

BATH & NORTH EAST SOMERSET COUNCIL

STATEMENT OF ACCOUNTS 2012/13

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

Opinion on the Authority financial statements

We have audited the financial statements of Bath & North East Somerset Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. 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 2012/13.

This report is made solely to the members of Bath & North East Somerset Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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.

Respective Responsibilities of the Divisional Director Finance and auditor

As explained more fully in the Statement of the Divisional Director Finance's Responsibilities, the Divisional Director Finance 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Divisional Director Finance; and the overall presentation of the financial statements. In addition, we read all of the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- * give a true and fair view of the financial position of Bath and North East Somerset Council as at 31 March 2013 and of its income and expenditure for the year then ended; and
- * have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- * in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- * We issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- * We designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; and
- * We exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BATH & NORTH EAST SOMERSET COUNCIL - continued

Value for Money Conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- * secure economy, efficiency and effectiveness in its use of resources
- * ensure proper stewardship and governance
- * review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

- * **The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- * **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key Findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the following three expected characteristics of proper arrangements as defined by the Audit Commission:

- * Financial governance;
- * Financial planning, and
- * Financial control

Overall our work highlighted the Council has satisfactory arrangements to ensure financial resilience.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within. We have considered comparative profile information, performance information provided by the Council and discussed issues with officers.

Overall VFM Conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Barrie Morris
Director

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

Grant Thornton UK LLP
55-61 Victoria Street
Bristol BS1 6FT

27th September 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BATH & NORTH EAST SOMERSET COUNCIL - continued

Opinion on the pension fund accounting statements

We have audited the pension fund financial statements of Avon Pension Fund included in the accounts of Bath & North East Somerset Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2012/13.

This report is made solely to the members of Bath & North East Somerset Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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.

Respective Responsibilities of the Divisional Director Finance and auditor

As explained more fully in the Statement of the Divisional Director Finance's Responsibilities, the Divisional Director Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Divisional Director Finance; and the overall presentation of the financial statements. In addition, we read all of the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Opinion on accounting statements

In our opinion the pensions fund's financial statements:

- * give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- * have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Stephen Malyn
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
55-61 Victoria Street
Bristol BS1 6FT

27th September 2013

FOREWORD TO THE ACCOUNTS

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 2003 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.

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:

Movement in Reserves Statement

The Movement on Reserves Statement shows the movement in the year on different reserves held by the authority.

Comprehensive Income and Expenditure Account

The Comprehensive Income and Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Council during the year.

Balance Sheet

The Balance Sheet shows the assets and liabilities of the Council as a whole at the 31 March 2013.

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 income from local taxes and from the national non-domestic rates pool, and how these are allocated to the Council and the Police and Fire Authorities on whose behalf they are collected.

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 2010, 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.

FOREWORD TO THE ACCOUNTS - continued

General Review

Summary of the Council's financial performance

Despite a number of pressures and the requirement to deliver over £12m of savings, the Council underspent its revenue budget by £423k in 2012/13. After allowing for the proposed carry forwards and creation of specific reserve provisions the overall outturn position reduces to an underspend of £168k.

The Council has a robust action plan system for addressing service overspends which are monitored on a monthly basis and has helped produce a favourable outturn position. The Council has experienced shortfalls on its parking income which created the most significant adverse pressure on the revenue budget in 2012/13.

The main area contributing to the underspend relates to debt financing costs due to the phasing of the capital programme and continued use of temporary cash flow funding instead of borrowing.

The Next Twelve Months & Medium Term Outlook

The Council's Budget for 2013/14 represents the third year of financial planning prepared in the context of the Government's Comprehensive Spending Review (CSR) announced in October 2010. This CSR included a deficit reduction programme with 24% cuts to local authority spending spread over the four year period from 2011/12 to 2014/15.

However as we approach the next Spending Review in 2013 it is clear that the reductions set out in the previous CSR are not sufficient to meet the Government targets to reduce the fiscal deficit, as the on-going impact of economic uncertainty both across Europe and indeed worldwide, means the UK economy continues to fall short of previous expectations.

The financial implications for the Council over the next two years (2013/14 and 2014/15) were set out in the Local Government Financial Settlement announced in December 2012. This showed that over the case CSR period, the Council will see a 40% reduction in government funding.

This overall position is further complicated by a range of significant changes impacting on local Government Finance as set out below.

- The needs based Formula Grant funding system (the Four Block Model) for local government is being replaced by a combination of localised Business Rates and a top up grant to be known as Revenue Support Grant.
- The new Localised Business Rates (National Non Domestic Rates) will provide for the Council to retain up to 49% (33% after the levy) of local business rates going forwards to incentivise growth. The Council will also share the financial impact of non-payment, business contraction/cessation and business rate appeals. There will be a safety net where business rates decrease by 7.5% or more. This system will be reset from time to time to allow an element of rebalancing – the first such reset being scheduled for no earlier than 2020.
- The new Revenue Support Grant uses a baseline needs assessment for 2013/14 and has been set broadly at a level to cover the gap between baseline funding need and the initial share of local business rates. The RSG will then be reduced to reflect Government savings requirements from 2013/14 onwards.
- Responsibility for setting Council Tax Benefit passes to local authorities from 2013/14 in the form of the new Local Council Tax Support Scheme. At the same time the funding from Government will be reduced by 10% resulting in a shortfall of around £1.5M, which to be met from adjustments to the new scheme as approved by the Council in November 2012. The elderly and most vulnerable claimants will be protected.
- Public health responsibility and related services will pass to the Council from April 2013, together with an appropriate budget transfer from the PCT. It is assumed the grant received will fully cover all related costs of this service.
- The full implementation of planned changes to Government Funding for LEA and Academies through the Education Services Grant. The resulting reductions in funding in excess of current levels of spending have been factored into the current MTSRP although this will become increasingly challenging as more schools move to become Academies.

These issues are reflected within the Medium Term Service and Resource Planning process for 2013/14 to 2015/16 to the extent the impacts can be reasonably anticipated.

The sound financial management of the Council over the years means it is in a better position than many other councils to face the continuing financial challenges arising as a result of the national economic situation.

The Council Budget for 2013/14 recognises the very difficult financial challenge now facing the whole of the public sector and the increasing need to prioritise resources. The following principles have been used to support this:

- Protecting frontline services;
- No increases in Council Tax;
- Investing in homes and jobs for local people.

There are no longer the available resources to deliver the full range of services that have been provided in the past. New legislation and demographic changes similarly demand clear prioritisation and new approaches. This increasingly means difficult choices.

FOREWORD TO THE ACCOUNTS - continued

The development of the Budget has moved away from setting targets and budget top slices based on historic spending to an approach more focussed on prioritisation supported where appropriate by zero based budgeting. This approach has included: -

- Ensuring only essential cost pressures are taken into consideration, challenging all proposals for inflationary increases and additional spending.
- A continued focus on achieving efficiency savings within and across service areas.
- Maximising savings achieved through the continued development of the Change Programme with projects like Customer Services and Procure to Pay.
- Seeking to increase income from new and existing sources. Developing and investing in a diversified income base to help protect the Council from reductions in Government funding.
- Minimising costs of borrowing utilising Council cash flow balances where appropriate to provide funding for capital projects.
- Exploring opportunities to support Communities to enable them to be more resilient and self-sustaining.
- Making better use of Council Assets, particularly council land and property, to reduce running costs and provide capital receipts.
- Where Government is cutting its grants to local authorities, or other external sources of funding are being reduced, these savings requirements may need to be passed on to the relevant service.

There are also a range of service specific cost pressures including impacts of national policy changes. The most significant of these include:

- Rising elderly population placing significant demands on Adult Social Care and Health services.
- Increased demand for Children's care services.
- Contractual inflationary costs particularly for care placements and external service contracts.
- Local impacts of the economic downturn and increasing competition e.g. car parking income.

Taking account of the known and anticipated reductions in government grant funding and the pressures outlined above, requires savings of £11.4m in 2013/14 and at least £30m of budget savings are required over the period 2013/14 to 2015/16.

The scale of the projected savings required over the next three years, is such that the Council will need to prioritise services and whilst every effort has been made to protect essential frontline services for local people, this will inevitably lead to reductions in service areas which are considered a lower priority.

In considering the budget report at its meeting in February 2013, the Council approved a three year Medium Term Service & Resource Plan covering the period 2013/14 to 2015/16.

FOREWORD TO THE ACCOUNTS - continued

Revenue outturn and balances

The Council's net revenue budget was set at £120.11 million with a freeze in its part of the 2012/13 Council Tax. Dedicated schools grant funding of £80.61m separately supports expenditure on schools.

Total net spending amounted to £122.5 million against a revised budget of £122.9m, with a year end surplus of £0.4 million on general fund spending.

The Council followed well established procedures for monitoring its finances and reporting the position to the Cabinet. Despite a number of major pressures during 2012/13, the budget has been managed in total with a small underspend. The main areas contributing to the underspend relates to debt financing.

The Council continues with its programme of budget management where overspends and underspends are carried forward (rollovers) subject to policy approval. After transfers to earmarked reserves the General Fund stands at £10.5m.

The main adverse variances from budget incurred are:

Place overspend of £855k - mainly due to shortfalls in parking income partly offset by underspends in waste due to recycling contract savings and other smaller underspends within the directorate.

The main favourable variances from budgets incurred are:

Resources & Support Services underspend of £1,389k - mainly due to underspends in debt financing costs due to the phasing of the capital programme and continued use of cash flow funding instead of borrowing.

The outturn position compared to the budget is as follows:

Service	Budgeted	Actual	(Under)/ Over
	Spend £'000	Spend £'000	Spend £'000
Place	28,867	29,723	855
Children's Services	22,892	23,072	180
Adult Social Services & Housing	52,756	52,729	(27)
Resources & Support Services (Including Corporate & Agency Budgets)	16,603	15,214	(1,389)
Regeneration, Skills & Major Projects	1,813	1,769	(44)
	122,931	122,508	(423)

The bottom line outturn position in relation to schools is an overspend of £0.7m resulting in a decrease in the balances held by schools from £4m to £3.3m. The centrally held elements of the Dedicated Schools Grant (DSG) has an overspend of £0.6m. The DSG overspend results in a DSG balance to be carried forward through earmarked reserves of £3.785m down from £4.390m in 2011/12.

Collection Fund

The estimated surplus on the Collection was £200,000, of which the Council's share was £168,000 (the balance is paid to the Police and Fire Authorities). The actual surplus after allowance for the Police and Fire Authorities share is £1,154,000. This will be taken into account when estimating the Collection Fund position in 2013/14 as part of setting the 2014/15 budget when the actual experience of the impact of the Local Council Tax Support Scheme can also be considered.

FOREWORD TO THE ACCOUNTS - continued

Income and Expenditure Account

The Income and Expenditure Account 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 Income and Expenditure Account included within this Statement of Accounts shows the net cost of services for the year of £149.9m. This reconciles to the General Fund spending reported above as follows:

	£m	£m
Total net spending by departments		122,508
Add:		
Charges related to capital assets:		
- depreciation and impairments	23,193	
- revenue expenditure funded from capital under statute	8,458	
- loss on revaluations	8,851	
		<u>40,502</u>
Offset by:		
Grant funded revenue expenditure funded from capital under statute	3,662	
Unapportioned pensions contributions	1,674	
Levy payments	215	
Interest received and paid	(5,461)	
Other movements on funds and balances	8,833	
Net transfers to reserves	4,209	
		<u>13,132</u>
Cost of services - continuing operations		149,878

The principal differences relate to capital assets. The general fund includes the cost of financing capital assets whereas the Income and Expenditure Account includes depreciation and impairment.

Capital Expenditure

Capital expenditure in 2012/13 totalled £44.4m. Overall capital spending was 77% of the revised capital budget. Details are:

Departments	Planned Spend	Actual Spend	Variation on planned spend
	£,000's	£,000's	£,000's
Place	20,945	17,245	(3,700)
Children's Services	13,338	9,814	(3,524)
Adult Social Services & Housing	1,894	1,497	(398)
Resources & Support Services	15,428	12,268	(3,160)
Regeneration, Skills & Major Projects	4,905	3,546	(1,359)
Corporate	1,090	-	(1,090)
	<u>57,601</u>	<u>44,371</u>	<u>(13,231)</u>
Capital expenditure was financed as:			
		£,000's	
Capital receipts		14,409	
Capital grants and contributions		18,371	
Revenue		1,632	
Borrowing		9,959	
		<u>44,371</u>	

Long term debt at 31 March 2013 is shown in the Balance Sheet at £122.0m (2011/12 £122.0m).

FOREWORD TO THE ACCOUNTS - continued

Pensions Fund

As required under the Regulations, a triennial valuation of the Avon Pension Fund was carried out as at 31 March 2010 which sets the employer contribution rates from 1 April 2011. The funding level was calculated at 82% (i.e. the Funds assets cover 82% of future liabilities) which compares to 83% in 2007. The deficit widened during the period due to the investment returns below expectations in the 3 years and the lower real yields (bond yields less inflation) causing an increase in liabilities. However, the government announcement in 2010 that pension benefits are to be linked to the Consumer Price Index rather than the Retail Price Index, helped limit the increase in the liabilities. The Fund is currently undertaking a triennial valuation as at 31st March 2013.

Pension Liabilities

The Council itself has a liability of £220.5m 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.

In their annual valuation for the Council's liability as an employer, the Actuary has estimated that the funding level as at 31 March 2013 has fallen slightly to 69% from 70% (estimated at 31 March 2012). This fall in the funding level is due to the increase in liabilities; the return on assets contributed positively to the funding position. The value of the future pension liabilities is calculated using a discount rate based on UK gilt yields. As gilt yields fall, the value of these liabilities rises. During the year the yield on UK gilts continued to fall.

West of England Revolving Investment Fund

In 2011/12 the Council, as accountable body to the West of England Partnership, received grants of £40m and £17m to establish the West of England's Revolving Investment Fund which will provide for future infrastructure works. The Council is acting as agent for these regional central government grants. Sums are to be distributed to specific projects as various criteria are satisfied, with the receiving authority then treating these appropriately in their own accounts. The balance of funds not distributed is therefore treated as a creditor in B&NES accounts; these sums will either be transferred to the West of England Unitary Authorities in future or will be returned back to government if not used.

Group Accounts

There is now a requirement to include a consolidation of group accounts under the Local Authority Statement of Recommended Practice (SORP) 2010. The Council has group relationships with Bath Tourism Plus and Connexions West of England. The turnover and assets held by these companies are not considered significant enough to produce Group 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:

www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending

www.avonpensionfund.org.uk

Once again the accounts have been produced promptly and to a high standard. This would have not been possible without the hard work of finance staff across the Council. My thanks go to all finance staff and to Service Directors for their assistance in the preparation of these accounts and for their support throughout the year.



Tim Richens

Divisional Director of Finance (Section 151 Officer)

MOVEMENT IN RESERVES STATEMENT 2012/13

This Statement shows the movement in 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 reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balances for Council Tax setting purposes. The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to and from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2012	15,799	37,344	790	8,240	62,177	289,111	351,287
Surplus or Deficit on Provision of Services (accounting basis)	(43,579)				(43,579)		(43,579)
Other Comprehensive Income & Expenditure						(32,489)	(32,489)
Total Comprehensive Income & Expenditure	(43,579)	-	-	-	(43,579)	(32,489)	(76,068)
Adjustment between accounting basis and funding basis under regulations	42,485	835	5,967	4,603	53,890	(53,890)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(1,094)	835	5,967	4,603	10,311	(86,379)	(76,068)
Transfers to/from earmarked reserves	(4,209)	4,209			-	-	-
Increase/Decrease in Year	(5,303)	5,044	5,967	4,603	10,311	(86,379)	(76,068)
Balance at 31 March 2013	10,497	42,388	6,757	12,843	72,488	202,732	275,220
			See Note 8			See Note 24	
Restated							
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2011	13,269	30,426	2	5,388	49,087	334,942	384,029
Surplus or Deficit on Provision of Services (accounting basis)	(19,560)				(19,560)		(19,560)
Other Comprehensive Income & Expenditure	-				-	(13,183)	(13,183)
Total Comprehensive Income & Expenditure	(19,560)	-	-	-	(19,560)	(13,183)	(32,743)
Adjustment between accounting basis and funding basis under regulations	27,486	1,522	788	2,852	32,649	(32,649)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	7,926	1,522	788	2,852	13,090	(45,832)	(32,743)
Transfers to/from earmarked reserves	(5,396)	5,396			-		-
Increase/Decrease in Year	2,530	6,918	788	2,852	13,090	(45,832)	(32,743)
Balance at 31 March 2012	15,799	37,344	790	8,240	62,177	289,111	351,287

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT 2012/13

This Statement shows the economic 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 the Movement in Reserves Statement.

