	Total Adjustments Between Funding & Accounting Basis
	£'000	£'000	£'000	£'000
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
Net Cost of Services	21,877	(4,875)	12,267	29,269
Other Income & Expenditure	(2,895)	4,841	(2,326)	(381)
Surplus or Deficit	18,981	(34)	9,941	28,888

(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

2024/25	General Fund Balance £'000's	Usable Reserves Capital Receipts Reserve £'000's	Capital Grants Unapplied £'000's	Movement in Unusable Reserves £'000's
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for depreciation of Non-Current Assets	17,188			(17,188)
Revaluation gains / Impairments on Property Plant & Equipment	(3,533)			3,533
Movements in the Market Value of Investment Properties	11,217			(11,217)
Amortisation of Intangible Assets	178			(178)
Capital Grants & contributions applied	(7,881)			7,881
Revenue expenditure funded from Capital under Statute	9,596			(9,596)
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	2,021			(2,021)
Impairment allowance for capital expenditure loans	(5)			5
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:				
Statutory provision for the financing of capital investment expenditure charged against the General Fund	(11,563)			11,563
Principal repayment of Avon Loan	(387)			387
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(23,232)		23,232	
Application of grants to capital financing transferred to the Capital Adjustment Account			(23,232)	23,232
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,499)	3,499		
Use of the Capital Receipts Reserve to finance new capital expenditure		(2,436)		2,436
Capital expenditure financed from revenue	(1,389)			1,389
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	-	-		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		8		(8)
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-			-
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	(170)			170
Adjustments primarily involving the Dedicated Schools Grant Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	10,532			(10,532)
Adjustments primarily involving the Pooled Fund Adjustment Account:				
Amount by which the change in fair value of pooled funds charged to the Comprehensive Income & Expenditure Statement is different from that calculated for the year in accordance with statutory requirements.	140			(140)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	20,055			(20,055)
Employer's pensions contribution and direct payments to pensioners payable in the year	(22,052)			22,052
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	1,649			(1,649)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	6			(6)
Other movements	(107)			107
Total Adjustments	(1,235)	1,071	-	164

NOTES TO MAIN FINANCIAL STATEMENTS

2023/24

	Usable Reserves			
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	Balance	Reserve	Unapplied	Reserves
	£'000's	£'000's	£'000's	£'000's
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for depreciation of Non-Current Assets	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)
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:				
Statutory provision for the financing of capital investment expenditure charged against the General Fund	(10,184)			10,184
Principal repayment of Avon Loan	(403)			403
Adjustments primarily involving the Capital Grants Unapplied Account:				
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
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(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)
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-			-
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	(169)			169
Adjustments primarily involving the Dedicated Schools Grant Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	8,810			(8,810)
Adjustments primarily involving the Pooled Fund Adjustment Account:				
Amount by which the change in fair value of pooled funds charged to the Comprehensive Income & Expenditure Statement is different from that calculated for the year in accordance with statutory requirements.	1,089			(1,089)
Adjustments primarily involving the Pensions Reserve:				
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
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	198			(198)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	27			(27)
Other movements	537			(537)
Total Adjustments	28,888	(1,331)	-	(27,557)

NOTES TO MAIN FINANCIAL STATEMENTS

9 OTHER OPERATING EXPENDITURE

	2024/25	2023/24
	£'000	£'000
(Gain) / Loss on disposal of non-current assets	(1,486)	(157)
Parish Precepts	3,763	3,365
Levy payments to joint bodies	5,462	5,459
	<u>7,739</u>	<u>8,667</u>

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2024/25	2023/24
	£'000	£'000
Interest Payable & Premiums	10,236	7,354
Interest & Investment Income	(2,341)	(2,302)
Net Deficit/(Surplus) on Trading Services	(442)	97
Income & expenditure in relation to Investment properties and changes in fair value	(3,931)	(401)
Impairment of Financial Instruments	(5)	6
Loss / (Gain) on Financial Instruments carried at Fair Value through Profit or Loss	140	1,089
Net Interest on the Net Defined Benefit Liability (Asset)	3,493	4,841
	<u>7,150</u>	<u>10,684</u>

11 TAXATION AND NON-SPECIFIC GRANT INCOME

	2024/25	2023/24
	£'000	£'000
Council Tax Income	(123,968)	(117,301)
Non-Domestic Rates Income & Expenditure	(19,204)	(24,206)
Non-ringfenced Government grants	(19,969)	(18,268)
Capital grants and contributions & Donated Assets	(23,339)	(17,309)
	<u>(186,480)</u>	<u>(177,084)</u>

NOTES TO MAIN FINANCIAL STATEMENTS

12 PROPERTY, PLANT & EQUIPMENT

Movement in 2024/25:

	Other Land & Buildings £'000	Community Assets £'000	Veh'cls, Plant & Equipment £'000	Assets Under Construction £'000	Surplus Assets £'000	Heritage Assets £'000	Total Property, Plant & Equipment (excl. Infrastructure) £'000
Cost or valuation as at 1 April 2024	305,607	4,874	50,747	40,274	3,429	48,564	453,495
Adjustment to opening balance	(2,427)		507		(4)		(1,924)
Additions	6,407	12	3,944	13,703	18	-	24,084
Revaluations increases/(decreases) recognised in the Revaluation Reserve	23,874	-	-	-	127	3,579	27,580
Revaluations increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	2,733	-	-	-	-	-	2,733
De-recognition - Disposals	(1,309)	-	(4,004)	-	-	-	(5,313)
Assets reclassified to/from Held for sale	-	-	-	-	-	-	-
Reclassifications - other	(53)	(1,420)	471	(622)	-	-	(1,624)
Other Movements	-	-	-	-	-	-	-
Valuation as at 31 March 2025	334,832	3,466	51,666	53,356	3,571	52,143	499,034

Accumulated Depreciation and Impairment

Accumulated depreciation as at 1 April 2024	(2,104)	-	(28,823)	-	-	-	(30,928)
Adjustment to opening balance	18				-		18
Depreciation charge in year	(4,995)	-	(5,507)	-	-	-	(10,502)
Depreciation written out to the Revaluation Reserve	3,690	-	-	-	-	-	3,690
Depreciation written out to the Surplus/Deficit on Provision of Services	766	-	34	-	-	-	800
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services*	-	-	-	-	-	-	-
De-recognition - disposals	2	-	3,729	-	-	-	3,731
Other Movements in Depreciation & Impairment	-	-	-	-	-	-	-
Accumulated depreciation at 31 March 2025	(2,624)	-	(30,567)	-	-	-	(33,191)
Balance sheet amount 31 March 2025	332,209	3,466	21,098	53,356	3,571	52,143	465,843

Revaluations (GBV)

Carried at Historic Cost	2,186	3,466	51,666	53,356	11		110,685
Heritage Valuations (Insurance or Curatorial)						52,143	52,143
Leased Assets @ Fair Value	5,427		982				6,409
Valued at Current value as at:							
Y/E 31/03/2025	271,094						271,094
Y/E 31/03/2024	31,542				193		31,735
Y/E 31/03/2023	9,226				7		9,233
Y/E 31/03/2022	7,937				2,579		10,516
Y/E 31/03/2021	7,420				781		8,201
Total Cost or Valuation	334,832	3,466	52,648	53,356	3,571	52,143	500,016

NOTES TO MAIN FINANCIAL STATEMENTS

Comparative Movements in 2023/24:

	Other Land & Buildings	Community Assets	Veh'cls, Plant & Equipment	Assets Under Construction	Surplus Assets	Heritage Assets	Total Property, Plant & Equipment (excl. Infrastructure)
	£'000	£'000	£'000	£'000	£'000	£'000	
Cost or valuation as at 1 April 2023	263,511	4,335	47,595	61,089	3,428	48,564	428,522
Additions	25,910	527	4,944	8,653	3	-	40,037
Revaluations increases/(decreases) recognised in the Revaluation Reserve	5,712	-	-	-	(2)	-	5,710
Revaluations increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(15,163)	-	-	-	-	-	(15,163)
De-recognition - Disposals	(264)	-	(1,919)	-	-	-	(2,183)
Assets reclassified to/from Held for sale	-	-	-	-	-	-	-
Reclassifications - other	26,457	12	127	(29,467)	-	-	(2,871)
Other Movements	(556)	-	-	-	-	-	(556)
Valuation as at 31 March 2024	305,607	4,874	50,747	40,274	3,429	48,564	453,495
Accumulated Depreciation and Impairment							
Accumulated depreciation as at 1 April 2023	(1,301)	-	(25,500)	-	-	-	(26,801)
Depreciation charge in year	(5,567)	-	(4,894)	-	-	-	(10,461)
Depreciation written out to the Revaluation Reserve	3,673	-	-	-	-	-	3,673
Depreciation written out to the Surplus/Deficit on Provision of Services	1,083	-	-	-	-	-	1,083
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	-	-	-	1,578
Other Movements in Depreciation & Impairment	-	-	-	-	-	-	-
Accumulated depreciation at 31 March 2024	(2,104)	-	(28,823)	-	-	-	(30,928)
Balance sheet amount 31 March 2024	303,503	4,874	21,923	40,274	3,429	48,564	422,567

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

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

Depreciation

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

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

Revaluations

The Council carries out an annual valuation programme that ensures all PPE required to be measured, which excludes leases in assets. Every assets must be valued at least every five years, along with revaluations if material changes have occurred. New valuations undertaken in 2024/25 were carried out to the value of £277.1m. Along with existing valid valuations, acquisitions and disposals this gave a total valuation of £327.2m. 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.

NOTES TO MAIN FINANCIAL STATEMENTS

Capital Commitments

At 31 March 2025 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2024/25 and future years estimated to cost £33.435m. These are detailed below:

	2024/25 £'000	2023/24 £'000
Bath Western Riverside Phase 2	17,279	374
Bath Quays	985	1,440
Clean Air Zone	44	42
Cleveland Bridge	69	70
Cycling and Walking Schemes	284	99
Education & Children's Services	638	300
Expansion of St Keyna Primary School	1,947	3,760
Green Infrastructure incl Parks & Allotments	230	246
Keynsham Reuse and Recycling Centre	113	391
Liveable Neighbourhoods	280	193
Odd Down Sports Ground & Other Leisure	238	-
Resources (Property) Schemes	2,696	2,509
Social Rent Programme	5,744	2,511
Somer Valley Enterprise Zone	1,408	-
Waste incl Cleaning Vehicles	198	1,188
Other	1,282	1,038
Total	33,435	14,161

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.

	2024/25 £'000	2023/24 £'000
Net book Value at 1 April	144,297	133,532
Additions	16,244	11,920
Depreciation	(6,686)	(5,970)
Impairment	-	-
Reclassifications	1,394	4,908
Other Movements	-	(94)
Net book Value at 31 March	155,248	144,297

13 HERITAGE ASSETS

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

2024/25 Cost or Valuation	Victoria Art Gallery £'000	Roman Baths £'000	Fashion Museum £'000	Chandeliers £'000	Records Office £'000	Library £'000	Total £'000
1st April	16,050	10,063	12,200	2,000	5,440	2,811	48,564
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Revaluations	3,482	-	97	-	-	-	3,579
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment Losses/(reversals) recognised in the Surplus or Deficit on Provision of Service	-	-	-	-	-	-	-
31st March	19,532	10,063	12,297	2,000	5,440	2,811	52,143

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

2023/24 Cost or Valuation	Victoria Art Gallery £'000	Roman Baths £'000	Fashion Museum £'000	Chandeliers £'000	Records Office £'000	Library £'000	Total £'000
1st April	16,050	10,063	12,200	2,000	5,440	2,811	48,564
Additions	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
31st March	16,050	10,063	12,200	2,000	5,440	2,811	48,564

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.

	2024/25 £'000	2023/24 £'000
Rental Income from Investment Property	(16,493)	(16,501)
Direct operating expenses arising from Investment Property	1,345	1,537
Net gain/(loss)	(15,148)	(14,964)

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.

	2024/25 £'000	2023/24 £'000
Balance at start of year	242,016	256,385
Adjustment to opening balance	(549)	
Additions of expenditure	2,963	2,232
Disposals	(439)	-
Net gains/(losses) from fair value adjustments	(11,217)	(14,563)
Transfer (to)/from Property, Plant & Equipment	231	(2,038)
Balance at end of the year	233,005	242,016

The Council carries out annual valuations of all investment properties. The valuer's report identified a total valuation of £232.3m, 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.

	2024/25 £'000	2023/24 £'000
Cost or valuation as at 1 April	1,548	1,485
Purchases	5	61
Transfers	-	-
Disposals	(31)	2
Net gains/losses from fair value adjustments		
Cost or valuation as at 31 March	1,522	1,548
Accumulated Amortisation as at 1 April	(1,069)	(836)
Amortisation for the year	(178)	(233)
Amortisation Write Back (Disposals)	31	-
Accumulated Amortisation at 31 March	(1,216)	(1,069)
Net Carrying amount at 31 March	305	478

16 DISCLOSURE OF TRANSITIONAL ACCOUNTING ADJUSTMENTS - LEASES

In 2024/25, the authority applied IFRS 16 Leases as required by the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements is that for arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as a liability) a right-of-use asset and a lease liability are to be brought into the Balance Sheet at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2025 are exempt from the new arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. However, some practical expedients have been applied as required or permitted by the Code:

- lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the authority's incremental borrowing rate at that date
- the weighted average of the incremental borrowing rates used to discount liabilities was 5.14%
- right-of-use assets are measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2024 – any initial direct costs have been excluded
- all leases were assessed as to whether they were onerous at 31 March 2024, so right-of-use assets have not been subject to an impairment review – carrying amounts have been reduced by any provisions for onerous contracts that were in the 31 March 2024 Balance Sheet.

This has resulted in the following additions to the balance sheet

- £5.990m Property, plant and equipment – land and buildings (right-of-use assets)
- £5.497m Non-current creditors (lease liabilities)
- £0.148m Current creditors (lease liabilities)

The newly recognised lease liabilities of £5.915m compare with the operating lease commitments of £12.411m at 31 March 2024 disclosed in the notes to the 2023/24 financial statements. When these are discounted to their present value of £6.891m (using the incremental borrowing rate at 1 April 2024), there is a difference of £0.975m from the newly recognised lease liabilities. This is explained by the fact that the lease liabilities exclude amounts for leases of low value items, leases that will expire before 31 March 2025 and the use of Granfarthering to transfer leases at their treatment under IAS17 Leases as operating leases.

The Council has a large number of nil consideration leases to third parties which were previously not required to be included in lease accounting but from the implementation of IFRS 16 are. As a result of this 33 leases were determined to be let for the majority (>90%) of their useful life and as a result £8.445m of leased assets were removed from the opening balance of fixed assets in line with guidance.

NOTES TO MAIN FINANCIAL STATEMENTS

17 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 2024	31 March 2025	31 March 2024	31 March 2025
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost - loans	236,204	210,903	10,000	65,000
Accrued Interest ⁽¹⁾	-	-	2,311	3,501
Financial liabilities at amortised cost trade creditors	-	-	17,386	17,888
Total borrowings	236,204	210,903	29,697	86,389
Lease Liabilities included in other long term Liabilities & creditors	5,497	5,995	418	680
Other Long Term Liabilities	5,497	5,995	418	680

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

	31 March 2024	31 March 2025	31 March 2024	31 March 2025
	£'000	£'000	£'000	£'000
Financial assets held at amortised cost *	-	-	22,100	22,600
Accrued Interest ⁽¹⁾ *	-	-	223	194
Financial assets held at fair value through profit and loss	-	-	7,693	7,553
Cash	-	-	2,050	849
Loans & receivables - Loans	7,004	6,909	42	67
Loans & receivables - trade debtors	-	-	15,970	11,915
Total Investments	7,004	6,909	48,078	43,178

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

* The "Financial assets held at amortised cost" and "accrued interest" figures above include those short-term investments classed as Cash Equivalents, as detailed in Note 20. Cash Equivalents equated to £22.699m as at 31st March 2025, with the remaining £0.099m being short term investments. (£22.215m Cash Equivalents as at 31st March 2024, with £0.18m 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 2024	31 March 2024	Total 31 March 2024	31 March 2025	31 March 2025	Total 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense *	(7,284)	-	(7,284)	(9,312)	-	(9,312)
Interest on Leases	-	-	-	(422)	-	(422)
Impairment Losses	-	(6)	(6)	-	5	5
Premium on Early Repayment of Debt	428	-	428	-	-	-
Interest Payable & Similar Charges	(6,856)	(6)	(6,862)	(9,734)	5	(9,729)
Interest Income	1,863	439	2,302	1,916	425	2,341
Interest & investment Income	1,863	439	2,302	1,916	425	2,341
Net Gain / (Loss) on Financial Assets Measured at Fair Value Through Profit or Loss	-	(1,089)	(1,089)	-	(140)	(140)
Total Net gain/(loss) for the Year	-	(1,089)	(1,089)	-	(140)	(140)
Total Net Income, Expense, Gains & Losses	(4,993)	(656)	(5,649)	(7,818)	290	(7,528)

* The Council also paid £0.889m (of which £0.387m 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

		31 March 2024		31 March 2025	
	Fair Value Level	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial liabilities held at amortised cost:					
Financial Liabilities - PWLB Loans (Long Term Borrowing)	2	227,692	195,770	202,313	161,801
Financial Liabilities - Local & Police Authority Loans (Long Term Borrowing)	2				
Financial Liabilities - Market Loans (Long Term Borrowing)	2	10,409	11,616	10,406	11,047
Total		238,101	207,386	212,719	172,848
<i>Liabilities for which fair values are not disclosed:</i>					
Financial Liabilities - PWLB Loans (Short Term Borrowing)		-		30,606	
Financial Liabilities - Local & Police Authority Loans (Short Term Borrowing)		10,413		36,080	
Financial Liabilities - trade creditors (see Note 21)		17,386		17,888	
Total Financial Liabilities		265,900		297,293	

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 2025 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 2025) arising from a commitment to pay interest to lenders below current market rates.

		31 March 2024		31 March 2025	
	Fair value Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
<i>Financial assets held at fair value:</i>					
Strategic Investment funds	2	7,693	7,693	7,553	7,553
<i>Financial assets held at amortised cost:</i>					
Money market funds and S/Term deposits	1	22,100	20,100	22,600	22,100
Total		29,793	27,793	30,153	29,653
<i>Assets for which fair value is not disclosed:</i>					
Accrued Interest		223		194	
Cash		2,050		849	
Loans & receivables - Loans		7,046		6,976	
Loans & Receivables - trade debtors (see Note 19)		15,970		11,915	
Total Financial Assets		55,082		50,087	

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

NOTES TO MAIN FINANCIAL STATEMENTS

18 NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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 2024/25 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 2024/25 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, and adjusted 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 2025, the value of the loss allowances related to treasury investments was £20k. (2023/24 £0).

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 2024/25.

	Aequus Development Limited	Aequus Construction Limited	Aequus Working Capital	Other Loans	Totals
	£'000	£'000	£'000	£'000	£'000
Loans Brought Forward	6,998	-	-	78	7,076
New Loan Issued (*)	1,434	-	-	-	1,434
Repayments	(1,500)	-	-	(9)	(1,509)
Loans Balance at 31st March 2025	6,932	-	-	69	7,001
Cumulative IFRS 9 Loan Impairments at 31st March 2025	(24)	-	-	(1)	(25)

NOTES TO MAIN FINANCIAL STATEMENTS

	2025 £'000	2024 £'000
Trade Debtors	11,915	15,970
Total debtors at 31st March (including trade debtors)	60,903	56,844

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 £11.9m outstanding at 31st March 2025 is all past its due date for payment.

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

	31 March 2025 £'000's	31 March 2024 £'000's
Less than three months	8,160	12,696
Three to six months	798	730
Six months to one year	800	928
More than one year	2,157	1,616
	<u>11,915</u>	<u>15,970</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 2025 £'000's %		Amount at 31 March 2024 £'000's %	
Loans & Receivables (Cash on Deposit) by Country Analysis				
UK Debt Management Office	-	0.0%	-	0.0%
UK Local Authorities	-	0.0%	-	0.0%
UK - Other Financial Institutions	22,699	74.8%	22,215	74.0%
Pooled funds not subject to credit risk	7,648	25.2%	7,800	26.0%
Total	<u>30,347</u>	<u>100%</u>	<u>30,015</u>	<u>100%</u>

Liquidity and Refinancing Risk

As the Council has ready access to borrowing from both the money market and the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The risk is managed by maintaining a spread of fixed interest rate loans and ensuring that not more than 30% 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 2024 £'000	31 March 2025 £'000
Borrowing due for repayment:		
Under 1 year *	20,193	75,190
Between 1 and 2 years	20,000	-
Between 2 and 5 years	-	10,000
Between 5 and 10 years	15,000	20,300
Between 10 and 15 years	40,300	31,057
Between 15 and 20 years	73,838	71,622
Between 20 and 25 years	17,019	8,311
Between 25 and 30 years	-	-
Between 30 and 35 years	-	5,000
Between 35 and 40 years	20,000	20,000
Between 40 and 45 years	39,854	34,423
Between 45 and 50 years	0	0
	<u>246,204</u>	<u>275,903</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 2025 the balance of liquid cash held was £22.7m (31 March 2024 £22.2m).

NOTES TO MAIN FINANCIAL STATEMENTS

Market Risk

Interest Rate Risk

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

- * borrowings at variable rates - the interest expense charged to the Income and Expenditure Statement will rise
- * borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- * investments at variable rates - the interest income credited to the Income and Expenditure Statement will rise
- * investments at fixed rates - the fair value of the assets will fall.

Borrowings and fixed rate investments are not carried at fair value, so nominal gains and losses on fixed rate borrowings & investments would not impact on the Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Statement and effect the General Fund Balance £ for £.

The effect of interest rates is monitored throughout the year and the impacts are reflected in budget monitoring reports which identify performance against the budget. This allows any adverse changes to be accommodated.

For indication purposes, at 31st March 2025, 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	584	(486)
Increase / Decrease in interest receivable on variable rate investments	(209)	209
Impact on Income and Expenditure Statement	375	(277)
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)	(26)	26
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)	(14,682)	17,209

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 2025 would result in a £0.17m 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.

NOTES TO MAIN FINANCIAL STATEMENTS

19 DEBTORS

	2024/25 £'000	2023/24 £'000
Amounts falling due in one year:		
Central Government bodies	9,499	7,013
Other local authorities	20,967	14,181
NHS bodies	4,518	5,196
Other entities and individuals (Trade Debtors)	11,915	15,970
Other entities and individuals (Non-Trade Debtors)	10,643	10,091
Prepayments	3,361	4,393
Total - Current Assets	60,903	56,844
Amounts falling after one year:	£'000	£'000
Other entities and individuals	9,035	8,875
Total - Long Term Assets	9,035	8,875

20 CASH AND CASH EQUIVALENTS

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

	2024/25 £'000	2023/24 £'000
Cash held by the Authority	118	120
Bank current accounts	731	1,930
Short-term deposits	22,699	22,215
Total cash and cash equivalents	23,548	24,265

21 CREDITORS

	2024/25 £'000	2023/24 £'000
Central government bodies	2,631	2,855
Other local authorities	9,457	9,779
NHS bodies	1,112	5,680
Other entities and individuals (Trade Creditors)	17,888	17,386
Other entities and individuals (Non-Trade Creditors)	20,193	21,890
Income Received in Advance	7,030	6,038
Pensions Fund	5,066	6,419
Total - Current Liabilities	63,377	70,047
Amounts falling after one year:	£'000	£'000
Lease Liabilities	5,995	-
Total - Long Term Liabilities	5,995	-

22 PROVISIONS FOR LIABILITIES

Provisions comprise:	31 March 2024 £'000	New Provisions £'000	Utilised in Year £'000	Written Back £'000	31 March 2025 £'000
NNDR Appeals Provision	5,197	1,796	(1,848)		5,145
Dilapidations Provisions	2,567		(80)	(987)	1,500
	7,764	1,796	(1,928)	(987)	6,645

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

* The Dilapidations Provisions relates to dilapidation costs resulting from the exit of a long-term leases.

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.

Unearmarked Reserves	31 March 2023 £'000	transfers to 2023/24 £'000	transfers from 2023/24 £'000	31 March 2024 £'000	transfers to 2024/25 £'000	transfers from 2024/25 £'000	31 March 2025 £'000
General Fund Balances unearmarked	12,802	27,299	(27,312)	12,789	16,356	(16,561)	12,584
Earmarked Reserves	31 March 2023 £'000	transfers to 2023/24 £'000	transfers from 2023/24 £'000	31 March 2024 £'000	transfers to 2024/25 £'000	transfers from 2024/25 £'000	31 March 2025 £'000
LMS Schools Balances*	834	357	-	1,191	685		1,876
Corporate Earmarked Reserves	39,840	17,546	(11,270)	46,116	16,508	(6,325)	56,299
Service Specific Reserves	1,893	2,996	(453)	4,436	705	(586)	4,555
General Service Earmarked Reserves	28,257	2,364	(8,712)	21,909	913	(6,354)	16,468
	70,824	23,263	(20,435)	73,652	18,811	(13,265)	79,197
Total General Fund Balances and Reserves	83,626	50,562	(47,747)	86,441	35,167	(29,826)	91,781
Other Usable Reserves							
Capital Receipts Reserve	9,042	1,025	(2,356)	7,711	3,507	(2,436)	8,782
Capital Grants Unapplied Reserve	-	18,332	(18,332)	-	27,982	(27,982)	-
Total Usable Reserves	92,668	69,919	(68,435)	94,152	66,656	(60,244)	100,563

* LMS Schools balances will be used by individual schools

	31 March 2023 £'000	transfers to 2023/24 £'000	transfers from 2023/24 £'000	31 March 2024 £'000	transfers to 2024/25 £'000	transfers from 2024/25 £'000	31 March 2025 £'000
Corporate Earmarked Reserves							
Insurance Fund	1,041	241	(206)	1,076	185	(317)	944
Capital Financing Reserve	10,214	1,449		11,663	1,454		13,117
Revenue Funding of Capital	616	1,295	(1,015)	896	4,382	(1,508)	3,770
Financial Planning & Smoothing Reserve	3,200		(358)	2,842	4,192	(737)	6,297
Revenue Budget Contingency Reserve	3,469	109	(230)	3,348		(881)	2,467
Revenue Grants Unapplied	4,712	371	(4,046)	1,037	188	(397)	828
Transformation Investment Reserve	1,887		(487)	1,400		(413)	987
Restructuring & Severance Reserve	1,806	3,200	(124)	4,882		(47)	4,835
Business Rates Reserve	1,301	10,048	(1,201)	10,148	6,107		16,255
City Region Sustainable Transport Settlement Reserve	3,000			3,000			3,000
COVID-19 Reserves	3,814		(2,724)	1,090		(1,090)	-
Other (Incl. Inflation)	4,780	833	(879)	4,734		(935)	3,799
	39,840	17,546	(11,270)	46,116	16,508	(6,325)	56,299

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 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 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	transfers to 2023/24	transfers from 2023/24	31 March 2024	transfers to 2024/25	transfers from 2024/25	31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Service Earmarked Reserves							
Information Technology Reserve	471		(54)	417		(219)	198
Finance VAT Advice Reserve	389		(75)	314		(69)	245
Waste Reprovision Reserve	942			942			942
Public Transport Reserve	155		(12)	143		(22)	121
Combe Down Stone Mines Interpretation Centre Reserve	128		(38)	90			90
Social Care Reserve	7,171		(1,529)	5,642		(1,588)	4,054
ICS Transformation Reserve	5,378		(5,378)	-			-
Commercial Estate Reinvestment Reserve	1,881		(208)	1,673			1,673
Park & Ride Smoothing Reserve	2,334		(415)	1,919		(607)	1,312
Clean Air Zone Reserves	8,956	2,289	(665)	10,580	818	(3,849)	7,549
Other Service Reserves	452	75	(338)	189	95		284
	28,257	2,364	(8,712)	21,909	913	(6,354)	16,468

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 supported 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

	31 March 2025 £'000	31 March 2024 £'000
Revaluation Reserve	225,064	202,980
Capital Adjustment Account	247,365	236,216
Deferred Capital Receipts Reserve	353	361
Financial Instruments Adjustment Account	(4,983)	(5,153)
Dedicated Schools Grant Adjustment Account	(32,796)	(22,264)
Pooled Fund Adjustment Account	(2,447)	(2,307)
Accumulated Absences Account	(663)	(657)
Pensions Reserve	(37,980)	(83,136)
Collection Fund Adjustment Account	4,460	6,109
Total Unusable Reserves	398,373	332,149

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.

	2024/25 £'000	2023/24 £'000
Balance at 1 April	202,980	195,949
Adjustment to opening balance	(5,974)	
Upwards revaluation of assets	37,158	21,950
Downwards revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(5,887)	(12,567)
Impairment losses not charged to the Surplus/Deficit on the Provision of Services		
Transfer of depreciation on re-valued assets	(1,946)	(2,256)
Written Back on asset disposal and transfer	(1,267)	(96)
Impairment of fixed assets - transfer		
Balance at 31 March	225,064	202,980

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.

	2024/25 £'000	2024/25 £'000	2023/24 £'000
Balance at 1 April		236,216	251,492
Adjustment to opening balance		(2,396)	-
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	(17,188)		(16,431)
Revaluation gains/losses on Property, Plant & Equipment	3,533		(14,085)
Amortisation of intangible assets	(178)		(233)
Impairment allowance for capital expenditure loans	5		(9)
Revenue expenditure funded from capital under statute	(9,596)		(7,962)
Grant funding of revenue expenditure funded from capital under statute	7,881		5,879
		(15,543)	(32,840)
Adjusting amounts written out of the Revaluation Reserve			
Transfer of depreciation on re-valued assets		1,946	2,256
Transfer of revaluation reserve balance on asset disposal		1,267	96
Net written out amount of the cost of non-current assets consumed in the year		(12,330)	(30,488)
Capital financing applied in the year:			
Use of capital receipts reserve to finance new capital expenditure	2,436		2,356
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	23,232		17,308
Capital expenditure financed from revenue	1,389		928
Minimum Revenue Provision	11,563		10,184
		38,620	30,776
Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		(11,217)	(14,563)
Deferred liability - Repayment of Avon Loan Debt		386	403
Repayment of CAZ vehicle loan		-	16
Carrying value of fixed assets disposed of		(2,021)	(867)
Other movements		107	(551)
Balance at 31 March		247,365	236,216

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.

	2024/25 £'000	2024/25 £'000	2023/24 £'000
Balance at 1 April		(5,153)	(5,322)
Premiums incurred in year and charged to the Comprehensive Income & Expenditure Statement			
Proportions of Premiums incurred to be charged against General Fund Balance in accordance with statutory requirements	170		169
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.		170	169
Balance at 31 March		(4,983)	(5,153)

NOTES TO MAIN FINANCIAL STATEMENTS

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.

	2024/25 £'000	2024/25 £'000	2023/24 £'000
Balance at 1 April		(22,264)	(13,453)
Adjustment to Opening Balance			
DSG (Over) / Underspend in year	(10,532)		(8,810)
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.		(10,532)	(8,810)
Balance at 31 March		(32,796)	(22,264)

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.

	2024/25 £'000	2023/24 £'000
Balance at 1 April	(2,307)	(1,218)
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.	(140)	(1,089)
Balance at 31 March	(2,447)	(2,307)

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.

	2024/25 £'000	2023/24 £'000
Balance at 1 April	(83,136)	(116,640)
Remeasurements of the net defined benefit liability / (asset)	43,159	33,470
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	(20,055)	(19,630)
Employer's pensions contributions and direct payments to pensioners payable in the year	22,052	19,664
Balance at 31 March	(37,980)	(83,136)

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.

	2024/25 £'000	2023/24 £'000
Balance at 1 April	361	368
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement		
Transfer to the Capital Receipts Reserve upon receipt of cash	(8)	(8)
Balance at 31 March	353	361

NOTES TO MAIN FINANCIAL STATEMENTS

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.

	2024/25 £'000	2023/24 £'000
Balance at 1 April	6,109	6,307
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(1,649)	(198)
Balance at 31 March	4,460	6,109

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.