Notes	2011/12 Gross Exp £'000	2011/12 Gross Inc £'000	2011/12 Net Exp £'000	Expenditure on Services	2012/13 Gross Exp £'000	2012/13 Gross Inc £'000	2012/13 Net Exp £'000
	2,921	(2,331)	590	Central Services to the Public	3,776	(3,034)	742
	17,570	(14,724)	2,846	Cultural & Related Services	17,389	(13,661)	3,728
	27,688	(6,206)	21,482	Environmental & Regulatory Services	26,396	(5,877)	20,519
	9,846	(3,456)	6,390	Planning Services	9,670	(3,479)	6,191
	154,923	(121,664)	33,259	Education & Children's Services	142,625	(104,823)	37,802
	30,301	(16,649)	13,652	Highways & Transportation Services	28,851	(14,731)	14,120
	70,610	(63,536)	7,074	Housing Services	73,897	(66,420)	7,477
	91,591	(38,788)	52,803	Adult Social Care Services	87,514	(37,962)	49,552
	52,875	(43,345)	9,530	Corporate and Democratic Core	53,496	(41,834)	11,662
	2,389	(4,622)	(2,233)	Non Distributed Pensions Costs	1,674	(3,589)	(1,915)
	819	(961)	(142)	Stone Mines Project	-	-	-
	461,533	(316,282)	145,251	Cost of Services - continuing Operations	445,288	(295,410)	149,878
9			19,253	Other Operating Expenditure			31,461
10		(5,636)		Financing and Investment Income & Expenditure			5,733
11		(139,308)		Surplus or Deficit on Discontinued Operations			-
				Taxation and Non-Specific Grant Income			(143,493)
			19,560	Surplus or Deficit on Provision of Services			43,579
		(19,603)		Surplus or Deficit on Revaluation of Non-current Assets			(1,691)
			-	Surplus or Deficit on Revaluation of Available for Sale Financial Assets			-
41			32,786	Actuarial Gains/Losses on Pension Assets/Liabilities			34,180
			-	Share of Other Comprehensive Expenditure & Income of Associates & Joint Ventures			-
			<u>13,183</u>	Other Comprehensive Income & Expenditure			<u>32,489</u>
			<u>32,743</u>	Total Comprehensive Income & Expenditure			<u>76,068</u>

BALANCE SHEET as at 31 MARCH 2013

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 2012 £'000		31 March 2013 £'000
12	259,024	Property, Plant & Equipment:	
	2,890	Land & Buildings	231,952
	46,832	Community Assets	2,853
	8,914	Infrastructure	52,269
	33,650	Vehicles, Plant & Equipment	8,385
	16,776	Assets under Construction	32,050
13	17,570	Surplus assets	9,962
14	238,862	Heritage Assets	17,780
15	697	Investment Property	223,417
	5	Intangible Assets	750
19	731	Long Term Investments	5
	-	Long Term Debtors	2,397
	625,951	Deferred tax asset	-
		Long Term Assets	581,820
16	57,490	Short Term Investments	122,524
18	499	Inventories	451
19	22,224	Short Term Debtors	21,342
20	82,449	Cash and Cash Equivalents	20,331
21	1,467	Assets Held for Sale	-
	164,129	Current Assets	164,648
	(10,002)	Bank Overdraft	(8,305)
	-	Short Term Borrowing	-
22	(99,480)	Short Term Creditors	(95,373)
35	(1,750)	Grants Receipts In Advance - Revenue	(1,665)
35	(1,861)	Grants Receipts In Advance - Capital	(3,025)
	(113,093)	Current Liabilities	(108,368)
	-	Long Term Creditors	-
23	(666)	Provisions	(956)
16	(122,044)	Long Term Borrowing	(122,040)
41&42	(201,046)	Other Long Term Liabilities	(235,616)
35	(1,943)	Grants Receipts In Advance - Capital	(4,266)
	(325,699)	Long Term Liabilities	(362,878)
	351,287	Net Assets	275,220
8	62,177	Usable reserves	72,488
24	289,110	Unusable Reserves	202,732
	351,287	Total Reserves	275,220

The unaudited accounts were authorised for issue on 25th June 2013 and the audited accounts were authorised for issue on 23rd September 2013.

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.

	2011/12	See Note 25 for further details	2012/13
	£'000		£'000
	(19,560)	Net surplus or (deficit) on the provision of services	(43,579)
		Adjustment to surplus or deficit on the provision of services	
A	198,496	for non cash movements	242,793
		Adjust for items included in the net surplus or deficit on the provision	
A	(122,499)	of services that are investing and financing activities	(197,818)
	<u>56,437</u>	Operating Activities	<u>1,396</u>
C	(40,912)	Investing Activities	(58,480)
D	31,955	Financing Activities	(3,337)
	<u>47,480</u>	Net Increase/(decrease) in cash equivalents	<u>(60,421)</u>
E	24,967	Cash & cash equivalents at the beginning of the reporting period	72,447
E	72,447	Cash & cash equivalents at the end of the reporting period	12,026

NOTES TO MAIN FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end 31 March 2013. The Authority is required to prepare an annual Statement of Accounts by the Accounts & Audit (England) Regulations 2011, which those Regulations require 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 2012/13 and the Service Reporting Code of Practice 2012/13, 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.

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.

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.

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

NOTES TO MAIN FINANCIAL STATEMENTS

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.

Retirement 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 Children, Schools and Families (DCSF).
- * The Local Government Pensions Scheme, administered by Bath & North East Somerset Council.

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 contributions scheme - no liability for future payments of benefits is recognised in the balance sheet and the Education service revenue account is charged with the employer's contributions payable to Teachers' Pensions in the year. The authority is however responsible for the costs of additional benefits awarded upon early retirement outside of the terms of the teachers scheme. These benefits are fully accrued in the pensions liability.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- * The liabilities of the Avon Pension scheme 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 projections of projected earnings for current employees.
 - * Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bonds).
 - * The assets of the Avon Pension Fund attributable to the Council are included in the balance sheet at their fair value:
 - quoted securities - bid price
 - unquoted securities - professional estimate
 - unitised securities - average of the bid and offer rates
 - property - market value.
- The change in the net pensions liability is analysed into seven components:
- current service cost - the increase in liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Account to the revenue accounts of services for which the employees worked
 - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on The revision of Services in the Comprehensive Income and Expenditure Account as part of Non-Distributed Costs
 - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Account
 - expected return on assets - the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return - credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Account
 - gains/losses on settlements and curtailments - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on The revision of Services in the Comprehensive Income and Expenditure Account as part of Non-Distributed Costs
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve.
 - contributions paid to the Avon Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

NOTES TO MAIN FINANCIAL STATEMENTS

Statutory provisions limit the council to raising the council tax to cover the amounts payable by the Authority to the pension fund in the year. In the Movement in Reserves Statement on the General Fund Balance this means there are appropriations 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 any amounts payable to the fund but unpaid at the year end.

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.

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

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/14 (SeRCOP)*. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- * Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- * Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Account, as part of Net Expenditure on Continuing Services.

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 (3 years) on a straight line basis to reflect the pattern of consumption of benefits.

Property, Plant & Equipment

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

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

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

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

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

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

Non-current assets are valued in accordance with the Manual published by the Royal Institute of Chartered Surveyors. Valuations are undertaken by the Council's Property Services division on a 5 year rolling programme but reviewed annually for impairment. The Valuations are reviewed and signed off by Richard Long MRICS (Registered Valuer) the Council's Estates Manager.

Assets included in the balance sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. The programme is derived from the Council's Asset Management Plan and Estates Strategy and for historical reasons this programme does not demonstrate an even split of 20% per annum, per se, but rather a breakdown of assets, or programme, is given by time and relates more to sub-classes of Property, Plant & Equipment based on property type.

NOTES TO MAIN FINANCIAL STATEMENTS

The vast majority of assets comprising Property, Plant & Equipment (by value) namely, sub-classes of Car Parks and Schools, were revalued in 2009/10 and will be revalued in 2014/15. The total value of Property, Plant & Equipment amounted to £247,056,300 in 2011/12 and £250,431,800 for 2012/13. The increase of £3,375,500 in the value of Property, Plant & Equipment is due to a combination of factors which are inextricably linked. The majority of assets that were revalued as part of the 2012/13 cycle were revalued as at 1st April 2012. Revaluations have been undertaken on a number of sub-classes within Property, Plant & Equipment including public conveniences and libraries. Revaluations due to material changes have been undertaken which include the Council's park and ride sites, two of which have been extended. A number of assets have been demolished at Keynsham in preparation for the redevelopment of the Council's new civic offices.

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 Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

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

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

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

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

Depreciation is calculated on the following bases:

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

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

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

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

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

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

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

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

NOTES TO MAIN FINANCIAL STATEMENTS

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 (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). 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.

Revenue expenditure funded from capital by statute

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.

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 or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable partners at arms-length. Properties are not depreciated but values are reviewed annually 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.

The Council intends undertaking revaluations of the full investment estate on an annual basis. For the current financial year 2012/13 the value of the estate was £225,248,150 which is £2,493,800 less than the previous years' value of £227,741,950. This reduction is due to a number of factors which are inextricably linked and include the combination of market forces, material change to assets requiring valuations and active management initiatives resulting in additions and disposals.

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.

Heritage Assets

The Council's museums, 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 are not required to be carried out or verified by external valuers, and so in most cases will be undertaken by the museums 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.

NOTES TO MAIN FINANCIAL STATEMENTS

Heritage Assets - General

Recognition & Measurement; Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets.

Assets will be measured at fair value where the information is available. In other circumstances valuations for insurance purposes will be used if appropriate. Valuations are not required to be carried out or verified by external valuers, but details will be given where this is the case. No minimum period has been set at which valuations must be carried out but reviews will be made with sufficient frequency to ensure they remain current.

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.

Disposals; There is a strong presumption against the disposal of any items in the Museums' or Records Office collections. This is in line with the Museums and Archives policy. Where in the exceptional circumstances a decision has been made to dispose of an item, it will in the first instance be offered to other accredited or registered museums likely to be interested in its acquisition. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and receipts.

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.

Impairments; Where indications of an impairment exists that is estimated to be material and the recoverable amount is less than the carrying amount of the asset, an impairment loss will be recognised for the shortfall and the appropriate accounting entries made.

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.

Depreciation; Heritage assets have been estimated to have indeterminate lives and therefore will not be depreciated.

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.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

NOTES TO MAIN FINANCIAL STATEMENTS

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease inception. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the period in which they are incurred.

Lease payments are apportioned between:

- * a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- * a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life.

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- * a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease debtor (together with any premiums received), and
- * finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

NOTES TO MAIN FINANCIAL STATEMENTS

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Financial Assets

- * loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
- * available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Account 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 loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Account is the amount receivable for the year in the loan agreement.

The Council has no soft loans.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Account.

Available-for-sale Assets

The Authority has no available-for-sale financial assets.

Instruments Entered into Before 1 April 2006

The Authority entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in Policy 3.

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.

Controlled Companies

The Authority has two controlled companies - Bath Tourism Plus Ltd and Connexions West of England.

The turnover and assets held by these companies are not considered significant and therefore no Group Accounts have been produced. If they were material they would be treated as an investment.

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.

NOTES TO MAIN FINANCIAL STATEMENTS

Schools' Income & Expenditure Recognition

The Council oversees a range of maintained schools, such as Voluntary Aided schools and Voluntary Controlled schools. The Council has included all income and expenditure and liabilities of these schools in the accounts. However, academy schools are treated outside of the Council's accounts from the date of the transfer.

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.

Exceptional Items

Items which require a degree of prominence in order to give a fair presentation of the accounts are shown separately either on the face of the Comprehensive Income and Expenditure Statement, or in the notes to the accounts, depending how significant the items are to an understanding of the authority's financial performance.

Joint Working Arrangements

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

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

IAS 1 Presentation of Financial Statements

The changes require authorities to disclose separately the gains or losses reclassifiable into the Surplus or Deficit on the Provision of Services. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure required.

IAS 12 - Income Taxes: Deferred Taxation

As the council is not liable to Corporation Tax, therefore the proposed amendments to the standard will not apply to the Council's accounts.

IFRS 7 – Financial Instruments: Disclosures

The change in accounting policy is in relation to the offsetting of financial assets and liabilities. It is unlikely that this standard will have a material effect on the Council's financial statements.

IAS 19 – Employee Benefits

Revisions have been made to the IAS 19 Employee Benefits standard for fiscal years beginning on or after 1 January 2013. The introduction of the updated standard will necessitate a restatement of the prior year figures in line with general accounting principles.

The expected return on assets is replaced with the "interest on asset". This is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.

The pension cost under the revised IAS19 will see the interest cost and expected return on assets replaced with the "net interest cost". This will be calculated as interest on pension liabilities (substantially the old interest cost) less the interest on asset.

NOTES TO MAIN FINANCIAL STATEMENTS

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, 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:

Future Funding Levels

The Comprehensive Spending Review in October 2010 identified a significant reduction in Central Government funding for local authorities over the CSR period. The Authority's medium term financial planning process is based on the anticipated implications for the Authority although at this stage it is not possible to provide an indication if any of the Authority's assets might be impaired as a result of potentially needing to close facilities and reduce future levels of service provision.

Accounting for School Assets

School assets are accounted for within the PPE heading of the balance sheet depending on their status.

On Balance Sheet

Community Schools - are managed and owned directly by the local authority who are responsible for admissions, employment of staff, repairs and maintenance and funding.

Voluntary Controlled Schools - are owned by the Diocese but are managed and funded by the local authority.

Off Balance Sheet

Voluntary Aided Schools - are owned by the Diocese, who are responsible for the employment of staff and admissions. Capital Funding is provided directly to the Diocese making them responsible for capital works.

Foundation Schools - are funded by the local authority however the Foundation Trust owns and manages the school and has responsibility for admissions and employment of staff. The local authority is responsible for repairs and of the schools and capital investment.

Academies - are owned and managed completely outside of the local authority. Funding is provided directly by central government.

West Of England Revolving Investment Fund

Bath and North East Somerset Council is the accountable body for the West of England. The reporting approach is that total expenditure is not shown in the Financial Statements; rather the following accounting treatment is adopted:-

- i) West of England expenditure is incurred as an Agent, acting as an intermediary on behalf of the 4 Unitary Authorities. Each authority's accounts will reflect its own contribution towards expenditure.
- ii) Where the Partnership office does act as principal, such as where it has received grant funding directly, this is on behalf of all authorities but the share for any individual authority is not considered material to show.

Bath Leisure Centre

The Bath Leisure Centre is built on land which is owned by Bath Recreation Trust. Based on the risks and rewards associated with the operation and use of the centre, it remains included on the Council's Balance sheet.

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 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

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

NOTES TO MAIN FINANCIAL STATEMENTS

Property, Plant and Equipment Values

The Council has a large number of properties including an investment estate which are valued in accordance with the RICS valuation standards on a five year rolling programme to comply with the Code of Practice on Local Authority Accounting. In addition individual valuations are undertaken to reflect material changes in circumstances affecting individual properties. As a consequence of the rolling programme 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. Impairment may be indicated by a reduction in the value of the asset because of market changes.

To satisfy this requirement the Council has undertaken a desktop re-valuation of its property assets using national indices (IPD & BCIS). It has also considered other local factors, in order to determine what adjustment, if any, is required to the values derived from the normal five yearly revaluation process. The analysis has been undertaken by Bath & North East Somerset valuation officers.

The valuation dates are spread over a five year period as the council operates a five yearly valuation process. When account is taken both of the likely increase in value for those properties in the early cycle as well as recent likely falls, we are of the opinion that any overall impairment to property values is not material.

Consequently no adjustments have been made to the asset values in respect of impairments other than those that have been valued as part of the normal five year programme & those valued to reflect material changes in individual circumstances.

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 Finance on 25th June 2013. 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 31 March 2013, 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 appropriate transfer of assets and liabilities in respect of those schools which became Academies during the 2012/13 financial year. A number of schools have also submitted applications to DfE to convert to Academy Status:-

- St Johns Midsomer Norton Primary School
- The Link
- Three Ways Special School

Subject to approval, we would expect these schools to transfer during the current financial year 2013/14.

Non Domestic Rates - Appeals Outstanding at 31st March 2013

When the new arrangements for the retention of business rates come into effect on 1 April 2013, local authorities will assume their respective share of the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

This will include amounts that were paid over to Central Government in respect of 2012/13 and prior years. Local Authorities are only required to recognise these liabilities on 1 April 2013, as until then no liability rests with the authority.

The current estimate of the provision that will need to be made for the authority's respective share is £2.5m. The Department for Communities & Local Government has announced that the cost of this provision may be spread over the five financial years commencing 2013/14.

NOTES TO MAIN FINANCIAL STATEMENTS

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2012/13	Usable Reserves			Movement in Unusable Reserves £'000's
	General Fund Balance £'000's	Capital Receipts Reserve £'000's	Capital Grants Unapplied £'000's	
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for depreciation of Non-Current Assets	23,318			(23,318)
Revaluation gains / Impairmentson Property Plant & Equipment	8,851			(8,851)
Movements in the Market Value of Investment Properties	(1,718)			1,718
Amortisation of Intangible Assets	152			(152)
Capital Grants & contributions applied	(3,662)			3,662
Revenue expenditure funded from Capital under Statute	8,458			(8,458)
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	59,860			(59,860)
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	(4,310)			4,310
Principal repayment of Avon Loan	(631)			631
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(19,312)		19,312	
Application of grants to capital financing transferred to the Capital Adjustment Account			(14,709)	14,709
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	(20,359)	20,359		
Use of the Capital Receipts Reserve to finance new capital expenditure		(14,409)		14,409
Capital expenditure financed from revenue	(1,632)			1,632
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	6	(6)		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		23		(23)
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	14,509			(14,509)
Employer's pensions contribution and direct payments to pensioners payable in the year	(13,488)			13,488
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(474)			474
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	653			(653)
Other movements	(7,736)			6,901
Total Adjustments	42,485	5,967	4,603	(53,890)

NOTES TO MAIN FINANCIAL STATEMENTS

2011/12

	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'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 and Impairment of Non-Current Assets				
Revaluation gains on Property Plant & Equipment	27,441			(27,441)
Movements in the Market Value of Investment Properties	(850)			850
Amortisation of Intangible Assets	152			(152)
Capital Grants & Contributions Applied	(3,747)			3,747
Revenue expenditure funded from Capital under Statute	8,727			(8,727)
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	18,358			(18,358)
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	(3,352)			3,352
Principal repayment of Avon Loan	(658)			658
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(13,879)		13,879	
Application of grants to capital financing transferred to the Capital Adjustment Account			(11,027)	11,027
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	(3,330)	3,330		
Use of the Capital Receipts Reserve to finance new capital expenditure		(2,545)		2,545
Capital expenditure financed from revenue	(1,691)			1,691
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	9	(9)		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		12		(12)
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 Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	13,008			(13,008)
Employer's pensions contribution and direct payments to pensioners payable in the year	(14,824)			14,824
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	163			(163)
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	(16)			16
Other movements	1,975			(3,498)
Total Adjustments	27,486	788	2,852	(32,649)

NOTES TO MAIN FINANCIAL STATEMENTS

8 GENERAL FUND BALANCES AND RESERVES

This note sets out the amounts set-a-side from the general Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

Unearmarked Reserves

	31 March 2012	transfers to	transfers from	31 March 2013
	£'000	£'000	£'000	£'000
General Fund Balances unearmarked	15,799	1,602	(6,904)	10,497

Earmarked Reserves

	31 March 2012	transfers to	transfers from	31 March 2013
	£'000	£'000	£'000	£'000
LMS Schools Balances	3,965	-	(679)	3,286
Corporate Earmarked Reserves	29,536	18,908	(13,576)	34,868
Service Specific Reserves	596	366	(828)	134
General Service Earmarked Reserves	3,247	3,021	(2,168)	4,100
	37,344	22,295	(17,251)	42,388

Total General Fund Balances and Reserves

	53,143	23,897	(24,155)	52,885
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Other Usable Reserves

Capital Receipts Reserve	790	5,967		6,757
Capital Grants Unapplied Reserve	8,240	4,603		12,843

Total Usable Reserves

	62,176	34,467	(24,155)	72,488
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LMS Schools balances will be used by individual schools

	31 March 2012	transfers to	transfers from	31 March 2013
	£'000	£'000	£'000	£'000
Corporate Earmarked Reserves				
Insurance Fund	907	476	(512)	871
Service Supported Borrowing	1,066	1,285	-	2,351
Revenue Funding of capital	63	1,910	(1,636)	337
Financial Planning Reserve	-	6,210	-	6,210
Affordable Housing & Capital Development	3,000	-	-	3,000
Revenue Budget Contingency Reserve	2,019	816	(1,314)	1,521
Revenue Grants Unapplied	1,788	352	(493)	1,647
Medium Term Financial Challenge Reserve	4,233	-	-	4,233
Capital to Revenue Reversion Reserve	2,755	-	(2,755)	-
Restructuring Reserve	5,598	-	(180)	5,418
Other	8,107	7,859	(6,686)	9,280
	29,536	18,908	(13,576)	34,868

The Insurance Fund exists in order to meet the cost of claims which fall below the policy excesses.

The Service Supported Borrowing 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 reserve has been established to support the future medium term financial planning of the Council. It will be allocated as part of the Budget each year to support the specific medium term financial proposals and priorities of the Council.

The Affordable Housing & Capital Development reserve will be used to fund affordable housing and capital development.

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 Medium Term Financial Challenge reserve is used to support the Authority's change programme including the development and implementation of specific transformation business cases.

The Capital to Revenue Reversion Reserve is used to fund potential revenue costs if a capital project is discontinued before completion. Following the confirmation of Department of Transport funding which enabled the Bath Transport Package project to proceed, the reserve has been reallocated to the Financial Planning Reserve.

The Restructuring reserve is used to fund severance related costs related to the Authority's downsizing programme.

NOTES TO MAIN FINANCIAL STATEMENTS

	31 March 2012 £'000	transfers to £'000	transfers from £'000	31 March 2013 £'000
General Service Earmarked Reserves				
Replacement PC's Reserve	256	-	-	256
Desktop Licences Reserve	519	-	-	519
Schools' Laptop Replacement Reserve	-	4	-	4
Council Tax Project Reserve	38	-	(38)	-
One Stop Shop Reserve	40	-	(40)	-
HR Payroll System	-	69	-	69
Resources System Reserve	-	176	(124)	52
Planning Claims Reserve	152	-	(152)	-
Ward Councillors Initiatives Reserve	70	83	-	153
Finance VAT Advice Reserve	152	-	-	152
Adult Services RE-Enablement	1,814	2,689	(1,814)	2,689
Heritage Services Reserve	206	-	-	206
	3,247	3,021	(2,168)	4,100

9 OTHER OPERATING EXPENDITURE

	2012/13 £'000	2011/12 £'000
(Gain)/Loss on disposal of non-current assets	29,074	17,004
Parish Precepts	2,166	2,021
Levy payments to joint bodies	215	219
Contribution to Housing Pooled Receipts	6	9
	31,461	19,253

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2012/13 £'000	2011/12 £'000
Interest Payable	6,161	5,667
Interest & Investment Income	(700)	(933)
Net Deficit/(Surplus) on Trading Services	236	43
Income & expenditure in relation to Investment properties and changes in fair value	(6,023)	(15,406)
Pensions Interest Cost & Expected Return on Pension Assets	6,059	4,993
	5,733	(5,636)

11 TAXATION AND NON-SPECIFIC GRANT INCOME

	2012/13 £'000	2011/12 £'000
Council Tax Income	(80,088)	(79,285)
Redistributed Non domestic rates	(40,692)	(33,259)
Non ring fenced government grants	(3,401)	(12,885)
Capital grants and contributions	(19,312)	(13,879)
	(143,493)	(139,308)

NOTES TO MAIN FINANCIAL STATEMENTS

12 PROPERTY, PLANT & EQUIPMENT

Movement in 2012/13:

	Other Land & Buildings	Community Assets	Infrastructure Assets	Vehicles, Plant & Equipment	Assets Under Construction	Surplus Assets	Heritage Assets	Total Property Plant & Equipment £'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation as at 1 April 2012	275,462	3,979	68,109	19,450	33,650	16,778	17,570	434,998
Additions	7,812	229	9,609	1,499	10,439	105	161	29,854
Revaluations increases/decreases recognised in the Revaluation Reserve	(1,297)	-	-	-	-	572	50	(675)
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(11,048)	-	-	-	-	(90)	-	(11,138)
De-recognition - Disposals	(33,075)	-	-	(25)	(4,528)	(158)	-	(37,786)
Assets reclassified to/from Held for sale	(1,117)	-	-	-	-	(2,777)	-	(3,894)
Reclassifications - other*	11,602	(1)	2,099	-	(7,511)	61	(1)	6,249
Valuation as at 31 March 2013	248,339	4,207	79,817	20,924	32,050	14,491	17,780	417,608
Accumulated Depreciation and Impairment								
Accumulated depreciation as at 1 April 2012	(16,438)	(1,089)	(21,277)	(10,536)	-	(2)	-	(49,342)
Adjustment to opening balance	-	-	-	-	-	-	-	-
Depreciation charge in year	(8,170)	(265)	(6,271)	(2,018)	-	(35)	-	(16,759)
Depreciation written out to the Revaluation Reserve	2,296	-	-	-	-	70	-	2,366
Depreciation written out to the Surplus/Deficit on Provision of Services	2,315	-	-	-	-	(27)	-	2,288
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services	(1,768)	-	-	-	-	(4,514)	-	(6,282)
De-recognition - disposals	1,655	-	-	15	-	-	-	1,670
Other Movements in Depreciation & Impairment	3,723	-	-	-	-	(21)	-	3,702
Accumulated depreciation at 31 March 2013	(16,387)	(1,354)	(27,548)	(12,539)	-	(4,529)	-	(62,357)
Balance sheet amount 31 March 2013	231,952	2,853	52,269	8,385	32,050	9,962	17,780	355,251
Net Book Value								
Balance sheet amount 1 April 2012	259,024	2,890	46,832	8,914	33,650	16,776	17,570	385,656
Balance sheet amount 1 April 2011	276,733	3,027	45,297	8,716	26,022	19,205	17,570	396,570
Balance sheet amount 1 April 2010	280,189	3,082	42,488	5,213	19,086	19,011	100	369,169

* Other reclassifications relate to a £7.1m transfer from Investment Assets to Land & Buildings, with the remainder being Assets Under Construction which have now become operational.

NOTES TO MAIN FINANCIAL STATEMENTS

Comparative Movements in 2011/12:

	Other Land & Buildings	Community Assets	Infrastructure Assets	Veh'cls, Plant & Equipment	Assets Under Construction	Surplus Assets	Heritage Assets	Total Property Plant & Equipment £'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation as at 1 April 2011	290,177	3,851	60,997	17,253	26,022	19,205	17,518	435,023
Adjustment to opening balance	(1,169)							(1,169)
Additions	10,852	67	7,112	2,241	10,883	45	52	31,252
Revaluations increases/decreases recognised in the Revaluation Reserve	10,690	61				1,987		12,738
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(10,472)				(247)	(1,087)		(11,806)
De-recognition - Disposals	(17,708)			(44)				(17,752)
Assets reclassified to/from Held for sale	(1,312)					(575)		(1,887)
Reclassifications - other	(5,596)				(3,008)	(2,797)		(11,401)
Valuation as at 31 March 2012	275,462	3,979	68,109	19,450	33,650	16,778	17,570	434,998
Accumulated Depreciation and Impairment								
Accumulated depreciation as at 1 April 2011	(13,444)	(824)	(15,700)	(8,537)	-	-	0	(38,505)
Adjustment to opening balance	357							357
Depreciation charge in year	(9,399)	(265)	(5,577)	(1,999)				(17,240)
Depreciation written out to the Revaluation Reserve	4,136							4,136
Depreciation written out to the Surplus/Deficit on Provision of Services	2,353							2,353
Impairment losses/(reversals) recognised in the Revaluation Reserve								-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services	(746)					(2)		(748)
De-recognition - disposals	598							598
Other Movements in Depreciation & Impairment	(293)							(293)
Accumulated depreciation at 31 March 2012	(16,438)	(1,089)	(21,277)	(10,536)	-	(2)	-	(49,342)
Balance sheet amount 31 March 2012	259,024	2,890	46,832	8,914	33,650	16,776	17,570	385,656

Depreciation

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

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

NOTES TO MAIN FINANCIAL STATEMENTS

Capital Commitments

At 31 March 2013 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years estimated to cost £23.2m.

The major commitments are:

	2012/13 £'000	2011/12 £'000
Resources (Property) Schemes	18,823	1,745
Education & Children's Services	2,486	2,410
Public Realm	369	266
Bath Transportation Package	8,132	
BWR (Infrastructure & Affordable Housing)	665	2,574
Highways & Bridge Strengthening	692	
Waste Services	17	23
Neighbourhoods projects	71	649
London Road Regeneration	24	
LSTF	12	
SWEIP-E-Purse	36	
	31,327	7,667

Effects of Changes in Estimates

In 2012/13 there were no material changes made to the Authorities accounting estimates for Property, Plant & Equipment.

Revaluations

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. All valuations were carried out internally. 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. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Surplus Assets £'000	Total £'000
Valued at fair value as at:				
31 March 2013	231,952	8,385	9,962	250,299
31 March 2012	259,024	8,914	16,776	284,714
31 March 2011	276,732	8,715	19,185	304,632
31 March 2010	280,189	5,213	19,015	304,417

NOTES TO MAIN FINANCIAL STATEMENTS

13 HERITAGE ASSETS

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

	Victoria Art Gallery	Roman Baths	Costume Museum	Chandeliers	Records Office	Library	Total
2012/13	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
1st April 2012	12,035	1,337	1,022	1,000	936	1,239	17,569
Additions	154	2	5				161
Disposals							-
Revaluations							-
Impairment Losses/(reversals) recognised in the Reval Reserve	24		26				50
Impairment Losses/(reversals) recognised in the Surplus or Deficit on Provision of Service							-
31st March 2013	12,213	1,339	1,053	1,000	936	1,239	17,780

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

	Victoria Art Gallery	Roman Baths	Costume Museum	Chandeliers	Records Office	Library	Total
2011/12	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
1st April 2011	11,983	1,337	1,022	1,000	936	1,239	17,517
Additions	52						52
31st March 2012	12,035	1,337	1,022	1,000	936	1,239	17,569

	Victoria Art Gallery	Roman Baths	Costume Museum	Chandeliers	Records Office	Library	Total
2010/11	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
1st April 2010	11,949	1,337	1,022	1,000	936	1,239	17,483
Additions	34						34
31st March 2011	11,983	1,337	1,022	1,000	936	1,239	17,517

A summary of transactions relating to heritage assets over the last 5 years has not been produced as it is not practicable to provide such information prior to 1st April 2010.

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.

	2012/13	2011/12
	£'000	£'000
Rental Income from Investment Property	15,545	15,617
Direct operating expenses arising from Investment Property	(2,127)	(2,412)
Net gain/(loss)	13,418	13,205

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.

	2012/13	2011/12
	£'000	£'000
Balance at start of year	238,862	219,289
Adjustment to opening balance	(57)	
Additions of expenditure	5,829	5,907
Disposals	(18,099)	(151)
Net gains/losses from fair value adjustments	1,718	850
Transfer to/from Property, Plant & Equipment	(4,836)	12,967
Balance at end of the year	223,417	238,862

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.