	2024/25 £'000	2024/25 £'000	2023/24 £'000
Balance at 1 April		(657)	(630)
Settlement or cancellation of accrual made at the end of the preceding year	657		630
Amounts accrued at the end of the current year	(663)		(657)
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		(6)	(27)
Balance at 31 March		(663)	(657)

25 CASH FLOW STATEMENT

Note A to the cash flow statement

	2024/25 £'000	2023/24 £'000
Net Surplus or (Deficit) on the Provision of Services	6,576	(26,073)
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>		
Depreciation	17,188	16,431
Impairment and downward valuations	(3,533)	14,084
Amortisation	178	232
Impairment allowance on service loans	(5)	9
Adjustment for internal interest charged	140	247
Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss a/c	193	1,089
Adjustments for effective interest rates	(3)	(430)
Increase/Decrease in Interest Creditors	1,191	638
Increase/Decrease in Creditors	(10,873)	3,514
Increase/Decrease in Interest and Dividend Debtors	28	491
Increase/Decrease in Debtors	(2,202)	(6,340)
Increase/Decrease in Inventories	(59)	(188)
Movement in Pension Liability	(1,997)	(34)
Contributions to/(from) Provisions	(1,119)	(7,768)
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	2,021	867
Movement in investment property values	11,217	14,563
Total adjustments on the provision of services for non cash movements	12,366	37,406
<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	(31,113)	(23,188)
Net adjustment from the sale of short and long term investments	-	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(3,499)	(1,018)
Total adjustments on the provision of services that are investing or financing activities	(34,613)	(24,206)
Net Cash Flows from Operating Activities	(15,671)	(12,873)

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

	2024/25 £'000	2023/24 £'000
Operating activities within the cash flow statement include the following cash flows relating to interest		
Ordinary interest received	2,277	2,240
Opening Debtor	223	268
Closing Debtor	(194)	223
Interest Received	2,306	2,731
Interest charge for year	(10,236)	(7,354)
Adjustment for difference between effective interest rates and actual interest payable	(3)	(431)
Adjustment for internal interest charged to balance sheet funds	193	248
Opening Creditor	(2,503)	(1,865)
Closing Creditor	3,694	2,503
Interest Paid	(8,855)	(6,899)

NOTES TO MAIN FINANCIAL STATEMENTS

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

	2024/25	2023/24
	£'000	£'000
Property, Plant and Equipment Purchased	(40,328)	(51,957)
Purchase of Investment Properties	(2,963)	(2,232)
Other Capital Payments	(5)	(61)
Add back new Leases (non cash flow item)	1,178	-
Opening Capital Creditors	(6,218)	(8,070)
Closing Capital Creditors	5,201	6,218
Purchase of Property, Plant and Equipment, investment property and intangible assets	(43,135)	(56,102)
Purchase of short term investments	(15,000)	(5,000)
Long term loans granted	(1,696)	(1,551)
Capital Grants Repaid	(388)	(904)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	3,507	1,025
Proceeds / (Purchase) from short term investments	15,000	10,000
Other capital cash receipts	1,509	273
Capital Grants Received / (Repaid)	24,130	32,777
Other Receipts / (Payments) from Investing Activities	25,639	33,050
Total Cash Flows from Investing Activities	(16,073)	(19,482)

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

	2024/25	2023/24
	£'000	£'000
Cash receipts of long term borrowing	40,000	50,000
Billing Authorities - Council Tax and NNDR adjustments	2,129	(7,274)
Repayment of Short-Term and Long-Term Borrowing	(10,684)	(14,647)
Payments for the reduction of a lease liability	(418)	-
Total Cash Flows from Financing Activities	31,027	28,079

Note E - Makeup of Cash and Cash Equivalents

	2024/25	2023/24
	£'000	£'000
Cash and Bank Balances	849	2,050
Cash Investments - regarded as cash equivalents	22,699	22,215
Bank Overdraft	-	-
	23,548	24,265

NOTES TO MAIN FINANCIAL STATEMENTS

26 EXPENDITURE & INCOME ANALYSED BY NATURE

	2024/25 £'000	2023/24 £'000
Expenditure		
Employee expenditure	138,829	125,299
Other service expenditure	297,189	287,046
Depreciation amortisation & impairment	13,833	31,300
Decrease in Investment Estate Fair Value	11,217	14,563
Interest Expenditure (Inc. Net Interest on Net Defined Benefit Liability)	13,729	12,195
Loss / (Gain) & Impairments on Financial Instruments	135	1,095
Precepts and levies	9,225	8,824
	484,158	480,322
Income		
Sales, Fees and charges and other misc. income (including Contributions)	(122,688)	(117,001)
Income from Council Tax & Business Rates	(143,172)	(141,507)
Loss/(Gain) on disposal of non-current assets	(1,486)	(157)
Income from Investment Estate	(16,493)	(16,501)
Government Grants & Contributions	(204,554)	(176,781)
Interest & Investment Income	(2,341)	(2,302)
	(490,734)	(454,249)
(Surplus) / Deficit on provision of services	(6,576)	26,073

27 SEGMENT REPORTING

	2024/25 £'000	2023/24 £'000
Depreciation amortisation & impairment		
Leader	1	-
Council Priorities & Delivery	-	-
Resources	1,251	1,306
Economic & Cultural Sustainable Development	(906)	5,213
Adult Services	(3,068)	1,812
Children's Services	2,961	751
Climate Emergency & Sustainable Travel	239	242
Built Environment & Sustainable Development	(94)	2,062
Neighbourhood Services	5,127	12,778
Highways	8,322	7,136
Total	13,833	31,300
Revenues from external customers / Contributions		
Leader	(772)	(851)
Council Priorities & Delivery	(218)	(329)
Resources	(10,438)	(6,583)
Economic & Cultural Sustainable Development	(29,377)	(26,750)
Adult Services	(39,055)	(39,308)
Children's Services	(5,639)	(5,930)
Climate Emergency & Sustainable Travel	(830)	(532)
Built Environment & Sustainable Development	(4,886)	(5,119)
Neighbourhood Services	(10,261)	(9,277)
Highways	(21,212)	(22,322)
Total	(122,688)	(117,001)

NOTES TO MAIN FINANCIAL STATEMENTS

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, acting as the lead commissioner as described in Accounting Policy 1.28. During 2024/25 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.

	2024/25 £'000	2023/24 £'000
Gross Funding		
Bath & North East Somerset Council	23,827	23,827
NHS BSW Integrated Care Board	7,266	7,266
Other Funding	-	-
Income from Client Contributions	-	-
Total Funding	31,093	31,093
Total Pooled Expenditure	38,060	37,890
Net (Underspend) / Overspend	6,967	6,797
Overspend Recharged		
Bath & North East Somerset Council	5,137	4,585
NHS BSW Integrated Care Board	1,830	2,212

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.

	2024/25 £'000	2023/24 £'000
Gross Funding		
Bath & North East Somerset Council	244	254
NHS BSW Integrated Care Board	569	552
Total Funding	813	806
Total Expenditure	995	1,051
Net (Underspend) / Overspend	182	245
Overspend Recharged		
Bath & North East Somerset Council	55	
NHS BSW Integrated Care Board	127	245

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.

	2024/25 £'000	2023/24 £'000
Gross Funding		
Bath & North East Somerset Council	9,012	8,548
Bath & North East Somerset Council - Community Services Contract	12,811	21,038
NHS BSW Integrated Care Board	17,646	16,367
NHS BSW Integrated Care Board - Community Services Contract	29,504	29,368
Total Funding	68,973	75,321
Spend on Better Care Fund schemes	25,267	23,525
Spend on Community Services Contract	43,706	51,796
Total Expenditure	68,973	75,321

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.

	2024/25 £'000	2023/24 £'000
Gross Funding		
Bath & North East Somerset Council	2,574	2,574
NHS BSW Integrated Care Board	454	454
Total Funding	3,028	3,028
Total Expenditure	6,570	7,064
Net (Underspend) / Overspend	3,542	4,036
Overspend Recharged		
Bath & North East Somerset Council	3,011	3,431
NHS BSW Integrated Care Board	531	605

NOTES TO MAIN FINANCIAL STATEMENTS

29 MEMBERS' ALLOWANCES

The total cost of Members Allowances for 2024/25 including employers national insurance, pensions contributions and expenses was £1,160,831 (£1,053,347 in 2023/24).

		Basic Allowance	Special Responsibility Allowance	Expenses	Total
		£	£	£	£
AUTON	M	11,656	-	-	11,656
BALL	TM	11,656	21,960	-	33,616
BEAUMONT	A	11,656	-	-	11,656
BIDDLESTON	D	11,656	-	-	11,656
BLACKBURN	C	11,656	-	-	11,656
BORN	A	11,656	21,960	-	33,616
BOX	A	11,656	469	67	12,192
COLLINS	D	11,656	2,117	-	13,773
CROSSLEY	PN	11,656	5,693	-	17,349
DANDO	C	11,656	4,343	-	15,999
DAVID	J	11,656	-	-	11,656
ELLIOTT	M	11,656	21,960	-	33,616
EVANS	S	11,656	-	-	11,656
GOURLEY	F	11,656	-	-	11,656
GUY	K	11,656	55,253	315	67,224
HALE	AD	11,656	-	-	11,656
HALSALL	I	11,656	14,768	-	26,424
HARDING	D	11,656	-	-	11,656
HARDMAN	EJ	11,656	2,404	49	14,108
HEATHCOTE	G	11,656	-	-	11,656
HEDGES	SP	11,656	5,693	-	17,349
HEIJLTJES	S	11,656	-	5	11,661
HENMAN	O	11,656	10,887	-	22,543
HIRST	J	11,656	10,887	-	22,543
HODGE	L	11,656	6,956	-	18,612
HOUNSELL	D	11,656	1,381	27	13,064
HUGHES	S	11,656	5,000	-	16,656
JACKSON	EM	11,656	-	-	11,656
JOHNSON	G	11,656	-	-	11,656
KELLY	S	11,656	-	-	11,656
LEACH	G	11,656	-	-	11,656
LEACH	J	11,656	-	-	11,656
MACFIE	H	11,656	-	-	11,656
MALLOY	R	11,656	-	-	11,656
MANSELL	L	11,656	-	174	11,830
MAY	P	11,656	21,960	1,000	34,616
MCCABE	M	11,656	21,960	-	33,616
MCGALL	S	11,656	4,343	-	15,999
MOORE	S	11,656	1,372	-	13,028
MORGAN	A	11,656	-	-	11,656
MOSS	R	11,656	14,207	-	25,863
ODOHERTY	M	11,656	-	-	11,656
PANKHANIA	B	11,656	-	-	11,656
PLAYER	J	11,656	-	-	11,656
RIGBY	A	11,656	21,960	-	33,616
ROMERO	UM	11,656	9,207	-	20,863
ROPER	P	11,656	21,960	-	33,616
ROSS	S	11,656	-	9	11,665
SAINI	O	11,656	8,771	-	20,427
SIMON	T	10,685	3,981	440	15,106
STREATFEILD-JAMES	A	7,674	-	-	7,674
TOMLIN	G	11,656	-	-	11,656
TREBY	M	11,656	-	-	11,656
WAIT	A	11,656	9,207	73	20,936
WALKER	K	11,656	9,837	685	22,179
WARREN	C	2,319	-	-	2,319
WARREN	E	11,656	21,960	43	33,659
WARREN	T	11,656	4,089	-	15,745
WOOD	D	11,656	21,960	487	34,103
WRIGHT	J	11,656	8,432	80	20,168
Total		685,067	396,937	3,453	1,085,456

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 2025

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	169,950				34,160	204,110

Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2025

Post Holder	Salary (incl. Honorarium)	Expenses	Benefits in Kind e.g. Relocation, Subscriptions	Compensation for Loss of Office	Employer Pension Contrib'ns	Total
	£	£	£	£	£	£
Executive Director - Operations	131,257				26,383	157,640
Executive Director - Resources (to 03/01/25)	93,538		349		18,768	112,655
Executive Director - Resources (from 17/03/25)	5,645				1,135	6,780
Executive Director - Sustainable Communities	118,539				23,826	142,365
Director of Adult Social Care (DASS)	118,539				23,826	142,365
Director of Children's Services & Education (DSC)	122,637				23,826	146,464
Director of People & Change	112,348				22,582	134,930
Director of Place Management	118,539				22,366	140,905
Director of Capital & Housing Delivery	115,297				23,174	138,471
Director of Financial Services, Assurance & Pensions	115,299	56	311		23,175	138,841
Director of Public Health & Prevention	102,735				14,773	117,508
Director of Education & Safeguarding	105,589				20,006	125,595
Director of External Affairs (to 30/06/24)	15,777				-	15,777

The Executive Director - Resources position was covered by an Interim, who was not on the Council's payroll, whilst the post was vacant between Jan'25 and Mar'25.

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. Honorarium)	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.

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	2024/25 Teachers	2024/25 Others	2024/25 Total	2023/24 Teachers	2023/24 Others	2023/24 Total
£50,000 - £54,999	7	99	106	15	97	112
£55,000 - £59,999	3	24	27	10	43	53
£60,000 - £64,999	5	43	48	6	24	30
£65,000 - £69,999	4	33	37	2	23	25
£70,000 - £74,999	1	4	5	2	7	9
£75,000 - £79,999	1	10	11	1	6	7
£80,000 - £84,999	1	1	2	1	-	1
£85,000 - £89,999	1	1	2	1	4	5
£90,000 - £94,999	1	2	3	-	17	17
£95,000 - £99,999	-	6	6	-	3	3
£100,000 - £104,999	-	2	2	-	1	1
£105,000 - £109,999	-	-	-	-	-	-
£110,000 - £114,999	-	4	4	-	3	3
£115,000 - £119,999	-	3	3	-	5	5
£120,000 - £124,999	-	1	1	-	1	1
£125,000 - £129,999	-	-	-	-	1	1
£130,000 - £134,999	-	2	2	-	-	-
£135,000 - £139,999	-	-	-	-	-	-
£140,000 - £144,999	-	1	1	-	-	-
£145,000 - £149,999	-	-	-	-	-	-
£150,000 - £154,999	-	-	-	-	-	-
£155,000 - £159,999	-	-	-	-	-	-
£160,000 - £164,999	-	-	-	-	-	-
£165,000 - £169,999	-	1	1	-	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
	24	237	261	38	237	275

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 (3 members of staff in 2023/24). This included 0 in the Teacher category (0 in 2023/24) and 3 in the Others category (3 in 2023/24).

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 2024/25, incurring liabilities of £1.202m (£0.376m in 2023/24). 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)	2024/25 Number of Compulsory Redundancies	2024/25 Number of Other Exits Agreed	2024/25 Total Cost £	2023/24 Number of Compulsory Redundancies	2023/24 Number of Other Exits Agreed	2023/24 Total Cost £
£0 - £20,000	3	15	96,214	14	19	145,580
£20,001 - £40,000	2	1	80,288	1	-	27,340
£40,001 - £60,000	1	1	101,162	-	-	0
£60,001 - £80,000	-	-	0	-	-	0
£80,001 - £100,000	1	-	92,189	-	1	80,795
£100,001 - £150,000	-	-	0	-	1	122,485
£150,001 - £200,000	-	-	0	-	-	0
£200,001 - £250,000	-	-	0	-	-	0
£250,001 - £300,000	1	1	522,935	-	-	0
£300,001 - £350,000	1	-	309,340	-	-	0
	9	18	1,202,128	15	21	376,200

NOTES TO MAIN FINANCIAL STATEMENTS

33 EXTERNAL AUDIT COSTS

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

	2024/25	2023/24
	£'000	£'000
Fees payable with regard to external audit services	396	366
Fees payable for the certification of grant claims and returns	99	53
	495	419

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 2024/25 are as follows:

	2024/25 Central Expenditure £'000	2024/25 Individual Schools Budget £'000	2024/25 Total £'000	2023/24 Total £'000
Final DSG for before Academy & High Needs recoupment			195,260	177,104
Academy & High Needs figure recouped			130,347	123,873
Total DSG after Academy & High Needs recoupment			64,913	53,231
<i>plus</i> Brought forward from previous year			-	
<i>less</i> Carry forward into future year agreed in advance				
Agreed initial budget distribution	27,285	37,628	64,913	53,231
In Year Adjustments	-	221	221	440
Final budget distribution	27,285	37,849	65,133	53,670
<i>less</i> Actual central expenditure	39,087	-	39,087	33,083
<i>less</i> Actual ISB deployed to schools	-	36,579	36,579	29,397
<i>plus</i> Local Authority contribution for year	-	-	-	
In-Year Carry forward	(11,802)	1,270	(10,532)	(8,810)
Carry forward into future year agreed in advance			-	
DSG unusable reserve brought forward			(22,264)	(13,453)
Addition to DSG unusable reserve for year			(10,532)	(8,810)
Total of DSG unusable reserve at the end			(32,795)	(22,264)
Net DSG position at year end			(32,795)	(22,264)

35 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement during the year:

	2024/25	2023/24
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Non-Ringfenced Government Grants		
s31 Grants - DLUHC	19,969	18,268
Capital Grants & Contributions		
Department for Education	2,371	346
Department for Transport	200	230
Department for Health & Social Care	22	933
West of England Combined Authority	16,369	11,152
Other	2,046	1,337
Third party contributions	510	356
Section 106 Developer / CIL Contributions	1,714	2,955
	43,201	35,577

NOTES TO MAIN FINANCIAL STATEMENTS

Credited to Services

Education Funding Agency (incl. Universal Infant Free School Meals)	6,439	3,187
Pupil Premium Grant	1,108	1,046
Mandatory rent allowances	27,449	28,470
Public Health Grant	10,274	10,005
Department for Health & Social Care	3,809	4,306
Department for Education	2,262	-
Department for Environment, Food & Rural Affairs	20	39
Department for Transport	110	1,347
Department for Levelling Up, Housing & Communities (DLUHC)	27,937	21,834
Homes for Ukraine Scheme	576	322
New Homes Bonus Grant	327	425
Home Office	1,910	2,175
West of England Combined Authority	6,440	4,270
Other	6,200	8,546
Third party contributions	55	100
Section 106 Developer / CIL Contributions	1,417	1,901
	96,333	87,973

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 2025 £'000	31 March 2024 £'000
Grants Receipts In Advance (Capital Grants & Contributions)		
Section 106 Developer, CIL & 3rd Party Contributions	6,566	7,119
Various Capital Grants	19,408	34,096
Total	25,974	41,215
Grants Receipts In Advance (Revenue Grants)		
Various Service Grants	1,808	2,402
Total	1,808	2,402

Long-Term Liabilities

	31 March 2025 £'000	31 March 2024 £'000
Grants Receipts In Advance (Capital Grants & Contributions)		
Section 106 Developer, CIL & 3rd Party Contributions	10,433	11,073
Various Capital Grants	16,843	8,124
Total	27,276	19,197

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 £4,352,148 (£3,655,673 2023/24) and support services costs of £536,075 (£532,108 2023/24). 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 £259,444 (£87,513 in 2023/24) to voluntary bodies and organisations where Members have declared an interest (either due to a Council nomination or in an independent capacity).

	2024/25
	£
Climate HUB B&NES	200
Community Catalysts CIC	198,006
Great Spas of Europe	24,559
Odd Down Community Association	4,000
One Community Trust Keynsham	600
Peasedown Community Trust	1,050
Radstock Museum	18
South West Councils	24,636
The Keynsham Music Festival Association	500
Three Valleys Primary Care Network Limited	4,000
World Heritage Enhancement Fund Committee	1,875
	259,444

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:	2024/25 £'000	2023/24 £'000
Keynsham Reuse and Recycling Centre	831	20,649
Highways, Transport, Road Safety & Bridge Strengthening	15,196	12,391
Vehicles	1,843	2,290
Capitalised Buildings Maintenance (including Victoria Art Gallery Roof)	2,825	3,306
Bath City Centre Security	1,463	2,835
Housing Delivery Schemes (inc. Englishcombe Lane),	2,945	2,560
Commercial Estate Investment (all schemes)	3,101	1,738
Bath Western Riverside	1,736	1,430
Preparing for the Future - New Technology	911	1,046
Decarbonisation / Renewables Schemes	31	811
Liveable Neighbourhoods	1,077	704
School Improvements (Maintained Schools only)	2,418	594
Bath Regeneration	544	460
Clean Air Zone	156	444
Keynsham High Street Renewal Incl Public Realm	14	346
Somer Valley Enterprise Zone	751	345
Midsomer Norton High Street Renewal incl Public Realm	1,587	230
Bath Quays	1,389	107
Other	3,196	1,964
Total	42,011	54,250

This above table excludes Revenue Expenditure Funded from Capital under Statute & Capital Loans to 3rd parties.

Capital Expenditure was categorised as follows:	2024/25 £'000	2023/24 £'000
Property, plant and equipment	25,340	43,304
Investment properties	2,963	2,232
Intangible assets	5	61
Heritage Assets	-	-
Assets under construction	13,703	8,653
Non Current Assets held for sale	-	-
Capital Loans	1,434	1,290
Revenue expenditure funded from capital under statute (*)	9,596	7,962
Total expenditure	53,041	63,502

* This includes £1,383k of transformation and severance costs funded under the Government's flexible use of capital receipts scheme (£1,481k in 2023/24). These costs will contribute to ongoing revenue savings in line with the Council's approved Efficiency Strategy.

Sources of finance:	2024/25 £'000	2023/24 £'000
Capital Receipts	2,436	2,356
Grants	27,417	17,876
Borrowing	18,103	37,030
3rd Party Contributions	565	456
S.106 / CIL contributions	3,131	4,856
Revenue	1,389	928
Total financing	53,041	63,502

NOTES TO MAIN FINANCIAL STATEMENTS

Capital Financing Requirement

	2024/25 £'000	2023/24 £'000
Opening Capital Financing Requirement	367,596	341,039
Capital Investment	53,041	63,502
Right of Use Leases	7,093	-
Sources of Finance:		
Capital Receipts	(3,945)	(2,645)
Government grants & other contributions	(31,113)	(23,188)
Sums set aside from revenue (including MRP)	(12,952)	(11,112)
Closing Capital Financing Requirement	379,720	367,596
Increase in underlying need to borrow unsupported by Government financial assistance	18,103	37,030
Increase related to Right of Use Lease accounting	7,093	-
Repayments received in respect of Capital Expenditure Loans	(1,509)	(289)
Less minimum revenue provision repayment	(11,563)	(10,184)
Increase / (decrease) in Capital Financing Requirement	12,124	26,557

38 LEASES

Authority as Lessee

The authority's lease contracts comprise leases of operational land and buildings, plant and equipment and motor vehicles. Most are individually immaterial; however, material leases include:

- Bath Leisure Centre: this lease started on 1 April 2014 for a period of 55 years. The annual rent is subject to review on every fourth anniversary of the start date, and is varied in line with the All Items index value of the RPI at the reference month. The current asset value is £3.11m

Right-of-use assets

The Authority has acquired a number of buildings and vehicles, plant and equipment under finance leases. This table shows the change in the value of right-of-use

	Land & buildings £000s	Investment Properties £000s	Vehicles Plant & Equipment £000s	Total £000s
Balance at 1 April 2024	5,137	2,663	-	7,800
Adjustment to opening balance	4,799	684	507	5,990
Additions	810	-	475	1,285
Revaluations	280	39	-	319
Depreciation & amortisation	(561)	-	(204)	(765)
Disposals	-	-	-	-
Balance at 31 March 2025	10,465	3,386	778	14,629

Transactions under leases

The Authority incurred the following expenses and cash flows in relation to leases

	2024/25 £000s	2023/24 £000s
Comprehensive income and expenditure statement		
Interest expense on lease liabilities	420	-
Expense relating to short-term leases	460	-
Expense relating to exempt leases of low-value items	215	-
Income from subletting right-of-use assets	(208)	-
	887	-
Cash Flow Statement		
Minimum Lease Payments	840	-

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments).

	Finance Leases		Operating Leases	
	2024/25	2023/24	2024/25	2023/24
Not later than one year	983	799	208	207
Later than one year and not later than five years	2,961	1,900	367	220
Later than five years	7,816	8,960	-	-
	11,760	11,659	575	427

No deferred liability is disclosed in the Council's Balance Sheet for Other Land & Buildings as these properties are subject to peppercorn rents only.

NOTES TO MAIN FINANCIAL STATEMENTS

Authority as Lessor

Transactions under leases

The Council has 33 finance leases, these are all on nil consideration or peppercorn so there is no income to report.

	2024/25 £000s	2023/24 £000s
Operating Leases		
Investment Properties	16,493	16,501
Other Land & Buildings	1,451	1,384
	17,944	17,885

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

	2024/25 £'000	2023/24 £'000
Not later than one year	15,968	16,298
Later than one year and not later than five years	44,113	42,463
Later than five years	136,507	127,665
	196,588	186,426

39 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.

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 2024/25 the Council paid £1.930m to Teachers' Pensions in respect of teachers' retirement benefits, representing an average of 28.6% of pensionable pay. The figures for 2023/24 were £1.582m and 23.1%. There were no contributions remaining payable at the year end.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 41. The Authority is not liable to the scheme for any other entities obligations under the plan.

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.

Transactions relating to post-employment benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Unfunded Liabilities (Teachers) Discretionary Benefits	
	2024/25	2023/24	2024/25	2023/24
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
Current Service Costs	15,517	14,178		
Past Service Cost	-	-	-	-
Settlement and Curtailment (Gain) / Loss	480	121	-	-
Administration Expenses	565	490		
<i>Financing and Investment Income & Expenditure:</i>				
Net Interest Expense	2,788	4,119	705	722
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	19,350	18,908	705	722
<i>Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement</i>				
Remeasurement of the net defined benefit liability:				
Experience (gains) and losses	(963)	6,849	(43)	689
Actuarial (gains) and losses arising on changes in demographic assumptions	(1,878)	(10,998)	(103)	-
Actuarial (gains) and losses arising on changes in financial assumptions	(99,559)	(10,084)	(799)	(239)
Return on Plan Assets (excluding interest)	36,934	(19,687)	-	-
Effect of Asset Ceiling	23,252	-	-	-
Total Remeasurement (Gain)/Loss	(42,214)	(33,920)	(945)	450
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(22,864)	(15,012)	(240)	1,172
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	19,350	18,908	705	722
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	20,509	18,147	-	-
Retirement benefits payable to pensioners			1,543	1,517

NOTES TO MAIN FINANCIAL STATEMENTS

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

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

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		(Teachers) Discretionary Benefits	
	2024/25	2023/24	2024/25	2023/24
	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	665,426	742,405	13,366	15,149
Fair value of plan assets	(664,064)	(674,418)	-	-
Effect of Asset Ceiling *	23,252	-	-	-
Net liability arising from defined benefits obligation	24,614	67,987	13,366	15,149

* **Effect of Asset Ceiling** - Due to the onerous obligations arising from the secondary contributions to the Local Government Pension Fund, the Actuary has calculated a ceiling for the remeasurement of the assets that can be included when disclosing the value of the net asset / liability in the Council's Balance Sheet.

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		(Teachers) Discretionary Benefits	
	2024/25	2023/24	2024/25	2023/24
	£'000	£'000	£'000	£'000
Opening Balance at 1 April	742,405	733,957	15,149	15,494
Current service cost	15,517	14,178	-	-
Interest cost	35,733	34,602	705	722
Contributions from scheme participants	6,302	5,621	-	-
Actuarial gains and losses	(102,400)	(14,233)	(945)	450
Benefits paid	(32,611)	(31,841)	(1,543)	(1,517)
Settlements	-	-	-	-
Past service costs	480	121	-	-
Past service gain	-	-	-	-
Closing Balance at 31 March	665,426	742,405	13,366	15,149

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

	Local Government Pension Scheme	
	2024/25	2023/24
	£'000	£'000
Opening Fair Value of scheme assets at 1 April	674,418	632,811
Interest on Plan Assets	32,945	30,483
Remeasurement Gain (Loss)	(36,934)	19,687
Administration Expenses	(565)	(490)
Business Combinations	-	-
Settlements	-	-
Contributions from employer	20,509	18,147
Contributions from employees into the scheme	6,302	5,621
Benefits paid	(32,611)	(31,841)
Closing Balance at 31 March	664,064	674,418

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 £3.988m [2023/24 (£50.169m)].

Scheme History

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:						
Local Government Pension Scheme	(844,609)	(967,476)	(985,952)	(733,957)	(742,405)	(665,426)
Discretionary Benefits	(19,940)	(20,250)	(19,279)	(15,494)	(15,149)	(13,366)
Fair value of assets in the Local Government Pension Scheme	538,396	627,797	679,609	632,811	674,418	664,064
Surplus/(deficit) in the scheme:						
Local Government Pension Scheme	(306,213)	(339,679)	(306,343)	(101,146)	(67,987)	(24,614)
Discretionary Benefits	(19,940)	(20,250)	(19,279)	(15,494)	(15,149)	(13,366)
Long Term Liability in Balance Sheet	(326,153)	(359,929)	(325,622)	(116,640)	(83,136)	(37,980)

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 £38m 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 2025/26 are estimated to be £20.3m. 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 2025.

The principal assumptions used by the actuary have been:

	Avon Pension Fund		Discretionary Benefits (Teachers) Scheme	
	2024/25	2023/24	2024/25	2023/24
Mortality assumptions :				
Longevity for current pensioners:				
Men	<u>at 65</u> 22.0	22.0	<u>at 75</u> 13.4	13.5
Women	24.1	24.1	15.1	15.1
Longevity for future pensioners:				
Men	23.2	23.3	22.0	22.0
Women	26.1	25.8	24.1	24.1
Rate of inflation	2.6%	2.7%	2.7%	2.7%
Rate of increase in salaries	4.1%	4.2%		
Rate of increase in pensions	2.7%	2.8%	2.8%	2.8%
Rate for discounting scheme liabilities	5.8%	4.9%	5.7%	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%)	(42,100)	42,100
Rate of Inflation (increase or decrease by 0.25%)	22,105	(22,105)
Rate of increase in salaries (increase or decrease by 0.25%)	2,756	(2,756)
Longevity (increase or decrease in 1 year)	13,790	(13,790)

Virgin Media Court Case: Our current understanding is that, while HM Treasury are still assessing the implications, they do not believe the case is relevant to Local Government pension schemes. Given this, and the unknown impact on benefits even if it were to be required, we have not made any allowance for the Virgin Media judgment.

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 2025		Assets at 31 March 2024	
	£'000	%	£'000	%
Equity investments	270,938	40.8%	337,209	50.0%
Government Bonds	128,164	19.3%	155,116	23.0%
Other Bonds	63,750	9.6%	60,698	9.0%
UK Property Funds	33,867	5.1%	35,070	5.2%
Alternatives	209,180	31.5%	189,512	28.1%
Cash Accounts	(41,836)	(6.3)%	(103,186)	(15.5)%
Total	664,064	100%	674,418	100%

History of experience gains and losses

Actuarial losses identified as movements on the Pensions Reserve in 2024/25 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2025.

	2024/25	2023/24	2022/23	2021/22	2020/21	2019/20
Difference between the expected and actual return on scheme assets:						
amount (£'000)	(36,934)	19,687	(57,880)	48,982	81,048	(52,191)
percentage	5.6%	7.2%	7.2%	7.2%	12.9%	9.7%
Experience (gains) and losses on liabilities						
amount (£'000)	(963)	6,849	120,769	2,694	(18,696)	1,878
percentage	0.1%	0.9%	0.3%	0.3%	1.9%	0.2%
	(37,897)	26,536	62,889	51,676	62,352	(50,313)

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 2025 apportioned to this Council is £9.277m (£9.664m at 31st March 2024). 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 2024	Principal Repaid	31 March 2025
	£000	£000	£000
Ex- Avon loan debt principal repayment	9,664	(387)	9,277
Split Between Short-Term & Long-Term:			
Short-Term Liability	387		371
Long-Term Liability	9,277		8,906
Total	9,664		9,277

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 £11.563m calculated as follows:

	2024/25 £000	2023/24 £000
Provision for capital expenditure incurred before 1st April 2008	623	611
Provision based on estimated useful life of new assets since 2008	10,518	9,573
Provision for capital expenditure on Right of Use Assets	418	0
Provision for expected credit loss on Aequus loan	4	0
Total Minimum Revenue Provision (MRP)	11,563	10,184

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:

	2024/25 Exp. £'s	2024/25 Income £'s	2024/25 Assets £'s	2024/25 Liabilities £'s
Alice Park Trust	98,443	(98,443)	243,578 *	
Total	98,443	(98,443)	243,578	0

* Includes external investments valued at £18,416

	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 *	
Total	43,304	(43,304)	189,762	0

* Includes external investments valued at £18,369

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:

	2024/25 Exp. £'s	2024/25 Income £'s	2024/25 Assets £'s	2024/25 Liabilities £'s
Educational Funds	-	(1,870)	41,550	
Graves / Memorial maintenance	-	(675)	14,312	
Twinning Fund	1,905	(1,257)	26,660	
Bequests	-	(1,931)	40,952	
Total	1,905	(5,733)	123,474	0

	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	
Total	1,053	(5,661)	119,646	0

45 CONTROLLED COMPANIES

Aequus Developments Ltd (ADL)

The Council set up ADL to develop, deliver, own and manage existing property as well as carry out new developments on a case by case basis. ADL is a 100% subsidiary of AGHL.