The carrying amount of intangible assets is amortised on a straight-line basis over a 3 year period.

	2012/13	2011/12
	£'000	£'000
Cost or valuation as at 1 April	2,264	2,264
Purchases	205	-
Cost or valuation as at 31 March	2,469	2,264
Accumulated depreciation as at 1 April	1,567	1,415
Depreciation for the period	152	152
Accumulated depreciation at 31 March	1,719	1,567
Net Carrying amount at 31 March	750	697

NOTES TO MAIN FINANCIAL STATEMENTS

16 FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	31 March	31 March	31 March	31 March
	2012	2013	2012	2013
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost - loans	120,486	120,482	-	-
Accrued Interest (1)			1,558	1,558
Financial liabilities at amortised cost trade creditors			30,843	28,314
Total borrowings	120,486	120,482	32,401	29,872

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

	31 March		31 March	
	2012	2013	2012	2013
	£'000	£'000	£'000	£'000
Loans & receivables (cash on deposit)	-	-	131,938	134,464
Accrued Interest (1)			509	232
Loans & receivables - trade debtors			15,097	15,878
Total Investments	-	-	147,544	150,574

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

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

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

Financial Instruments Gains & Losses

	Financial	Financial	Financial		Financial	
	Liabilities	Assets	Liabilities		Assets	
	31 March	31 March	31 March		31 March	
	2012	2012	2013		2013	
	Liabilities	Loans &	Total	Liabilities	Loans &	Total
	measured at	Receivables		measured at	Receivables	
	amortised cost			amortised cost		
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense *	(4,837)	-	(4,837)	(5,351)	-	(5,351)
Interest payable & similar charges	(4,837)	-	(4,837)	(5,351)	-	(5,351)
Interest Income	-	933	933	-	700	700
Interest & investment income	-	933	933	-	700	700
Net gain/(loss) for the Year	(4,837)	933	(3,904)	(5,351)	700	(4,651)

*The Authority also paid £1.44m (of which £0.63m related to principle), in respect of its share of debt relating to the former Avon County Council which is managed by Bristol City Council.

The increase in interest expense reflects full year impact of interest payments on additional borrowing undertaken during 2011/12.

The decrease in interest income earned reflects the lower average interest rate earned on investments during 2012/13.

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. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

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

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

+ cash flows arising from 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.

The fair values calculated are as follows:

	31 March 2012		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities - PWLB Loans	101,151	126,743	101,151	130,230
Financial Liabilities - Market Loans	20,893	30,256	20,889	29,062
Financial Liabilities - trade creditors	30,843	30,843	28,314	28,314
	152,887	187,842	150,354	187,606

The fair value as at 31st March 2013 on the Authority's portfolio of loans is more than the carrying amount because the interest rate payable is higher than the premature repayment rates available for similar loans at the Balance Sheet date. This commitment to pay interest above market exit prices increases the amount that the Authority would have to pay if it requested early repayment of the loan.

	31 March 2012		31 March 2013	
	£'000	£'000	£'000	£'000
Loans & Receivables - investments	132,447	132,525	134,696	134,716
Loans & Receivables - trade debtors	15,097	15,097	15,878	15,878

The loans & receivables - investments figures above include those short-term investments classed as Cash Equivalents, as detailed in Note 20. This equated to £12.172m in 2012/13 (£74.957m in 2011/12), with the remaining £122.524m being short term investments in 2012/13 (£57.490m in 2011/12).

The fair value of loans and receivables is slightly higher than the carrying amount as at 31st March 2013 due to fixed interest investments being held by the authority where the interest rate is higher than the prevailing rate estimated to be available on the balance sheet date.

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.

NOTES TO MAIN FINANCIAL STATEMENTS

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 2012/13 set the minimum credit ratings for the banks and financial institutions with which deposits can be made. The minimum credit ratings were Short Term rating F1 or equivalent, Long Term rating A- or equivalent, and Support rating 3 or equivalent. 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 £20m restricted to UK banks, on the basis that they either had already or were likely to receive support from the UK Government should they experience financial difficulties. Investments in UK Building Societies that do not meet the above criteria are permitted provided they have a minimum asset size of £4bn and a long-term rating of BBB or above and short-term credit rating of F2 or above. These investments are subject to a lower cash limit and shorter time limit.

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 £15 million 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.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five years, adjusted to reflect current market conditions.

	Amount at 31 March 2013	Historical Experience of default	Estimated maximum exposure to default & uncollectability
	£'000	%	£'000
Deposits with banks & financial institutions			
(grouped by LT credit rating):			
Government Debt Management Office & Local Authorities - AAA rated	65,439	0.00	0
Banks/Financial Institutions with lowest equivalent rating of AAA	7,103	0.15	11
Banks/Financial Institutions with lowest equivalent rating of AA	35,109	0.33	116
Banks/Financial Institutions with lowest equivalent rating of A	27,045	0.79	214
Total deposits with Banks & Financial Institutions	134,696	-	340
		2013	2012
Trade Debtors		15,878	15,097
Total debtors at 31st March including trade debtors		23,029	22,224

The historical experience of default for deposits is based on a simple tri-agency average of historic default rates over the past 5 years from Fitch, Moody's and Standard & Poor's rating agencies.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non performance by any of its counterparties in relation to deposits due to its tight investment policy.

The authority does not generally allow credit for customers, such that the balance of £15.9m outstanding at 31st March 2013 is all past its due date for payment.

The past due amount can be analysed by age as follows:

	2012/13 £'000's	2011/12 £'000's
Less than three months	13,265	12,688
Three to six months	361	538
Six months to one year	434	530
More than one year	1,818	1,341
	15,878	15,097

NOTES TO MAIN FINANCIAL STATEMENTS

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 2013 £'000's		Amount at 31 March 2012 £'000's	
		%		%
Loans & Receivables (Cash on Deposit) by Country Analysis				
UK Debt Management Office	1,364	1.0%	56,943	43.0%
UK Local Authorities	64,074	47.6%	22,177	16.7%
UK - Other Financial Institutions	44,154	32.8%	43,312	32.7%
Australia	5,005	3.7%	-	0.0%
Singapore	15,030	11.2%	10,015	7.6%
Sweden	5,069	3.8%	-	0.0%
Total	134,696	100%	132,447	100%

Liquidity and Refinancing Risk

As the Council has ready access to borrowings from 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. Following the recent transition from being debt free, with long term borrowing only starting in 2004/05, the Council's debt maturity profile is mainly in the 40+ year range, with the earliest maturity in 2029/30. As the borrowing portfolio develops in the future the maturity profile will be structured to ensure an even spread.

The maturity analysis of borrowing is as follows:

	31 March 2012 £'000	31 March 2013 £'000
Borrowing due for repayment:		
Between 15 and 20 years	15,000	15,000
Between 20 and 25 years	15,000	15,000
Between 35 and 40 years	0	10,000
Between 40 and 45 years	70,486	60,482
Between 45 and 50 years	20,000	20,000
	120,486	120,482

Trade creditors and interest on borrowing are not included in the above table. They fall due to be paid in less than one year.

The Council does hold £20m of borrowing through market loans called LOBOs (Lenders Option Borrowers Option) where, after an initial fixed interest period, the lender has six monthly options to increase the coupon rate of the loan. 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.

All trade and other payables are due to be paid in less than one year.

NOTES TO MAIN FINANCIAL STATEMENTS

Market Risk

Interest Rate Risk

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

- * borrowings at variable rates - the interest expense charged to the Income and Expenditure Account 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 Account 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 Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account 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 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(219)
Impact on Income and Expenditure Account	<u>(219)</u>
Decrease in fair value of fixed rate investment assets (no impact on I & E)	367
Decrease in fair value of fixed rate borrowing liabilities (no impact on I & E)	25,156

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

Price Risk

The authority does not invest in equity shares and doesn't have shareholdings in any joint ventures and is therefore not exposed to losses arising from movements in the prices of shares. Changes in the price of fixed interest investments are managed as part of the authority's interest rate risk management strategy.

Foreign Exchange Risk

The authority has no financial assets or liabilities denominated in foreign currencies and it makes few purchases or sales in foreign currencies. It therefore has no material exposure to loss arising from movement in exchange rates.

17 Financial Instruments Adjustment Account & Available-for-Sale Instruments Reserve

There are no balances or transactions on these accounts.

18 INVENTORIES

	Balance 2011/12	Purchases	Recognised as expense in year	Written off Balances	Balance 2012/13
	£'000	£'000	£'000	£'000	£'000
Consumable Stores	430	41	(61)		410
Maintenance Materials	-				-
Client Services Work in Progress	69	30	(58)		41
Total Inventories	499	71	(119)	-	451

NOTES TO MAIN FINANCIAL STATEMENTS

19 DEBTORS

	2012/13	2011/12
	£'000	£'000
Amounts falling due in one year:		
Central Government bodies	7,672	6,768
Other local authorities	1,138	196
NHS bodies	332	1,276
Public corporations and trading funds	-	-
Other entities and individuals	9,180	9,791
Prepayments	3,020	3,462
Total - Current Assets	21,342	21,493
Amounts falling after one year:	£'000	£'000
Other entities and individuals	2,397	731
Total - Long Term Assets	2,397	731

20 CASH AND CASH EQUIVALENTS

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

	2012/13	2011/12
	£'000	£'000
Cash held by the authority	87	78
Bank current accounts	8,072	7,414
Short-term deposits	12,172	74,957
Total cash and cash equivalents	20,331	82,449

21 ASSETS HELD FOR SALE

	Current		Non-Current	
	2012/13	2011/12	2012/13	2011/12
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	1,467	1,879		
Assets newly classified as held for sale:	3,894	1,926		
Property, Plant & Equipment			-	-
Additions	24			
Revaluation gains/(losses)		(283)		
Assets declassified as held for sale:	-	(1,600)		
Assets sold	(5,385)	(455)		
Balance outstanding at year end	-	1,467	-	-

22 CREDITORS

	2012/13	2011/12
	£'000	£'000
Central government bodies	61,250	65,615
Other local authorities	594	947
NHS bodies	602	127
Public corporations and trading funds	87	2
Other entities and individuals	26,872	28,795
Income Received in Advance	1,768	464
Pensions Fund	4,200	3,530
	95,373	99,480

Included in Central Government Bodies is £57m held on behalf of West of England's Revolving Investment Fund which will provide for future infrastructure works, and is described further in Note 46.

NOTES TO MAIN FINANCIAL STATEMENTS

23 PROVISIONS FOR LIABILITIES

Provisions comprise:	31 March 2012 £'000	New Provisions £'000	Utilised in Year £'000	Written Back	31 March 2013 £'000
Spa Right of Lights Provision	38	-	-	-	38
Provision for Child Care Costs	330	-	(204)	-	126
Chew Valley Bus Partnership	32	-	-	-	32
Children's Services Provision	32	-	-	-	32
Highways Provision	21	-	(21)	-	-
Customer Services Provision	113	100	-	-	213
Social Services Pension Provision	-	327	-	-	327
Pension Contribution Provision	66	-	(66)	-	-
Planning Provision	-	154	-	-	154
Land Charge Fee Provision	34	-	-	-	34
	666	581	(291)	-	956

- * The Spa right of lights provision is in relation to a possible claim arising from the Spa project.
- * The provision for child care costs is to provide for fees and charges in relation to a recent court case, the amount of which is unknown.
- * Chew Valley Bus Partnership is a provision for repayment of grant funding not spent.
- * The Children's Services Provision is for an employee claim.
- * The Highways provision was for a contractual dispute.
- * The Customer Services provision is to provide for an over claim of Housing Benefit subsidy relating to 2010-11 that was identified as part of the external audit process.
- * The Social Services Provision relates to Pension deficit costs relating to the transfer of staff between the Council and a care provider.
- * The Pension Contribution Provision was for an error in the Contribution Rate to the Pension Fund
- * The Planning Provision is for a number of Planning Appeals.
- * The Land Charges Fee Provision is for search fee claims.

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

24 UNUSABLE RESERVES

	2012/13 £'000	2011/12 £'000
Revaluation Reserve	78,878	86,848
Capital Adjustment Account	343,665	387,976
Deferred Capital Receipts Reserve	463	486
Accumulated Absences Account	(953)	(1,606)
Pensions Reserve	(220,475)	(185,274)
Collection Fund Adjustment Account	1,154	680
Total Unusable Reserves	202,732	289,110

NOTES TO MAIN FINANCIAL STATEMENTS

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.

	2012/13	2011/12
	£'000	£'000
Balance at 1 April	86,848	80,071
Adjustment to opening balance	-	(1,015)
Upwards revaluation of assets	6,225	17,003
Downwards revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4,534)	(412)
Transfer of depreciation on re-valued assets	(621)	(449)
Written Back on asset disposal and transfer	(9,040)	(8,351)
Impairment of fixed assets - transfer		
Balance at 31 March	<u>78,878</u>	<u>86,848</u>

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.

	2012/13	2012/13	2011/12
	£'000	£'000	£'000
Balance at 1 April		387,976	409,424
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	(23,318)		(17,239)
Revaluation losses on Property, Plant & Equipment	(8,851)		(10,202)
Amortisation of intangible assets	(152)		(152)
Revenue expenditure funded from capital under statute	(8,458)		(8,727)
Grant funding of revenue expenditure funded from capital under statute	<u>3,662</u>		<u>3,747</u>
		(37,117)	(32,573)
Adjusting amounts written out of the Revaluation Reserve			
Transfer of depreciation on re-valued assets		621	449
Transfer of revaluation reserve balance on asset disposal		9,040	8,351
Net written out amount of the cost of non-current assets consumed in the year		<u>(27,456)</u>	<u>(23,773)</u>
Capital financing applied in the year:			
Use of capital receipts reserve to finance new capital expenditure	14,409		2,545
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	14,709		11,027
Capital expenditure financed from revenue	1,632		1,691
Minimum Revenue Provision	<u>4,310</u>		<u>3,352</u>
		35,060	18,615
Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		1,718	850
Deferred liability - Repayment of Avon Loan Debt		631	657
Carrying value of fixed assets disposed of		(59,860)	(18,358)
Other movements		5,596	561
Balance at 31 March		<u>343,665</u>	<u>387,976</u>

NOTES TO MAIN FINANCIAL STATEMENTS

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.

	2012/13 £'000	2011/12 £'000
Balance at 1 April	(185,274)	(154,304)
Actuarial gains or losses on pensions assets and liabilities	(34,180)	(32,786)
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	(14,509)	(13,008)
Employer's pensions contributions and direct payments to pensioners payable in the year	13,488	14,824
Balance at 31 March	(220,475)	(185,274)

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.

	2012/13 £'000	2011/12 £'000
Balance at 1 April	486	498
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(23)	(12)
Transfer to the Capital Receipts Reserve upon receipt of cash		
Balance at 31 March	463	486

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2012/13 £'000	2011/12 £'000
Balance at 1 April	680	843
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	474	(163)
Balance at 31 March	1,154	680

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.