The company's draft un-audited accounts to 31st March 2025 show a turnover of £1,649,794 a net profit of £149,721, net current liabilities of £61,431 and net assets of £1,657,468. (Turnover of £1,563,794, a net loss of £163,866, net current assets of £70,918 and net assets of £1,507,749 in the company's audited 2023/24 accounts). These figures include outstanding loans made to the company by the Council of £6,932,840 (£6,998,644 in 2023/24).

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 2025 show a turnover of £11,804,264, a net profit of £1,247,947, net current assets of £2,407,390 and net assets of £2,430,701 (a turnover of £4,383,919, a net profit of £10,027, net current assets of £1,924,399 and net assets of £1,953,753 in the company's audited 2023/24 accounts). These figures include outstanding loans made to the company by the Council of NIL (NIL in 2023/24).

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 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

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 15,000+ items in the collection were acquired by way of gift and bequest. Valuations are carried out by the museums curator, and where necessary supplemented with advice sought from an external source.

Fine Art: the bulk of the collection consists of British drawings, paintings, watercolours and miniatures and silhouettes from the 17th to the 21st century. There are also small collections of sculpture and of European works of art. Of particular significance are the collections of prints, drawings and watercolours associated with Georgian Bath. The gallery also holds a large collection of portraits produced by artists who worked in the local area including Thomas Gainsborough and Sir Thomas Lawrence.

Decorative Art: the collections include porcelain, pottery and glass dating from the 17th to the 19th century. The bulk of this material is British and the collections of Delftware and of English drinking glasses are of particular note. The gallery seeks to build on and improve its collection with the acquisition of items which complement existing holdings.

Library Service

The collection of Library Service heritage assets is defined as items available for consultation but not available for loan either due to their local cultural or historical significance, or because they were bequeathed to the library by local citizens.

The collection is divided into 4 categories:

Reserve & Reference stock: this includes approximately 44,400 items of books, journals, pamphlets and newspapers, including bound sheet music and loose engravings.

Open Access Reference: containing around 11,200 catalogued books and pamphlets, maps, photos, slides and 10,000 clippings envelopes.

Special Store: this is stock of a non-standard item due to either its format e.g. autographed letters, manuscripts etc. or its value such as rare books and fine bindings.

Local Store: stock that is local or family history oriented, or is a non-standard item due to its format such as maps, Valentine's cards or photographs.

Title to the collection of civic regalia and silver of the former Bath City Council was transferred to the Charter Trustees on Local Government re-organisation in 1996 and is therefore not included in the Council's Balance Sheet.

47 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 2024	(101,154)	(2,980)	0	0
Receipts into the Pool in-year:				
- Growth sums payable by Councils to BRP in-year	(51,796)	(682)	1,534	0
Distributions out of the Pool in-year:				
- Tier 1 no worse off	16,965	244	0	(244)
- BRP Management Fee	38	9	0	0
- EDF Management Fee	75	19	0	0
- Tier 2 EDF funding	9,652	75	0	(74)
- Tier 3 Demographic and service pressures	46,617	1,186	0	(4,034)
Funds held by the BRP at 31 March 2025	(79,603)	(2,129)		
Analysed between:				
Uncommitted cash (Tier 2 incl. Contingency)	(3,942)	(103)	4	n/a
Committed cash not yet allocated	(75,661)	(2,026)	(856)	n/a
	(79,603)	(2,129)		
Expenditure / (Revenue) recognised			682	(4,352)

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 (£2.129m) 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 £9.652m on behalf of the EDF in 2024/25.

The council itself has recognised revenue income of £4.352m (2023/24: (£918,000) from the BRP and expenditure of £682,000 (2023/24: £1,633,000) to the BRP for the year. In 2024/25, the Business Rates Pooling Board approved additional payments of Tier 3 funding (£3.452m for Bath & North East Somerset Council) representing historic amounts due following the agreed adjustment of the Tier 2 / Tier 3 distribution ratio.

NOTES TO MAIN FINANCIAL STATEMENTS

48 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

	2024/25		2023/24	
	£'000	£'000	£'000	£'000
CAZ Income		(2,958)		(4,228)
Expenditure	2,297		1,939	
<i>less Grant Funding</i>	-		-	
Expenditure net of Grant Funding		2,297		1,939
(Surplus) / Deficit transferred to Earmarked Reserve		(661)		(2,289)

Clean Air Zone Earmarked Reserves

	31 March 2024	transfers to £'000	transfers from £'000	31 March 2025
	£'000			£'000
Smoothing Reserve	3,529	42		3,571
Decommissioning Reserve	400	84	(107)	377
Decommissioning Monitoring and Modelling Reserve	400	107	(50)	457
Transport Investment Reserve	6,251	669	(3,775)	3,145
Total Clean Air Zone Reserves	10,580	902	(3,932)	7,550

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 2024/25

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	2024/25 £'000	2023/24 £'000
INCOME				
Council Tax	2	(149,604)		(141,565)
Income collectable from business ratepayers	3	(69,069)		(67,659)
			(218,673)	(209,224)
EXPENDITURE				
Council Tax - Precepts and demands				
Bath & North East Somerset		124,020		116,839
Avon & Somerset Police	1	19,336		18,264
Avon Fire	1	5,917		5,691
			149,273	140,794
National Non-Domestic Rates (NNDR)				
Central share payment to Government		-		-
Local share payment to Bath & North East Somerset		62,308		60,699
Local share payment to WECA		3,314		3,229
Local share payment to Avon Fire Authority		663		646
Transfer of City Deal Growth Disregard to General Fund	6	656		1,083
Transfer of Renewable Energy Growth Disregard to General Fund		20		20
Cost of Collection Allowance		268		268
Interest charged to the collection fund		85		27
			67,314	65,972
Impairments of debts/Appeals provision				
Contribution to Provision for Bad Debts	4		564	561
Contribution to Provision for NNDR Appeals	5		1,796	(3,624)
Contributions				
Contribution towards previous year's estimated Collection Fund Surplus/(Deficit)			(361)	5,848
			218,586	209,551
(Surplus)/Deficit for the Year			(87)	327
(Surplus)/Deficit Brought Forward as at 1 April			(5,771)	(6,098)
(Surplus)/Deficit as at 31 March	7		(5,858)	(5,771)
Council Tax Surplus / (Deficit) to be refunded to Police & Fire Authorities			65	25
NNDR Surplus / (Deficit) to be refunded / charged to Government, WECA & Fire Authority			329	338
Bath & North East Somerset (Surplus)/Deficit			(5,464)	(5,408)

NOTES TO THE COLLECTION FUND

1 The Collection Fund

The Collection Fund Account is a statutory fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The year end surplus/deficit on the Fund is due to/from the Council as 'billing authority' and the major precepting authorities, Avon & Somerset Police Authority and Avon Fire Authority.

The precepts and demands related to Council Tax are as follows;

	Precept 2024/25 £'000	Surplus / (Deficit) 2024/25 £'000	Precept 2023/24 £'000	Surplus / (Deficit) 2023/24 £'000
The Avon & Somerset Police Authority	19,336	(39)	18,264	66
The Avon Fire Authority	5,917	(12)	5,691	19

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 69,255.90 (68,609.95 for 2023/24). This amount of Council Tax for a Band D property £2,155.39 (£2,052.09 - 2023/24) 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	16,703	7/9	12,991
Band C	17,975	8/9	15,978
Band D	12,873	9/9	12,873
Band E	9,296	11/9	11,361
Band F	5,362	13/9	7,746
Band G	4,725	15/9	7,876
Band H	392	18/9	785
			74,141
Overall Adjustment for Council Tax Support and Technical Changes			(4,885)
Council Tax Base			69,256

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 2024/25 is receivable from the following sources:-

	2024/25 £'000	2023/24 £'000
Billed to Council Tax payers	(149,525)	(141,248)
Localism Act Discounts funded from General Fund	(14)	(8)
DWP Benefits funded from General Fund	1	-
Foster Carers Locally Defined Discount funded from General Fund	(15)	(14)
Care Leavers Locally Defined Discount funded from General Fund	(52)	(50)
Council Tax Covid-19 Hardship Relief funded from General Fund	1	1
Council Tax Support Fund	1	(245)
	(149,603)	(141,564)

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 2024/25 were 49.9 pence for qualifying small businesses and 54.6 pence for all other businesses, subject to transitional arrangements. The NNDR income after reliefs of £68.984 million for 2024/25 (£67.659 million for 2023/24) resulted from a total rateable value at 31 March 2025 of £193.577 million (2023/24: £193.879 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 2024/25 is £5.474m (£5.625m surplus in 2023/24). 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:

	2024/25 £'000	2023/24 £'000
Council Tax		
Balance at 1 April	1,704	1,669
Write-offs during the year	223	(180)
Contributions to provisions during the year	393	215
Net Increase/(Decrease) in Provision	616	35
Balance at 31 March	2,320	1,704
NNDR		
Balance at 1 April	1,045	1,202
Write-offs during the year	(242)	(504)
Contributions to provisions during the year	171	347
Net Increase/(Decrease) in Provision	(71)	(157)
Balance at 31 March	974	1,045
Total		
Balance at 1 April	2,749	2,871
Write-offs during the year	(19)	(684)
Contributions to provisions during the year	564	562
Net Increase/(Decrease) in Provision	545	(122)
Balance at 31 March	3,294	2,749

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 2025.

	2024/25 £'000	2023/24 £'000
Balance at 1 April	5,530	13,590
Cost of Appeals settled during the year	(1,852)	(4,436)
Contributions to provisions during the year	1,796	(3,624)
Net Increase/(Decrease) in Provision	(56)	(8,060)
Balance at 31 March	5,474	5,530

The net reduction in appeals provision is mainly due to the impact of settled appeals in respect of the 2023 and 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 2025. 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 47 to the Main Financial Statements for full details).

7 Balance of Fund & Distribution

As at 31 March 2025, the balance on the Collection Fund stood at an overall surplus of £5.859m

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	(320)	(5,145)	(5,465)
West of England Combined Authority (WECA)	-	(274)	(274)
Avon & Somerset Police	(50)	-	(50)
Avon Fire Authority	(15)	(55)	(70)
	(385)	(5,474)	(5,859)

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 2024 to 31 March 2025. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (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 2025, 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.

The Council has consolidated its two material Subsidiaries into the Group Financial Statements. These are Aequus Developments Ltd (ADL) & Aequus Construction Limited (ACL).

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 2024/25

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	2023/24	2023/24	2023/24		2024/25	2024/25	2024/25
	Gross Exp £'000	Gross Inc £'000	Net Exp £'000		Gross Exp £'000	Gross Inc £'000	Net Exp £'000
				Expenditure on Services			
	1,275	(1,309)	(34)	Leader	656	(772)	(116)
	10,686	(1,520)	9,166	Council Priorities & Delivery	8,968	(1,445)	7,523
	58,514	(45,236)	13,278	Resources	57,568	(43,560)	14,008
	26,065	(26,704)	(639)	Economic & Cultural Sustainable Developm't	21,704	(30,972)	(9,268)
	128,196	(59,919)	68,277	Adult Services	120,228	(62,695)	57,533
	124,483	(78,326)	46,157	Children's Services	149,463	(95,148)	54,315
	4,073	(2,434)	1,639	Climate Emergency & Sustainable Travel	5,581	(3,810)	1,771
	15,303	(11,381)	3,922	Built Environment & Sustainable Development	12,198	(10,840)	1,358
	47,011	(9,598)	37,413	Neighbourhood Services	39,227	(9,482)	29,745
	24,644	(22,605)	2,039	Highways	25,675	(21,234)	4,441
	6,500	(4,072)	2,428	Activities of Subsidiaries	12,558	(10,818)	1,740
	446,750	(263,104)	183,646	Cost of Services - continuing Operations	453,826	(290,776)	163,050
			8,667	Other Operating Expenditure			7,739
				Financing and Investment Income			
			11,901	& Expenditure			8,494
				Taxation and Non-Specific Grant			
			(177,138)	Income			(186,486)
			27,076	(Surplus) or Deficit on Provision of Services			(7,203)
				(Surplus) or Deficit on Upward			
			(21,950)	Revaluation of Non-current Assets			(37,158)
				(Surplus) or Deficit on Downward			
			12,567	Revaluation of Non-current Assets			5,887
				Remeasurement of the			
			(33,542)	net defined benefit liability			(43,159)
			(42,925)	Other Comprehensive Income & Expenditure			(74,430)
			(15,849)	Total Comprehensive Income & Expenditure			(81,633)

GROUP MOVEMENT IN RESERVES STATEMENT 2024/25

This statement shows the movement in the year on the different reserves held, analysed into 'usable reserves' (that is, those that can be applied to fund expenditure or reduce local taxation) and other reserves.

<u>Current Year</u>	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of reserves of subsidiaries	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2024	86,441	7,711	-	94,152	332,151	426,302	3,452	429,754
Movements During 2024/25:								
Adjustment to Opening Balance				-	(8,370)	(8,370)		(8,370)
Total Comprehensive Income & Expenditure	6,576			6,576	74,430	81,006	627	81,634
Adjustments between group accounts and authority accounts	771			771		771	(771)	-
Net Increase/ (Decrease) before transfers	7,347	-	-	7,347	74,430	81,777	(144)	81,634
Adjustments between accounting basis and funding basis under statutory provisions	(1,235)	1,071	-	(164)	164	-	-	-
Increase / (Decrease) during year	6,111	1,071	-	7,182	74,594	81,777	(144)	81,634
Transfers to / (from) earmarked reserves	(771)			(771)		(771)	771	-
Balance at 31 March 2025	91,782	8,782	-	100,563	398,375	498,937	4,079	503,017
<u>Comparative Year</u>	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of reserves of subsidiaries	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2023	83,626	9,042	-	92,668	316,855	409,523	4,836	414,358
Movements During 2023/24:								
Adjustment to Opening Balance				-		-	(453)	(453)
Total Comprehensive Income & Expenditure	(26,073)			(26,073)	42,853	16,780	(931)	15,850
Adjustments between group accounts and authority accounts	848			848		848	(848)	-
Net Increase/ Decrease before transfers	(25,225)	-	-	(25,225)	42,853	17,628	(2,232)	15,397
Adjustments between accounting basis and funding basis under statutory provisions	28,888	(1,331)	-	27,557	(27,557)	-		-
Increase / (Decrease) during year	3,663	(1,331)	-	2,332	15,296	17,628	(2,232)	15,397
Transfers to / (from) earmarked reserves	(848)			(848)		(848)	848	-
Balance at 31 March 2024	86,441	7,711	-	94,152	332,151	426,302	3,452	429,754

GROUP BALANCE SHEET as at 31 MARCH 2025

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 2024 £'000		31 March 2025 £'000
	306,264	Property, Plant & Equipment:	
	4,874	Land & Buildings	338,329
	21,952	Community Assets	3,466
	40,274	Vehicles, Plant & Equipment	21,121
	3,429	Assets under Construction	53,356
	144,297	Surplus assets	3,571
	48,564	Infrastructure	155,248
	249,516	Heritage Assets	52,143
	480	Investment Property	239,155
G4	1,910	Intangible Assets	305
	-	Long Term Debtors	2,160
	821,560	Deferred tax asset	-
		Long Term Assets	868,854
	7,801	Short Term Investments	7,648
G4	5,464	Inventories	2,485
	56,894	Short Term Debtors	61,641
	26,998	Cash and Cash Equivalents	26,521
	-	Assets Held for Sale	-
	-	Deferred tax asset	10
	97,157	Current Assets	98,305
G5	(14,498)	Short Term Borrowing	(67,914)
	(71,512)	Short Term Creditors	(65,241)
	(2,402)	Grants Receipts In Advance - Revenue	(1,808)
	(41,215)	Grants Receipts In Advance - Capital	(25,974)
	(129,627)	Current Liabilities	(160,937)
	(1,543)	Long Term Creditors	(3,359)
	(7,764)	Provisions	(6,645)
	(238,101)	Long Term Borrowing	(212,719)
	(318)	Deferred tax liability	(325)
	(92,413)	Other Long Term Liabilities	(52,881)
	(19,197)	Grants Receipts In Advance - Capital	(27,276)
	(359,336)	Long Term Liabilities	(303,205)
	429,754	Net Assets	503,017
	97,605	Usable reserves	104,642
	332,149	Unusable Reserves	398,375
	429,754	Total Reserves	503,017

GROUP CASH FLOW STATEMENT

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

2023/24		2024/25
£'000		£'000
(27,076)	Net surplus or (deficit) on the provision of services	7,203
	Adjustment to surplus or deficit on the provision of services	
36,106	for non cash movements	16,185
(24,206)	Adjust for items included in the net surplus or deficit on the provision	
(86)	of services that are investing and financing activities	(34,612)
	Tax Paid	(36)
(15,263)	Operating Activities	(11,260)
(21,454)	Investing Activities	(18,049)
31,732	Financing Activities	28,833
(4,985)	Net Increase/(decrease) in cash equivalents	(475)
31,981	Cash & cash equivalents at the beginning of the reporting period	26,996
26,996	Cash & cash equivalents at the end of the reporting period	26,521

NOTES TO GROUP FINANCIAL STATEMENTS

G1 Accounting policies

The Group Financial Statements summarise the Council's and its Group's transactions for the 2024/25 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 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 2024/25.

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 2025 for ADL have been summarised below, with comparator figures for the previous reporting period.

	Year ended 31 March 2024 (from audited accounts) £000	Year ended 31 March 2025 £000
Aequus Developments Ltd (ADL)		
Profit for the year	(164)	149
Other Comprehensive Income	54	-
Total Comprehensive Income	(110)	149
Net assets	1,508	1,657

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 2025 for ACL have been summarised below, with comparator figures for the previous reporting period.

	Year ended 31 March 2024 (from audited accounts) £000	Year ended 31 March 2025 £000
Aequus Construction Ltd (ACL)		
Profit for the year	10	1,248
Other Comprehensive Income	-	-
Total Comprehensive Income	10	1,248
Net assets	1,954	2,431

G4 Debtors

2023/24 £'000		2024/25 £'000
	Amounts falling due in one year:	
7,024	Central Government bodies	9,499
14,181	Other local authorities	20,967
5,196	NHS bodies	4,518
15,631	Other entities and individuals (Trade Debtors)	11,678
10,123	Other entities and individuals (Non-Trade Debtors)	11,589
4,739	Prepayments	3,390
<u>56,894</u>	Total - Current Assets	<u>61,641</u>
£'000	Amounts falling after one year:	£'000
1,910	Other entities and individuals	2,160
<u>1,910</u>	Total - Long Term Assets	<u>2,160</u>

G5 Creditors

2023/24 £'000		2024/25 £'000
	Amounts falling due in one year:	
2,855	Central Government bodies	2,673
9,779	Other local authorities	9,457
5,680	NHS bodies	1,112
17,386	Other entities and individuals (Trade Creditors)	17,909
21,890	Other entities and individuals (Non-Trade Creditors)	20,229
6,038	Income Received in Advance	7,306
6,419	Pension Fund	6,555
<u>70,047</u>	Total - Current Assets	<u>65,241</u>
£'000	Amounts falling after one year:	£'000
1,543	Other entities and individuals	3,359
<u>1,543</u>	Total - Long Term Assets	<u>3,359</u>

PENSION FUND ACCOUNTS 2024/25

Fund Account

For the Year Ended 31 March 2025

	Notes	2024/25 £'000	2023/24 £'000
Dealings with members, employers and others directly involved in the fund			
Contributions Receivable	4	(250,877)	(251,239)
Transfers In		(17,577)	(14,320)
		(268,454)	(265,559)
Benefits Payable	5	250,293	229,436
Payments to and on account of Leavers	6	20,062	17,473
		270,355	246,909
Net (additions) / withdrawals from dealings with member		1,901	(18,650)
Management Expenses	7	29,799	25,718
Net (additions)/withdrawals including fund management expenses		31,700	7,068
Returns on Investments			
Investment Income	8	(61,263)	(68,383)
Profits and losses on disposal of investments and change in value of investments	9	68,519	(375,006)
Net Returns on Investments		7,256	(443,389)
Net (Increase) / Decrease in the net assets available for benefits during the year		38,956	(436,321)
Opening Net Assets of the Fund		5,825,531	5,389,210
Closing Net Assets of the Fund		5,786,575	5,825,531

Net Assets Statement at 31 March 2025

	Notes	31 March 2025 £'000	%	31 March 2024 £'000	%
INVESTMENT ASSETS					
Property Pooled Investment vehicles		674,285	11.7	680,454	11.7
Non-Property Pooled Investment Vehicles		4,903,436	84.7	4,950,627	85.0
Cash Deposits		183,012	3.2	162,500	2.8
Derivative Contracts (Foreign Exchange hedge) - Gross Asset	9 & 10	21,512	0.4	17,309	0.3
Derivative Contracts: FTSE Futures - Gross Asset	9	-	-	688	-
Other Investment balances		1,407	-	7,428	0.2
Total Investment Assets		5,783,652		5,819,006	
Long-Term Investments		750	-	722	-
INVESTMENT LIABILITIES					
Derivative Contracts (Foreign Exchange hedge) - Gross Liability	9 & 10	(8,259)	(0.1)	(4,674)	(0.4)
Derivative Contracts: FTSE Futures - Gross Liability	9 & 10	(1,113)	-	-	-
Other Investment balances		(369)	-	(9)	-
Total Investment Liabilities		(9,741)		(4,683)	
TOTAL NET INVESTMENT ASSETS	10	5,774,661		5,815,045	
Long Term Debtors	12a	240	-	257	
Net Current Assets					
Current Assets	12	20,534	0.4	18,776	0.3
Current Liabilities	12	(8,860)	(0.2)	(8,547)	(0.2)
Net assets of the scheme available to fund benefits at the period end		5,786,575	100.1	5,825,531	99.7

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 2025. The actuarial present value of these liabilities is disclosed in note 15.

Notes to Accounts - Year Ended 31 March 2025

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 2024 to 31 March 2025.

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 2024/25 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 1.22. 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 102% as at 31 March 2025 based on the 2022 valuation assumptions. The funding level calculation 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.

1.10 **Note 15** to the accounts shows the actuarial present value of promised retirement benefits for the purposes of IAS 26 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 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 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 Proposed Government reforms to the Local Government Pension Scheme Pooling Arrangements in England and Wales.

In 2024 the Government consulted on the future of the LGPS with an aim to establish larger pools of professionally managed capital, offering best value to its members and communities. Each pool put forward proposals of how it might achieve the criteria set out by the government, focusing on the benefits of scale, long-term resilience, and value for money, with consideration given to the opportunity for closer collaboration across the scheme and the merger of pools.

Brunel's proposal put forward by the company and its clients was rejected by the government as it did not meet the Government's vision for the future of the LGPS. As a result the Avon Pension Fund must now decide how best to meet the government's criteria, through joining another pool. The government has set a deadline of 30 September 2025 for the Fund to reach an in-principle decision for our future pooling arrangements.

Whilst the Fund is disappointed by this decision, it is currently working with the Brunel Pension Partnership and partner funds to fully assess options in meeting the Governments proposals. Considerable uncertainties remain on how any new arrangements will be adopted and on the future of the Brunel Pension Partnership Ltd. The fund's 10% shareholding in Brunel Pension Partnership Ltd is valued at £0.75m in the balance sheet. Although not considered material to the accounts, uncertainty on the long-term future of the Brunel Pension Partnership exists, until it becomes clearer on how the new Government arrangements will be implemented. Future transition costs are also unclear until a decision is made as to the new arrangements. The Fund recognises and has considered these risks and has decided not to make any adjustment to the financial statements but will continue to review as more clarity on the way forward develops.

1.15 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

1.16 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

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

i) Quoted Securities have been valued at 31 March 2025 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 2025 or audited valuations lagged by a quarter adjusted for known cash flows are used.

All valuations are subject to the custodian's and fund managers internal controls. Valuations are also subject to an external audit.

iii) Fixed interest securities are recorded at net market value based on their current yields and exclude interest earned but not paid over at the year end, which is included separately within investment debtors.

iv) Foreign currency transactions are recorded at the prevailing spot rate at the date of transaction. Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates ruling as at 31 March 2025.

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

- 1.18 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 2024/25 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 2025. The deficit contribution is expressed as a cash sum, and ranges from £0 to £4.3 millions.
- 1.19 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

- 1.20 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.
- 1.21 Benefits payable and refunds of contributions have been brought into the accounts as they fall due.
- 1.22 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.
- 1.23 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

- 1.24 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

- 1.25 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.
- 1.26 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

- 1.27 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

- 1.28 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 (£15m), Infrastructure (£746m), Private Debt (£252m) and closed-ended Property Funds (£121m) 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 +/- £113m 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 2025 is £5,612 million.	The effects on the actuarial present value of promised retirement benefits (the Fund's liabilities) of changes in individual assumptions can be measured. For instance, based on the 2022 actuarial valuation results: <ul style="list-style-type: none"> • a 0.25% per annum reduction in the real investment return assumption would increase deficit by £261m (to £499m) • a 0.25% per annum increase in the assumed pensionable salary growth would increase the deficit by £32m (to £270m) • a 0.25% per annum increase in the long term improvement rate in life expectancy would increase the deficit by £45m (to £283m)

Events After the Balance Sheet Date

- 1.29 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

- 1.30 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

- 1.31 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.

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 2024/25.

PENSION FUND ACCOUNTS 2024/25

2 MEMBERSHIP

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

	31 March 2025	31 March 2024
Employed Members	41,658	41,642
Pensioners	41,009	39,605
Members entitled to Deferred Benefits	45,439	44,653
Undecided Leavers	14,064	14,147
TOTAL	142,170	140,047

The numbers of members have been extracted from the underlying membership records in the live system as at 31 March 2025, including the comparative figures

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:-

	2024/25 £'000	2023/24 £'000
Employers' normal contributions		
Scheduled Bodies	144,957	134,202
Administering Authority	17,121	15,272
Admission Bodies	7,207	7,715
	<u>169,285</u>	<u>157,189</u>
Employers' deficit funding		
Scheduled Bodies	14,741	30,846
Administering Authority	1,653	1,585
Admission Bodies	1,105	5,528
	<u>17,499</u>	<u>37,959</u>
Total Employer's normal & deficit funding	186,784	195,148
Employers' contributions - Augmentation		
Scheduled Bodies	4,293	950
Administering Authority	515	115
Admission Bodies	74	6
	<u>4,882</u>	<u>1,071</u>
Members' normal contributions		
Scheduled Bodies	50,287	46,906
Administering Authority	6,095	5,494
Admission Bodies	1,977	2,141
	<u>58,359</u>	<u>54,541</u>
Members' contributions toward additional benefits		
Scheduled Bodies	706	407
Administering Authority	105	62
Admission Bodies	41	10
	<u>852</u>	<u>479</u>
Total	250,877	251,239

The decrease in Employers' deficit funding between 2023/24 and 2024/25 is due to employers paying their deficits three years in advance in 2023/24.

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 2024/25

5 BENEFITS PAYABLE

Analysis of Gross Benefits Payable by Type:-

	2024/25 £'000	2023/24 £'000
Retirement Pensions	207,455	189,839
Commutation of Pensions and Lump Sum Retirement Benefits	39,194	34,485
Lump Sum Death Benefits	3,644	5,112
	<u>250,293</u>	<u>229,436</u>

Analysis of Gross Benefits Payable by Employing Body:-

	2024/25 £'000	2023/24 £'000
Scheduled & Designating Bodies	203,609	184,380
Administering Authority	25,983	25,538
Admission Bodies	20,701	19,518
	<u>250,293</u>	<u>229,436</u>

6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

Leavers

	2024/25 £'000	2023/24 £'000
Refunds to members leaving service	956	618
Individual Cash Transfer Values to other schemes	18,504	16,855
Group Transfers	602	-
	<u>20,062</u>	<u>17,473</u>

A group transfer took place between Restart Employment and Skills Limited (Weston College) to Greater Manchester Pension Fund as at 1st July 2024. The value of the transfer will be established in 2025/26.

PENSION FUND ACCOUNTS 2024/25

7 MANAGEMENT EXPENSES

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

	2024/25	2023/24
	£'000	£'000
Administrative Costs	4,542	3,973
Oversight & Governance Costs	2,970	2,504
Investment Management Expenses	22,287	19,241
	29,799	25,718

Further Analysis of Management Expenses:-

Administrative Costs

Management Costs	3,327	2,696
Administration and Processing	938	1,102
Service from Administrating Body	450	466
Fees and Income	(173)	(291)
	4,542	3,973

Oversight & Governance Costs

Management costs	1,247	1,068
Specialist advice and Governance	1,824	1,651
Actuarial recharges	(239)	(327)
Audit Fees	138	112
	2,970	2,504

Investment Management Expenses (Note 7a)

	22,287	19,241
	29,799	25,718

Management costs in Oversight & Governance Costs include investments, actuarial and accounting staff costs. Audit fees include: the £0.106m external audit fee (2023/24 £0.095m), £0.019m scale fee variation for 22/23 (charged to the Fund in 24/25), £0.005m relating to IAS 19 Assurances for 23/24 and £0.008m relating to IAS 19 Assurances for 24/25. Internal audit costs are included within Specialist advice and Governance.

7a INVESTMENTS MANAGEMENT EXPENSES

2024/25	Total	Management Fees	Performance related fees	Transaction costs
	£'000	£'000	£'000	£'000
Equity	-	-	-	-
Pooled Property	2,156	2,163	(7)	-
Private Infrastructure	3,500	3,500	-	-
Derivatives	481	481	-	-
Pooled Investments *	16,105	12,900	3,200	5
	22,242	19,044	3,193	5
Custody Fees	45			
Total	22,287			

2023/24	Total	Management Fees	Performance related fees	Transaction costs
	£'000	£'000	£'000	£'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
	19,196	18,109	1,075	12
Custody Fees	45			
Total	19,241			

* Included within Pooled Investments is £1.889m (£1.645m in 23/24) 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 24/25 represent a decrease in the provision for pooled property of £0.583m and a payment in year of £0.576m. For Pooled investments there is a payment in year of £2.025m and an increase in provision of £1.175m. The current total provision for performance fees is included in note 12 Current Asset and Liabilities.

Of the £22.3m of investment management fees, £13.7m relates to the fees paid to the underlying managers of the portfolios managed by Brunel. Fees were relatively stable year on year due to the muted performance of assets. No material asset allocation changes were made during the period.

PENSION FUND ACCOUNTS 2024/25

8 INVESTMENT INCOME

	2024/25 £'000	2023/24 £'000
Dividends from equities	17	30
Income from pooled Property Investments	15,689	13,560
Income from other pooled investment vehicles	36,408	47,170
Interest on cash deposits	9,149	7,623
Other Income	-	-
TOTAL	61,263	68,383

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 £23.1m stock on loan, secured by collateral of £24.5m. During the year the Fund's share of stock lending income in this portfolio was £0.08m. 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 31/03/24 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31/03/25 £'000
Bonds					-
Equities					-
Long Term Investments	722	-	-	28	750
Pooled Investments-					
- Property	680,454	22,604	(25,344)	(3,429)	674,285
- Non Property	4,950,627	141,207	(68,225)	(120,173)	4,903,436
Derivatives					
- Foreign Exchange Hedge	12,635	26,517	(58,994)	33,095	13,253
- FTSE Futures	688	1,159	(6,055)	3,095	(1,113)
Sub Total	5,645,126	191,487	(158,618)	(87,384)	5,590,611
Other Investment Balances:					
- Cash Deposits	162,500				183,012
- Amount receivable for sales	6,333				364
- Payable for purchases	(9)				(369)
- Investment Debtors & Creditors	1,095				1,043
Total Investment Assets	5,815,045			(87,384)	5,774,661

Reconciliation to Fund Account:

	£'000
Change in market value of Investment Assets	(87,384)
Net Purchases & Sales	32,869
Movement in other Investment Balances	14,131
Movement in Long Term Debtors	(17)
Movement in Current Assets	1,445
Less Net Revenue of Fund	(29,563)
Profits and losses on disposal of investments and change in value of investments	(68,519)

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 (£31.587m) plus Investment income (£61.263m) as shown in the Fund account.

PENSION FUND ACCOUNTS 2024/25

Change in Total Net Assets 2023/24

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
Sub Total	5,255,608	918,593	(900,388)	371,313	5,645,126
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
Total Investment Assets	5,381,655			371,313	5,815,045

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)
Profits and losses on disposal of investments and change in value of investments	375,006

* Purchases and sales for other investment balances have been removed from this note so that it is consistent with the CIPFA Example Accounts.

10 INVESTMENT ASSETS

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

	31 March 2025 £'000	31 March 2024 £'000
Non-Property Pooled Investment Vehicles		
Global Equity	1,840,916	1,818,719
Risk Management Strategy	1,295,182	1,522,335
Diversified Growth Funds	385,269	373,169
Infrastructure	745,623	674,975
Multi Asset Credit	369,145	340,487
Hedge Funds	15,206	17,575
Private Debt	252,095	203,367
	4,903,436	4,950,627
Other Investments		
Pooled Property Investments	674,285	680,454
Derivative contracts		
• Foreign Exchange Hedge	21,512	17,309
• Derivative contracts: FTSE Futures	-	688
	695,797	698,451
Cash deposits	183,012	162,500
Investment Income due	1,043	1,095
Amounts receivable for sales	364	6,333
Total Investment Assets	5,783,652	5,819,006
Long Term Investments		
Equities	750	722
Investment Liabilities		
Derivative contracts		
• Foreign Exchange Hedge	(8,259)	(4,674)
• Derivative contracts: FTSE Futures	(1,113)	-
Amounts payable for purchases	(369)	(9)
Total Investment Liabilities	(9,741)	(4,683)
Total Net Investments	5,774,661	5,815,045

During the year remaining capital was called to complete the 9% strategic allocation to Secured Income and further capital was drawn into the Fund's local impact portfolio, funding investments in affordable housing and renewable energy. Underweight positions in private markets combined with positive listed equity performance resulted in an overweight position to listed equities which the Fund rebalanced by reducing equity exposure with the BlackRock Risk Management vehicle. Proceeds were used to bolster the Fund's collateral position and fund ongoing private markets capital calls.

The Long term investment of £0.750m 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 2024.

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	42,334	GBP	35,488	5	(8)
Up to one month	JPY	2,696,900	GBP	14,048	15	(46)
Up to one month	USD	142,633	GBP	110,401	331	(221)
Up to one month	GBP	14,484	JPY	2,696,900	471	(4)
Up to one month	GBP	35,693	EUR	42,334	210	(1)
Up to one month	GBP	112,497	USD	142,633	2,098	(112)
One to six months	EUR	9,168	GBP	7,728	6	(19)
One to six months	JPY	976,300	GBP	5,158	15	(64)
One to six months	USD	125,984	GBP	97,829	352	(558)
One to six months	GBP	166,702	EUR	198,028	333	(501)
One to six months	GBP	61,469	JPY	11,596,300	759	(147)
One to six months	GBP	535,612	USD	685,879	6,487	(2,359)
Six to twelve months	GBP	32,005	EUR	37,772	-	(4)
Six to twelve months	GBP	11,267	JPY	2,124,000	9	-
Six to twelve months	GBP	579,468	USD	738,454	10,292	(3,590)
Six to twelve months	USD	66,580	GBP	51,869	129	(371)
Six to twelve months	EUR	-	GBP	-	-	-
Six to twelve months	JPY	-	GBP	-	-	-
More than twelve months	GBP	86,688	USD	111,979	-	(253)
Total					21,512	(8,259)
Net forward currency contracts at 31st March 2025						13,253
Open forward currency contracts at 31 March 2024					17,309	(4,674)
Net forward currency contracts at 31st March 2024						12,635

Exchange Traded Derivatives held at 31 March 2025:-

Contract Type	Expiration	Book Cost	Unrealised Gain / (Loss)
		£'000	£'000
FTSE equity futures	June 2025	71,485	(1,113)

Exchange Traded Derivatives held at 31 March 2024:-

FTSE equity futures	June 2024	33,629	688
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A derivative is a financial contract between two parties, the value of which is determined by the underlying asset. Investment in derivatives may only be made if they contribute to a reduction of risks and facilitate efficient portfolio management.

The UK Equity futures contracts are held to facilitate efficient portfolio management for a passively managed investment where the costs of investing directly in UK equities would be significant.

Forward "over the counter" foreign exchange contracts are held to reduce the impact of fluctuations in the exchange rate between sterling and the other currency.

PENSION FUND ACCOUNTS 2024/25

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 2025 £'000	%	31 March 2024 £'000	%
Investments managed by Brunel Pension Partnership:				
BlackRock Risk Management Strategy	1,295,199	22.4	1,522,352	26.2
Brunel Renewables Portfolio	235,618	4.1	206,889	3.6
Brunel Secured Income Portfolio	620,690	10.7	600,319	10.3
Brunel Multi Asset Credit	369,145	6.4	340,487	5.9
Brunel Global Sustainable Equity	648,956	11.2	666,871	11.5
Brunel Paris Aligned Developed Equity	441,806	7.7	427,700	7.4
Brunel Diversified Returns Fund	385,269	6.7	373,169	6.4
Brunel UK Property	188,821	3.3	178,154	3.1
Brunel Global High Alpha Equity	726,463	12.6	720,796	12.4
Brunel Private Debt	252,095	4.4	203,367	3.5
Avon Transition Fund	5	0.0	5	0.0
	5,164,067	89.4	5,240,109	90.2
Investments managed outside Brunel Pension Partnership:				
Blackrock	23,701	0.4	3,354	0.1
Record	85,350	1.5	46,603	0.8
Partners Group	89,333	1.5	104,225	1.8
TT International	308	0.0	311	0.0
IFM Investors	246,967	4.3	228,645	3.9
Schroder Investment Management	13,228	0.2	13,750	0.2
Avon Local Impact Fund	42,243	0.7	35,085	0.6
JP Morgan	15,206	0.3	23,907	0.4
Custodian Cash	64,539	1.1	87,300	1.5
Long Term Investment	750	0.0	722	0.0
Treasury Management	28,969	0.5	31,034	0.5
	610,594	10.6	574,936	9.8
TOTAL INVESTMENT ASSETS	5,774,661	100.0	5,815,045	100.0

11 SINGLE INVESTMENTS OVER 5% OF THE FUND

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

Investments	Value at 31st March 2025 £'000	% of Net Asset	Value at 31st March 2024 £'000	% of Net Asset
BlackRock Risk Management Strategy	1,295,199	22.38%	1,522,352	26.13%
Brunel Global High Alpha Equity	726,463	12.55%	720,796	12.37%
Brunel Global Sustainable Equity	648,956	11.22%	666,871	11.45%
Brunel Paris Aligned Developed Equity	441,806	7.64%	427,700	7.34%
Brunel Diversified Returns Fund	385,269	6.66%	373,169	6.41%

12 CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2025.

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

	31 March 2025 £'000	31 March 2024 £'000
CURRENT ASSETS		
Contributions Receivable		
- Employers	13,846	12,970
- Members	4,807	4,462
Discretionary Early Retirement Costs	480	81
Other Debtors	1,401	1,263
	<u>20,534</u>	<u>18,776</u>
CURRENT LIABILITIES		
Management Fees	(994)	(468)
Provision for Performance Fees	(2,560)	(1,968)
Lump Sum Retirement Benefits	(2,714)	(2,866)
Contributions received in advance	-	-
Other Creditors	(2,592)	(3,245)
	<u>(8,860)</u>	<u>(8,547)</u>
NET CURRENT ASSETS	<u>11,674</u>	<u>10,229</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 2025.

	31 March 2025 £'000	31 March 2024 £'000
Reimbursement of lifetime tax allowances	<u>240</u>	<u>257</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 with effect from 6/4/23 and will be abolished altogether from 6/4/24.

13 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2025. (31 March 2024 £Nil)

14 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2025 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.

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

	Liabilities
Start of period	£6,296m
Interest	£304m
Net benefits accrued/paid over the period*	(£34m)
Actuarial losses / (gains) - see below	(£954m)
End of period	£5,612m

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

Key factors leading to actuarial gains above year are:

- Change in financial assumptions: Corporate bond yields increased over the year, with a corresponding increase in discount rate from 4.9% p.a. to 5.8% p.a. The long-term assumed CPI is slightly lower at the end of year than it was at the start of year. In combination, these factors lead to a significant reduction in liabilities (c£932m reduction).
- Change in demographic assumptions: As noted in appendix B, the mortality assumptions have been updated to reflect the latest mortality tables and future life expectancy improvement model. This acts to slightly reduce the liabilities (c£14m reduction).
- Pension increases / inflation experience: The figures allow for the impact of actual CPI experienced over the year compared to the start of period assumption (experience to September 2024 fed into the April 2025 pension increase of 1.7%, and actual inflation from that point will feed into the 2026 increase). As inflation over the year was a little lower than the long-term assumption, this slightly decreases the liabilities (c£8m reduction).

Appendix A - additional considerations

The "McCloud judgment": The figures above allow for the impact of the judgment based on the proposed remedy.

GMP indexation: The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

Market volatility and tariffs: There was significant volatility in markets shortly after the accounting date, in part due to the announcements on tariffs coming from the USA. The period-end figures reflect market conditions as at the accounting date, but do not allow for any subsequent experience.

Virgin Media Court Case: Our current understanding is that, while HM Treasury are still assessing the implications, they do not believe the case is relevant to public service pension schemes. Given this, and the unknown impact on benefits even if it were to be required, we have not made any allowance for the Virgin Media judgment.

Appendix B – financial and demographic assumptions

To assess the liability value of the benefits, we have used the following assumptions as at 31 March 2025 (the 31 March 2024 assumptions are included for comparison):

Financial Assumptions	31st March 2025	31st March 2024
Rate of return on investments (discount rate)	5.8% per annum	4.9% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.6% per annum	2.7% per annum
Rate of pay increases*	4.1% per annum*	4.2% per annum*
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.7% per annum	2.8% per annum

Post retirement mortality assumptions (normal health)	31 March 2025 (M/F)	31 March 2024 (M/F)
Base mortality table	SAPS 4 / SAPS 4 middle	SAPS 3 / SAPS 3 middle
Future improvements	CMI 23 1.5%	CMI 22 1.5%
Additional parameters	S=7, A=0 W20=W21=0%, W22=W23=15%	S=7, A=0 W20=W21=0%, W22=25%
Non-retired members (current age 45):		
Weightings	99% / 92%	100% / 94%
Life expectancies at age 65		
Retired members (current age 65):		
Weightings	23.2 / 26.1 94% / 94%	23.3 / 25.8 95% / 94%
Life expectancies at age 65	22.0 / 24.1	22.0 / 24.1

The base tables are set based on the most recent mortality analysis for the Fund (undertaken as part of the 2022 actuarial valuation). The future improvements allow for a best estimate long-term improvement rate of 1.5%, and have been updated to allow for the latest base tables available (the "S4" series of tables and CMI 2023 at the end of period), with a reweighting to maintain consistency with the underlying mortality analysis.

Other demographic assumptions

The other demographic assumptions are the same as those used for 2022 actuarial funding valuation – full details are set out in the formal report on the actuarial valuation dated March 2023.

PENSION FUND ACCOUNTS 2024/25

15a VALUE OF PROMISED RETIREMENT LIABILITIES

	31 March 2025	31 March 2024
	£m	£m
Value of Net Assets per NAS	5,786	5,826
Present Value of promised retirement benefits	(5,612)	(6,296)
IAS 26 Surplus/(Deficit) in the Fund	174	(470)

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.

	2024/25	2023/24
	£'000	£'000
Benefits Paid and Recharged	5,896	5,797

The Fund also administered £5.1m pension payments on behalf of the Teachers' pension scheme (£25.5m in 2023/24). They are not included in the Fund Account. The 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
	2024/25	31 March 2025	2023/24	31 March 2024
	£'000	£'000	£'000	£'000
Legal & General	1,393	6,331	925	5,596
Aviva	-	163	-	185
Utmost Life & Pensions	-	16	-	15
	1,393	6,510	925	5,796

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 2024/25 £48,248 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£39,745 in 2023/24). Five voting members and one non-voting member of the Avon Pension Fund Committee (including one B&NES Councillor Member) were members of the Local Government Pension Scheme during the financial year 2024/2025. (Seven voting members and one non-voting member in 2023/2024, including two B&NES Councillor Members).

Independent Member Related:-

Three Independent Members were paid allowances of £14,364, £17,388 and £15,025 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 2024/25 the Fund paid B&NES Council £536,075 for administrative services (£532,108 in 2023/24). Various Employers paid the Fund a total of £139,226 for pension related services including pension's payroll and compiling data for submission to the actuary (£267,116 in 2023/24).

Pension Board Related:-

In 2024/25 £8,895 was charged to the Fund in respect of Allowances and expenses paid to the Members of the Pension Board (£8,488 in 2023/24). Five members of the Pension Board were members of the LGPS during 2024/2025 (five members in 2023/2024).

Brunel Pension Partnership Limited

Brunel Pensions Partnership Limited (BPP Ltd. Company number 10429110) was formed on the 14th October 2016 and oversees 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 2024/25 the Pension Fund paid BPP £1,888,622 (2023/24 £1,645,376).

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 Financial Services, Assurances and Pensions. It does not include the Executive Director - Resources (S151).

The Director of Financial Services, Assurances and Pensions was appointed as Interim S151 from 1st April 2025 to 31st December 2025. In this capacity he has approved these accounts. He will be included again in this note next year.

	31 March 2025 £'000	31 March 2024 £'000
Proportion of salary Recharged to Avon Pension Fund	135	131
Proportion of employers contributions recharged to Avon Pension Fund	30	29
	<hr/> 165	<hr/> 160

21 OUTSTANDING COMMITMENTS

As at 31 March 2025 the Fund had outstanding commitments relating to investments in Property, Infrastructure, Private Debt and Local Impact funds that will be drawn down in tranches by the Investment Managers, totalling £340.7m (31 March 2024 £453.3m)

22 FINANCIAL INSTRUMENTS

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

2024/25	Fair Value through Profit and Loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000
Financial Assets			
Long Term Investments	750	-	-
Pooled Investments (Non-Property)	4,903,436	-	-
Pooled Property Investments	674,285	-	-
Derivative Contracts Futures	-	-	-
Derivative Contracts FX Hedge	21,512	-	-
Derivative Contracts Equity Options	-	-	-
Cash	166,283	16,729	-
Other investment balances		1,407	-
Debtors		20,774	-
Total Financial Assets	5,766,266	38,910	-
Financial Liabilities			
Other investment balances	-	-	(369)
Derivative Contracts Futures	(1,113)	-	-
Derivative Contracts FX Hedge	(8,259)	-	-
Creditors		-	(8,860)
Total Financial Liabilities	(9,372)	-	(9,229)
Total Net Assets	5,756,894	38,910	(9,229)
2023/24	Fair Value through Profit and Loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000
Financial Assets			
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	-
Total Financial Assets	5,800,387	38,374	-
Financial Liabilities			
Other investment balances	-	-	(9)
Derivative Contracts Futures	-	-	-
Derivative Contracts FX Hedge	(4,674)	-	-
Creditors		-	(8,547)
Total Financial Liabilities	(4,674)	-	(8,556)
Total Net Assets	5,795,713	38,374	(8,556)

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 2025 £'000	31st March 2024 £'000
Financial assets		
Fair value through profit & loss	36,218	435,777
Amortised Cost - realised gains on derecognition of assets		
Amortised cost - unrealised gains	18,463	3,693
Financial Liabilities		
Fair value through profit & loss	(123,602)	(64,464)
Amortised Cost - realised losses on derecognition of assets		
Amortised cost - unrealised losses	(68,921)	375,006

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 2025 Brunel Pension Partnership (Brunel) manages £5.16 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., geopolitical or trade tensions and will affect the assets held by the Fund in different ways.

All investments present a risk of loss of capital. By diversifying its investments across asset classes, geography and industry sectors, investment mandate guidelines and managers the Fund aims to reduce its exposure to price risk. Diversification seeks to reduce the correlation of price movements. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the Committee against the strategic benchmark.

The fluctuation in equity prices is the largest source of 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 exhibits the highest price volatility 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's strategy is to minimise its exposure to carbon intensive assets through allocations to Paris Aligned and more sustainable equity assets. In addition, it invests 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 2024/25

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 2025. 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 2025:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Global Equities	1,839,803	12.0%	2,060,579	1,619,027
Risk Management Strategies	1,295,182	37.8%	1,784,761	805,604
Diversified Return Funds	385,269	7.3%	413,393	357,144
Multi Asset Credit	369,145	6.3%	392,401	345,889
Property	674,285	5.9%	714,068	634,502
Fund of Hedge Funds	15,206	2.9%	15,647	14,765
Infrastructure	745,623	11.0%	827,641	663,604
Private Debt	252,095	6.6%	268,734	235,457
Long Term Investment	750	15.0%	863	638
Cash & Equivalents	197,303	0.6%	198,487	196,120
Total Investment Assets	5,774,661		6,676,574	4,872,748

The analysis for the year ending 31 March 2024 is shown below:

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 Strategies	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
Total Investment Assets	5,815,045		6,738,801	4,891,289

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 2025 £'000	31st March 2024 £'000
Cash and Cash Equivalents	197,303	182,554
Multi Asset Credit	369,145	340,487
Risk Management Strategy	1,295,182	1,522,335
Total	1,861,631	2,045,376

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 2025 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.

PENSION FUND ACCOUNTS 2024/25

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 2025

	Change in net assets		
	Value	+100 bps	-100 bps
	£'000	£'000	£'000
Cash and Cash Equivalents	197,303	-	-
Multi Asset Credit	369,145	(9,266)	9,266
Risk Management Strategy	1,295,182	(280,018)	280,018
Total	1,861,631	(289,284)	289,284

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 2024 is shown below:

As at 31 March 2024

	Change in net assets		
	Value	+100 bps	-100 bps
	£'000	£'000	£'000
Cash and Cash Equivalents	182,554	-	-
Multi Asset Credit	340,487	(8,853)	8,853
Risk Management Strategy	1,522,335	(339,024)	339,024
Total	2,045,376	(347,877)	347,877

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 before the Fund's currency hedge is applied. For the global property and infrastructure 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.

Currency risk by asset class:

Currency Exposure - Asset Type

	Asset value as at 31st March 2025	Asset value as at 31st March 2024
	£'000	£'000
Global Equities	2,880,550	2,775,685
Global Property Funds	83,445	103,788
Diversified Returns Fund	385,269	373,169
Exchange Traded Funds	23,701	3,354
Fund of Hedge Funds	15,206	17,575
Infrastructure Funds	45,984	45,297

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 2025. 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.

Currency Risk:

Currency	Value at 31 March 2025 £'000	Implied volatility	Value at 31 March 2024 £'000	Implied volatility
USD	852,020	8.3%	1,015,676	8.3%
YEN	126,718	9.0%	161,556	8.9%
EUR	97,541	4.4%	77,985	4.5%
NOK	53,951	9.3%	78,588	9.4%
CAD	-	0.0%	81,724	5.5%
CHF	-	0.0%	52,248	6.1%

(b) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument or transaction will fail to meet an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The entire Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties including brokers, custodian and investment managers minimises credit risk that may occur though the failure to settle transactions in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. Credit risk on exchange-traded derivative contracts is minimised by the various insurance policies held by exchanges to cover defaulting counterparties. Over-the-counter (OTC) derivative contracts are bilateral agreements where the Fund faces the credit risk of the financial counterparty directly. This is the case for forward currency contracts where a line of credit is extended to the Fund in place of a collateral posting agreement (as is the case for exchange-traded contracts). The hierarchy and replacement of an OTC contract on default of one of the counterparties is detailed in the ISDA, which is a market standard legal document governing derivative contracts.

Forward currency contracts are entered into by the Fund's managers, especially the currency hedging manager, Record. These contracts are subject to credit risk in relation to the counterparties of the contracts. The responsibility for managing these contracts and counterparty risk rests with the managers. Counterparty management is evaluated as part of the due diligence process prior to appointing a manager.

The derivative instruments held within the Risk Management Strategy are fully collateralised on a daily basis with cash and/or gilts. Management of collateral is delegated to the manager who has access to a pool of eligible collateral (gilts, cash and equities). Daily collateralisation mitigates credit risk to a large extent as in the event a counterparty defaults sufficient assets are held to re-establish any lost position at the prevailing market rate.

The Fund's bond portfolios have significant credit risk through their underlying investments. This risk is managed through diversification across sovereign and corporate entities, credit quality and maturity of bonds. The market prices of bonds incorporate an assessment of credit quality in their valuation which reflects the probability of default (the yield of a bond will include a premium that will compensate for the risk of default).

The MAC portfolio is comprised of assets with the following array of credit ratings as at 31st March 2025:

Credit Rating	Value £'000
AAA	2,481
AA+ to AA-	2,275
A+ to A-	10,857
BBB+ to BBB-	52,348
BB+ to BB-	109,444
B+ to B-	147,189
CCC-	18,668
Unrated	25,888

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 £1.4m for 2024/25 (£1.3m for 2023/24)

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 2025 was £166.3m. This was held with the following institutions:

	31st March 2025		31st March 2024	
	Rating	Balance £'000	Rating	Balance £'000
Custodian's Liquidity Fund				
State Street Global Services	AAA	137,420	AAA	119,689
Money Market Funds				
Goldman Sachs Global Treasury Fund	AAA	10	AAA	-
Aberdeen Liquidity Fund	AAA	9,990	AAA	2,620
Federated Investors	AAA	9,930	AAA	10,000
State Street Global Advisors	AAA	3,970	AAA	9,460
CCLA - The Public Sector Deposit Fund	AAA	-	AAA	1,050
Morgan Stanley	AAA	-	AAA	10
Invesco	AAA	1,500	AAA	6,100
Bank				
NatWest Special Interest Bearing Account	A+	370	A+	88
Handelsbanken	AA	3,090	AA	1,560
NatWest Current Account	A+	3	A+	10

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 2025 the market value of shares on loan totalled £23.1m, which generated £0.08m 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 2025 the value of the illiquid assets was £1,688m, or 29% of the total Fund assets (31 March 2024: £1,577m which represented 27% 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 2024/25

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 2025.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled Investments:-				
Equities	23,691	1,817,225		1,840,916
Risk Management Strategy	-	1,295,182		1,295,182
Fund of Hedge Funds	-		15,206	15,206
Diversified Return Funds	-	385,269		385,269
Multi Asset Credit	-	369,145		369,145
Property	-	166,778	507,507	674,285
Infrastructure	-		745,623	745,623
Private Debt	-		252,095	252,095
Long Term Investment	-		750	750
Cash	166,283			166,283
Derivatives: Forward FX	-	13,253		13,253
Derivatives: Futures	(1,113)			(1,113)
Investment Debtors/Creditors	1,038			1,038
	189,899	4,046,852	1,521,181	5,757,932

The fair value hierarchy as at 31 March 2024 was:

	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	150,587	-		150,587
Derivatives: Forward FX	-	12,635		12,635
Derivatives: Futures	688			688
Investment Debtors/Creditors	7,419			7,419
	162,046	4,225,860	1,415,226	5,803,132

There were no re-classifications of assets between levels in 2024/25.

PENSION FUND ACCOUNTS 2024/25

Reconciliation of Fair Value measurements within Level 3

Level 3	Market Value 31 March 2024 £'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 2025 £'000
Property	518,587		11,869	(16,154)	(6,064)	(731)	507,507
Fund of Hedge Funds	17,575		-	(3,570)	888	313	15,206
Infrastructure	674,975		65,196	(6,787)	12,266	(27)	745,623
Private Debt	203,367		54,410	(6,503)	821	-	252,095
Long Term Investment - Equities	722				28		750
	1,415,226	-	131,475	(33,014)	7,939	(445)	1,521,182

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
	1,226,350	-	366,067	(127,269)	(50,082)	160	1,415,226

Sensitivity of assets valued at Level 3

Having consulted its investment advisor, and 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 2025.

	Assessed valuation range +/-	Value at 31 March 2025 £'000	Value on increase £'000	Value on decrease £'000
Property	10%	507,507	558,258	456,756
Fund of Hedge Funds	10%	15,206	16,727	13,686
Infrastructure	15%	745,623	857,466	633,779
Private Debt	15%	252,095	289,910	214,281
Long Term Investment	15%	750	863	638
Total		1,521,181	1,723,222	1,319,139

The same analysis for 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 - Equities	15%	722	830	614
Total		1,415,226	1,600,702	1,229,750

25 EMPLOYING BODIES

As at 31 March 2025 the following employing bodies had contributing scheme members in the Avon Pension Fund:

Principal Councils and Service Providers

Avon Fire & Rescue Service
Bath & North East Somerset Council
Bristol City Council

North Somerset Council
South Gloucestershire Council
West of England Combined Authority

Further & Higher Education Establishments

Bath College
Bath Spa University
City of Bristol College
Offender Learning Services (part of Weston College)

South Gloucestershire & Stroud College
St. Brendan's Sixth Form College
University of the West of England
Weston College

Academies and Schools

Abbeywood Community School
Abbot Alphege Academy
All Saints East Clevedon C of E Primary School
Ashcombe Primary School
Ashton Gate Primary School
Ashton Park School
Ashton Vale Primary School
Avanti Gardens School
Backwell C of E Junior School
Backwell School
Badock's Wood E-ACT Academy
Bannerman Road Community Academy
Banwell Primary School
Barrs Court 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
Broadway Infants School
Brook Academy
Burrington C of E 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
Cherry Gardens 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 (Clifton, Bristol)
Christ Church C of E Primary School (WSM)
Churchill Academy
Churchill C of E Primary School
City Academy
Clevedon Learning Trust (Central Functions)
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
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 Junior School
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 C of E Academy
Flax Bourton C of E Primary School
Fonthill Primary School
Fosse Way School
Four Acres Academy
Freshford Church School
Frome Vale Academy
Gillingstool Primary School
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 Infants School
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 C of E 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 180°
North Star 240°
North Star 265°
North Star 82°
Northleaze C of E Primary School
Norton Hill Primary School
Notton House Academy
Nova Primary School
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 Marksbury 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
Parkwall Primary School
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
Rangeworthy CEVC Primary School
Raysfield Primary School
Redfield Edge Primary 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
Somerset Studio School
Soundwell College
St Andrews C of E Primary School
St Andrew's Church 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 Bonaventure'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) (Ann Harris)
St Joseph's Catholic Primary School
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 Primary School, Winterbourne
St Michael's C of E Junior Church School
St Nicholas Chantry CEVC Primary School
St Nicholas Church School
St Nicholas of Tolentine Catholic School
St Patrick's Primary School
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 C of E Junior 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 Leaf Trust (Central Functions)
The Meadows Primary School
The Park Primary School
The Ridge Junior School
The Sky Academy
The Tynings Primary School
Three Ways School
Tickenham C of E Primary School
Tortworth Primary School
Trinity Anglican Methodist Primary School
Trinity Church School
Trust in Learning (Academies) (Central Functions)
Two Bridges Academy
Two Mile Hill Primary School
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 C of E Primary School
Writhlington School
Yate Academy
Yatton C of E Junior School
Yatton Infant School
Yeo Moor Primary School

Designating Bodies

Aequus Developments Limited
Almondsbury Parish Council
Backwell Parish Council
Bitton Parish Council
Bradley Stoke Town Council
Bristol Waste Company
Charter Trustees of the City of Bath
Churchill Parish Council
Clevedon Town Council
Congresbury Parish Council
Dodington Parish Council
Downend and Bromley Heath Parish Council
Emersons Green Town Council
Filton Town Council
Frampton Cotterell Parish Council
Futura Commercial Services Limited
Hanham Abbots Parish Council
Hanham Parish Council
Keynsham Town Council
Kingswood Town Council
Midsomer Norton Town Council
Nailsea Town Council

Community Admission Bodies

Adoption West
Ashley House Hostel
Bristol Music Trust
Clifton Suspension Bridge Trust
Merlin Housing Society Ltd (New staff since 2007)
Merlin Housing Society Ltd (SG)
Play Station Nursery Ltd - Barley Close (SGC)

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
Stoke Park & Cheswick Parish Council
Thornbury Town Council
Westerleigh Parish Council
Westfield Parish Council
Weston Super Mare Town Council
Whitchurch Parish Council
Wraxall and Failand Parish Council
Wroughton Parish Council
Yate Town Council
Yatton Parish Council

Sirona Care & Health (Telecare Service)
The Care Quality Commission
The Park Community Trust Ltd
University of Bath
Visit West Limited
West of England Music Limited
Writhlington Trust

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 - Raysfield School (Mosaic Partnership Trust)
ABM Catering Limited - South Gloucestershire Council (Bromley Heath Cluster)
ABM Catering Limited - St John's Catholic Primary School
ABM Catering Limited - St Mary's School, Bath
Active Community Engagement Ltd
Active Nation UK Limited
Agilisys Limited
Agilisys Limited 2015
Alliance in Partnership Limited - Henleaze Junior Academy
Alliance in Partnership Limited - Mosaic Partnership Trust

Alliance in Partnership Limited - Redfield Edge Primary School
Alliance in Partnership Limited - The Park Primary School
Alliance in Partnership Limited - Westbury on Trym C of E Academy

Apex Prime Care West Ltd
Aramark Limited - City of Bristol College
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 - E-ACT
Aspens Services Limited - Elmlea School Trust
Aspens Services Limited - Extend Learning Academies Network
Aspens Services Limited - Kaleidoscope MAT
Aspens Services Limited - Lift Schools
Aspens Services Limited - Lighthouse Schools Partnership
Aspens Services Limited - Palladian Academy Trust
Aspens Services Limited - St Anne's Church Academy (Priory Learning Trust)
Aspens Services Limited - Warmley Park Primary School
Ategi limited
Atlas FM Payroll Services Ltd - South Gloucestershire & Stroud College
BAM Construction UK Ltd
Cater Link Limited - Castle School Education Trust
Churchill Contract Services Ltd - Futura Learning Partnership
Circadian Trust
City Leap Energy Partnership Limited
CleanTEC Services Limited - E-ACT
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 - 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 Werburgh's Primary School (BCCfw)

Coombs Catering Partnership - Gillingstool Primary School (Mosaic Partnership Trust)
Coombs Catering Partnership - Mosaic Partnership Trust
Coombs Catering Partnership - New Siblands School
Creative Youth Network - South Gloucestershire Council Youth Service

Direct Cleaning Services (South West) Limited - Lighthouse Schools Partnership
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
Direct Cleaning Services (South West) Limited - Twerton Infant School
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 - Rangeworthy School
Edwards and Ward Ltd - South Gloucestershire Council
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
Greenwich Leisure Ltd - Bath & North East Somerset Council

HCRG 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
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 - Bath & Wells MAT (St George's Church School)
Liberata UK Limited
Mentoring Plus Bath & North East Somerset
Miquill Catering - St Anne's Primary School
OCS Group UK Limited - Olympus Academy Trust
Portway Sports Centre Limited
Prestige Cleaning & Maintenance Limited
Purgo Supply Services Ltd - Castle School Education Trust
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 - Extend Learning Academies Network
Sansum Solutions Group Limited - St Bede's Catholic College
Sansum Solutions Group Limited - Westhaven School
Shine Wraparound Care Ltd - Olympus Academy Trust
Skanska Rasleigh Weatherfoil Ltd
SLM Community Leisure Trust
SLM Fitness & Health Ltd
Sodexo Ltd - Lighthouse Schools Partnership
Sodexo Ltd - Oasis Community Learning

Solo Service Group Limited - Bristol City Council

Solo Service Group Limited - Excalibur Trust

The Brandon Trust

Weston Support Services - Ashcombe Primary School
Weston Support Services Ltd - 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. The Local Code was updated and endorsed by the Corporate Audit Committee on 1st May 2024 and presented to Council to note on 21st November 2024. A copy of the 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 2025, and up to the date of the approval of the statement of accounts.