	2012/13 £'000	2012/13 £'000	2011/12 £'000
Balance at 1 April		(1,606)	(1,590)
Settlement or cancellation of accrual made at the end of the preceding year	1,606		1,590
Amounts accrued at the end of the current year	(953)		(1,606)
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		653	(16)
Balance at 31 March		(953)	(1,606)

NOTES TO MAIN FINANCIAL STATEMENTS

25 CASH FLOW STATEMENT

Note A to the cashflow statement

	2012/13 £'000	2011/12 £'000
Net Surplus or (Deficit) on the Provision of Services	(43,579)	(19,560)
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>		
Depreciation	17,036	17,239
Impairment and downward valuations	15,133	10,202
Amortisation	152	152
Adjustments for effective interest rates	(4)	177
Increase/Decrease in Interest Creditors	-	(1)
Increase/Decrease in Creditors	57	49,943
Increase/Decrease in Interest and Dividend Debtors	698	1,241
Increase/Decrease in Debtors	1,522	(270)
Increase/Decrease in Inventories	48	44
Pension Liability	(6,059)	(4,993)
Pension Fund Gains on Past Service Costs		-
Contributions to/(from) Provisions	291	(56)
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	59,860	18,358
Carrying amount of short and long term investments sold	158,144	105,291
Movement in investment property values	(1,693)	(850)
Other movements	(2,392)	2,018
	242,793	198,496

Note A to the cashflow statement continued

Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities

Capital Grants credited to surplus or deficit on the provision of services	(19,312)	(13,879)
Proceeds from the sale of short and long term investments	(158,144)	(105,291)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(20,362)	(3,329)
	(197,818)	(122,499)

Net Cash Flows from Operating Activities

	1,396	56,437
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Note B to the Cash Flow Statement - Operating Activities (Interest)

	2012/13 £'000	2011/12 £'000
Operating activities within the cashflow statement include the following cash flows relating to interest		
Ordinary interest received	700	933
Opening Debtor	528	713
Closing Debtor	(170)	(528)
Interest Received	1,398	2,174
Interest charge for year	(6,161)	(5,667)
Adjustment for difference between effective interest rates and actual interest payable	(4)	177
Opening Creditor		
Closing Creditor		
Interest Paid	(6,165)	(5,490)

NOTES TO MAIN FINANCIAL STATEMENTS

Note C to the Cash Flow Statement - Cash Flows from Investing Activities	2012/13	2011/12
	£'000	£'000
Property, Plant and Equipment Purchased	(35,912)	(37,163)
Opening Capital Creditors	(5,158)	(7,760)
Closing Capital Creditors	6,858	5,158
Movement on other capital creditors	(1)	(1)
Purchase of Property, Plant and Equipment, investment property and intangible assets	(34,213)	(39,766)
Purchase of short term investments	(223,178)	(127,490)
Long term loans granted	(267)	(47)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	20,385	3,699
Proceeds from short term investments	158,144	105,291
Other capital cash receipts	20	(52)
Capital Grants Received	20,629	17,453
Other Receipts from Investing Activities	20,649	17,401
Total Cash Flows from Investing Activities	(58,480)	(40,912)
Note D to the Cash Flow Statement - Cash Flows from Financing Activities	2012/13	2011/12
	£'000	£'000
Cash receipts of long term borrowing	-	30,000
Billing Authorities - Council Tax and NNDR adjustments	(2,784)	2,185
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	78	428
Repayment of Short-Term and Long-Term Borrowing	(631)	(658)
Payments for the reduction of a finance lease liability	-	-
Total Cash Flows from Financing Activities	(3,337)	31,955
Note E - Makeup of Cash and Cash Equivalentts	2012/13	2011/12
	£'000	£'000
Cash and Bank Balances	8,159	7,492
Cash Investments - regarded as cash equivalentts	12,172	74,957
Bank Overdraft	(8,305)	(10,002)
	12,026	72,447

NOTES TO MAIN FINANCIAL STATEMENTS

26 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- * no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- * the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- * expenditure on some support services is budgeted for centrally and not charged to portfolios

Portfolio Income & Expenditure 2012/13

	Transport	Early Years Children & Youth	Wellbeing	Leader	
	£'000	£'000	£'000	£'000	
Fees, charges & other income	(21,683)	(16,242)	(35,876)	(10,921)	
Government grants	(753)	(88,916)	(4,932)	(74)	
Total Income	(22,436)	(105,158)	(40,808)	(10,995)	
Employee expenses	7,453	73,888	2,913	6,220	
Other service expenses	19,360	45,499	86,441	8,017	
Support service recharges	2,983	8,843	2,005	2,471	
Total Expenditure	29,796	128,230	91,359	16,708	
Net Expenditure	7,360	23,072	50,551	5,713	
	Neighbourhoods	Sustainable Development	Community Resources	Homes & Planning	Total
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other income	(6,445)	(15,963)	(39,486)	(2,616)	(149,232)
Government grants	(552)	(86)	(65,047)	(95)	(160,455)
Total Income	(6,997)	(16,049)	(104,533)	(2,711)	(309,687)
Employee expenses	11,373	5,509	16,998	4,186	128,540
Other service expenses	13,867	6,873	87,217	2,282	269,556
Support service recharges	3,229	3,703	9,671	1,194	34,099
Total Expenditure	28,469	16,085	113,886	7,662	432,195
Net Expenditure	21,472	36	9,353	4,951	122,508

Portfolio Income & Expenditure 2011/12

	Transport	Early Years Children & Youth	Wellbeing	Leader	
	£'000	£'000	£'000	£'000	
Fees, charges & other income	(22,775)	(17,738)	(36,521)	(11,252)	
Government grants	(1,262)	(104,270)	(4,987)	84	
Total Income	(24,037)	(122,008)	(41,508)	(11,168)	
Employee expenses	6,953	86,419	9,721	6,501	
Other service expenses	20,898	44,754	80,177	8,559	
Support service recharges	2,291	9,099	2,139	2,722	
Total Expenditure	30,142	140,272	92,037	17,782	
Net Expenditure	6,105	18,264	50,529	6,614	
	Neighbourhoods	Sustainable Development	Community Resources	Homes & Planning	Total
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other income	(6,704)	(16,563)	(38,589)	(2,503)	(152,645)
Government grants	(379)	(46)	(63,281)	(53)	(174,194)
Total Income	(7,083)	(16,609)	(101,870)	(2,556)	(326,839)
Employee expenses	11,912	5,104	16,868	4,178	147,656
Other service expenses	13,756	7,111	85,201	1,949	262,405
Support service recharges	3,512	3,656	8,405	1,193	33,017
Total Expenditure	29,180	15,871	110,474	7,320	443,078
Net Expenditure	22,097	(738)	8,604	4,764	116,239

NOTES TO MAIN FINANCIAL STATEMENTS

Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2012/13 £'000	2011/12 £'000
Net expenditure in the portfolio analysis	122,508	116,239
Net expenditure of services and support services not included in the analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	22,030	22,824
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	5,340	6,188
Cost of Services in Comprehensive Income and Expenditure Statement	149,878	145,251

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012/13	Portfolio Analysis	Services & Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(149,232)	-	-	-	-	(149,232)	-	(149,232)
Interest & Investment income	-	-	-	700	-	700	(700)	-
Income from council Tax	-	-	-	13,418	-	13,418	(6,023)	7,395
Government grants & contributions	(160,455)	-	-	-	-	(160,455)	(143,493)	(303,948)
Total Income	(309,687)	-	-	14,118	-	(295,569)	(150,216)	(445,785)
Employee expenses	128,540	-	(5,833)	-	-	122,707	6,059	128,766
Other service expenses	269,556	-	(4,181)	(2,617)	-	262,758	2,617	265,375
Support service recharges	34,099	-	-	-	-	34,099	-	34,099
Depreciation, amortisation & impairment	-	-	23,193	8,851	-	23,193	8,851	23,193
Interest payments	-	-	-	(6,161)	-	(6,161)	6,161	-
Precepts & levies	-	-	-	-	-	-	-	-
Payments to housing	-	-	-	-	-	-	-	-
Capital Receipts Pool	-	-	-	-	-	-	6	6
Gain or loss on disposal of Fixed Assets	-	-	-	-	-	-	29,074	29,074
Total Expenditure	432,195	-	22,030	(8,778)	-	445,447	43,917	489,364
Surplus or deficit on the provision of services	122,508	-	22,030	5,340	-	149,878	(106,299)	43,579

NOTES TO MAIN FINANCIAL STATEMENTS

2011/12	Portfolio Analysis	Services & Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(152,645)					(152,645)		(152,645)
Interest & Investment income				933		933	(933)	-
Income from council Tax				13,205		13,205	(15,406)	(2,201)
Government grants & contributions	(174,194)					(174,194)	(139,308)	(313,502)
Total Income	(326,839)	-	-	14,138	-	(312,701)	(155,647)	(468,348)
Employee expenses	147,656		(6,856)			140,800	4,993	145,793
Other service expenses	262,405		2,086	(2,283)		262,208	2,283	264,491
Support service recharges	33,017					33,017		33,017
Depreciation, amortisation & impairment			17,392			17,392		17,392
			10,202			10,202		10,202
Interest payments				(5,667)		(5,667)	5,667	-
Precepts & levies								-
Payments to housing								-
Capital Receipts Pool							9	9
Gain or loss on disposal of Fixed Assets							17,004	17,004
Total Expenditure	443,078	-	22,824	(7,950)	-	457,952	29,956	487,908
Surplus or deficit on the provision of services	116,239	-	22,824	6,188	-	145,251	(125,691)	19,560

27 TRADING OPERATIONS

The Council has the following Trading Services which are required to operate in a commercial environment and balance their budget by generating income from providing services to the public and other organisations, or as support functions to other frontline Council Departments.

	2012/13 Income £'000	2012/13 Expend £'000	Deficit/ (Surplus) £'000	2011/12 £'000
School and Other Catering	(3,161)	3,160	(1)	44
Cleaning Services	(875)	795	(80)	(60)
Fleet Management	(2,354)	2,630	276	130
Passenger Transport Services	(4,889)	5,246	357	340
Trade Refuse Collection	(599)	521	(78)	(184)
Building Maintenance	(975)	975	0	(3)
Print Services	(538)	569	31	91
Bath Museum Shops	(1,992)	1,723	(269)	(315)
Surplus for Year	(15,383)	15,619	236	43

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public whilst others are support services to the Authority's services to the public. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Financing and Investment Income and Expenditure.

	2012/13 £'000	2011/12 £'000
Net surplus on trading operations	236	43
Services to the public included in Expenditure of Continuing Operations	10	(162)
Support services recharged to Expenditure of Continuing Operations	226	205
Net Surplus credited to Other Operating Expenditure	236	43

NOTES TO MAIN FINANCIAL STATEMENTS

28 POOLED FUNDING

The Council established a partnership agreement with Bath and North East Somerset Primary Care Trust (PCT) , the Probation Service and Avon and Somerset Police using powers under Section 75 of the NHS Act 2006 to pool funds and create a single budget. The budget is used to commission Drug and Alcohol Treatment Services for Adults and Substance Misuse Services for Young People.

	2012/13 £'000	2011/12 £'000
Balance Brought Forward from previous year	167	86
Gross Funding		
Bath & North East Somerset Council	541	541
Bath & North East Somerset Council Area Based Grant	57	57
Bath & North East Somerset Primary Care Trust	767	767
South Gloucestershire Primary Care Trust	4	4
Bristol & Bristol South West Primary Care Trust	10	10
North Somerset Primary Care Trust	3	3
Probation Service (Avon & Somerset)	19	19
Home Office	44	48
National Agency Treatment Plan (Dept. of Health)	1,356	1,303
Interest on External Funding Balances	3	3
Total Funding	2,971	2,841
Expenditure		
Spend on drug and alcohol services for Adults	2,841	2,607
Spend on drug and alcohol services for Young People	66	67
Total Expenditure	2,907	2,674
Net Underspend to be carried forward	64	167

The Council established a partnership agreement with Bath and North East Somerset Primary Care Trust (PCT) , using powers under Section 75 of the NHS Act 2006 to pool funds and create a single budget to provide services to adults with learning difficulties.

	2012/13 £'000	2011/12 £'000
Balance Brought Forward from previous year	-	-
Gross Funding		
Bath & North East Somerset Council	15,350	13,438
Bath & North East Somerset Primary Care Trust	5,033	4,938
Bath & North East Somerset Council Area Based Grant	-	113
Department of Health Vote Transfer Grant	3,243	3,156
Department of Health Campus Closure Grant	-	43
Interest on External Funding Balances	41	49
Total Funding	23,667	21,737
Total Expenditure	23,667	21,737
Net Underspend /over spend	-	-

NOTES TO MAIN FINANCIAL STATEMENTS

The Council established a partnership agreement with Bath and North East Somerset Primary Care Trust (PCT) , using powers under Section 75 of the NHS Act 2006 to pool funds and create a single budget to provide equipment for the community.

			2012/13 £'000	2011/12 £'000
	Equipment	Rails	Total	Total
Gross Funding				
Bath & North East Somerset Council	215	70	285	301
Bath & North East Somerset Council (one-off Capital)*	81	-	81	-
Bath & North East Somerset Primary Care Trust	187	30	217	210
Interest on External Funding Balances & Fees			1	1
Total Funding			584	512
Spend on community equipment services			484	426
Spend on rail contract			100	86
Total Expenditure			584	512
Net Underspend / overspend			-	-

* Note: The pooled fund recorded an overspend of £81k which was wholly funded by the Local Authority.

The Council established a partnership agreement with Bath and North East Somerset Primary Care Trust (PCT) , using powers under Section 75 of the NHS Act 2006 to pool funds and create a single budget to provide services to children with multiple and complex needs.

	2012/13 £'000	2011/12 £'000
Gross Funding		
Bath & North East Somerset Council	2,484	2,484
Bath & North East Somerset Primary Care Trust	131	131
Total Funding	2,615	2,615
Total Expenditure	2,781	2,682
Net Underspend / (overspend)	(166)	(67)

29 MEMBERS ALLOWANCES

The total cost of Members Allowances for 2012/13 including employers national insurance, pensions contributions and expenses was £906,869 (£894,950 in 2011/12).

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

		Basic & Special Allowance	Expenses	Total
		£	£	£
ALLEN	S	25,876	-	25,876
ANKETELL-JONES	PM	7,732	120	7,852
APPLEYARD	R	16,496	2,049	18,546
BALL	S	7,732	204	7,936
BALL	TM	25,876	834	26,711
BARRETT	CV	7,732	100	7,832
BATT	GM	11,287	409	11,696
BEATH	CE	25,876	969	26,845
BELLOTTI	DF	25,876	1,810	27,686
BEVAN	SF	12,175	296	12,472
BLANKLEY	MP	7,732	-	7,732
BRETT	LJ	7,732	1,285	9,017
BRINKHURST	L	7,732	122	7,854
BULL	JA	16,176	72	16,248
BUTTERS	TN	9,736	-	9,736
CHALKER	BA	7,732	-	7,732
CLARKE	AK	7,732	-	7,732
COOMBES	NJ	11,287	-	11,287
CROSSLEY	PN	37,945	1,057	39,002
CURRAN	GF	21,062	-	21,062
DAVIS	S	15,138	-	15,138
DEACON	DE	9,305	191	9,496

NOTES TO MAIN FINANCIAL STATEMENTS

		Basic & Special Allowance £	Expenses £	Total £
DIXON	D	25,876	461	26,337
EDWARDS	PM	8,712	391	9,103
EVANS	M	7,732	341	8,073
FOX	PJ	12,602	26	12,627
FURSE	AJ	7,815	-	7,815
GERRISH	CD	11,287	414	11,701
GILCHRIST	IA	9,372	16	9,388
HAEBERLING	F	19,024	-	19,024
HALE	AD	7,732	-	7,732
HALL	KF	13,568	291	13,859
HANNEY	MC	3,866	278	4,144
HARDMAN	EJ	8,658	524	9,183
HARTLEY	N	15,146	551	15,697
HEDGES	SP	9,738	-	9,738
JACKSON	EM	14,322	435	14,756
KEW	LJ	7,732	1,203	8,935
LAMING	DW	7,732	-	7,732
LEES	MJH	7,732	5	7,737
LONGSTAFF	M	15,138	-	15,138
MACRAE	BJ	7,732	-	7,732
MARTIN	DJ	7,732	20	7,752
MOSS	R	16,916	592	17,508
MYERS	P	7,732	-	7,732
NICOL	D	12,175	301	12,476
ORGAN	BS	7,732	-	7,732
PLAYER	J	7,732	-	7,732
PRITCHARD	VL	15,138	2,009	17,147
RICHARDSON	EA	2,900	-	2,900
RIGBY	A	9,738	-	9,738
ROBERTS	CM	9,738	50	9,788
ROBERTS	N	7,732	-	7,732
ROMERO	UM	18,818	226	19,044
SANDRY	WA	7,732	-	7,732
SIMMONS	B	7,732	-	7,732
SIMMONS	KS	7,732	-	7,732
SPARKS	J	7,732	-	7,732
STEVENS	BCD	10,206	386	10,592
SYMONDS	RA	25,876	1,367	27,243
VEAL	M	7,732	188	7,920
VEALE	DJ	7,732	284	8,017
WARD	G	7,732	40	7,772
WARREN	T	7,732	-	7,732
WATT	C	7,732	48	7,780
Total		777,240	19,962	797,201

NOTES TO MAIN FINANCIAL STATEMENTS

30 OFFICER REMUNERATION

Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2013

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total
	£	£	£	£	£
Chief Executive - Josephine Farrar	100,403	1,071	7,000	18,073	126,547
Inetrim Chief Executive - John Everitt	72,386	1,132	-	-	73,518

The Chief Executive took post on 31st July 2012. The annualised salary for the post is £150,000. The Benefits In Kind is a one-off relocation allowance.