2. The Purpose of the Governance Framework – Background & Overview for 2024/25

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. At its meeting on 21st November 2024, Council agreed Constitution Working Group proposed minor amendments and changes made by the Monitoring Officer.

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:

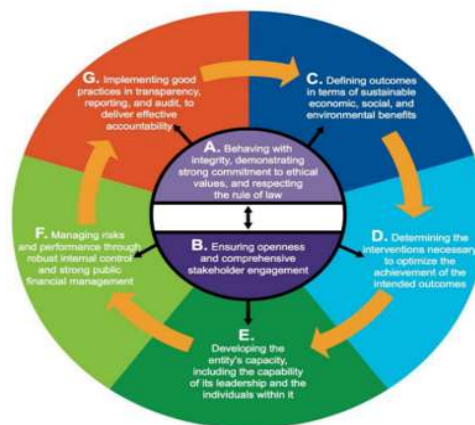
- Operates in a lawful, open, inclusive and honest manner
- Makes sure public money is safeguarded, properly accounted for and spent wisely
- Has effective arrangements in place to manage and control risk
- Secures continuous improvements in the way it operates.

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).

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 2025 and up to the date of approval of the Council's Statement of Accounts.



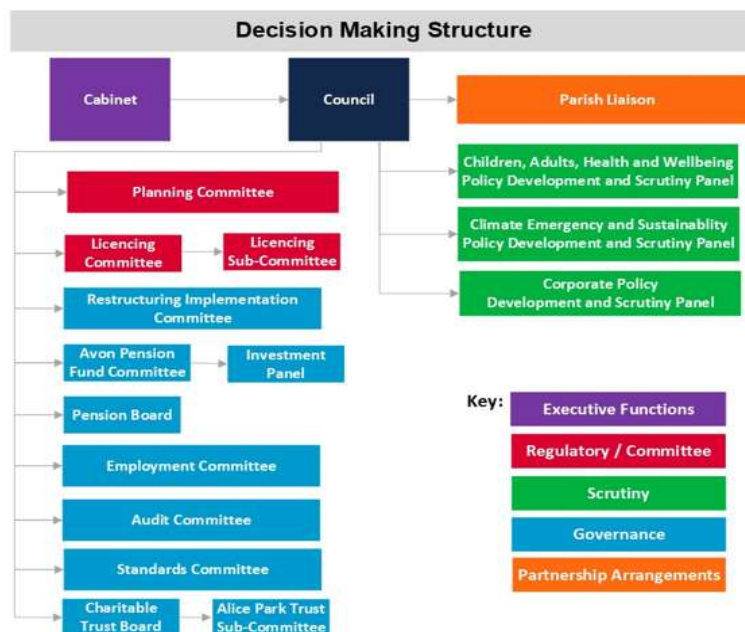
Source: CIPFA/SOLACE

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.

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

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

Oversight Groups

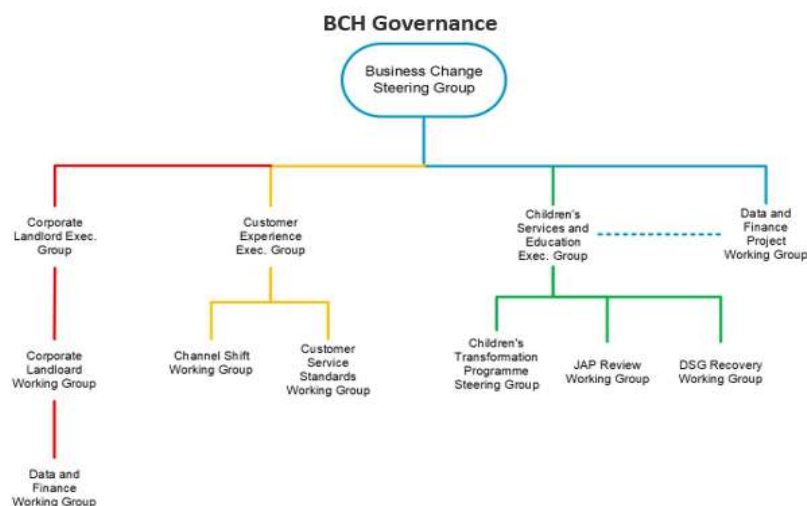
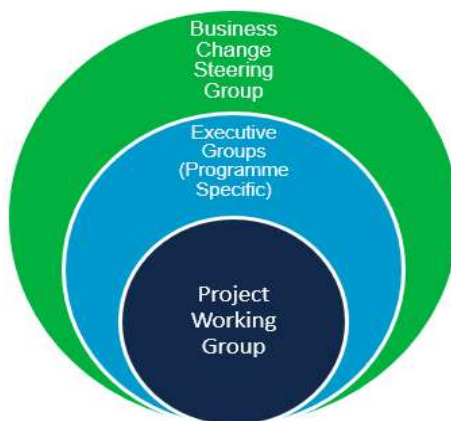
Capital Strategy Group – To govern the council's capital programme providing assurance to the Executive Leadership Team and cabinet on the budget setting, scheme approval, management and delivery of the council approved capital programme.

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:

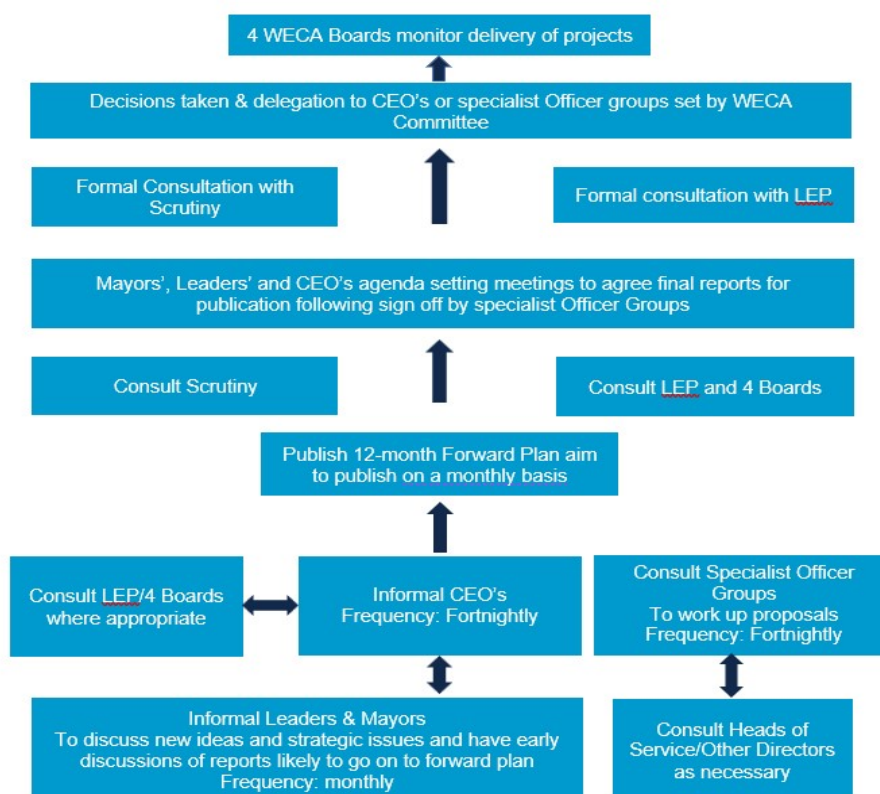
1. Elected Mayor
2. Constituent councils' representatives
3. Chair of the West of England Local Enterprise Partnership

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 2024/25

The Council has adopted a number of key strategies which contain shared outcomes that the Council is working with partners to deliver. These are recorded in the table below:

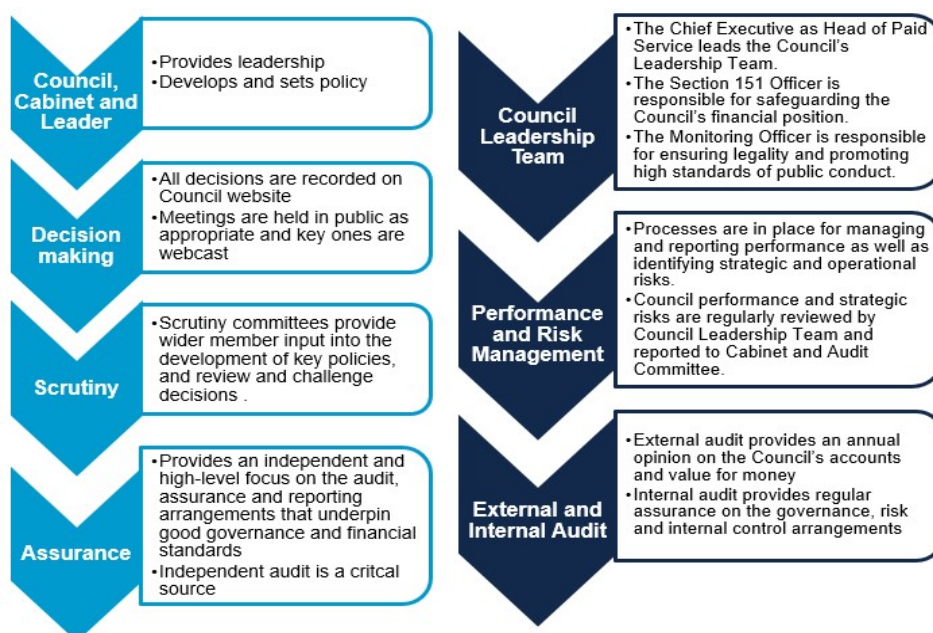
Partnership	Strategy
Future Ambition Board 	One Shared Vision Economic Strategy
BSW Together  Bath and North East Somerset, Swindon and Wiltshire Together	Integrated Care Strategy and Implementation Plan
Bath & North East Somerset Community Safety and Safeguarding Partnership (BCSSP)  Bath & North East Somerset Community Safety & Safeguarding Partnership	BCSSP Strategic Plan
Health and Wellbeing Board 	Joint Health and Wellbeing Strategy Children and Young People's Plan

B&NES Council, other public sector organisations (including the RUH, Bath) and those organisations who have been commissioned to deliver wellbeing services for residents within Bath and North East Somerset have created the Community Wellbeing Hub (CWH). The Community Wellbeing Hub provides a central place for residents to access a range of services to improve health and wellbeing. A Memorandum of Understanding for joint working has been signed by partner organisations and funding has been secured until April 2026.

In November 2023, Cabinet agreed to Phase 2 of the Outline Business Case (OBC) commencing so that the OBC can be completed and the proposed sustainable business model for the CWH from April 2025 can be presented to Cabinet (at a date to be confirmed). This involved the allocation of officer time to support this phase of work, enabling work to commence from Jan 2024 to implement the Delivery Plan to secure all elements of the CWH by April 2025.

Formal approval of the Better Care Fund which relates to the 2025/26 plan for the CWH has been given by the Chief Executive, Director of Adult Social Care, S151 officer, and the Chair of the Health and Wellbeing Board (HWB). This will be presented to the HWB in May for ratification. Confirmation has recently been received that the Better Care Fund have approved the funding request as per the business plan for 2025/26. As well as the funding re. the BCF the overall approach to the CWH has been incorporated into the council's reports on Community Services Transformation.

The wider elements of the framework of our governance arrangements at the council during 2024/25 were:



ANNUAL GOVERNANCE STATEMENT 2024/25

Council Business 2024/25 – Key Governance Decisions

16th May 2024 - Council's Annual General Meeting (AGM):

- Appointment of Committees and Panels.
- Agree Terms of Reference of the Constitution Working Group

At the council's AGM Councillors Karen Walker and Liz Hardman were appointed Chair and Vice Chair respectively for the council year 2024/25. 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">• Responsible for Cabinet direction and decision making.• Representation on external bodies such as WECA• Democratic Reform• Connecting Communities, Community relations and involvement, Resident Engagement and communication
Cllr 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 2024/25, 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 (2024) was endorsed by the Corporate Audit Committee and noted by the Council at its meeting of 21st November 2024 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 October 2024.

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 once in 2024/25. A report of the Committee is presented to Council at least annually and the last annual report for the year April 2023 to March 2024 was submitted to the 18th July 2024 Council meeting. It recorded that Committee comprised of 10 members (5 B&NES Councillors {1 vacancy}, 3 Parish Councillors and 2 independents). The Committee's 2 Independent Persons 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 (Dr Axel Palmer as Co-Chair, the other is Cllr Toby Simon).

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 10 in 2023/24 from 15 the previous year, this was below the average number of cases per annum (13). In terms of outcomes – 'No Action Required' for 8 cases and 2 were 'Ongoing'.

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.

There is also a member complaint policy which is overseen and administered by the Council's Monitoring Officer.

Respecting the rule of law

The Council's Constitution sets out the legal requirements around Council business including decision making. Guidance is available on both the Council's Information Service (Intranet) and public accessible website (Internet) to guide Officers in ensuring that decisions are taken by the appropriate Committee, Member or Officer (Part 2 of the Constitution – Responsibility for Functions and Delegation Schemes). The Constitution is reviewed by a Constitution Working Group and amendments are 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 was due to come into force on 28th October 2024, this was amended by the Cabinet Office to 24th February 2025. 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. 21st November 2024 Green Group motion on Tackling the Housing Crisis, Council resolved:

1. Request Cabinet Member for Built Environment and Sustainable Development to write to the government asking for local authorities to have the power to introduce rent controls.
2. Develop local measures to limit the impact of short-term holiday lets.
3. Request the Leader of the Council to write to government calling to:
 - a) End Right to Buy
 - b) Allow councils to borrow and build more social housing
4. Improve Policies on empty Homes.
5. Request Cabinet to monitor and expand on Compulsory Purchase Order (CPO) pilot scheme to reclaim under-utilised homes.

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 be 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 is 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:

- City of Bath and Great Spa Towns of Europe World Heritage Site Management Plan (closed 17th January 2025)
- Bath Walking, Wheeling and Cycling Links Scheme (closed 2nd December 2024)
- Local Council Tax Support Income Band Increase (Closed 15th December 2024)
- 2024/25 Parking Charge Review Consultation (closed 8th August 2024)

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 governance of the Combined Authority.

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 tackling 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 2024/25 includes investments that provide economic, social and environmental benefits including: Bath Quays delivery; 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 on 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), a set of PowerBI dashboards, which are now being successfully used as the portal for all corporate business intelligence. The IRF is on the council intranet and all officers have access, it includes the following information.

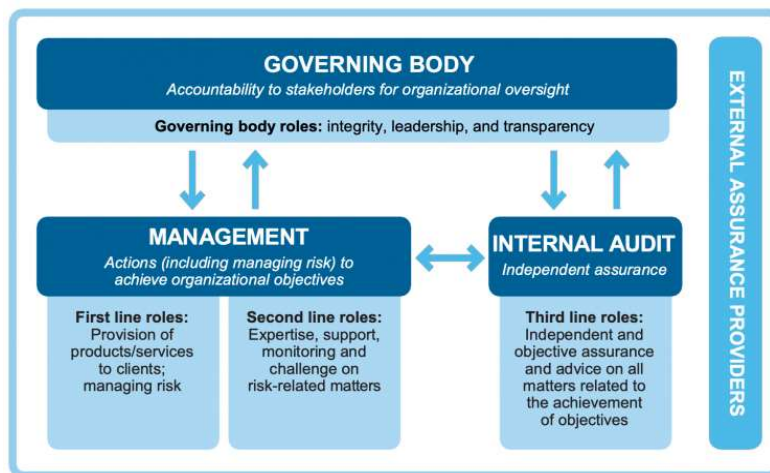
- Directorate Dashboards including key performance indicators
- Corporate and Directorate risk registers
- Contracts and commissioning intentions
- People/Human Resources data
- Geographical Information System
- Local facts and figures

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 three lines 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 / 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.

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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) has been carried out by Andy Rothery (appointed March 2020) up to 13th December 2024. The appointment of an interim Executive Director (S151 Officer) until 31st March 2025 was approved by Council in November 2024 and Chris Kinsella was appointed to the role from January 2025 – 31st March 2025. Following the appointment of Simon Parker as Executive Director (Resources) in March 2025, Jeff Wring, Director of Financial Services, Assurance & Pensions, will become interim S151 Officer from 1 April until the end of December 2025.

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 adhered to 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. Previous and current S151 Officers are qualified accountants, 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 regularly to cabinet and the Corporate Policy Development and Scrutiny Panels.

The Council's Statement of Accounts 2023/24 was presented to the 27th November 2024 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 2023/24, 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 2023/2024 as representing a "true and fair view" of the financial position as at 31st March 2024.

The External Auditors Annual Report on the Council was presented to the Corporate Audit Committee meeting held on 27th November 2024. 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 2025/26 and Financial Outlook Report was reported to Council at its 25th February 2025 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 2025/26 budget takes into account the forecast out-turn for 2024/25 and estimates for 2025/26. 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 2025/26 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 including a recent revision and the need 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.

One West in conjunction with Statutory Officers reviews the effectiveness of the governance framework during the year and then drafts the 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 28 risks as at Quarter 4 2024/25 linked to the following themes:

- Climate Emergency – Adaptation & Resilience, Reducing Emissions
- Children's – management of dedicated schools grant deficit & transformation, children's social care costs and resourcing
- Statutory Compliance – landlord responsibilities
- Safeguarding
- Partnership Working – WECA, ICB
- Financial Control – in-year budget management
- Financial Planning & Management – Capital Programme
- Social Care – Capacity DOLS, recommissioning health and ASC services, inadequate services
- Housing needs
- Transport – Procurement & Home to School escalating costs
- Emergency Management – fail to plan, inadequate capacity to manage increased events linked to climate change
- Infrastructure / Asset Management
- Information Technology / Cyber Security
- Organisational Development – Being Our Best Change Programme delivery
- Public Health
- Pension Fund Stability
- Workforce Development / Resilience
- Health, Safety and Wellbeing of staff
- Corporate Strategy / Performance
- Corporate Governance – Decision Making
- Project Delivery

Chief Audit Executive - Internal Audit Opinion

As part of our statutory requirements, the Head of Audit & Assurance in fulfilling the role of the Council's Chief Internal Auditor/ Chief Audit Executive, is required to give an opinion on the internal control framework.

In forming this view, I have considered the work of the Audit & Assurance function as well as other assurances I can rely on and consideration of the wider governance framework and performance of the council.

As highlighted during previous reports to the Audit Committee within 2024-25, we are reporting the state of the internal control framework as satisfactory based on our audit opinions.

The council's internal control framework and systems to manage risk had not altered significantly from the previous year and it is therefore my opinion that, based on the work completed, the council's internal control framework and systems to manage risk continue to be reasonable.

- 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.

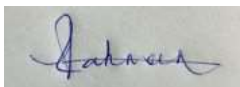
During 2024-25, there has been a greater increase in Council staff working from the office, and in line with this, we have been able to continue our increase in the number of in-person internal audit reviews (i.e. as opposed to online). We believe this allows for greater observation and understanding of work behaviours, which can provide further insight into the activity being audited.

In 2024-25 there were relatively minor adjustments to the internal audit plan. The vast majority of work undertaken continued to take place in the areas planned and agreed, and it is my opinion that, based on the work completed, the council's internal control framework and systems to manage risk are reasonable.

The ongoing financial challenge to all Local Authorities and further macroeconomic factors also place pressure locally on services to respond and manage risk in a proportionate way. A robust Internal Audit service is a vital component of the Council's governance systems and provides the third and final line of defence in relation to the internal control framework.

The Audit Committee has been supportive of our work throughout the year and I would like to thank elected members and the independent members for their input and guidance.

Signed:



Tariq Rahman
Chief Audit Executive
31st March 2025

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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 2024/25. 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: 24th September 2025

ANNUAL GOVERNANCE STATEMENT 2024/25

6 Significant Governance Issues 2024/25

Issue in 2024/25	Commentary & Mitigating actions for 2024/25
<p>1. Financial Challenge – Service Demand and Cost Pressures</p> <p>Based on the Revenue Budget Monitoring (April to December 2024), the budget outturn for 2024/25 was forecast to be £0.97m 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 £5.5m over the 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); Regeneration (rental income shortfall); and Waste Services (staffing pressures). The Dedicated Schools Grant was also £11.9m over budget as a result of in-year SEND placement pressures.</p> <p>Increased parking income, strong treasury management performance, and reduced capital financing costs partially mitigated pressures.</p> <p>Savings delivery was monitored closely, and management action plans identified if delivery was at risk. In relation to the 2024/25 approved savings of £16.42m, 77% (£12.66m) are forecast to be delivered in full. Of the £3.76m not currently achieved, £2.77m are being mitigated through savings, contingency or income elsewhere in the respective service, while £0.99m of savings are being delayed until 2025/26 or addressed through the budget setting proposals. This reduced the forecast overspend considerably, but nevertheless an over budget position was still forecast.</p> <p>The overall position improved over the final quarter of the year with the final outturn reporting an improved position of £0.2m overspend (after carry forwards) which has been funded by utilising the Council's Revenue Budget Contingency Reserve.</p>	<p>The Council's 2025/26 budget was approved by Council on 25th February 2025. The paper to Council included revenue savings and income generation proposals for 2025/26 to 2027/28 (£14.012m for 2025/26).</p> <p>Key components of the budget included:</p> <ol style="list-style-type: none"> 1) Increasing Council Tax by 2.99% and the Adult Social Care Precept by 2.00% 2) Children's Services Management Plan 3) Efficiency Strategy (flexible use of capital receipts & savings projects) 4) The Council's Capital Programme <p>Material Items requiring additional funding in the 2025/26 Budget were:</p> <ul style="list-style-type: none"> • Adult Services budget growth - £6.5m • Children's Services budget growth - £9.2m • Neighbourhood Services budget growth - £3.2m <p>In recognition of the significant budget risks from changes in cost as a result of the government National Insurance changes, demand on statutory services rising above modelled levels, alongside savings delivery risk, the following contingencies and provisions were included in the budget:</p> <ul style="list-style-type: none"> • Corporate Contingency of £3m for savings delivery risk and slippage. • Contract Inflation Provision of £2.6m for the impacts of Employers National Insurance on supplies and services and contract spend across services. • High Risk Service Demand & Cost Increase Provision of £4.2m. <p>Children Services Management Plan key priorities include:</p> <ul style="list-style-type: none"> • Support children and young people (CYP) and families on the edge of care/early help • Reunification of CYP with family and the use of kinship arrangements • Regular practice reviews of high-cost placements, ensuring health costs are funded • Provision of local residential accommodation and education arrangements • Establishment of a new transitions team across adult social care, children's social care and SEND to support young people as they move from children's to adult services • Establishment of a new SEND early help service • A review of disabled children's services and costs • Implementation of a home-to-school action plan, including bringing some transport provision back in-house <p>Improvement recommendations raised in the External Auditors Interim Annual Report 2023/24 included:</p> <ul style="list-style-type: none"> • continue to work with the DfE to ensure a realistic and deliverable management plan is agreed for the increasing DSG costs. • enhance reporting arrangements for savings to Cabinet, ensuring that all savings are accurately profiled. • enhance the governance arrangements and savings delivered through transformation by identifying and documenting all transformation activities within one plan. • ensure that recommendations raised within Internal Audit reports are actioned within the agreed timescale.
<p>2. Children Services – Dedicated Schools Grant Deficit & the Safety Valve Agreement</p> <p>The Dedicated Schools Grant (DSG) is a ring-fenced budget distributed across four blocks: schools, early years, high needs, and central school services. Since 2019/20, the Council has exceeded the allocated funding, resulting in a deficit primarily within the high needs block, which supports services for individuals with special educational needs and disabilities (SEND).</p> <p>Over the past 5 years the growth in the Education, Health and Care Plans (EHCP)s and requests for EHCPs has grown significantly. The numbers of EHCP requests have increased by 125% over the 5-year period whilst the numbers of EHCPs granted has increased by 75%.</p> <p>The spend on the High Needs Block (HNB) has increased over the same period £27m to £49m (81%) with an increase in funding allocated by the DfE from £24m to £37m (54%).</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&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&NES Council recovery plan agreed with the DfE set out to save £48.2m over 6 years to 2028/29.</p> <p>However, due to slippage, the agreement with the DfE is under review, and grant payments have been suspended pending a revised agreement. In the 2023-24 financial year, the total paid under the agreement was £0.55m.</p>	<p>During 24-25 the DfE put a hold on any reviews of DSG management plans as the National Election and change in Government meant that officials were reviewing the policy approach to the safety Valve programme. During this period the DfE made no payments to LA's in enhanced monitoring.</p> <p>The DfE have subsequently invited B&NES to resubmit our deficit management plan with a deadline of 30th April 25.</p> <p>Officers have reviewed our current plan and enhanced the delivery of some aspects of the processes to ensure that the LA are providing appropriate actions to support the recovery of the overspends that are occurring.</p> <p>Our current plan has been modelled with additional resources for 25-26 due to increases in the High Needs Block allocations as part the financial settlement. Additionally, our 24-25 outturn position shows that we have overachieved the original planned position and this has been built into our current resubmission</p> <p>Our new plan develops the delivery of new local provision to aid the provision of more efficient provision in the local community. The capital and sufficiency element of our plan will create significant numbers of places for pupils with EHCPs in local provision. The plan sets out the creation of 2 new special schools and the creation of a number of resource bases within local mainstream schools.</p> <p>The System of SEND support will provide schools and teachers with support and advice to support pupils with SEND but have yet to request an EHCP with the intention of the schools being able to support the pupils within the mainstream without the need for additional support. This advice service is now fully operational, and advice and guidance is being delivered in a structured way across our schools.</p> <p>*The deficit management plan has been extended to model the impact of the service enhancements and provides a planned recovery timeframe up to 2030-31.</p> <p>The DfE will now consider our proposals with a view to reinstating the safety valve payments which will now be spread over the next 5 years.</p>

ANNUAL GOVERNANCE STATEMENT 2024/25

7 Update on Significant Governance Issues 2023/24

Issue in 2023/24	Update on Mitigating Actions
<p>1. Financial Challenge – Service Demand and Cost Pressures</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"> 1) increasing Council Tax to 2.99% and an Adult Social Care Precept of 2.00% 2) Children's Services Management Plan 3) Efficiency Strategy (flexible use of capital receipts & savings projects) 4) Schedule of asset disposals and delegation of disposal decision to Officers and relevant Cabinet Portfolio Holder. 5) Increase in fees and charges <p>Children Services Management Plan key priorities include:</p> <ul style="list-style-type: none"> • Enhancing elements of early help and prevention, to include further strengthening family group conferencing and reunification. • Continued focus on recruiting in house foster carers and supported lodgings providers. • Provision of local residential accommodation and education arrangements, linked to the Dedicated Schools Grant Safety Valve Programme. • Develop arrangements for young people as they move from children to adult services. • Refresh workforce strategy. • Improving financial management, decision making, controls and governance across teams and functions. <p>At Q3 of 2024/25 a revenue overspend of £0.97m was being forecast. 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 £5.5m 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); Regeneration (rental income shortfall); and Waste Services (staffing pressures).</p> <p>Increased parking income, strong treasury management performance, reduced capital financing costs and release of budgeted inflation & risk contingencies partially mitigated pressures.</p> <p>The overall position improved over the final quarter of the year with the final outturn reporting an improved position of £0.2m overspend (after carry forwards) which has been funded by utilising the Council's Revenue Budget Contingency Reserve.</p>
<p>2. Children Services – Dedicated Schools Grant Deficit & the Safety Valve Agreement</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&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&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>To prepare for the resubmission of the Safety Valve plan to the DfE, the Council was put into an Enhanced Monitoring pool, which meant it has received additional support from 3 x DfE appointed advisers. 2 financial advisers and one SEND specialist.</p> <p>The Service also appointed Partners to review the original submitted plans and was granted dedicated support from the Council's Business Change Hub. External expertise was also granted to refine the financial modelling required.</p> <p>The Enhanced Monitoring process requires the LA to resubmit its recovery plan which has been resubmitted. 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 Service redeveloped and refined its submission into three business cases, together with a dedicated financial modelling template, an overarching document and presentation describing the proposals for the programme.</p> <p>The programme is now called the SEND Collaboration for B&NES.</p> <p>Updated plans for the SEND Collaboration for B&NES were originally submitted to DfE on time on 24th May 2024. Detailed feedback was received from DfE advisers on 27th June 2024.</p> <p>Following a review of the feedback, a date was agreed with DfE to re-submit the plans, considering the comments from the advisers. This was agreed and the plans were submitted again on the 30th September 2024.</p> <p>Following guidance from the DfE a revised version of the plan was submitted on 30th April 25 and feedback is awaited.</p>

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

The Council is required to:

- * Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Council has made the Director of Financial Services, Assurance & Pensions (s151 Officer) responsible for financial administration.
- * Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- * Approve the statement of accounts for the year.

Director of Financial Services, Assurance & Pensions (s151 Officer) responsibilities:

The Director of Financial Services, Assurance & Pensions (s151 Officer) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing this Statement of Accounts, the Director of Financial Services, Assurance & Pensions (s151 Officer) has:

- * Selected suitable accounting policies and then applied them consistently
- * Made judgements which were reasonable and prudent
- * Complied with the local authority Code of Practice

The Director of Financial Services, Assurance & Pensions (s151 Officer) has also:

- * Kept proper and up to date accounting records.
- * Taken reasonable steps for the prevention and detection of fraud and other irregularities

Statement of the Director of Financial Services, Assurance & Pensions (s151 Officer)

I hereby certify that this statement of accounts presents a true and fair view of the financial position of the Council at the accounting date and the income and expenditure for the year ended 31 March 2025.

SIGNED:

Director of Financial Services, Assurance & Pensions (s151 Officer)

Jeff Wring

DATE: xx xxxxxxxx 2025

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 24th September 2025.

SIGNED:

Chair, Corporate Audit Committee

Councillor David Biddleston

DATE: xx xxxxxxxx 2025

The Statement of Accounts were authorised for issue on xx xxxxxxxx 2025.

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

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.

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Director of Financial Services, Assurance & Pensions

Lewis House
Manvers Street
Bath BA1 1JG

Telephone: 01225 477000

E mail: Jeff_Wring@bathnes.gov.uk
www.bathnes.gov.uk

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Date:
Our ref:
Your ref:

Dear Grant Thornton UK LLP,

Bath and North East Somerset Council
Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of Bath and North East Somerset Council ("the Authority") and its subsidiary undertakings, Aequus Group Holding Limited, Aequus Developments Limited and Aequus Construction Limited for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the group and Authority 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 2024-25 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, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the group and Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("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 Authority and these matters have been appropriately reflected and disclosed in the financial statements.

- iii The Authority has complied with all aspects of contractual agreements that could have a material effect on the group and Authority financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuations of land and buildings and investment properties assets, the valuation of the defined benefit pension net liability, the provision for NNDR appeals, and the minimum revenue provision. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for right of use assets (due to changes in accounting standard IFRS 16) to align with accounting standard requirements. 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 International Accounting Standard 19 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 Authority financial statements:
 - a) there are no unrecorded liabilities, actual or contingent
 - b) none of the assets of the group and Authority has been assigned, pledged or mortgaged; and
 - 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 unadjusted misstatements schedule included in your Audit Findings Report and attached to this letter. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and Authority and their financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii We have updated our going concern assessment. We continue to believe that the group and Authority'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 Authority means that, notwithstanding any intention to cease the group and Authority 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 Authority to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c) the group and Authority'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 Authority's ability to continue as a going concern need to be made in the financial statements.
- xiv The group and Authority has complied with all aspects of ring-fenced grants that could have a material effect on the group and Authority's financial statements in the event of non-compliance.

Information Provided

- xv 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 Authority'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) unrestricted access to persons within the group and Authority from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xii All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xiii 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.
- xix 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 Authority, 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.
- xx 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.
- xxi 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.
- xxii We have disclosed to you the identity of the group and Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxiii 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

xxiv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the group and Authority'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

xxv The disclosures within the Narrative Report fairly reflect our understanding of the group and Authority'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 Authority's Audit Committee at its meeting on **24th September 2025**.

Yours faithfully

Name Jeff Wring
Position Director of Financial Services, Assurance & Pensions (s151 Officer)

Date
.....

Name Cllr David Biddleston
Position Chair of Audit Committee
Date
.....

Signed on behalf of the Authority

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Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0EL

Date:

Dear Grant Thornton UK LLP

**Avon Pension Fund
Financial Statements for the year ended 31 March 2025**

This representation letter is provided in connection with the audit of the financial statements of Avon Pension Fund ("the Fund") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Fund 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 2024-25 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, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Fund's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("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.

Avon Pension Fund, Local Government Pension Scheme administered by Bath & North East Somerset Council.

- 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 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; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- ix. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that:
 - a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by

related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;

- b. the financial reporting framework permits the Fund to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Fund from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Fund's Audit Committee at its meeting on 24 September 2025.

Yours faithfully

Name Jeff Wring.....

Position Director of Financial Services, Assurance & Pensions (s151 Officer)

Date

Name Cllr David Biddleston.....

Position Chair of Audit Committee.....

Date

Signed on behalf of the Fund

Independent auditor's report to the members of Bath and North East Somerset Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Bath and North East Somerset (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund 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 2024/25.

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 2025 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 2024/25; 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 Director of Financial Services, Assurance and Pensions (s151 Officer) use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Director of Financial Services, Assurance and Pensions (s151 Officer) conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 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 2024) 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 Director of Financial Services, Assurance and Pensions (s151 Officer) 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 Director of Financial Services, Assurance and Pensions (s151 Officer) with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Governance Statement and Statement of Accounts, other than the financial statements and our auditor's report thereon and our auditor's report on the pension fund financial statements. The Director of Financial Services, Assurance and Pensions (s151 Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in 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 2024/25, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority and the Director of Financial Services, Assurance and Pensions (s151 Officer)

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 Director of Financial Services, Assurance and Pensions (s151 Officer). The Director of Financial Services, Assurance and Pensions (s151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Director of Financial Services, Assurance and Pensions (s151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Financial Services, Assurance and Pensions (s151 Officer) is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024, the Local Government Act 2003, the Local Government Act 1972 and the Local Government Finance Act 1988)as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012).
- We enquired of management and the 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 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 and any other fraud risks identified for the audit. We determined that the principal risks were in relation to:
 - journal entries posted by senior officers, journals not authorised, large value manual journals towards and after year end and journals posted by super users;
 - the significant accounting estimates in the financial statements, including those related to the valuation of property, plant and equipment, investment property, the pension liability and the year-end accruals
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on large and unusual journals;

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of property, plant and equipment valuations, investment property valuations, pension liability estimation and significant accruals; 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.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector in which the group and Authority operates
 - understanding of the legal and regulatory requirements specific to the Authority and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.
- For components at which audit procedures were performed, we requested component auditors report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. **No such matters were identified by the component auditors.**

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in respect of the above matter except on 13 November 2023 we identified a significant weakness in how the Authority plans and manages its resources to ensure it can continue to deliver its services for the year ended 31 March 2023. This was in relation to the Authority's Dedicated Schools Grant (DSG) deficit, which

it has had since 2019/20. We recommended that the Authority takes action to address the shortfall in their DSG recovery plan.

As part of our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025, we reviewed the Authority's progress implementing this recommendation. During 2024/25 the position deteriorated, the Council remain outside the agreed safety valve plan and no safety valve payments were received in 2024/25. Therefore, the significant weakness in arrangements remains in place for the year ended 31 March 2025. We have 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 DSG costs.

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 have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

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

We cannot formally conclude the audit and issue an audit certificate for Bath and North East Somerset Council for the year ended 31 March 2025 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 the Authority's consolidation returns and we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are also required to complete our consideration of an objection brought to our attention related to the year ended 31 March 2024 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 2025.

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**]**

[Name e.g. John Smith**]**, Key Audit Partner

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

[Office location**]**

[Date**]**

Independent auditor's statement to the members of Bath and North East Somerset Council on the pension fund financial statements of Avon Pension Fund included within the Avon Pension Fund annual report

Opinion

We have examined the pension fund financial statements of Avon Pension Fund (the 'pension fund') for the year ended 31 March 2025 included within the pension fund annual report, which comprise the Fund Account, the Net Assets Statement, and the notes to accounts, including the summary of significant accounting policies.

In our opinion, the Avon pension fund financial statements included within the pension fund annual report are consistent, in all material respects, with the audited pension fund financial statements of Bath and North East Somerset Council for the year ended 31 March 2025 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We have not considered the effects of any events between date the auditor's report on the financial statements of the administering authority was signed, being the date we signed our auditor's report on the audited financial statements of Bath and North East Somerset Council, and the date of this statement.

Respective responsibilities of the Director of Financial Services, Assurance & Pensions (s151 Officer) and the auditor

As explained more fully in the Statement of the Director of Financial Services, Assurance & Pensions (s151 Officer)'s Responsibilities, the Director of Financial Services, Assurance & Pensions (s151 Officer) is responsible for the preparation of the pension fund's financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

Our responsibility is to state to the members of Bath and North East Somerset Council our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the financial statements of Bath and North East Somerset Council.

We also read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information comprises the information included in the pension fund annual report, other than the pension fund financial statements and our auditor's statement thereon.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the financial statements of Bath and North East Somerset Council describes the basis of our opinion on those financial statements.

Use of this auditor's statement

This statement is made solely to the members of Bath and North East Somerset Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Avon Pension Fund those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Bath and North East Somerset Council and the members of Bath and North East Somerset Council as a body, for our work, for this statement, or for the opinions we have formed.

Beth Bowers

Beth Bowers, Key Audit Partner

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

Bristol

Xx September 2025

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	24th September 2025	AGENDA ITEM NUMBER
TITLE:	External Audit – Annual Audit Report	EXECUTIVE FORWARD PLAN REFERENCE: E
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Annual Audit Report		

1 THE ISSUE

- 1.1 The External Auditor will update the Committee on their Annual Audit report which includes the VFM assessment for the Council.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to –
Note the Annual Audit report.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no new financial implications from this report directly.

4 THE REPORT

- 4.1 The External Auditor will provide a verbal update on the External Audit Annual Report (Appendix 1) which includes the Council's VFM assessment.

5 RISK MANAGEMENT

- 5.1 A proportionate risk assessment has been carried out in relation to the Council's risk management guidance. There are not any significant risks or issues to report to the Committee as a result of this report.

6. EQUALITIES

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

7 CONSULTATION

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

Contact person	Jeff Wring, Director – Financial Services, Assurance & Pensions (S151 Officer) (01225 477323)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Bath and North East Somerset Council

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Interim Auditor's Annual Report
Year ending 31 March 2025

16 September 2025



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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01 Introduction and context

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Introduction

This report brings together a summary of all the work we have undertaken for Bath and North East Somerset Council (the Council) during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its 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 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

02 Executive Summary

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Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	R Significant weakness in arrangements, one key recommendation and two improvement recommendations also raised.	One risk of significant weakness identified in relation to: the Dedicated Schools Grant (DSG) Deficit.	R Ongoing significant weakness in arrangements identified in relation to the DSG deficit, one improvement recommendation also retained from the prior year.
Governance	A No significant weaknesses identified; three improvement recommendations raised in 2023/24 and three from 2022/23, yet to be fully addressed.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified; one improvement recommendation relating to procurement and contract management is relevant to this reporting area.
Improving economy, efficiency and effectiveness	A No significant weaknesses identified; two improvement recommendations raised in 2023/24 and three from 2022/23, yet to be fully addressed.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified; two improvement recommendation remain, of which one has been updated.

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendation(s) made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

In 2024/25, the Council reported a small revenue overspend of £0.21m, funded from reserves. General Fund reserves increased from £86.4m to £91.8m. Financial strategies are aligned, treasury indicators were within limits, and risk management arrangements remain in place. The Council has set a balanced revenue budget for 2025/26.

However, the Dedicated Schools Grant (DSG) deficit rose by around £10.5m to £32.8m. The Council remains outside its agreed Safety Valve (SV) plan, and no SV payments were received in 2024/25. This remains a key area of concern and we retain our key recommendation from prior years.

Savings delivery also remains a challenge, though the Council has committed to developing a single transformation plan to improve delivery.



Governance

The Council has arrangements in place to identify and manage risks, and to manage risks to its internal control environment. Budget-setting arrangements are sound.

A range of policies are in place to support staff in raising concerns, including a whistleblowing policy, though the delay to a planned staff survey and a lack of in-year assurances limit our ability to comment on the effectiveness of these arrangements during the year.

The Council has chosen to report breaches of its procurement processes to its Procurement Steering Group - we continue to recommend reporting to a member-led committee to increase transparency and enhance members' ability to seek assurance on the underlying arrangements.



Improving economy, efficiency and effectiveness

The Council has worked to improve arrangements for monitoring and improving its performance by revising its Strategic Performance Indicators. It also maintains oversight of key services through inspection outcomes, including a positive Ofsted focused visit in December 2024. No significant concerns were raised by other regulators during the year. The Council also continues to strengthen its partnership governance.

Progress on contract management improvements remains ongoing, and we maintain our recommendation in this area. While performance issues were noted with a Library Management System contract procured collaboratively, the Council has reflected on the challenges of joint arrangements, which may help inform future improvement planning.

03 Opinion on the financial statements and use of auditor's powers

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Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

We propose to issue an unqualified opinion on the Council's financial statements as soon as practically possible following the Audit Committee on 24 September 2025

The full opinion will be included in the Council's Annual Report for 2024/25, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its 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 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2025.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

- We have not identified two non-material adjustments to the financial statements in relation to investment properties and other land and buildings
- No further significant findings have arisen from the audit to date, however work remains in progress and subject to final quality reviews.
- Other adjustments made to the draft financial statements are disclosure and narrative related and do not impact the primary statements
- No significant control recommendations have been raised in 2024/25

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be issued to the Council's after the audit committee on 24 September 2025. Requests for this Audit Findings Report should be directed to the Council.

Opinion on the pension fund statements

These pages set out the key findings from our audit of the pension fund financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

The Pension Fund is required to publish its Annual Report by 1 December 2025. We issue an auditor's consistency report which includes our opinion that the 2024/25 Avon Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

We propose to issue an unqualified consistency report on the pension fund financial statements contained within the Pension Fund's Annual Report as soon as practically possible following the Audit Committee on 24th September 2025.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Pension Fund as at 31 March 2025 and of its 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
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

We did not encounter any significant issues in the timely completion of our audit work and we would like to extend our thanks to the Pension Fund finance team for their support during this year's audit process.

- We anticipate issuing an unmodified audit opinion on the Pension Fund statements as soon as practically possible after the Audit Committee on 24th September 2025.
- Our work to date has found no material errors or adjustments in the draft statements. All detail of non-significant adjustments identified from our work can be seen in our Audit Findings Report.
- There were no significant control recommendations or findings arising from the audit. More detail of non-significant deficiencies and improvement points identified from our work can be seen in our Audit Findings Report.

Opinion on the pension fund statements (continued)

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A version of our report will be presented to the Pension Fund's Audit Committee on 24th September 2025 and a final version will be shared alongside our final signed audit opinion. Requests for this Audit Findings Report should be directed to the Council.

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Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office 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, 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.



04 Value for Money commentary on arrangements

Page 304

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

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Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them</p>	<p>In 2024/25, the Council reported a small revenue overspend of £0.21m, funded from the revenue contingency reserve. While there were significant variances across portfolios, Children’s Services overspent by £6.2m, offset by a £5.3m underspend in Corporate budgets. General Fund (GF) non-earmarked reserves stood at £12.6m, a slight decrease from the previous year but overall general fund reserves slightly increased from £86.4m to £91.8m, including a £16.3m business rates reserve. Capital expenditure was £53.0m against a £70.5m budget (75% delivery), with £16.2m rephased, indicating some scope to improve profiling.</p> <p>The Council’s cumulative Dedicated Schools Grant (DSG) deficit reached £32.8m by March 2025. The overspend in centrally-held DSG budget reported to Cabinet in 2024/25 was £10.5m, compared with £8.8m in 2023/24. with annual overspends increasing year-on-year. The Council remains outside its agreed Safety Valve (SV) plan, with no SV payments received in 2024/25. We retain our Key recommendation from the prior year in this area.</p> <p>The Council has set a balanced 2025/26 budget of £151.7m based on reasonable assumptions, including £14m in savings and income, and a 4.99% council tax increase. Contingencies totalling £9.8m were included to manage risks.</p> <p>The Council’s medium-term financial strategy (MTFS) covers an appropriate period (2025/26–2029/30) and identifies a £15.3m funding gap, with £13.3m in planned savings. Financial planning includes income risks from cultural assets and parking, which underperformed in 2024/25. Governance arrangements for subsidiaries remain sound, with oversight in place. Treasury management indicators were all within limits, with £275.7m in borrowing and £32.6m in investments. Liquidity remained stable, with a minimum balance of £15.3m. The Council continues to review its MTFS annually and maintains adequate arrangements to manage financial risks.</p>	<p>R</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	<p>Savings delivery remains a challenge for the Council. In 2024/25 the savings target was £16.4m, of which £12.7m (77%) was delivered in full, £2.78m was mitigated by other means and the remaining £0.98m was delayed until 2025/26. In 2025/26 the Council has a savings target of £14m. The Council has introduced improved reporting on savings to Cabinet.</p> <p>The Council has a transformation programme which is contributing to the savings requirement. In 2023/24, we recommended that, to enhance the governance arrangements and savings delivered through transformation, the Council should identify and document all its transformation activities within one plan.</p> <p>The Council acknowledges that, while it has had success from transformation programmes across the organisation, it does need to enhance its approach and has committed to considering this in the context of its future operating model and local government funding reform. We understand that the Executive Director for Resources is developing a programme to combine transformation activity across the Council into a single transformation plan during 2025/26. This recommendation therefore remains outstanding at this time and we repeat this in the current year in Section 05 of this report, below. However, we do not raise any further recommendations.</p>	A
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council’s MTFS and annual budget remain the Council’s primary strategic and annual financial documents which set out the Council’s anticipated position. These documents are aligned to its corporate objectives. The Council’s Medium Term Financial Strategy (MTFS) is reviewed annually and was agreed by Cabinet in September 2024. At this stage the MTFS identified that £28.6m of savings would be required over the next 5 years.</p>	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council has arrangements to ensure its financial planning is aligned with its key strategies. The Treasury Management, Capital and Investment, and budget strategies are consistent, with no contradictions identified. The People Strategy is being updated to reflect financial pressures, including sickness absence. The Commercial Estate Strategy supports financial sustainability, though viability risks are not reflected in the MTFP. Capital programme governance is clear, with approval and prioritisation processes and a £3.8m risk reserve in place. Treasury performance remains within targets, and financial statements aligned with outturn reports.	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	Throughout 2024/25 the Council maintained appropriate arrangements to identify risks and take action to manage these risks, as necessary. Risks were first identified in the Medium Term Financial Strategy and Budget, and then in the quarterly budget monitoring reports to Cabinet. Management of the risks has included contingency reserves being set aside as part of the budget setting process and Directors being expected to seek compensating savings to address overspends as they occurred during the year. We have not identified any areas for improvement.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability

Key Finding: In 2022/23 and 2023/24, we concluded the Council did not have effective arrangements in place to manage the High Needs element of the DSG within its agreed recovery plan and identified this as a significant weakness in arrangements. We consider that this significant weakness remains in 2024/25.

Evidence: The Council has had a DSG deficit since 2019/20. In 2022/23 the Council began working with the Department for Education (DfE) as part of the Safety Valve programme and secured additional funding of £19.22m over the next seven years. The first part of this funding, £7.68m, was received in 2022/23. The aim of this original plan was to breakeven in 2028/29. However, from outset, the Council has not been able to deliver savings as required. The deficit at the end of 2022/23 was £1.53m behind plan and at the end of 2023/24 was £7.06m behind plan (cumulative deficit of £22.263m). As a result of this deteriorating position in 2023/24 the Council's Safety Valve participation was suspended, and the Council put under enhanced measures.

During 2024/25 and into 2025/26, the Council has continued to engage with the Department for Education (DfE) to agree its revised Dedicated Schools Grant (DSG) position and to resolve outstanding Safety Valve (SV) payment issues. The DfE has provided feedback, however, indicating that the Council's plans required revision and further evidence of the impact of mitigating actions, due to delays in the Council's capital programme, given the reliance on capital sufficiency work. The forecast cumulative deficit at the end of 2027/28 - when the statutory override now ends following the recent two-year extension - is £65.8m.

Impact: Whilst in theory covered by reserves at current levels, this level of DSG deficit would have a significant impact on the Council's financial resilience, should government policy require recovery of cumulative deficits once the statutory over-ride ends. There is also a cashflow impact - The Council has estimated that using average borrowing and investment rates over the period of the deficit to end of 2024/25, the estimated annual cost of financing the cumulative deficit of £32.8m in 2024/25 is c£1.6m.

Key recommendation 1

KR1: The Council should continue to work with the DfE to ensure its latest management plan is agreed. The Council should ensure that the actions within the plan are progressed whilst discussions remain in progress.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<div>Page 310</div> <p>monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>The Council has arrangements to identify and review strategic risks through a Corporate Risk Register (CRR), which is reviewed quarterly by the Audit Committee. The CRR includes key risks such as SEND, climate, cyber security, and finance, with clear ownership and scoring. However, better practice would include reporting on target scores and more clearly distinguished controls, assurances, and gaps.</p> <p>Internal Audit arrangements are appropriate, with a flexible plan and regular reporting to the Audit Committee. The 2024/25 Head of Internal Audit Opinion was ‘Satisfactory’. While most recommendations were implemented, some critical/high-priority actions remain outstanding due to resourcing. The Council considers its follow-up process is robust, though more detailed reporting could improve transparency. Year-end reporting arrangements including for the development of the Annual Governance Statement (AGS) process, are in place. Fraud prevention and detection arrangements are adequate, with regular reporting to the Audit Committee and updated policies in place.</p> <p>These arrangements remain supported by whistleblowing and complaints policies. The Council did not undertake a staff survey as planned in 2024 due to restructuring work - but plans to undertake this in 2025. We also note the standards Committee did not meet during the year in public. While there was no evidence of weakness in respect of any individual arrangements, there was overall relatively limited evidence available for us (for example, from in-year assurances from internal audit) to form a view of the effectiveness of the arrangements in place, or over the processes for triangulation of data from these sources. The Council may wish to consider seeking more positive assurances in this area in future.</p>	<div>G</div>

- G

 No significant weaknesses or improvement recommendations.
- A

 No significant weaknesses, improvement recommendations made.
- R

 Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	<p>We have previously reported that the Council maintains appropriate budget-setting arrangements and no evidence has come to our attention in 2024/25 to alter this judgement.</p> <p>The Council's budget-setting process involved multiple stages, including analysis, workshops, and public consultation. The Council's 2025/26 budget was set in February 2025 and, as reported above, is for a balanced position.</p>	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	<p>The Council's Constitution and financial regulations clearly define roles and responsibilities for budget management, supporting effective financial control and governance throughout the year.</p> <p>Budget monitoring reports were presented quarterly to Cabinet and clearly outlined revenue, capital, DSG positions, and savings delivery. Income and savings performance were tracked, with detailed reporting included.</p> <p>Treasury Management (TM) reporting arrangements are adequate, with all indicators within target and performance reported quarterly. Interest and financing costs were £1.05m under budget.</p>	G

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	<p>The Council has a Constitution in place, dated May 2024, which provides an overview of its decision-making processes, and sets out how the Council makes decisions, how meetings are conducted and how officers of the Council must behave in performing their duties. Cabinet meetings are held throughout the year and are attended well; agendas indicate the required task for each item and minutes clearly evidence discussion and debate.</p> <p>The Corporate Policy Development and Scrutiny Panel serves as an Overview and Scrutiny Committee. Minutes show evidence of discussion and challenge. The Audit Committee handles the Councils powers and duties relating to numerous areas and meets at least four times a year. The Committee’s Workplan ensures the Committees terms of reference are appropriately delivered, and a self-assessment and evaluation of the effectiveness of the Committee was undertaken and reported during the year.</p>	G

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	<p>The Council’s Constitution communicates to staff what behaviours are expected of them, stating that Officers of the Council must conduct themselves in line with the Council’s HR Code of Conduct including the receiving of hospitality and gifts and the giving and receiving of sponsorship.</p> <p>The Council has a Procurement Strategy in place, which was refreshed to reflect the new Procurement Act 2023, which came into force in 2024. There was evidence that exemptions for contact standing orders received during 2024/25 were reported to the Procurement Steering Group (PSG), including the number of exemptions requested, the value, and the reason. The Council identified a need to better understand the reasons for the relatively high number and value of exemptions in the Strategic Commissioning Hub. This is in line with the Council’s response to our prior-year recommendation.</p> <p>However, we note that the PSG is an officer-only group which means that there is no clear opportunity for a member-led committee to use this information to challenge management on the effectiveness of the underlying controls, or the risks presented. We consider that adding this would improve transparency and oversight. We have consolidated our remaining recommendations, including this, in improvement recommendation 3 which applies across both the Governance and Improving Economy, Efficiency and Effectiveness reporting criteria.</p>	A

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Grant Thornton insights – learning from others

The Council has arrangements we would expect to see in respect of strategic risk reporting, but could challenge itself to go further.

What the Council is already doing

- The Corporate Risk Register (CRR) identifies risks to the Council's objectives, aligning with organisational priorities. The CRR includes risks we would expect, for example, SEND, Climate emergency, cyber security, and financial
- Each risk includes a clear description, a named lead, an inherent and current risk score
- The CRR Corporate Risk Register is presented to the Audit Committee on a quarterly basis with an annual update reported which describes the overall Risk Management framework, although a target score is not included. Mitigations and management are detailed as a commentary.

What others do well that the Council could learn from

Best practice in strategic and enterprise risks management includes:

- Dividing commentary on mitigations to list controls and assurances (and the gaps in controls and assurances individually)
- Mapping of assurance sources against each control and action, indicating whether the assurance is internal or external, and if it is strong, partial, or absent.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>uses financial and performance information to assess performance to identify areas for improvement</p>	<p>Last year we raised an Improvement recommendation for the Council that, in addition to revising the list of Strategic Performance Indicators, the Council should enhance its data collection and target-setting process to ensure timely and accurate data availability for all key performance indicators, allowing for a more comprehensive and timely assessment of the Council's performance against its Corporate Strategy. Management agreed to introduce a revised quarterly performance reporting process by Q3 2024/25. Based on our review, the first time progress was reported was in the annual report to Cabinet in May 2025. The meeting minutes evidence that Cabinet members welcomed this additional transparency including around indicators that were not on track. This is a positive development.</p> <p>As May 2025 is technically outside the year under review but should be able to revisit this once we have confirmed we have able to confirm a regular quarterly progress is in place. We repeat the prior year recommendation within Annex C for completeness.</p>	A
<p>evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>The Council has arrangements to consider and use the information provided by regulators to maintain and improve key services. The latest Ofsted inspection of the Council's in 2022 with an overall effectiveness grade of Good. The Council received a further Ofsted focused visit December 2024 with the report published in January 2025, focused on care leavers aged 18 to 25. The findings were positive and Ofsted noted that it would take the findings from this focused visit into account when planning its next inspection or visit. No significant concerns were raised by the Local Government and Social Care Ombudsman or other regulators or inspectorates during the year and we do not make any recommendations in this area.</p>	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives</p>	<p>The Council has appropriate arrangements to ensure it delivers its role within significant partnerships, including guidance on partnership arrangements, which is reviewed annually. Key partners are engaged in the annual budget setting process and are consulted on the development of the Corporate Plan. The Council recognises the place-based nature of this Plan, and the criticality of effective partnership working with local public, private and third sector organisations. In many cases the Council has place-based leadership role, such as with Community Safety Partnership and Health and Wellbeing Board.</p>	<p>G</p>
<p>commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>Last year we raised an improvement recommendation to develop an action plan and implement the recommendations raised by the Contract Management Pioneer Programme, which included development of a contract management framework. The Council has committed to improving arrangements in this area, though this remains a work in progress. We maintain and update our improvement recommendation in this area, and we will review implementation of the proposed new contract management framework in our work next year.</p> <p>The Council experienced issues with the performance of one specific contract for the provision of its Library Management System during the year. This service is provided under a contract maintained by Libraries West, which in turn is a collaborative of seven councils, including Bath and North-East Somerset. The procurement was led by another local authority and it is not clear that the subsequent issues with contractor performance directly reflect issues with the Council’s arrangements. Nonetheless, officers and the Council’s Corporate Policy Scrutiny Panel have reflected on the challenges of collaborative procurement and contract management and this is an area the Council may wish to build into its programme of improvement.</p>	<p>A</p>

- G

 No significant weaknesses or improvement recommendations.
- A

 No significant weaknesses, improvement recommendations made.
- R

 Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness

Area for Improvement: contract management

Key Finding: The Council is improving procurement and contract management arrangements but this remains a work in progress.

Evidence: Last year we raised an improvement recommendations to develop a contract management framework and to report reporting waivers and breaches of to a public meeting.

The Council refreshed its Procurement Strategy during 2024/25 with a priority theme to improve contract management. There are now three workstreams to deliver the Strategy over the next year; to design, develop and implement the Contract Management Framework and provide training, to introduce a risk-based tiering of contracts using the “bronze, silver and gold”. We have seen this applied in other authorities and sectors and note this framework is aligned to Cabinet Office methodology. At present, however contract management remains decentralised.

There was evidence that exemptions for contact standing orders received during 2024/25 were reported to the Procurement Steering Group (PSG), including the number of exemptions requested, the value, and the reason. PSG is an officer-only group which means that there is no clear opportunity for a member-led committee to use this information to challenge management on the effectiveness of the underlying controls, or the risks presented.

Impact: Until a risk-based model of contract management is applied, there is a greater chance of contract performance issues not being identified or escalated in a timely manner.

Improvement Recommendation 3

IR3: The Council should:

continue to develop its central contract management capacity, to ensure all contracts are delivering the results intended from an operational, performance and commercial perspective; and

report on breaches of procurement and contract management processes to a member-led committee

 Grant Thornton insight

Strengthening Contract Management and Procurement

Our national report on procurement and contract management sets out lessons learned from our VfM audits. Key findings include:

- Align contracts with priorities and the procurement strategy and include relevant performance indicators so that the corporate plan and procurement strategy can be measured and monitored.
- Maintain high level controls over the whole life of a contract, including supplier health checks and internal management resilience checks.
- Consider how contract management arrangements can protect against and identify potential fraud.

Avon Pension Fund

The Council is the administering authority for Avon Pension Fund. As part of our VfM work we are required to consider the Council’s arrangements in respect of the Pension Fund.

We considered the Pension Fund’s: Commentary on arrangements		Rating
Financial Sustainability: sufficiency of funds to meet liabilities	The Pension Fund has sufficient funds to meet liabilities. The most recent formal valuation, as at 31 March 2022, assessed the whole Fund as being 96% funded. The draft financial statements for 2024/25 indicate that the Actuary estimated the funding level to be 102% as at 31 March 2025 based on the 2022 valuation assumptions. Benchmarking against other Local Government Pension Schemes (LGPS) based on 2023/24 data indicated that the Fund had comparatively low costs compared to net investment assets (0.331%).	G
Governance: appropriateness of governance arrangements	Governance arrangements include the Avon Pension Fund Committee and the Avon Pension Board, both of which met regularly in 2024/25. The Pension Fund Committee is the decision-making committee with delegated authority, whilst the Board ensures effective governance. In 2024/25, key strategies and statements were refreshed and agreed by the Committee, like the Funding Strategy Statement and the Investment Strategy Statement. The risk register was reviewed regularly by the Fund Committee, and regular performance updates were provided within administration reports. Pooling arrangements have been discussed in exempt papers throughout the year by the Committee, and the Fund is on track to meet the deadline, with a full report and decision to be made on 26 September 2025.	
Improving Economy, Efficiency and Effectiveness: annual report findings	In 2024/25, the Fund has been working on implementing the McCloud remedy before 31 August 2025 - reports throughout the year have indicated that the Fund considers itself on track for the deadline. Additionally, the Fund has been preparing for the Pensions Dashboard and has awarded a seven-year contract for pensions administration software. The Fund are now in the process of planning implementation and connection to the Dashboard.	

- G

No significant weaknesses or improvement recommendations.
- A

No significant weaknesses, improvement recommendations made.
- R

Significant weaknesses in arrangements identified and key recommendation(s) made.

05 Summary of Value for Money Recommendations raised in 2024/25

Page 319

Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR1 Page 320	The Council should continue to work with the DfE to ensure its latest management plan is agreed. The Council should ensure that the actions within the plan are progressed whilst discussions remain in progress.	Financial sustainability	<p>Actions: The Council has made significant progress in its conversations with the DfE and the resubmission of the Safety Valve plan. On the 21st of August 25, the DfE wrote to the Council to advise that it was satisfied that the latest Safety Valve plan had made good progress and the plan would be put forward for ministerial approval.</p> <p>The Council also continues to lobby the DfE for progress on the two special schools that have been approved but paused.</p> <p>Responsible Officer: Chris Wilford</p> <p>Due Date: Ongoing – Awaiting Government Decision</p>

Improvement recommendations raised in 2024/25

Recommendation		Relates to	Management Actions
Page 321	IR1 <i>Recommendation held open from 2023/24 pending further evidence of implementation</i> In order to enhance the governance arrangements and savings delivered through transformation the Council should identify and document all its transformation activities within one plan.	Financial sustainability	Actions: A single transformation plan is in the final stages of development, and a first draft will be produced in October with a final version adopted alongside the budget for 2026/27. Responsible Officer: Marc Higgins Due Date: 31/02/026
	IR2 <i>Recommendation held open from 2023/24 pending further evidence of implementation</i> In addition to revising the list of Strategic Performance Indicators, the Council should enhance its data collection and target-setting process to ensure timely and accurate data availability for all key performance indicators, allowing for a more comprehensive and timely assessment of the Council's performance against its Corporate Strategy.	Improvement economy, efficiency and effectiveness	Actions: <ul style="list-style-type: none">• Strategic Indicators to be presented to Cabinet from Q2 2025/26 onwards• Targeted engagement with Director/Head of Service and relevant Cabinet members to increase familiarisation with appropriate performance data• Develop a strategic layer of performance reporting between strategic indicators and existing operational reports for all Directorates by Q2 2026/27 Responsible Officer: Jon Poole Due Date: 31 December 2025 and ongoing

Improvement recommendations raised in 2024/25

Recommendation		Relates to	Management Actions
PR3 Page 322	The Council should:	Governance and Improvement economy, efficiency and effectiveness	Actions: The Council has made excellent progress in approving its Procurement Strategy through Cabinet in September 2024 and subsequently developing a Contract Management Framework. The framework is now in its first year of implementation and its progress is overseen by the Procurement Steering Group.
	<ul style="list-style-type: none">continue to develop its central contract management capacity, to ensure all contracts are delivering the results intended from an operational, performance and commercial perspective; andreport on breaches of procurement and contract management processes to a member-led committee.		Breaches of Procurement and contract management processes are identified through management controls and independent checking by the Corporate Procurement team and Internal Audit. We can commit to an annual update to Audit Committee on Procurement risks which would include any significant issues regarding breaches or misuse. Responsible Officer: Cheryl Hansford Due Date: First report by September 2026.