The Interim Chief Executive left on 31st August 2012. This post was paid at a daily rate.

Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2013

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total
	£	£	£	£	
Strategic Director - People & Communities	134,691	2,278	963	24,244	162,176
Strategic Director of Resources	124,340	958	-	22,381	147,679
Strategic Director for Place	60,000	1,275	-	10,800	72,075
Monitoring Officer & Divisional Director	101,006	-	963	17,510	119,479
Divisional Director - Finance	97,275	87	-	17,510	114,872

The Strategic Director for Place post was vacant between 1st October 2012 and 31st March 2013.

Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2012

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total
	£	£	£	£	
Chief Executive - John Everitt	165,180	1,143	665	23,407	190,395

Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2012

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total
	£	£	£	£	
Strategic Director - People & Communities	129,699	2,331	793	22,697	155,520
Strategic Director of Resources	113,490	986	325	19,861	134,662
Strategic Director for Service Delivery	113,490	2,141	279	19,861	135,771
Monitoring Officer & Divisional Director	97,275	-	963	17,023	115,261
Divisional Director - Finance	97,275	26	193	17,023	114,517

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	2012/13	2012/13	2012/13	2011/12	2011/12	2011/12
	Teachers	Others	Total	Teachers	Others	Total
£50,000 - £54,999	16	30	46	28	28	56
£55,000 - £59,999	16	4	20	18	6	24
£60,000 - £64,999	10	5	15	14	4	18
£65,000 - £69,999	8	3	11	4	1	5
£70,000 - £74,999	1	6	7	-	7	7
£75,000 - £79,999	1	5	6	1	3	4
£80,000 - £84,999	1	4	5	2	4	6
£85,000 - £89,999	1	5	6	2	6	8
£90,000 - £94,999	-	-	-	-	1	1
£95,000 - £99,999	-	5	5	-	6	6
£100,000 - £104,999	-	3	3	-	2	2
£105,000 - £109,999	-	-	-	1	-	1
£110,000 - £114,999	-	-	-	-	2	2
£115,000 - £119,999	-	-	-	-	-	-
£120,000 - £124,999	-	1	1	-	-	-
£125,000 - £129,999	-	1	1	-	1	1
£130,000 - £134,999	-	-	-	-	1	1
£135,000 - £139,999	-	1	1	-	-	-
£140,000 - £144,999	-	-	-	-	-	-
£145,000 - £149,999	-	-	-	-	-	-
£150,000 - £154,999	-	-	-	-	-	-
£155,000 - £159,999	-	-	-	-	-	-
£160,000 - £164,999	-	-	-	-	-	-
£165,000 - £169,999	-	-	-	-	1	1
£170,000 - £174,999	-	-	-	-	-	-
£175,000 - £179,999	-	-	-	-	-	-
	54	73	127	70	73	143

The 2012/13 totals include 11 staff (8 in 2011/12) who would not have been included in the note if it were not for one-off severance payments. This included 4 in the Teacher category (2 in 2011/12) and 7 in the Others category (6 in 2011/12).

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 2012/13, incurring liabilities of £1.0m (£1.3m in 2011/12). 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.

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)	2012/13	2012/13	2012/13	2011/12	2011/12	2011/12
	Number of Compulsory Redundancies	Number of Other Exits Agreed	Total Cost £	Number of Compulsory Redundancies	Number of Other Exits Agreed	Total Cost £
£0 - £20,000	3	28	204,026	7	26	217,616
£20,001 - £40,000	-	10	316,557	2	7	254,457
£40,001 - £60,000	1	5	298,720	-	7	352,265
£60,001 - £80,000	-	2	129,914	3	2	371,596
£80,001 - £100,000	1	-	86,601	-	-	0
£100,001 - £150,000	-	-	0	-	1	107,142
	5	45	1,035,816	12	43	1,303,076

NOTES TO MAIN FINANCIAL STATEMENTS

33 EXTERNAL AUDIT COSTS

The Council has incurred the following fees payable to its auditors, Grant Thornton UK LLP (The Audit Commission in 2011/12)	2012/13 £'000	2011/12 £'000
Fees payable with regard to external audit services	164	252
Fees payable for the certification of grant claims and returns	25	44
Fees payable for objections to previous years accounts	-	11
Fees payable for other services during the year	21	-
	210	307

34 DEDICATED SCHOOLS GRANT

The Dedicated Schools Grant (made under section 14 of the Education Act 2002) has been deployed in accordance with the regulations made under sections 45A, 45AA, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of Schedule 14 to, the School Standards and Framework Act 1998.

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped to by the Department to fund academy schools in the council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. 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 2012/13 are as follows:

	2012/13 Central Expenditure £'000	2012/13 Individual Schools Budget £'000	2012/13 Total £'000	2011/12 Total £'000
Final DSG for before Academy recoupment			114,231	98,927
Academy figure recouped			37,981	
Total DSG after Academy recoupment			76,250	98,927
<i>plus</i> Brought forward from previous year	4,657	(298)	4,359	2,047
<i>less</i> Carry forward into future year agreed in advance				
Final budget distribution	17,558	63,051	80,609	100,974
<i>less</i> Actual central expenditure	13,710		13,710	11,011
<i>less</i> Actual ISB deployed to schools	-	63,114	63,114	85,604
<i>plus</i> Local authority contribution for year			-	31
Carry forward	3,848	(63)	3,785	4,390

35 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

	2012/13 £'000	2011/12 £'000
Credited to Taxation and Non Specific Grant Income		
Council Tax Income	80,088	79,285
Revenue Support grant	789	10,280
Contribution from the Non-Domestic Rate Pool	40,692	33,259
Local Services Support Grant	676	669
Council Tax Freeze Grant	1,936	1,936
Department for Education	4,303	4,531
Department of Transport	12,735	5,484
Department of Health	265	147
HCA	-	1,880
Other	663	1,178
Third party contributions	1,289	153
Section 106 Developer Contributions	57	506
	143,493	139,308

NOTES TO MAIN FINANCIAL STATEMENTS

Credited to Services

Education Standards Fund	-	600
Learning & Skills Council / Young People's Learning Agency	-	4,800
Education Funding Agency	2,151	
Early Intervention Grant	6,385	5,800
Pupil Premium Grant	1,646	
Mandatory rent allowances	51,619	48,148
Council tax benefit	10,886	10,757
English Partnerships / Homes & Communities Agency	-	2,158
Department of Health	3,357	(3206)+142+89
National Treatment Agency	1,292	1,303
Department of Transport	481	1,073
DCLG	125	495
New Homes Bonus Grant	1,119	710
Department of Education	-	1,319
Other	3,150	1,767
Third party contributions	775	313
Section 106 Developer Contributions	697	259
	83,683	79,502

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

	2012/13	2011/12
	£'000	£'000
Grants Receipts In Advance (Capital Grants)		
Section 106 Developer Contributions	1,749	1,861
Various Capital Grants	1,276	-
Total	3,025	1,861
Grants Receipts In Advance (Revenue Grants)		
Various Service Grants	1,665	1,750
Total	1,665	1,750

Long-Term Liabilities

	2012/13	2011/12
	£'000	£'000
Grants Receipts In Advance (Capital Grants)		
Section 106 Developer Contributions	4,266	1,943
Total	4,266	1,943

NOTES TO MAIN FINANCIAL STATEMENTS

36 RELATED PARTIES

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central 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 subjective analysis in note 26 on reporting for resources allocation decisions.

Pension Fund

Details of Contributions to the Avon Pension Fund are shown in note 41. As administering body to the Fund, the Council charges the fund for the direct costs of £1,306,811 (£1,254,434 11/12) and support services costs of £391,735 (£425,908 11/12) provided. Five B&NES Councillors are voting members on the Pensions Committee.

West of England Partnership

In 2011/12 the Council, as accountable body to the West of England Partnership, received grants of £40m and £17m to establish the West of England's Revolving Investment Fund which will provide for future infrastructure works. The Council is acting as agent for these regional central government grants.

Bath Tourism Plus

During 2003/04 the Council set up the above as a company to provide tourism information and marketing services, in partnership with the private sector. The company is limited by guarantee. The Council and Initiative have equal rights to appoint directors. The

Members & Officers

Four Members of the Council are members of the Avon Fire Authority.

Four Members are members of the Bath Recreation Ground Trust.

Thirteen Members are Parish / Town Councillors

One Member is a Trustee of The Holburne Museum of Art

One Member is a Governor of the Mineral Water Hospital.

One Member is a Director of Somerset Community Housing Trust.

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

The Director of People & Communities is a Director on the Connexions Company, also one Member of the Council is a non-executive director (see note 44 Controlled Companies).

The Council made payments of £425,117 (£446,289 11/12) to voluntary bodies and organisations where members have an interest (either due to a Council nomination or in an independent capacity).

The Council is in partnership with the Primary Care Trust (PCT) to commission adult social care, health and housing services. Community Health & Social Care services, previously delivered through the partnership between the Council and PCT, transferred to Sirona care & health CIC (Community Interest Company) in October 2011 under a "tri-partite" contract between the Council, PCT and Sirona, with the Council acting as lead commissioner for this contract. Relevant elements of the Council's budget are reported to the Health & Wellbeing Board. The Board is Chaired by the Cabinet Member for Wellbeing and the Council Chief Executive and Councillors are on the Board. With the enactment of "The Health and Social Care Act 2012", PCTs cease to exist from 31st March 2013 and duties carried out by the PCT have been transferred to other newly created NHS bodies. As a consequence, the council's partnership will now be with the "NHS B&NES Clinical Commissioning Group" effective from 1st April 2013.

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:

	2012/13 £'000	2011/12 £'000
School Improvements	5,104	5,259
Highways/Road Safety & Bridge Strengthening	8,351	8,353
Capitalised Buildings Maintenance	5,452	6,187
Western Riverside Project	839	1,784
Other	16,167	15,528
	35,913	37,111

Capital Expenditure was categorised as follows:

	2012/13 £'000	2011/12 £'000
Property, plant and equipment	19,255	20,317
Investment properties	5,829	5,907
Intangible assets	205	-
Heritage Assets	161	-
Assets under construction	10,440	10,883
Non Current Assets held for sale	23	4
Revenue expenditure funded from capital under statute	8,458	8,727
Total expenditure	44,371	45,838

Sources of finance:

Capital Receipts	14,409	2,545
Grants	15,159	13,435
Supported Borrowing	5,648	-
Unsupported Borrowing	4,311	26,827
3rd Party Contributions	2,397	574
Revenue	1,632	1,692
S.106 contributions	815	765
Total financing	44,371	45,838

NOTES TO MAIN FINANCIAL STATEMENTS

Capital Financing Requirement

	2012/13 £'000	2011/12 £'000
Opening Capital Financing Requirement	136,134	112,659
Capital Investment	44,371	45,838
Sources of Finance:		
Capital Receipts	(14,409)	(2,545)
Government grants & other contributions	(18,371)	(14,774)
Sums set aside from revenue (including MRP)	(5,942)	(5,044)
Closing Capital Financing Requirement	<u>141,783</u>	<u>136,134</u>
Increase in underlying need to borrow supported by Government financial assistance	5,648	-
Increase in underlying need to borrow unsupported by Government financial assistance	4,311	26,827
Less minimum revenue provision repayment	(4,310)	(3,352)
Increase / (decrease) in Capital Financing Requirement	<u>5,649</u>	<u>23,475</u>

38 LEASES

Authority as Lessee

Finance Leases

The Authority has acquired a number of buildings and vehicles, plant and equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2012/13 £'000	2011/12 £'000
Other Land & Buildings	2,852	2,964
Vehicles, Plant & Equipment	99	224
	<u>2,951</u>	<u>3,188</u>

No deferred liability is disclosed in the Council's Balance Sheet for Other Land & Buildings as these properties are subject to peppercorn rents only. The deferred liability for Vehicles, Plant and Equipment is not material.

Operating Leases

The Council uses vehicles, computers and other equipment financed under the terms of various operating leases. The lease rentals paid in 2012/13 were £642,675 (£1,720,863 in 2011/12).

The future payments required under these leases are £786,479 comprising the following elements:

	2012/13 £'000	2011/12 £'000
Not later than one year	298	525
Later than one year and not later than five years	248	608
Later than five years	240	3
	<u>786</u>	<u>1,136</u>

The Council holds property leases which are operating leases. The amount paid in rent for 2012/13 was £774,071 (2011/12 in £833,390)

The future commitments required under these leases are £1,777,405 comprising the following elements:

	2012/13 £'000	2011/12 £'000
Not later than one year	818	753
Later than one year and not later than five years	959	1,829
Later than five years	-	2,765
	<u>1,777</u>	<u>5,347</u>

In practice, although some leases are due for renewal, the Council expects to continue using many of its leased buildings beyond the renewal dates.

NOTES TO MAIN FINANCIAL STATEMENTS

Authority as Lessor

Finance Leases

The authority has leased out a number of commercial properties on finance leases.

Operating Leases

The Authority leases out a large number of investment properties.

Rental income receivable from operating property leases totalled £13,702,414 (£13,621,836 in 2011/12).

The net book value of these properties is £229,108,107 (£238,857,944 in 2011/12).

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

	2012/13	2011/12
	£'000	£'000
Not later than one year	2,713	2,769
Later than one year and not later than five years	3,991	4,044
Later than five years	6,998	6,809
	<u>13,702</u>	<u>13,622</u>

39 IMPAIRMENT LOSSES

There were £6.3m impairment losses following the demolition of buildings after completion of replacement assets.

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 2012/13 the council paid £5.546m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2011/12 were £5.580m and 14.1%. 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.

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.

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 retirement 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	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current Service Costs	10,365	10,248		
Past Service Cost	-	-	-	-
Settlement and Curtailment	(1,915)	(2,995)	-	762
Financing and Investment Income & Expenditure				
Interest cost	25,484	26,610	1,052	1,150
Expected return on scheme assets	(20,477)	(22,767)		
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	13,457	11,096	1,052	1,912
Other Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services				
Actuarial gains and losses	59,101	17,635	2,777	1,198
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	72,558	28,731	3,829	3,110
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	13,457	11,096	1,052	1,912
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	11,956	13,260		

NOTES TO MAIN FINANCIAL STATEMENTS

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		(Teachers) Discretionary Benefits	
	2012/13	2011/12	2012/13	2011/12
	£'000	£'000	£'000	£'000
Opening Balance at 1 April	524,107	489,340	23,625	22,079
Current service cost	10,365	10,248		
Interest cost	25,484	26,610	1,052	1,150
Contributions by scheme participants	3,599	4,013	(1,532)	(1,564)
Actuarial gains and losses	59,101	17,635	2,777	1,198
Benefits paid	(18,225)	(18,789)		
Past service costs	(3,435)	(4,950)	-	762
Past service gain	-	-	-	-
Closing Balance at 31 March	600,996	524,107	25,922	23,625

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2012/13	2011/12
	£'000	£'000
Opening Balance at 1 April	362,458	357,115
Expected rate of return	20,477	22,767
Actuarial gains and losses	27,698	(13,953)
Employer contributions	11,956	13,260
Contributions by scheme participants	3,599	4,013
Benefits paid	(19,745)	(20,744)
Closing Balance at 31 March	406,443	362,458

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 £48.174m (2011/12 £8.815m).

Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:						
Local Government Pension Scheme	(428,051)	(366,836)	(503,953)	(489,340)	(524,107)	(600,996)
Discretionary Benefits	(23,748)	(20,448)	(24,223)	(22,079)	(23,625)	(25,922)
Fair value of assets in the Local Government Pension Scheme	297,164	246,148	334,613	357,115	362,458	406,443
Surplus/(deficit) in the scheme:						
Local Government Pension Scheme	(130,887)	(120,688)	(169,340)	(132,225)	(161,649)	(194,553)
Discretionary Benefits	(23,748)	(20,448)	(24,223)	(22,079)	(23,625)	(25,922)
Total	(154,635)	(141,136)	(193,563)	(154,304)	(185,274)	(220,475)

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 £221m 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 2013/14 are estimated to be £10.2m. Estimated contributions to the Discretionary Benefits scheme are £1.6m.

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 Human Resource Consulting Ltd, estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	Avon Pension Fund		Discretionary Benefits (Teachers) Scheme	
	2012/13	2011/12	2012/13	2011/12
Long term expected rate of return on assets in the scheme:				
Equity investments	7.0%	7.0%		
Government Bonds	2.8%	3.1%		
Other Bonds	3.9%	4.1%		
Property	5.7%	6.0%		
Cash / Liquidity	0.5%	0.5%		
Other	7.0%	7.0%		
Mortality assumptions :				
Longevity at 65 for current pensioners:				
Men	22.9	22.8	22.9	22.8
Women	25.9	25.7	25.9	25.7
Longevity at 65 for future pensioners:				
Men	25.2	25.1		
Women	28.2	28.1		
Rate of inflation	2.4%	2.5%	2.4%	2.3%
Rate of increase in salaries	3.9%	4.0%		
Rate of increase in pensions	2.4%	2.5%	2.4%	2.3%
Proportion of employees opting to take a commuted lump sum	50%	50%		
Rate for discounting scheme liabilities	4.2%	4.9%	3.7%	4.6%

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 2013		Assets at 31 March 2012	
	£'000	%	£'000	%
Equity investments	253,215	62.3%	211,313	58.3%
Government Bonds	46,741	11.5%	46,757	12.9%
Other Bonds	37,799	9.3%	42,770	11.8%
Other	68,688	16.9%	61,618	17.0%
Total	406,443	100%	362,458	100.0%

NOTES TO MAIN FINANCIAL STATEMENTS

History of experience gains and losses

Actuarial losses identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
Difference between the expected and actual return on scheme assets:						
amount (£'000)	27,698	(13,953)	(872)	(70,093)	(73,037)	(26,760)
percentage	6.8	3.8	0.2	20.9	29.7	9.0
Experience gains and losses on liabilities						
amount (£'000)	-	-	16,835	113,936	88,712	43,234
percentage	0.0	0.0	3.4	22.5	24.2	10.1
	27,698	(13,953)	15,963	43,843	15,675	16,474
Cumulative gains / losses recognised	105,700	78,002	91,955	75,992	32,149	16,474

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 2013 apportioned to this Council is £15.14m (£15.77m in 2011/12). The debt has now been included in the Council's Balance Sheet as a deferred liability which will reduce each year due to principle repayments.

	31 March 2012	Principal Repaid	31 March 2013
	£000	£000	£000
Ex- Avon loan debt principal repayment	15,772	(631)	15,141

43 MINIMUM REVENUE PROVISION (MRP)

Minimum Revenue Provision - Provision for Repayment of External Debt

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 £3.352m calculated as follows:

	2012/13	2011/12
	£000	£000
4% of Capital Financing Requirement (CFR)	3,622	3,755
Adjustment allowed under Capital Finance Regulations	(1,551)	(1,551)
Provision based on estimated useful life of new assets since 2008	2,239	1,148
Statutory Minimum Revenue Provision (MRP)	4,310	3,352

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.

New regulations regarding Minimum Revenue Provision introduced (effective from 31st March 2008), allow local authorities to choose from three calculation methods.

The Council MRP Policy is:

Bath and North East Somerset has elected to make a prudent minimum revenue provision for all new unsupported borrowing from 1st April 2008, based on the estimated useful life of the asset or equal to depreciation as calculated in line with the Statement of Recommended Practice.

For all Government supported borrowing:

- For existing schemes the Council will determine that its MRP is equal to the amount determined in accordance with the former regulations.
- For all new schemes after 1st April 2008 it will calculate MRP based on the estimated useful life of the asset.

When borrowing to construct an asset, the authority will treat the asset life as commencing in the year in which the asset becomes operational.

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:

	2012/13 Exp. £'s	2012/13 Income £'s	2012/13 Assets £'s	2012/13 Liabilities £'s
Alice Park Trust		(1,034)	139,519 *	
Sydney Garden Fund	21,181	(69)	0	
Bath Recreation Ground Trust		(13,099)	not separately valued	
Total	21,181	(14,202)	139,519	0

* Includes external investments valued at £13,243.

	2011/12 Exp. £'s	2011/12 Income £'s	2011/12 Assets £'s	2011/12 Liabilities £'s
Alice Park Trust		(1,022)	138,486 *	
Sydney Garden Fund	4,225	(116)	21,112	
Bath Recreation Ground Trust		(171)	not separately valued	
Total	4,225	(1,309)	159,598	0

* Includes external investments valued at £13,279.

The purpose of these funds is to provide for the maintenance of specific parks or recreation grounds in Bath.

Bath Recreation Ground Trust

The Council has included the leisure centre in its balance sheet even though it is built on land owned by the charity. The financial regulations determine that as the Council is bearing the risks and rewards of ownership, in accordance with FRS5 it should stay on the Council's balance sheet. The Charity Commission has agreed to a lease being signed to allow the council to remain on the recreation ground land for the period of the life of the building but the lease has not been signed yet.

Other Trust Funds of which B&NES is the sole trustee, relate to assets held:

	2012/13 Exp. £'s	2012/13 Income £'s	2012/13 Assets £'s	2012/13 Liabilities £'s
Educational Funds	0	(219)	45,957	
Graves/memorial maintenance		(74)	14,925	
Parks & Gardens maintenance	1,359	(664)	7,626	
Client accounts			187,917	
Twinning Fund	130	(130)	26,130	
Bequests	2,300	(201)	39,328	
Total	3,789	(1,288)	321,883	0

	2011/12 Exp. £'s	2011/12 Income £'s	2011/12 Assets £'s	2011/12 Liabilities £'s
Educational Funds	3,971	(228)	45,737	
Graves/memorial maintenance		(74)	14,851	
Parks & Gardens maintenance	1,888	(2,832)	8,321	
Client accounts			187,917	
Twinning Fund	130	(130)	26,130	
Bequests	7,225	(5,735)	41,427	
Total	13,214	(8,999)	324,383	0

NOTES TO MAIN FINANCIAL STATEMENTS

45 CONTROLLED COMPANIES

Bath Tourism Plus Ltd

During 2003/04 the Council set up the above as a company to provide tourism information and marketing services, in partnership with the private sector. The company is limited by guarantee. The Council and Initiative have equal rights to appoint directors. The directors have day to day control over the management of the company.

There were no acquisition or merger costs arising.

The Company's un-audited accounts show a turnover of £2,339,722, a net loss of £28,481 and net current assets of £100,751 (turnover of £2,134,529, a net loss of £3,510 and net current assets of £117,143 in 2011/12). The turnover and assets held by this company are not considered significant enough to produce Group Accounts.

A copy of the accounts can be obtained from Bath Tourism Plus at Abbey Chambers, Abbey Churchyard, Bath.

Connexions West of England

On 1 September 2007 responsibility for Connexions West of England was transferred jointly to Bath & North East Somerset Council, Bristol City Council, South Gloucestershire Council and North Somerset Council. The company provides services to 13 to 19 year olds, including career education and guidance, supporting post 16 transition for young people with learning disabilities and encouraging participation in education and training.

The company is limited by guarantee. The Council does not profit from the company's activities and has no rights to its assets. The turnover and assets of this company are not considered material and therefore group accounts have not been prepared.

46 West of England Partnership

The four Unitary Authorities - Bath & North East Somerset Council, Bristol City Council, North Somerset Council and South Gloucestershire Council - continue to work together and co-ordinate high level planning to improve the quality of life of their residents and provide for a growing population. This joint work focuses on activities that are better planned at the West of England level, rather than at the level of the individual council areas.

The Partnership is not a partnership in law, nor a formal decision making body, and does not have the power to bind the four unitaries.

The Partnership's focus is evolving with the creation of the West of England Local Enterprise Partnership (LEP) promoting economic growth and prosperity through its key themes of Place, People and Business.

The Place theme creates the conditions for economic growth by taking an integrated approach to infrastructure and development; prioritising investment in infrastructure, overcoming barriers to development, coordinating strategic housing delivery and enabling or preparing for growth in homes and / or jobs. This theme reports through the Planning, Housing and Communities Board, and the Joint Transport Executive Committee. This has attracted funding from Government including from DCLG for Core LEP Activity, BIS for Regional Growth Fund 2 Revolving Infrastructure Fund Management) and Department of Transport Major Scheme Funding. The local authorities, each giving equal shares, remain the primary contributors.

The People theme facilitates the supply of a readily available workforce with the skills that businesses need and reports to the Skills & Competitiveness Board. Funding comes from the Learning and Skills funds and contributions from each of the institutions in the Higher Education and Further Education Sectors.

The Business theme is pursued by the private sector partners.

NOTES TO MAIN FINANCIAL STATEMENTS

The table below reflects the total revenue expenditure incurred by Bath and North East Somerset on behalf of the West of England Authorities:

West of England Pooled Budget

	£'000	Acting As
Total Expenditure	1,452	
Funding		
UA Contribution	825	Agent
UA Contributions for Projects	102	Principal
Learning & Skills Fund	84	Principal
Government Grants	442	Principal
Total Income	1,452	

Bath and North East Somerset Council is the accountable body for the West of England. The reporting approach is that total expenditure is not shown in the Financial Statements; rather the following accounting treatment is adopted:-

- i) West of England expenditure is incurred as an Agent, acting as an intermediary on behalf of the 4 Unitary Authorities. Each authority's accounts will reflect its own contribution towards expenditure.
- ii) Where the Partnership office does act as principal, such as where it has received grant funding directly, this is on behalf of all authorities but the share for any individual authority is not considered material to show.

In addition, B&NES is the accountable body acting as agent for some regional central government grants. Sums are distributed to specific projects as various criteria are satisfied, with the receiving authority then treating as grant in their own accounts. The balance of funds not distributed is therefore treated as a creditor in B&NES accounts; these sums are either owed to Unitary Authorities in future or will be owed back to government if not used.

Grant Award	Grant Received	Grant Distributed	Fund b/f	Interest	Funds c/f
	£'000	£'000	£'000	£'000	£'000
Department of Communities and Local Government (DCLG) - Growth Points Fund	0	745	1,630	11	896
Department of Communities and Local Government (DCLG) - Growing Places Fund - "revolving investment fund"	0	70	17,108	41	17,079
Department of Business, Innovation and Skills (BIS) - Regional Growth Fund - "revolving investment fund"	0	617	39,831	89	39,303
	0	1,432	58,569	141	57,278

47 CONTINGENT LIABILITIES

The Council's Senior Management Team have identified / reviewed the potential significant liabilities arising from appeals or objections to the Council's actions. There are a small number of such cases. The most significant are:

Transfer of Housing Stock - in transferring the Council's housing stock to Somer Community Housing Trust, the Council made a number of warranties relating to the properties and land transferred. To date there is no known breach of the warranties made, therefore the Council expects there will be no transfer of economic benefits.

Leisure Trust - the Council has transferred its Leisure functions to an external company. As is usual with this type of Private/Public agreement, the Council would be liable for costs should it breach its obligations or warranties.

Bath Recreation Ground Trust - This is a charitable trust where Bath & North East Somerset Council is the Trustee. The Council as Trustee is ultimately responsible for any liabilities or deficits incurred by the Trust.

Section 117 Aftercare Services - In 1999 the High Court decided that people receiving section 117 aftercare services under the Mental Health Act should not be charged for Community Care. As a result of the High Court ruling the Council has received claims for reimbursement of charges in the region of £205,000. The Council's best estimate of total claims is £393,000 with a balance of £188,000 set aside.

Social Care for Children - The outcome of a social care court case could result in additional legal fees for the Council. The outcome of the case has been decided but the extent of fees and charges is still to be determined.

There are two companies which are limited by guarantee by the Council. The amounts are not material and there is no expectation that any liability will arise.

NOTES TO MAIN FINANCIAL STATEMENTS

48 CONTINGENT ASSETS

There are no contingent assets.

49 EXCEPTIONAL ITEMS

Gain/Loss on Disposal of Non-Current Assets

The loss on disposal of £29.074m as shown in Note 9 Other Operating Expenditure, is due mainly to the transfer at Nil value of schools to Academy status.

50 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 include 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. 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. The collections are valued for insurance purposes. Valuations are carried out in the main by the museums curator, where this is not possible advice is sought from a commercial 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.

NOTES TO MAIN FINANCIAL STATEMENTS

Museum of Costume

The museum is one of the largest and most comprehensive collections of fashionable dress and associated material in this country and contains approximately 60,000 objects. The collection has been designated as one of outstanding national significance.

The collection includes items of fashionable dress and accessories to dress for men, women and children from the late 16th century to the present day including day and evening dress, separate garments such as blouses, skirts, shirts and trousers, underwear and outerwear, as well as fashion accessories such as hats, shoes, gloves, parasols, fans and costume jewellery.

The collection also includes works on paper associated with fashionable dress including fashion magazines, fashion photographs and drawings, fashion plates, knitting and dressmaking patterns, historic costume books, trade and designers' archives and costume historians' papers.

The museums 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 museums curator, where this is not possible advice is sought from a commercial source.

Victoria Art Gallery

The Victoria Art Gallery's collections of fine and decorative art date from the 16th century to the present day. To a significant extent they tell the story of art in the city of Bath and the surrounding area. Most of the 15,350 items in the collection were acquired by way of gift and bequest.

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.

The collections are valued for insurance purposes. Valuations are carried out in the main by the museums curator, where this is not possible advice is sought from a commercial source.

Library Service

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

The collection is divided into 4 categories:

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

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

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

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

The latest valuation was carried out in 2007 by Bonham's for insurance purpose.

The acquisition and disposal policy for heritage assets is reviewed every five years and any changes notified to the South West Museums, Libraries and Archives Council. The Council's Museums or Record Office is guided by the most recent edition of the Code of Practice on Archives for Museums & Galleries in the UK.

Exhibitions change frequently with many objects going on and off display during the course of a year. Any objects not currently on display at any site can be viewed by appointment, including those held at off site storage facilities.

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.

COLLECTION FUND 2012/13

The Collection Fund is an agents 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	2012/13 £'000	2011/12 £'000
INCOME				
Council Tax	2	(85,019)		(84,283)
Transfers from the General Fund				
Council Tax Benefit	2	(10,572)		(10,555)
Income collectable from business ratepayers	3	(60,482)		(58,730)
			(156,074)	(153,568)
EXPENDITURE				
Precepts and demands				
Bath & North East Somerset		79,614		79,448
Avon & Somerset Police	1	10,828		10,825
Avon Fire	1	4,045		3,890
			94,487	94,163
Business rate				
Payment to National Pool		60,220		58,460
Interest on repayments	2			6
Cost of Collection Allowance		261		264
			60,482	58,730
Bad and doubtful debts				
Write offs			205	210
Provisions increases / (decreases)			(165)	(42)
Contributions				
Contribution towards previous year's estimated Collection Fund surplus			500	700
			155,509	153,761
Surplus/(Deficit) for the Year				
			564	(193)
Surplus/(Deficit) Brought Forward as at 1 April				
			806	999
Surplus as at 31 March				
	5		1,370	806
Less surplus to be refunded to Police & Fire Authorities				
			(216)	(126)
Bath & North East Somerset Surplus				
			1,154	680

NOTES TO THE COLLECTION FUND

1 The Collection Fund

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

	Precept 2012/13 £'000	Surplus 2012/13 £'000	Precept 2011/12 £'000	Surplus 2011/12 £'000
The Avon & Somerset Police Authority	10,828	57	10,825	80
The Avon Fire Authority	4,045	21	3,890	29

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 estimating 1 April 1991 values 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 64,440.1 (64,422.9 for 2011/12). The amount of Council Tax for a Band D property of £1,466.27 (£1,461.63 - 2011/12) 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	10.75	5/9	6.0
Band A	5,865.75	6/9	3,910.5
Band B	15,268.00	7/9	11,875.1
Band C	16,161.00	8/9	14,365.3
Band D	11,524.00	9/9	11,524.0
Band E	7,961.75	11/9	9,731.0
Band F	4,644.75	13/9	6,709.1
Band G	4,116.75	15/9	6,861.3
Band H	331.50	18/9	663.0
Contributions in Lieu			17.8
			65,663.1
Allowance for Doubtful Debts & Appeals			-1,223.0
Tax Base			64,440.1

The income for 2012/13 is receivable from the following sources:-

	2012/13 £'000	2011/12 £'000
Billed to Council Tax payers	(85,019)	(84,283)
Council Tax benefits	(10,572)	(10,555)
	(95,591)	(94,838)

NOTES TO THE COLLECTION FUND

3 Income collectable from business ratepayers - National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies a national 'rate' of 45.0 pence in 2012/13 for properties that qualify for Small Business Rate Relief, and 45.8 pence for all others, subject to transitional arrangements. Local businesses pay rates calculated by multiplying their rateable value by that amount.