06 Follow up of previous Key recommendations

Page 323

Follow up of 2023/24 Key recommendations

Prior Recommendation		Raised	Progress	Current status	Further action
Page 324 KR1	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:				
	<ul style="list-style-type: none">- ensure that the actions within the plan are progressed in the intervening period while discussions remain in progress- develop a plan to address the residual deficit (£63m) to bring the Council back in balance at the end of the management plan in 2030/31.	2023/24	The DSG deficit remains a significant issues for the Council (see Financial Sustainability commentary, above)	Limited progress made	This Key recommendation has been retained, see 2024/25 KR1

Appendices

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Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

**A range of different recommendations can be raised by the Council’s auditors as follows:**

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

Prior Recommendation		Raised	Progress	Current position	Further action	
Page 328	IR1	The Council should enhance its reporting arrangements for savings to Cabinet, ensuring that all savings are accurately profiled.	2023/24	Enhanced Savings reported introduced in Cabinet budget monitoring reports form Q2 2024/25	Closed – Implemented	No
	IR2	In order to enhance the governance arrangements and savings delivered through transformation the Council should identify and document all its transformation activities within one plan.	2023/24	A transformation plan is being developed with a target date in 2025/26	Ongoing	Yes – see 2024/25 improvement recommendation 1
	IR3	Management should ensure that recommendations raised within Internal Audit reports are actioned within the agreed timescale.	2023/24	The HOIA annual report states follow-up of recommendations focused on critical/high-level recommendations, with most recommendations implemented within the required timeframe. We close this recommendation although the Council may wish to request more detailed reporting from the Internal Auditor in future.	Closed	No

Appendix C: Follow up of 2023/24 improvement recommendations

Prior Recommendation		Raised	Progress	Current position	Further action	
Page 329	IR4	The Council should consider how its governance arrangements could be improved to ensure that recommendations raised by External Audit are addressed in a timely manner.	2023/24	Overall, our review did indicate progress on several recommendations. We will close this recommendation although the Council may wish to request more detailed reporting on progress to implement recommendations from the Internal Audit in future.	Closed	No
	IR5	The Council should consider if changing the company articles of association for Aequis would be beneficial to ensure that shareholders are updated annually in a public meeting on progress and any changes in the three-year business plan.	2023/24	We understand a range of methods are used to inform shareholders are provided with updates between formal cycles and the update report to Policy Development and Scrutiny Committee supports that.	Closed	No

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Appendix C: Follow up of 2022/23 improvement recommendations

Prior Recommendation		Raised	Progress	Current position	Further action	
Page 331	IR2	Going forward the Council should ensure it takes advantage of the Transformation Programme to consider service redesign and and identify savings for 2024/25 and beyond.	2022/23	This recommendation has been superseded	Closed	Yes – see 2024/25 improvement recommendation 1
	IR5	The Council should ensure the risk assessment undertaken to support a member decision is included within the supporting papers. The supporting member report should also set out the key risks relating to the decision.	2022/23	Our review this year identified evidence that the Corporate Management Team (CMT) was informed in February 2024 of the issue raised by us, and that the Risk Assessment Decision Making Guidance was shared with CMT, and agreed it was appropriate. We have been informed the guidance has since been issued to all key officers.	Closed – implemented	No
	IR8	The Council should improve the performance management arrangements for the Aequus Group.	2022/23	As set out above	Closed	No

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Appendix C: Follow up of 2022/23 improvement recommendations

Prior Recommendation		Raised	Progress	Current position	Further action
IR12 Page 333	The Council should consider reviewing its process for approval of contract waivers, to ensure appropriate independence.	2022/23	A procurement annual report was shared with the Procurement Steering Group in June 2025 and detailed exemptions for contract standing orders (CSOs). Contract Standing Orders (CSO) and the exemption process have been reviewed and updated to reflect the new procurement regulations. The Council itself has noted the need to enhance its understanding of reasons for the high proportion of CSO exemptions accounted for by Strategic Commissioning.	Closed	No
	In order to ensure transparency and financial oversight the number and extent of waivers should be reported periodically to members at a public meeting, such as Corporate Audit Committee.				



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Bath & North East Somerset Council	
MEETING	Audit Committee
MEETING DATE:	24th September 2025
TITLE:	Treasury Management Outturn Report 2024/25
WARD:	All
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Performance Against Prudential Indicators</p> <p>Appendix 2 – The Council's Investment Position on 31st March 2025</p> <p>Appendix 3 – Average monthly rate of return for 2024/25</p> <p>Appendix 4 – The Council's External Borrowing Position on 31st March 2025</p> <p>Appendix 5 – Arlingclose's Economic & Market Review Q4 of 2024/25</p> <p>Appendix 6 – Interest & Capital Financing Budget Monitoring 2024/25</p> <p>Appendix 7 – Summary Guide to Credit Ratings</p> <p>Appendix 8 – 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 2024/25.

2 RECOMMENDATION

The Audit Committee agrees that;

- 2.1 The Treasury Management Report to 31st March 2025, prepared in accordance with the CIPFA Treasury Code of Practice, is noted.
- 2.2 The Treasury Management Indicators to 31st March 2025 are noted.

3 THE REPORT

Summary

- 3.1 The Council approved the 2024/25 Treasury Management Strategy at its meeting in February 2024. The Council ended the year with total borrowing of £275.7m and total investments of £32.6m
- 3.2 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.
- 3.3 The actual average rate of return on operational investments for the period 1st April 2024 – 31st March 2025 is 4.96%, which is 0.12% above the 7 Day SONIA benchmark rate of 4.84%. For the same period, strategic investments earned 4.25% which was in line the budgeted return of 4.25%.
- 3.4 The Council's revenue budget for interest & capital financing costs for 2024/25 was £1.071m under budget. This is mainly due to higher 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

- 3.5 The Council's Treasury Management Advisor's economic and market review for the 2024/25 is included in **Appendix 5**. The main headlines are as follows:
- Interest Rates, the Bank of England reduced the Bank Rate from 5.25% to 4.50% in 2024/25 with cuts at its August, November and March Meetings.
 - UK CPI inflation decelerated to 2.6% in March 2025 from 2.8% in February, and broadly in line with expectations. The inflation rate is expected to increase through early to mid-2025/26 before dropping towards the end of the financial year.
 - The UK economy rebounded sharply in Q4 2024/25, with GDP expanding 0.7% compared to the prior quarter. Despite the strong quarterly growth, the economic environment remains challenging; the year-on-year GDP growth rate was only 1.3%.
 - Gilt yields continued to be volatile with the 10-year UK benchmark gilt rising from 3.94% to peak at 4.90% in January 2025 and a low of 3.76% in September before ending the year at 4.69%.
 - The 7-day average SONIA (Sterling Overnight rate) for the first nine months of 2024/25 is 4.84%. This is the benchmark rate used by the council for non-strategic investments.
 - Following the March 2025 budget the Office for Budget Responsibility downgraded its predictions for UK growth to 1% for 2025 (from 2%). At the same time predictions for Inflation in 2025 was pushed up to 3.2% from 2.6%.
 - The Council's Treasury Management Advisor, Arlingclose, maintained its stance that Bank rate will fall to 3.75% in 2025

Borrowing

- 3.6 The Council's external borrowing as of 31st March 2025 totalled £275.71m and is detailed in **Appendix 4**. The summary of the movement in borrowing during the quarter and for the full financial year is shown in the following table:

Borrowing Portfolio Movements	Quarter 4 2024/25 £m	Financial Year 2024/25 £m
Balance as of 1st April 2024		246.010
Balance as of 31st December 2024	266.954	
New Loans Taken	10.000	50.000
Maturity Loan Repayments	0	(15.000)
PWLB Annuity Loan principal repayments	(1.240)	(5.296)
Balance as of 31st March 2025	275.714	275.714

- 3.7 During the year, the Council took out £50m in new short-term loans at an average rate of 5.22%. This includes £10m to cashflow the annual pension contribution prepayment in April, £30m in to maintain the liquidity indicator level, and £10m of borrowing to replace maturing loans.
- 3.8 £15m of the new borrowing was taken in November and December 2024, when market rates were at a low point in the curve before we would have been required to take borrowing for liquidity purposes. As a result, the budget for interest payable was exceeded by £144k. However, additional investment interest of £191k was earned from this strategy, so overall the budget impact was an additional income of £47k.
- 3.9 The Council's Loans Capital Financing Requirement (CFR) as at 31st March 2025 was £373.0m. 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.
- 3.10 The difference between the CFR and the current borrowing of £275.7m represents re-investment of the internal balances including reserves, reducing the in-year borrowing costs in excess of the potential investment returns.
- 3.11 The Liability Benchmark in **Appendix 1** illustrates the current borrowing and current and projected CFR and 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. At the 31st March 2025 borrowing is almost in line with the benchmark and as we look forward borrowing, is projected to fall below the benchmark. This funding gap can be used as a guide to the optimal amount and length of borrowing required in the future to minimise interest rate and credit risk.
- 3.12 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 of 31st March 2025 apportioned to Bath & North East Somerset Council is £9.277m. 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 3.6.

Investments

- 3.13 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.
- 3.14 On 31st March 2025, the Council had £32.6m in investments, with £22.6m in short term liquid investments and £10.0m 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.
- 3.15 **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)	4.96%
Call Accounts	4.46%
Fixed Deposits	5.17%
Operational Investments Total	4.96%
CCLA Local Authorities Property Fund	4.25%
FP Foresight UK Infrastructure Income Fund	4.25%
VT Gravis Clean Energy Income Fund	4.23%
Strategic Investments Total	4.25%

- 3.16 In 2024/25 the Council earned 4.96% from Operational investments, which is 0.12% above the 7-day SONIA benchmark Rate of 4.84%, and 4.25% from Strategic Fund investments in line with the budgeted rate of 4.25%.
- 3.17 The Council holds £10.0m 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.

The strategic pooled fund investments include £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 interest rates, weak growth and global uncertainty, the value of bonds and property have fallen significantly, and early signs of a recovery in capital values in the first six months of 2024/25 have reversed in the

last three months following the new US administration's trade policy, with the value of the strategic investments haven fallen to £7.553m, £143k below the 31 March 2024 total of £7.696m. This movement is shown in the table below:

	CCLA Local Authorities Property Fund	FP Foresight UK Infrastructure Income Fund	VT Gravis Clean Energy Income Fund	Total
Historic Cost	5,000,000	3,000,000	2,000,000	10,000,000
2024/25				
Fair Value at 31/03/2025	4,253,634	2,072,300	1,227,138	7,553,072
In Year % Value Lost / (Gained)	(1.82)%	4.64%	8.84%	1.87%
Cumulative % Value Lost / (Gained)	14.93%	30.92%	38.64%	24.47%
2023/24				
Fair Value at 31/03/2024	4,177,465	2,173,120	1,346,161	7,696,746
In Year % Value Lost / (Gained)	3.81%	15.99%	27.32%	12.36%
Cumulative % Value Lost / (Gained)	16.45%	27.56%	32.69%	23.03%

On 3rd April 2025, the Government announced that it was extending the statutory override for legacy investments held at 31st March 2025 until 2028/29. As a result, this change in valuation does not currently have an impact on the revenue account or usable reserves with gains/losses instead going to an unusable reserve. The Council has in place a Capital Financing Reserve which can be used to mitigate any future impacts should the statutory override be removed.

3.18 Regarding the Council's Property Fund investment, the commercial property market improved marginally in 2024/25. Somewhat lower interest rates and higher transaction volumes as higher yields boosted demand recovered helped stabilise the market. The industrial and retail warehousing sectors remained strong, but retail and secondary office sectors remained weak.

3.19 Regarding the Council's Infrastructure and Clean Energy Funds, policy uncertainty, particularly arising out of the US but also UK governments, and high interest rates particularly affected investor sentiment, prompting falling share prices in the second half of the financial year. Outflows from listed real assets towards higher-yielding fixed income investments and cash continued.

Despite the challenging environment, the funds' underlying portfolio companies have continued to deliver on dividend targets and the funds' dividend distributions per share have been relatively steady in the face of market turbulence. Many companies in the funds' portfolios, which focus on clean energy, decarbonisation and the building of digital and social infrastructure, continue to benefit from long-term contracted revenue streams, some with a high degree of inflation linkage.

Budget Implications

3.20 The Council's revenue budget outturn for interest & capital financing costs for 2024/25 was £1.071m under budget. This is mainly due to higher 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**.

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 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 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 3.17.

9 OTHER OPTIONS CONSIDERED

9.1 None

10 CONSULTATION

10.1 Consultation has been carried out with the Cabinet Member for Resources, Section 151 Officer and Monitoring Officer.

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

APPENDIX 1

Performance against Treasury Management Indicators agreed in Treasury Management Strategy Statement

1. 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 of 31 st March 2025
Operational boundary – borrowing.	£413m	£275.7m
Operational boundary – other long-term liabilities	£9m	£6.7m
Operational boundary – TOTAL	£422m	£282.4m
Authorised limit – borrowing.	£442m	£275.7m
Authorised limit – other long-term liabilities.	£9m	£6.7m
Authorised limit – TOTAL	£451m	£282.4m

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 of 31 st March 2025
	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 of 31 st March 2025
Upper limit on one-year revenue impact of a 1% rise in interest rates	+/- £1m	-£0.258m
Upper limit on one-year revenue impact of a 1% fall in interest rates	+/- £1m	£0.258m

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	Actual as of 31 st March 2025
	%	%	%
Under 12 months	50	Nil	25.55
12 months and within 24 months	50	Nil	2.03
24 months and within 5 years	75	Nil	10.05
5 years and within 10 years	75	Nil	19.32
10 years and within 25 years	100	Nil	23.40
Over 25 years	100	Nil	19.65

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

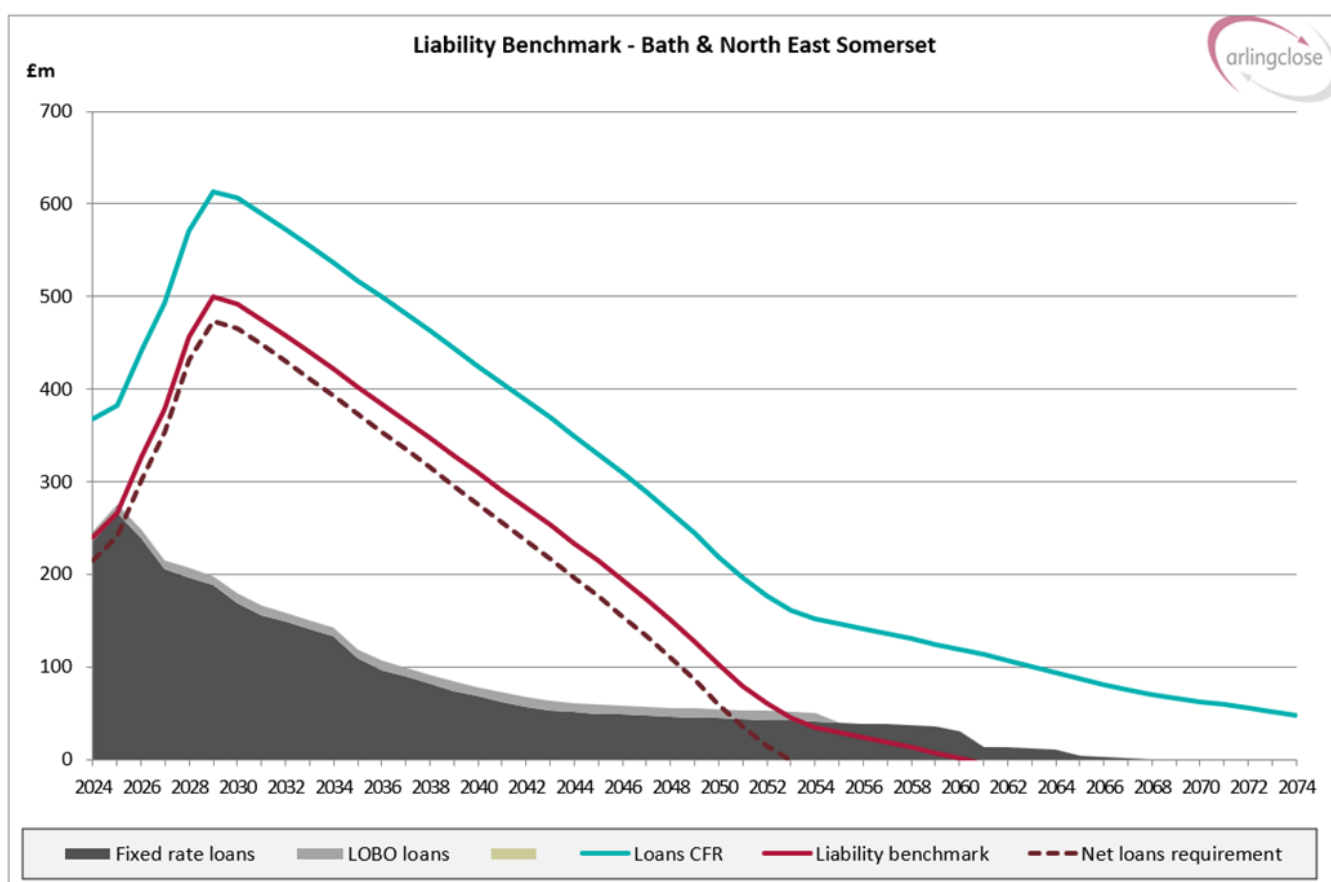
The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. This is done by setting a limit on the value of investments that at inception are for over 364 days or have no fixed maturity date and intended to be held for the medium to long term. 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 of 31 st March 2025
Limit on principal invested beyond 31 st March 2024	£50m	£10m*
Limit on principal invested beyond 31 st March 2025	£20m	£10m*
Limit on principal invested beyond 31 st 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.



As at 31st March 2025, there is very little difference between the actual borrowing (the grey slopes) and the Liability Benchmark (the solid red line) and both are well below the Capital

Financing Requirement which is the absolute maximum we can borrow for capital purposes. Looking forward the actual borrowing will fall below the liability benchmark and 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 on 31st March 2025

The term of investments is as follows:

Term Remaining	Balance at 31 st March 2025	Comparator	
		Balance at 31 st December 2024	Balance at 31 st March 2024
	£m	£m	£m
Notice (instant access funds)	22.6	13.10	22.10
Up to 1 month	0.00	0.00	0.00
1 month to 3 months	0.00	20.00	0.00
3 months to 6 months	0.00	0.00	0.00
6 months to 12 months	0.00	0.00	0.00
Strategic Funds	10.00	10.00	10.00
Total	32.60	43.10	32.10

The investment figure is made up as follows:

	Balance at 31 st March 2025	Comparator	
		Balance at 31 st December 2024	Balance at 31 st March 2024
	£m	£m	£m
B&NES Council	29.77	39.13	29.95
Schools	2.83	3.97	2.15
Total	32.60	43.10	32.10

The Council had a total average net positive balance of £47.38m during the period April 2024 to March 2025.

Chart 1: Council Investment Balances

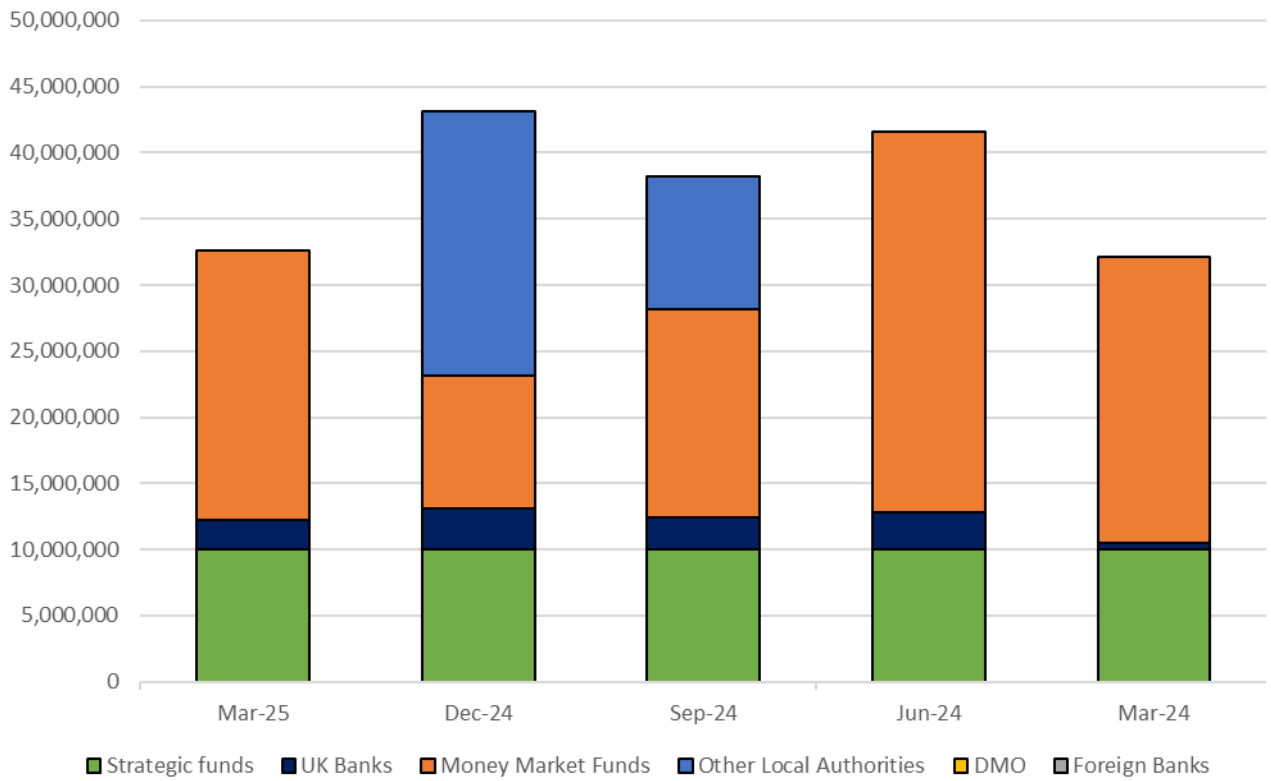


Chart 1a: Council Investments as at 31st March 2025 £32.6m

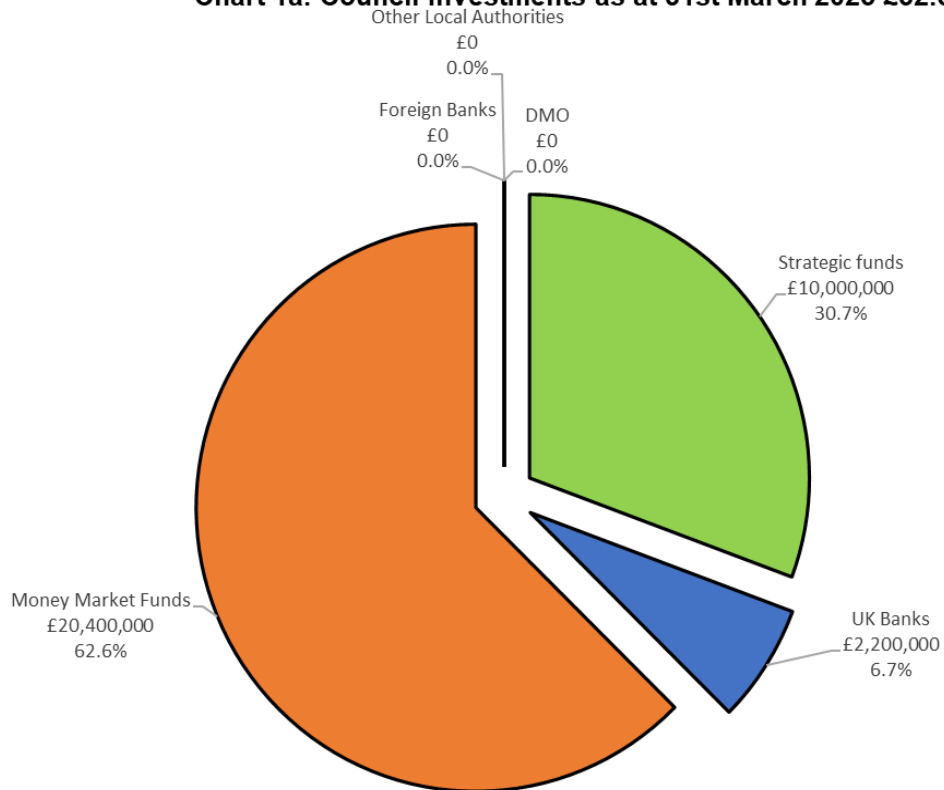


Chart 2: Council Investments Per Lowest Equivalent Long Term Credit Rating

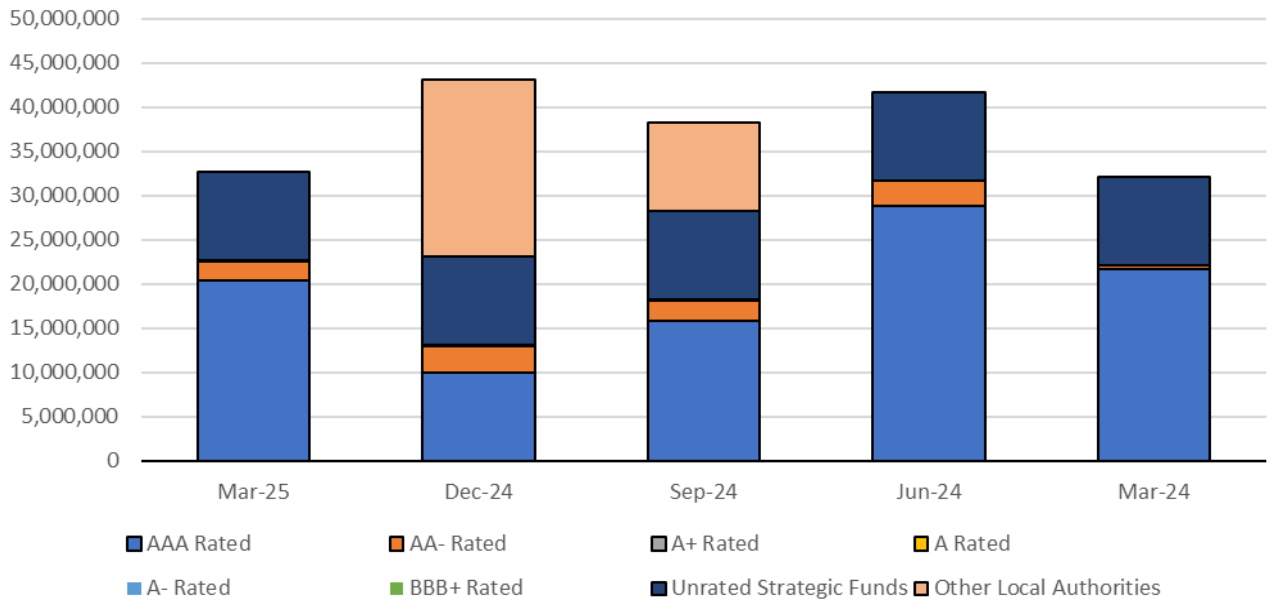
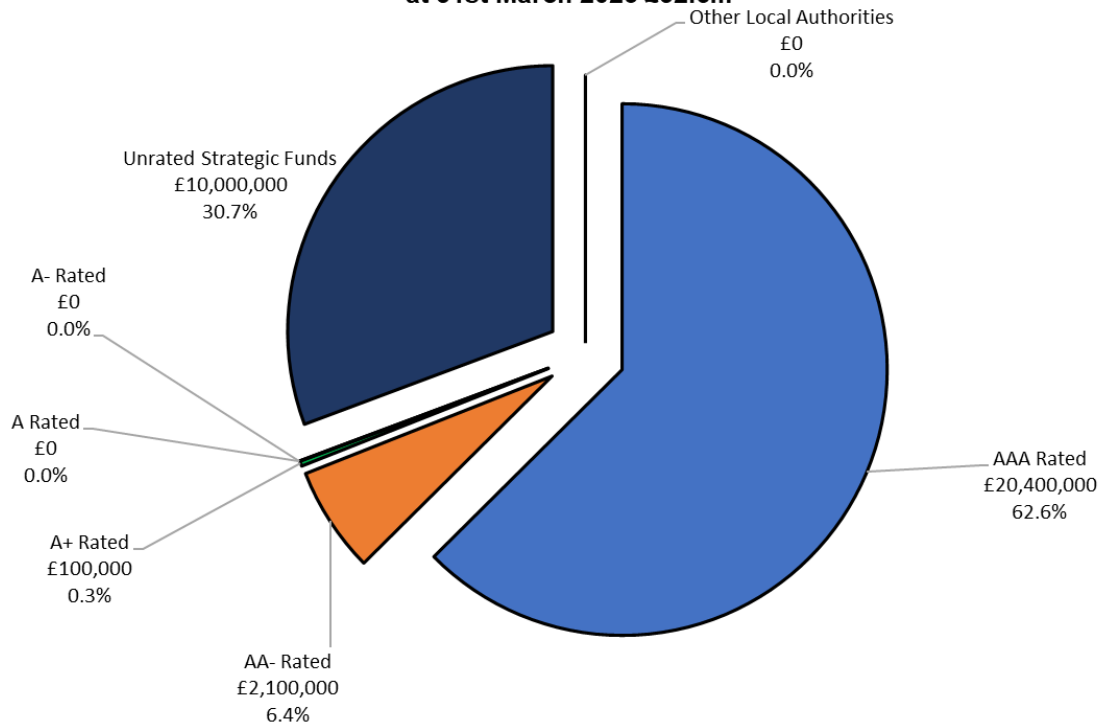


Chart 2a: Council Investments Per Lowest Equivalent Long Term Credit Rating as at 31st March 2025 £32.6m



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	5.01%	4.90%	0.11%
October 2024	4.98%	4.88%	0.10%
November 2024	4.85%	4.68%	0.17%
December 2024	4.88%	4.66%	0.22%
January 2025	4.87%	4.65%	0.22%
February 2025	4.82%	4.42%	0.40%
March 2025	4.45%	4.40%	0.05%
Average	4.96%	4.84%	0.12%

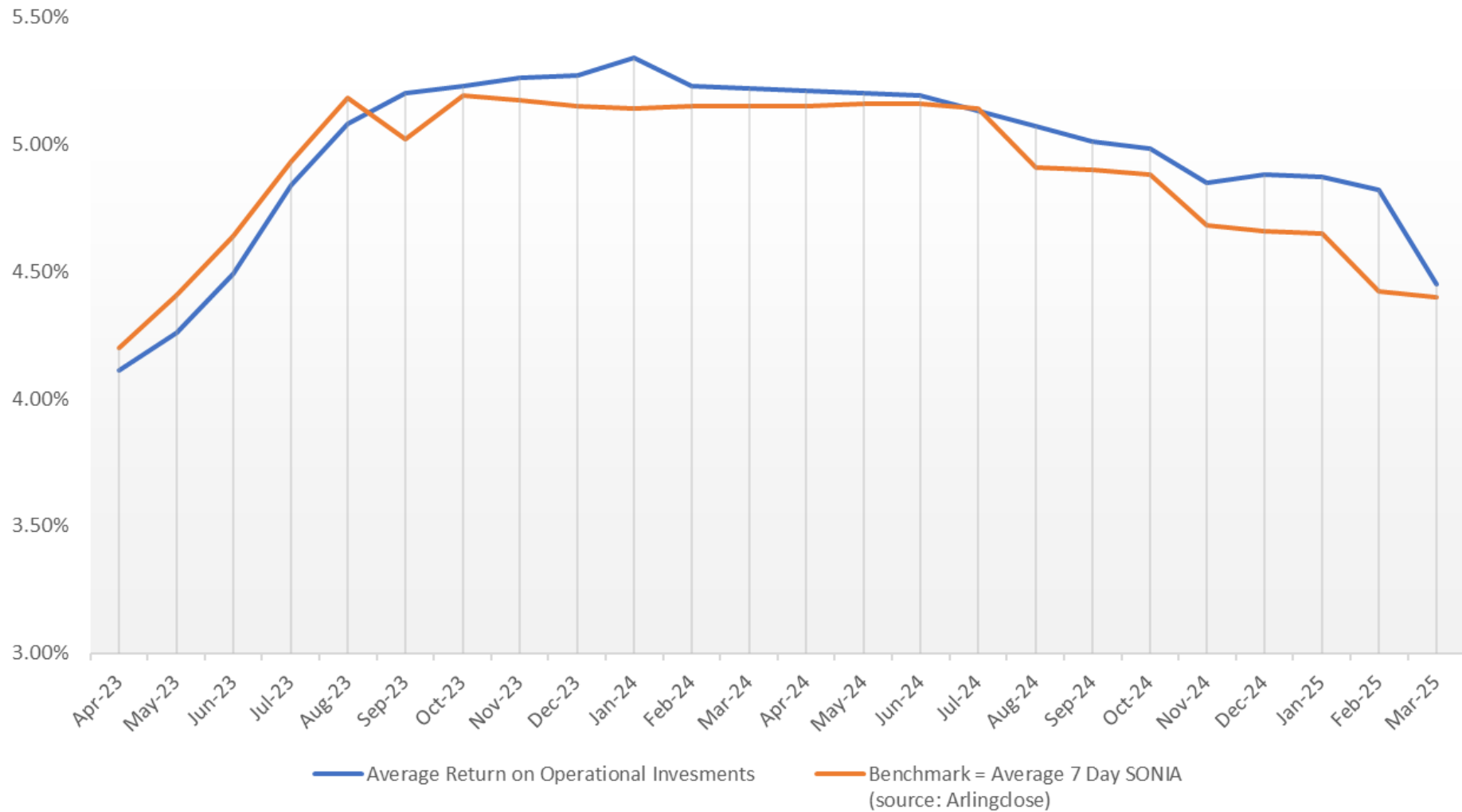
For comparison, the average rate of return on investments in 2023/24 was as follows:

	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%
Average	4.96%	4.94%	0.02%

Strategic investment return

The actual average return for strategic investments is 4.25% 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 on 31st March 2025

Lender	Amount outstanding @ 31st December 2024 £	Change in Quarter £	Amount outstanding @ 31st March 2025 £	Start date	End date	Interest rate
Long term						
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	14,467,029	-	14,467,029	20/06/2016	20/06/2041	2.36%
PWLB508126	7,939,165	-	7,939,165	06/12/2018	20/06/2043	2.38%
PWLB508202	9,305,271	-	9,305,271	12/12/2018	20/06/2068	2.59%
PWLB508224	3,955,770	-	3,955,770	13/12/2018	20/06/2043	2.25%
PWLB505744	7,214,782	(203,063)	7,011,719	24/02/2017	15/08/2039	2.28%
PWLB505966	7,564,781	(177,409)	7,387,372	04/04/2017	15/02/2042	2.26%
PWLB506052	6,428,055	(150,886)	6,277,170	08/05/2017	15/02/2042	2.25%
PWLB506255	6,438,746	-	6,438,746	10/08/2017	10/04/2067	2.64%
PWLB506729	7,760,411	-	7,760,411	13/12/2017	10/10/2042	2.35%
PWLB506995	7,798,282	-	7,798,282	06/03/2018	10/10/2042	2.52%
PWLB506996	8,311,135	-	8,311,135	06/03/2018	10/10/2047	2.62%
PWLB507749	8,117,138	(169,518)	7,947,620	10/09/2018	20/07/2043	2.42%
PWLB508485	18,796,618	(117,841)	18,678,776	11/02/2019	20/07/2068	2.52%
PWLB509840	8,268,870	(179,848)	8,089,023	04/09/2019	20/07/2044	1.40%
PWLB677322	4,767,232	-	4,767,232	22/11/2023	22/11/2038	4.88%
PWLB687799	4,756,280	-	4,756,280	29/12/2023	29/12/2038	4.28%
PWLB700594	9,763,755	(241,608)	9,522,146	09/02/2024	09/02/2039	4.54%

Lender	Amount outstanding @ 31st December 2024 £	Change in Quarter £	Amount outstanding @ 31st March 2025 £	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%
Medium term						
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%
PWLB715777	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%
Tunbridge Wells B.C.	5,000,000	-	5,000,000	14/11/2024	14/11/2025	4.85%
PWLB781146	10,000,000	-	10,000,000	09/12/2024	09/12/2025	5.09%
North Yorkshire Council	-	5,000,000	5,000,000	26/03/2025	25/03/2026	4.75%
Halton Borough Council	-	5,000,000	5,000,000	21/03/2025	20/06/2025	6.00%
Total Borrowing	266,953,319	8,759,827	275,713,146			

*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: Both the UK and US elected new governments during the period, whose policy decisions impacted the economic outlook. The Chancellor of the Exchequer delivered her Spring Statement in March 2025, following her Budget in October 2024. Based on the plans announced, the Office for Budget Responsibility downgraded its predictions for UK growth in 2025 to 1% from 2%. However, it upgraded its predictions for the four subsequent years. Inflation predictions for 2025 were pushed up, to 3.2% from 2.6%, before seen as falling back to target in 2027. The market reaction to the Spring Statement was more muted compared to the Budget, with very recent market turbulence being driven more by US trade policy decisions and President Trump.

After revising its interest rate forecast in November following the Budget, the council's treasury management advisor, Arlingclose, maintained its stance that Bank Rate will fall to 3.75% in 2025.

UK annual Consumer Price Index (CPI) inflation continued to stay above the 2% Bank of England (BoE) target in the later part of the period. The Office for National Statistics (ONS) reported headline consumer prices at 2.6% in March 2025, down from 2.8% in the previous month and below expectations. Core CPI also remained elevated, falling slightly in March to 3.4% from 3.5% in February, in line with expectations. Inflation rates are expected to rise sharply at the start of the new financial year.

The UK economy Gross Domestic Product (GDP) grew by 0.7% between January and March 2025, recovering from growth of just 0.1% in the prior quarter. The annual growth rate was just 1.3% in Q4 2024/25, indicating that the UK economic backdrop remains challenging.

The labour market continued to cool, but the ONS data still require treating with caution. Recent data showed the unemployment rate rose to 4.5% (3mth/year) in the three months to February 2025 while the economic inactivity rate fell again to 21.4%. The ONS reported pay growth over the same three-month period at 5.6% for regular earnings (excluding bonuses) and 5.5% for total earnings.

The BoE's Monetary Policy Committee (MPC) held Bank Rate at 4.5% at its March 2025 meeting, having reduced it in February. This follows earlier 0.25% cuts in November and August 2024 from the 5.25% peak. At the March MPC meeting, members voted 8-1 to maintain Bank Rate at 4.5%, with the one dissenter preferring another 25 basis points cut. The meeting minutes implied a slightly more hawkish tilt compared to February when two MPC members wanted a 50bps cut. In the minutes, the Bank also upgraded its Q1 2025 GDP forecast to around 0.25% from the previous estimate of 0.1%.

The February Monetary Policy Report (MPR) showed the BoE expected GDP growth in 2025 to be significantly weaker compared to the November MPR. GDP is forecast to rise by 0.1% in Q1 2025, less than the previous estimate of 0.4%. Four-quarter GDP growth is expected to pick up from the middle of 2025, to over 1.5% by the end of the forecast period. The outlook for CPI inflation showed it remaining above the MPC's 2% target

throughout 2025. It is expected to hit around 3.5% by June before peaking at 3.7% in Q3 and then easing towards the end of the year, but staying above the 2% target. The unemployment rate was expected to rise steadily to around 4.75% by the end of the forecast horizon, above the assumed medium-term equilibrium unemployment rate of 4.5%.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would continue to fall throughout 2025. From the cuts in August and November 2024 and February 2025, which took Bank Rate to 4.50%, May is considered the likely month for the next reduction, with other cuts following in line with MPR months to take Bank Rate down to around 3.75% by the end of 2025.

The US Federal Reserve paused its cutting cycle in the first three months of 2025, having reduced the Fed Funds Rate by 0.25% to a range of 4.25%-4.50% in December, the third cut in succession. Fed policymakers noted uncertainty around the economic outlook but were anticipating around 0.50% of further cuts in the policy rate in 2025. Economic growth continued to rise at a reasonable pace, expanding at an annualised rate of 2.4% in Q4 2024 while inflation remained elevated over the period. However, growth is now expected to weaken by more than previously expected in 2025, to 1.7% from 2.1%. The uncertainty that President Trump has brought both before and since his inauguration in January is expected to continue.

The European Central Bank (ECB) continued its rate cutting cycle over the period, reducing its three key policy rates by another 0.25% in March, acknowledging that monetary policy is becoming meaningfully less restrictive. Euro zone inflation has decreased steadily in 2025, falling to 2.2% in March, the lowest level since November 2024. Over the current calendar year, inflation is expected to average 2.3%. GDP growth stagnated in the last quarter of the 2024 calendar year, after expanding by 0.4% in the previous quarter. For 2025, economic growth forecasts were revised downwards to 0.9%.

Financial markets: Financial market sentiment was reasonably positive over most of the period, but economic, financial and geopolitical issues meant the trend of market volatility remained. In the latter part of the period, volatility increased and bond yields started to fall following a January peak, as the economic uncertainty around likely US trade policy impacted financial markets. Yields in the UK and US started to diverge in the last month of the period, with the former rising around concerns over the fiscal implications on the UK government from weaker growth, business sentiment and higher rates, while the latter started falling on potential recession fears due to the unpredictable nature of policy announcements by the US President and their potential impact.

The 10-year UK benchmark gilt yield started the period at 3.94% and ended at 4.69%, having reached a low of 3.76% in September and a high of 4.90% in January in between. While the 20-year gilt started at 4.40% and ended at 5.22%, hitting a low of 4.27% in September and a high of 5.40% in January. The Sterling Overnight Rate (SONIA) averaged 4.90% over the period.

The period in question ended shortly before US President Donald Trump announced his package of 'reciprocal tariffs', the immediate aftermath of which saw stock prices and government bond yields falling and introduced further uncertainty over the economic outlook.

Credit review: In October, Arlingclose revised its advised recommended maximum unsecured duration limit on most banks on its counterparty list to six months. Duration advice for the remaining five institutions, including the newly added Lloyds Bank Corporate Markets, was kept to a maximum of 100 days. This advice remained in place at the end of the period.

Fitch revised the outlook on Commonwealth Bank of Australia (CBA) to positive from stable while affirming its long-term rating at AA-, citing its consistent strong earnings and profitability.

Other than CBA, the last three months of the period were relatively quiet on the bank credit rating front, with a small number of updates issued for a number of lenders not on the Arlingclose recommended counterparty list.

On local authorities, S&P assigned a BBB+ to Warrington Council, having previously withdrawn its rating earlier in 2024, and also withdrew its rating for Lancashire County Council due to the council deciding to stop maintaining a credit rating. However, it still holds a rating with Fitch and Moody's. Moody's withdrew its rating of Cornwall Council after it chose to no longer maintain a rating.

Credit default swap prices generally trended lower over the period but did start to rise modestly in March, but not to any levels considered concerning. Once again, price volatility over the period remained 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 March 2025	YEAR END POSITION			ADV/FAV
	Budgeted Spend or (Income) £'000	Actual Spend or (Income) £'000	Actual over or (under) spend £'000	
Interest & Capital Financing				
- Debt Costs	9,303	9,482	179	ADV
- Internal Repayment of Loan Charges	(16,725)	(16,729)	(4)	FAV
- Ex Avon Debt Costs	860	890	30	ADV
- Minimum Revenue Provision (MRP)	11,947	11,145	(802)	FAV
- Interest on Balances	(1,485)	(1,958)	(473)	FAV
Total	3,900	2,829	(1,071)	FAV

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 Risks

	Risk Nr	Description	Current Risk Score										This Period	Trend			Management Action		
			Likelihood					Impact						Periods Ago					
			1	2	3	4	5	1	2	3	4	5							
			L	M	H	L	M	H				1	2	3					
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.			3							4			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				4						3			12	12	12	12	Read, respond 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			3							3			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	R07	Refinancing Risk The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.			3							3			9	9	6	6	When deciding on the duration of new borrowing consider existing debt maturity profile before submitting an approval to Chief Finance Officer on the new borrowing. Consult with treasury Advisor Arlingclose with regards to risks in the lending market and consider their guidance when making refinancing decisions Complete Annual PWLB certainty rate return and any other returns that provide a discounted lending rate. Maintain a relationship with at least 2 brokers in order to ensure that the council avoids the risk of accepting terms which are not in line with prevailing market conditions.
5	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.		2									4		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.
6	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.		2									4		8	8	8	8	Obtain independent review of the council's strategy and policies 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.

Bath & North East Somerset Council			
MEETING:	Audit Committee		
MEETING DATE:	24 th September 2025	AGENDA ITEM NUMBER	
TITLE:	Audit Committee Annual Report – May 2024 – April 2025		
WARD:	ALL		
AN OPEN PUBLIC ITEM			
List of attachments to this report:			
Appendix 1 – Annual Report 2025			

1 THE ISSUE

- 1.1 The Audit Committee has specific delegated powers given to it from Full Council and as such is required to report back annually to Council under its Terms of Reference.

2 RECOMMENDATION

- 2.1 The Audit Committee is asked to agree the Annual Report covering the period May 2024 – end of April 2025 (Appendix 1) and request that the Chair of the Committee present it to the November meeting of Council.

3 THE REPORT

- 3.1 The Audit Committee is required to compile and present to Council an Annual Report. The Head of Audit & Assurance has written a report and is asking the Committee to agree the report and ask the Chair of the Committee to present it to Council.

4 STATUTORY CONSIDERATIONS

- 4.1 There are no specific statutory considerations related to this report.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 There are no direct resource implications relevant to this report.

6 RISK MANAGEMENT

- 6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance.

- 6.2 The Audit Committee has specific responsibility for ensuring the Council's Risk Management and Financial Governance framework is robust and effective.

7 EQUALITIES

- 7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 CLIMATE CHANGE

- 8.1 There are no direct climate change implications related to this report.

9 OTHER OPTIONS CONSIDERED

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

10 CONSULTATION

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

Contact person	Peter Cann, Head of Audit & Assurance
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Appendix 1

Audit Committee Annual Report to Council – 2024/25

1. Introduction

This report covers the work undertaken from May 2024 to end of April 2025. The purpose of this report is to comply with the Constitution that requires the Full Council to receive a report from the Audit Committee, detailing its activities and effectiveness for the year and the proposed work programme for the following year. The Committee's annual report is one of the means by which Council is assured that the Committee is carrying out its role effectively.

2. General Approach

The Audit Committee is committed to the principles of openness, effectiveness, and collaboration. The Committee is a key component of the Council's governance framework. Its function is to provide an independent and high-level resource to support good governance and strong public financial management. The purpose of the Committee is to provide to those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit activity it makes an important contribution to ensuring that effective assurance arrangements are in place.

3. Review of Work Carried Out – May 2024 to end of April 2025

a. Financial Governance – Annual Accounts (Council & Pension Fund)

- i) At the Committee meeting on the 27th November 2024, the Group Accountant Financial Accounting & Corporate Finance gave a presentation on the revised draft accounts for 2023/24.
- ii) At the meeting on the 27th November 2024, representatives from Grant Thornton presented the Audit Findings Reports for the Council and the Avon Pension Fund. The high-level summary was an unqualified opinion. It was not possible to give certification as there had been an objection, although this would not have any material impact on the accounts. There were a small number of recommendations and adjustments. It was resolved:
 - 1) To note the issues contained within the Audit Findings Reports and addendum to the Auditor's Annual Report for the Council; and
 - 2) To approve 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.

b. Financial Governance - Annual Accounts (Council Owned Companies)

- i. In line with the Committee's Terms of Reference at the 27th November 2024 meeting the final approved and signed Aequus Developments Ltd (ADL), Aequus Construction Ltd (ACL) and Aequus Group Holding Limited (AGHL) Accounts for 2023/24 were reviewed. The meeting was attended by the Aequus Financial Controller and they presented the accounts and answered questions raised by Committee Members. It was resolved that the audited accounts of ADL, ACL and AGHL had been reviewed in line with the Committee's Terms of Reference and the audited accounts of ADL, ACL & AGHL (Council wholly owned companies) be noted.

c. Financial Governance – Treasury Management

- i. The Committee acts as a scrutiny function for the Council's Treasury Management arrangements as recommended by CIPFA.
- ii. The Committee formally received reports on the outturn of performance for the year 2023/24 and a mid-year update on performance for 2024/25, plus the strategy statement for the year 2025/26.
- iii. The Treasury Management Performance Report 2023/24 was presented to the 25th September 2024 meeting of the Committee. The Committee noted the report.
- iv. A Treasury Management Performance Report to 30th September 2024 was presented to the meeting on the 27th November 2024.
- v. Committee Members reviewed the Treasury Management Strategy Statement for 2025/26 on the 5th February 2025. This set out the external context, borrowing strategy, treasury investment strategy, treasury management prudential indicators, current position, borrowing requirement and interest rates forecasts. It was resolved to recommend the proposed actions within the Treasury Management Strategy Statement to the 25th February Council meeting; and to note the Treasury Management Indicators (detailed in the Appendix 1 of the Statement).

d. Financial Governance - External Audit

The External Auditors were in attendance at all four committee meetings during the period of this report and presented information as follows:

- i At the Committee meeting in September 2024, the External Auditors presented three reports. The External Audit Update reported on progress with the external audit and stated that by the November Corporate Audit Committee all work would be complete, and the final report would be submitted to that committee. Members were informed that there were currently no major findings.

The Audit Findings for the Avon Pension Fund and the Annual Audit Report were also presented. The Annual Audit Report was an interim report as the audit of the accounts had not yet been finalised and the report focussed on the Value for Money.

- ii. At the Committee meeting in November 2024, the External Auditors presented the Audit Findings Reports for Bath and North East Somerset Council and Audited Statement of Accounts for Council and Avon Pension Fund 2023/24.
- iii. The External Auditor also presented an Audit Progress Report and Sector Update in February 2025.
- iv. Finally, the External Audit plan for 2024/25 was presented to the Committee for information and endorsement in April 2025. The Committee endorsed the 2024/25 External Audit Plan for the Council & External Audit Plan for the Avon Pension Fund.

e. Corporate Governance (Including Risk Management) –

- i. The Accounts and Audit Regulations require the Council to carry out an annual review of its governance arrangements, and to produce an annual statement detailing the results of that review.
- ii. The results of the annual governance review for 2023/24 were included in the Council's Statement of Accounts presentation to the Committee on 27th November 2024. The Committee was advised of the inclusion of two 'significant issues':
 - 1) Financial Challenge – Service Demand and Cost Pressures
 - 2) Children's Services - Dedicated Schools Grant (DSG) deficit and the Safety Valve Agreement
- iii. Also linked to the Annual Governance Statement, in May 2024, an updated Local Code of Corporate Governance that contained minor revisions was considered and adopted by the Committee.
- iv. During the year the Committee received updates on the Council's key risks from the Director of Financial Services, Assurance and Pensions (Interim Section 151 officer). The Committee also received the Risk Management Annual Update Report on 30th April 2025, which provided a summary of the risk management process and gave assurance on the risk management framework.
- v. The Committee received a risk management update covering the SEND Collaboration for B&NES (Safety Valve) from the Director of Children's Services & Education and the Executive Director for Operations in February 2025. This included an update on the Council's plans to manage the Dedicated Schools Grant (DSG) deficit position and progress being made in relation to the Safety Valve.
- vi. The Committee were provided with a presentation and update report on the Section 106 audit findings from the Council's Head of Planning and Building Control in April 2025. This included commentary on the progress since July 2024 on mitigating high-risk areas and delivering the remaining opportunity. The Head of Planning and Building Control was invited to provide an update to the November Committee and also a report to the May 2026 meeting in order for members to be able to track progress.

f. Corporate Assurance -

Internal Audit & Counter Fraud

- i. The Internal Audit Plan for 2024/25 was approved by Committee in May 2024. In-year Internal Audit updates covering the 2024/25 plan were then presented at the September 2024 and February 2025 meetings, which included updates on any internal audit reports that had a 'Level 2' opinion, i.e. any audit areas where controls where internal were considered to be weak. These updates also reported on Fraud Prevention activity and investigations/ unplanned work that had taken place.
- ii. The Audit and Assurance Annual Report 2024/25 was presented at the 30th April 2025 Committee meeting. The annual report included:
 - a) A conclusion that reasonable assurance could be provided over the council's systems of internal control, helping to ensure corporate priorities can be achieved.
 - b) A summary of the work that supported the annual opinion, including a description of audits that had a 'Level 2' opinion and a summary of position of work as at 31 March 2025.
 - c) Commentary on the progress of implementing recommendations made during the year.
 - d) A statement on conformance with the Public Sector Internal Audit Standards.
- iii. A separate annual report on Counter Fraud activity was also presented. This report outlined the main counter fraud work that took place during the 2024/25 financial year, including updates on the National Fraud Initiative exercise. In addition, related Counter Fraud strategy and policies were also updated and approved by the Committee.
- iv. At the February meeting, members were also consulted on the Internal Audit Plan for 2025/26 and specifically asked for their input on any activity areas or themes that they would like considered for inclusion in the list of audit reviews to form the core work of the internal audit function. A draft Internal Audit Plan for 2025/26 was subsequently presented to the Committee in April 2025 for approval.
- v. In order to support members in their role of monitoring the effectiveness of the Council's system of internal control, including managing the authority's exposure to the risks of fraud and corruption, a Counter Fraud training workshop was delivered at the 1st May 2024 Audit Committee meeting. A report explaining Local Government fraud risks and the work that is carried out at B&NES to mitigate risks was provided to the committee and a presentation titled 'An introduction to Fraud and the role of Internal Audit' was delivered.

g. Awareness & Briefings

- i. Updates and briefings continue to be a part of the Committee's approach to raising awareness of key governance issues with members and several briefings were

given this year through the normal meeting cycle, as reported under the relevant headings in section 3a to 3e of this report.

- ii. In addition, during the year, a review of the effectiveness of the Audit Committee also took place. This was in line with CIPFA best practice and was led by the Head of Audit. The exercise resulted in proposed revisions to the terms of reference of the Committee, which were updated based on CIPFA requirements. The amended terms of reference was presented at the September 2024 committee meeting, with onward approval by Council in November 2024.

4. Audit Committee Work Plan for 2025/26

A work plan is prepared and presented at each meeting; this plans out the work of the Committee and links it to its terms of reference. Committee Members have the opportunity to comment and refine the workplan at each meeting

5. Membership and Support

- i. Councillor David Biddleston is the Chairperson of the Committee. The Vice Chair is Councillor Sam Ross, and the other members are Councillors Malcolm Treby, Toby Simon and George Tomlin. There is also one independent co-opted member, being John Barker.
- ii. The Committee is supported by a range of officers, notably the Director of Financial Services, Assurance & Pensions (S151 Officer), the Head of Financial Management and the Head of Audit and Assurance.
- iii. The external auditors are currently represented by an Engagement Lead and Audit Manager from Grant Thornton.

Appendix 2 – Audit Committee Workplan 2025/26

Date of meeting	Report title	Requirement & Purpose (TOR)
<i>5th February 2025</i>	External Audit Progress Update	To Note – Oversight of work of External Audit
	Treasury Management Strategy - 2025/26 Consultation	To Recommend to Council/Cabinet – Oversight of Treasury Management (Financial Governance)
	Internal Audit Plan - 2025/26 Consultation	To Note – Oversight of work of Internal Audit
	Risk Management Update - DSG/Safety Valve	To Note – Update on Significant Issues & Risk Management Arrangements
	Annual Governance Statement	To Note – Update on Significant Issues
<i>30th April 2025</i>	External Audit Plan for Council & Avon Pension Fund - Y/E 2024/25	To Approve – Oversight of work of External Audit
	Accounting Policies Update – IFRS 16	To Review & Approve – Overview of Financial Management Governance
	Internal Audit - Annual Report – Y/E 2024/25	To Note – Oversight of work of Internal Audit
	Internal Audit - Annual Plan – Y/E 2025/26	To Approve – Oversight of work of Internal Audit
	Counter Fraud – Annual Report	To Note – Oversight of Counter-Fraud & Corruption arrangements
	S106 Update - Risk Management Update Report	To Note – Oversight of Risk Management arrangements
	Risk Management – Annual Update Report	To Note – Oversight of Risk Management arrangements
<i>24th September 2025</i>	External Audit – Update Report	To Note – Oversight of work of External Audit
	Y/E 2024/25 External Audit Annual Report (Including VFM Assessment Report)	To Note – Oversight of work of External Audit
	Audit Committee Annual Report & Review of Effectiveness 2024/25	To Approve & Recommend to Council – Report back to Council on delegation of responsibility
	Treasury Management Outturn Report – Y/E/ 2024/25	To Note – Oversight of Treasury Management (Financial Governance)
	Internal Audit Update Report - 2025/26	To Note – Oversight of work of Internal Audit
	Risk Management Update Report – Corporate Risk	To Note – Oversight of Risk Management Arrangements

<p><i>26th November 2025</i></p>	<p>Annual Accounts 2024/25 – Informal Briefing</p> <p>Y/E 2024/25 External Audit Findings & Accounts & Annual Governance Statement 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 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>11th February 2026</i></p>	<p>External Audit Progress Update</p> <p>Treasury Management Strategy - 2026/27 Consultation</p> <p>Internal Audit Plan - 2026/27 Consultation</p> <p>Risk Management Update - DSG/Safety Valve</p> <p>Annual Governance Statement Update</p>	<p>To Note – Oversight of work of External Audit</p> <p>To Recommend to Council/Cabinet – Oversight of Treasury Management (Financial Governance)</p> <p>To Note – Oversight of work of Internal Audit</p> <p>To Note – Update on Significant Issues & Risk Management Arrangements</p> <p>To Note – Update on Significant Issues</p>

AUDIT COMMITTEE

1. Committee Scope

The Audit Committee is responsible for the Council's powers and duties relating to the annual accounts, audit plans, the Annual Governance Statement, risk management arrangements and the other key financial governance procedures.

2. Functions

1. To approve on behalf of the Council its Annual Accounts, as prepared in accordance with the statutory requirements and guidance.
2. To scrutinise the Treasury Management Strategy and policies, monitor proposed changes and receive treasury management update/ outturn reports to monitor compliance.
3. To review and note on behalf of the Council the audited accounts of Council owned companies, in accordance with Council company governance arrangements, statutory requirements and guidance.
4. To monitor the effectiveness of the Council's system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption. This includes periodically reviewing key financial governance rules / procedures including Financial Regulations, Contract Standing Orders, Anti-Fraud & Corruption Strategy and related policies.
5. To note the External Auditors' Audit Plan, monitor its delivery and effectiveness during the year, and support effective relationship with the external auditor and other review agencies.
6. To approve the Internal Audit Plan within the budget agreed by the Council and to monitor its delivery and effectiveness (including the implementation of audit recommendations).
7. To consider, prior to signature by the Leader of the Council and Chief Executive, the Annual Governance Statement (including the list of significant issues for action in the ensuing year), as prepared in accordance with the statutory requirements and guidance; and to monitor progress on the significant issues and actions identified in the Statement.
8. To review periodically the Council's risk management arrangements, make recommendations and monitor progress on improvements.
9. To consider the Auditor's Annual Report from the External Auditor and to monitor progress on accepted recommendations.
10. To monitor and promote good corporate governance within the Council and in its dealings with partner bodies and contractors, including review of the Council's Local Code of Corporate Governance and in any such other ways as the Committee may consider expedient (within the budget agreed by the Council).

11. To consider and make recommendations of any other matters relating to corporate governance which are properly referred to the Committee or which come to its attention, e.g. the procurement of External Audit Services, monitoring the governance of Council owned companies.
12. To discharge its responsibilities, the Committee and individual members of the Committee can meet privately and separately with the external auditor and / or Chief Audit Executive and have the right to call on any other officer.
13. To make an annual report to Council on the work [and findings] of the Committee, including (if necessary) any measures necessary to improve the effectiveness of the Committee.

In all the above, the Committee will, as appropriate, wish to develop effective liaison with the following:

- a) the Standards Committee of the Council with regard to matters of ethical governance.
- b) the relevant Policy Development and Scrutiny Panel(s) - to complement but not to duplicate the exercise of their legitimate role in checking compliance with Council processes and policies and in reviewing policies and practice.
- c) relevant Cabinet Members, in particular the Leader and the Cabinet Member with responsibility for Resources, whose portfolios include executive functions related to the matters covered by these terms of reference.
- d) the Council when developing the Council's Code of Corporate Governance.

3. Composition

The size of the Panel will be determined by Council. Appointments will be made having regard to rules on political proportionality – as set out in the [proportionality table](#). There will also be a minimum of one independent non-voting co-opted member.

4. Quorum

One quarter of the membership or 3 Councillor/ voting Members of the Committee whichever is greater.

5. Substitution

Substitute Members are permitted in line with [Council Procedure Rule 3.1.4](#).

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	24 th September 2025	AGENDA ITEM NUMBER
TITLE:	Audit Committee – Draft Workplan	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Draft Workplan 2025/26		

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 2025/26 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.

Contact person	Jeff Wring, Director – Financial Services, Assurance & Pensions (S151 Officer) (01225 477323)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Appendix 1 - CORPORATE AUDIT COMMITTEE WORKPLAN – 2025/26

Date of meeting	Report title	Requirement & Purpose (TOR)
<i>5th February 2025</i>	<p>External Audit Progress Update</p> <p>Treasury Management Strategy - 2025/26 Consultation</p> <p>Internal Audit Plan - 2025/26 Consultation</p> <p>Risk Management Update - DSG/Safety Valve</p> <p>Annual Governance Statement Update</p>	<p>To Note – Oversight of work of External Audit</p> <p>To Recommend to Council/Cabinet – Oversight of Treasury Management (Financial Governance)</p> <p>To Note – Oversight of work of Internal Audit</p> <p>To Note – Update on Significant Issues & Risk Management Arrangements</p> <p>To Note – Update on Significant Issues</p>
<i>30th April 2025</i>	<p>External Audit Plan for Council & Avon Pension Fund 2024/25</p> <p>Accounting Policies Update – IFRS 16</p> <p>Internal Audit - Annual Report – Y/E 2024/25</p> <p>Internal Audit - Annual Plan – Y/E 2025/26</p> <p>Counter Fraud – Annual Report</p> <p>S106 Update - Risk Management Update Report</p> <p>Risk Management – Annual Update Report</p>	<p>To Approve – Oversight of work of External Audit</p> <p>To Review & Approve – Overview of Financial Management Governance</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 Counter-Fraud & Corruption arrangements</p> <p>To Note – Oversight of Risk Management arrangements</p> <p>To Note – Oversight of Risk Management arrangements</p>

<p><i>24th September 2025</i></p>	<p>Annual Accounts 2024/25 – Briefing</p> <p>2024/25 Audit Findings Report - For Council & Pension Fund (Approval of Accounts)</p> <p>Y/E 2024/25 External Audit Annual Report (Including VFM Assessment Report)</p> <p>Treasury Management Outturn Report – Y/E/ 2024/25</p> <p>Audit Committee Annual Report & Review of Effectiveness 2024/25</p>	<p>To Note – Oversight of Financial Governance .</p> <p>To Approve – Oversight of work of External Audit, Financial Management and Financial Governance</p> <p>To Note – Oversight of work of External Audit, Financial Management, Financial Governance & Risk Management</p> <p>To Note – Oversight of Treasury Management (Financial Governance)</p> <p>To Approve & Recommend to Council – Report back to Council on delegation of responsibility</p>
<p><i>26th November 2025</i></p>	<p>ADL Accounts Y/E 2024/25 - Accounts Update</p> <p>S106 Progress Update Report</p> <p>Treasury Management 6 month update - 2025/26</p> <p>Internal Audit Update Report - 2025/26</p> <p>External Audit – Update Report</p> <p>Risk Management – Update Report</p>	<p>To Note – Oversight of Council Owned Companies</p> <p>To Note – Overview of Risk Management Arrangements</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 work of External Audit</p> <p>To Note – Oversight of Risk Management Arrangements</p>
<p><i>11th February 2026</i></p>	<p>External Audit Progress Update</p> <p>Treasury Management Strategy - 2026/27 Consultation</p> <p>Internal Audit Plan - 2026/27 Consultation</p> <p>Risk Management Update – .</p> <p>Annual Governance Statement Update</p>	<p>To Note – Oversight of work of External Audit</p> <p>To Recommend to Council/Cabinet – Oversight of Treasury Management (Financial Govern'ce)</p> <p>To Note – Oversight of work of Internal Audit .</p> <p>To Note – Update on Risk Management Arrangements</p> <p>To Note – Update on Significant Issues</p>