The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income after reliefs and provisions of £60.482 million for 2012/13 (£58.730 million in 2011/12) resulted from a total rateable value at 31 March 2013 of £165.646 million.

4 Write Offs

During the year, the following Collection Fund debts were written off :

	£'000
Council Tax	205
NNDR	905

These write offs were made against bad debt provisions set up in previous years.

	£'000
The remaining provisions are :	
Council Tax	405
NNDR	405
	<u>810</u>

5 Balance of Fund & Distribution

As at 31 March 2013, the balance on the Collection Fund stood at a surplus of £1,370,472

This credit balance due to the Council, Police and Fire Authority is as follows:

	£'000
Bath & North East Somerset	1,154
Avon & Somerset Police	157
Avon Fire	59
	<u>1,370</u>

PENSION FUND ACCOUNTS 2012/13

Statement of Accounts

Introduction

- 1.1 The following comprises the Statement of Accounts for the Avon Pension Fund (The Fund). The accounts cover the financial year from 1 April 2012 to 31 March 2013.
- 1.2 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting ('Code of Practice') in the United Kingdom 2012/13 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 2.5. They do not take account of liabilities to pay pensions and other benefits in the future.
- 1.3 The accounts have been prepared following International Financial Reporting Standards as required by the Code of Practice.
- 1.4 The accounts are set out in the following order:

Statement of Accounting Policies which explains the basis of the figures in the accounts.

Fund Account which discloses the size and nature of financial additions to and withdrawals from the Fund during the accounting period and reconciles the movements in the net assets to the Fund Account.

Net Assets Statement which discloses the size and disposition of the net assets of the Fund at the end of the accounting period.

Notes to the Accounts which give supporting details and analysis concerning the contents of the accounts, together with information on the establishment of the Fund, its membership and actuarial position.

1.5 Actuarial Valuations

As required by the Local Government Pension Scheme Regulations 2008 an actuarial valuation of the Fund was carried out as at 31 March 2010. The market value of the Fund's assets at the valuation date was £2,459 million. The Actuary estimated that the value of the Fund was sufficient to meet 82% of its expected future liabilities (of £3,011m) in respect of service completed to 31 March 2010.

1.6 The deficit recovery period for the Fund overall is 23 years.

1.7 The 2010 actuarial valuation was carried out using the projected unit actuarial method. The main actuarial assumptions, on the basis of which the employer's contributions are set, are set out below:

	Past Service	Future Service
Rate of Discount	6.85% per annum (pre retirement) 5.7% per annum (post retirement)	6.75% per annum
Rate of pensionable pay inflation	4.5% per annum	4.5% per annum
Rate of price inflation	3.0% per annum	3.0% per annum

- 1.8 The Actuary has estimated that the funding level as at 31 March 2013 has fallen slightly to 69% from 70% estimated at 31 March 2012. This fall in the funding level is due to the increase in liabilities; the return on assets contributed positively to the funding position. The value of the future pension liabilities is calculated using a discount rate based on UK gilt yields. As gilt yields fall, the value of these liabilities rises. During the year the yield on UK gilts continued to fall.
- 1.9 The 2013 triennial valuation is currently being undertaken and will be calculated using values and membership data as at 31 March 2013. This will set the employer contribution rates for future service and deficit recovery payments (expressed as a monetary amount payable annually) with effect from 1 April 2014.
- 1.10 Note 17 to the accounts shows the actuarial present value of promised retirement benefits for the purposes of IAS19 using the assumptions and methodology of IAS 19. The discount rate referenced for IAS19 is the Corporate Bond yield. The discount rate used for the Actuarial Valuation references the Fund's investment strategy.
- 1.11 The Fund's Funding Strategy Statement can be found on the Fund's website www.avonpensionfund.org.uk or supplied on request from Liz Woodyard, Investments Manager.

Statement of Investment Principles

- 1.12 The Fund's Statement of Investment Principles as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 can be found on the Fund's website www.avonpensionfund.org.uk or supplied on request from Liz Woodyard, Investments Manager.

PENSION FUND ACCOUNTS 2012/13

Statement of Accounting Policies

Basis of Preparation

- 2.1 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

- 2.2 Investments are shown in the accounts at market value, which has been determined as follows:
- i) Quoted Securities have been valued at 31 March 2013 by the Fund's custodian using internationally recognized pricing sources (bid-price or 'last trade') where a quotation was available on a recognised stock exchange or the unlisted securities market. Unquoted securities are included at fair value based on the Fund Manager's valuation.
 - ii) Fixed interest securities exclude interest earned but not paid over at the year end, which is included separately within investment debtors.
 - iii) Pooled investments are stated at their bid price or at the Net Asset Value quoted by their respective managers at 31 March 2013.
 - iv) Foreign currency transactions are recorded at the prevailing 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 2013.
 - v) Open futures 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) Acquisition costs of investments (e.g. stamp duty and commissions) are treated as part of the investment cost.
 - viii) 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.
 - ix) The Fund's surplus cash is managed separately from the surplus cash of B&NES Council and is treated as an investment asset.

Contributions

- 2.3 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. Employees' contributions have been included at the rates prescribed by the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 as amended.

Benefits, Refunds of Contributions and Cash Transfer Values

- 2.4 Benefits payable and refunds of contributions have been brought into the accounts as they fall due.
- 2.5 Cash Transfer Values are those sums paid to or received from other pension schemes and relate to previous periods of pensionable employment. Cash Transfer Values have been included in the accounts on the basis of the cheque payment date or "Bath & North East Somerset Council cash office received" date. Accruals are only made when it is certain that a transfer is to take place.
- 2.6 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.

Investment Income

- 2.7 Dividends and interest have been accounted for on an accruals basis. Some of the income on pooled investments is accumulated and reflected in the valuation of the units. Some of the income on pooled investments (mainly property) is distributed.

Investment Management & Administration

- 2.8 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 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 actual time spent on Pension Fund business.
- 2.9 The fees of 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 investment changes. Management fees are recognised in the year in which the management services are provided. Fees are also payable to the Fund's global custodian and other advisors.

Taxation

- 2.10 The Fund is an exempt approved fund under the Income and Corporation Taxes Act 1988 and is therefore not liable to UK income tax on investment income or to capital gains tax. 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.

Use of Accounting Estimates

- 2.11 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 in to 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 value of two Group Transfers in to the Fund are subject to final agreement by the actuary. Estimated values were accrued as debtors (see 2.5 and note 18).

Estimates are used in the valuation of unquoted investments (see 2.2i) and in the actuarial valuation for the purposes of IAS 26 (note 17) in which the actuarial calculation of the liability is subject to the professional judgement of the 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 25d.

Events After the Balance Sheet Date

- 2.12 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 in to 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.

Financial Instruments

- 2.13 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 costs.

PENSION FUND ACCOUNTS 2012/13

Fund Account

For the Year Ended 31 March 2013

	Notes	2012/13 £'000	2011/12 £'000
Contributions and Benefits			
Contributions Receivable	4	134,858	137,983
Transfers In		7,255	7,066
Other Income	5	500	341
		142,613	145,390
Benefits Payable	6	136,655	129,155
Payments to and on account of Leavers	7	5,173	5,325
Administrative Expenses	8	2,585	2,359
		144,413	136,839
Net Additions from dealings with members		(1,800)	8,551
Returns on Investments			
Investment Income	10	29,025	27,667
Profit & losses on disposal of investments & change in value of investments	11	362,285	71,241
Investment Management Expenses	9	(10,148)	(9,228)
		381,162	89,680
Net Returns on Investments		381,162	89,680
Net Increase in the net assets available for benefits during the year		379,362	98,231
Net Assets of the Fund			
At 1 April		2,766,294	2,668,063
At 31 March		3,145,656	2,766,294

Net Assets Statement at 31 March 2013

	Notes	31 March 2013 £'000	%	31 March 2012 £'000	%
INVESTMENT ASSETS					
Fixed interest securities : Public Sector		109,674	3.5	104,920	3.8
Equities		495,980	15.8	390,014	14.1
Index Linked securities : Public Sector		209,876	6.7	189,659	6.9
Pooled Investment vehicles:					
- Property : Unit Trusts		78,749	2.5	75,708	2.8
: Unitised Insurance Policies		47,863	1.5	50,849	1.8
: Other Managed Funds		95,729	3.0	70,394	2.5
Property Pooled Investment vehicles		222,341		196,951	
- Non Property : Unitised Insurance Policies		811,938	25.8	791,555	28.6
: Other Managed Funds		1,203,448	38.3	1,004,658	36.3
Non Property Pooled Investment Vehicles		2,015,386		1,796,213	
Cash Deposits		85,895	2.7	76,595	2.8
Other Investment balances		12,864	0.4	6,734	0.2
INVESTMENT LIABILITIES					
Derivative contracts (Foreign Exchange hedge)		(2,912)	(0.1)	441	-
Derivative Contracts: FTSE Futures		(226)	-	(514)	-
Other Investment balances		(13,502)	(0.4)	(3,648)	(0.1)
TOTAL INVESTMENT ASSETS	12	3,135,376		2,757,365	
Net Current Assets					
Current Assets	14	13,283	0.4	10,881	0.4
Current Liabilities	14	(3,003)	(0.1)	(1,952)	(0.1)
Net assets of the scheme available to fund benefits at the period end		3,145,656	100.0	2,766,294	100.0

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2013.

PENSION FUND ACCOUNTS 2012/13

Notes to Accounts - Year Ended 31 March 2013

1 GENERAL

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 Fund is governed by the Local Government Pension Scheme Regulations 2008 (as amended). 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 26.

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 (Benefits, Membership and Contributions) Regulations 2007.

2 MEMBERSHIP

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

	31 March 2013	31 March 2012
Employed Members	33,648	33,828
Pensioners	24,574	23,658
Members entitled to Deferred Benefits	31,754	28,677
TOTAL	<u>89,976</u>	<u>86,163</u>

A further 2,126 ex-members whose membership was for up to 2 years before 1st April 2004 or up to 3 months after that date are due refunds of contributions. It is not possible to put an exact value on this liability until these ex members have been traced and their entitlement verified.

3 TAXATION

(i) Value Added Tax

The Fund's administering authority Bath & North East Somerset Council is reimbursed VAT by H. M. 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

The Fund receives interest on its overseas government bond portfolio gross, but a variety of arrangements apply to the taxation of interest on corporate bonds and dividends on overseas equities.

PENSION FUND ACCOUNTS 2012/13

4 CONTRIBUTIONS RECEIVABLE

Contributions receivable are analysed below:-

	2012/13 £'000	2011/12 £'000
Employers' normal contributions		
Scheduled Bodies	52,129	52,749
Administering Authority	6,566	7,137
Admission Bodies	5,787	5,252
	<u>64,482</u>	<u>65,138</u>
Employers' deficit Funding		
Scheduled Bodies	26,598	25,368
Administering Authority	4,021	3,842
Admission Bodies	1,082	1,463
	<u>31,701</u>	<u>30,673</u>
Total Employer's normal & deficit funding	<u>96,183</u>	<u>95,811</u>
Employers' contributions - Augmentation		
Scheduled Bodies	2,697	4,941
Administering Authority	224	815
Admission Bodies	457	440
	<u>3,378</u>	<u>6,196</u>
Members' normal contributions		
Scheduled Bodies	28,617	29,112
Administering Authority	3,495	3,795
Admission Bodies	2,649	2,481
	<u>34,761</u>	<u>35,388</u>
Members' contributions toward additional benefits		
Scheduled Bodies	418	480
Administering Authority	97	78
Admission Bodies	21	30
	<u>536</u>	<u>588</u>
Total	<u>134,858</u>	<u>137,983</u>

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. Deficit funding contributions have been paid by employers in respect of the recovery of their deficit relating to past service.

A further facility is provided whereby members can make Additional Voluntary Contributions, on a money purchase basis, which are invested in insurance policies with The Equitable Life Assurance Society or Friends Life 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 20.

5 OTHER INCOME

	2012/13 £'000	2011/12 £'000
Recoveries for services provided	492	330
Cost recoveries	8	11
	<u>500</u>	<u>341</u>

'Recoveries for services provided refers to administrative and accounting services provided to employing bodies. Cost recoveries are the recovery of the cost of calculating Pension Sharing on divorce.

PENSION FUND ACCOUNTS 2012/13

6 BENEFITS PAYABLE

Analysis of Gross Benefits Payable by Type:-

	2012/13 £'000	2011/12 £'000
Retirement Pensions	106,097	97,229
Commutation of Pensions and Lump Sum Retirement Grants	27,815	29,416
Lump Sum Death Grants	2,743	2,510
	<u>136,655</u>	<u>129,155</u>

Analysis of Gross Benefits Payable by Employing Body:-

	2012/13 £'000	2011/12 £'000
Scheduled & Designating Bodies	114,704	108,110
Administering Authority	11,938	12,277
Admission Bodies	10,013	8,768
	<u>136,655</u>	<u>129,155</u>

7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

Leavers

	2012/13 £'000	2011/12 £'000
Refunds to members leaving service	17	19
Individual Cash Transfer Values to other schemes	5,028	5,306
Group Transfers	128	-
	<u>5,173</u>	<u>5,325</u>

8 ADMINISTRATION EXPENSES

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

	2012/13 £'000	2011/12 £'000
Administration and processing	1,808	1,612
Actuarial fees	356	278
Audit fees	29	43
Legal and professional fees	-	0
Central recharges from Administrating Body	392	426
	<u>2,585</u>	<u>2,359</u>

9 INVESTMENT EXPENSES

Expenses incurred in the management of the Fund are set out below.

	2012/13 £'000	2011/12 £'000
Portfolio management	9,827	8,830
Global custody	64	127
Investment advisors	167	168
Performance measurement	34	35
Investment accounting	3	8
Investment Administration	53	60
	<u>10,148</u>	<u>9,228</u>

PENSION FUND ACCOUNTS 2012/13

10 INVESTMENT INCOME

	2012/13 £'000	2011/12 £'000
Interest from fixed interest securities	3,898	5,762
Dividends from equities	15,070	12,010
Income from Index Linked securities	5,703	5,757
Income from pooled investment vehicles	4,002	3,751
Interest on cash deposits	335	370
Other - stock lending	17	17
TOTAL	<u>29,025</u>	<u>27,667</u>

The Fund has an arrangement with its custodian (BNY Mellon) to lend eligible securities from its portfolio to third parties in return for which the third parties pay fees to the fund. The third parties provide collateral to the Fund which is held during the period of the loan. This stock lending programme was introduced with effect from July 2004. The Fund may terminate any loan of securities by giving notice of not less than the standard settlement time for those securities.

The value of the stock on loan as at 31 March 2013 was £3.01 million (31 March 2012 £16.67 m), comprising entirely of equities. This was secured by collateral worth £3.15 million comprising OECD sovereign and supra national debt. The Fund does not sell collateral unless there is a default by the owner of the collateral.

11 CHANGE IN TOTAL NET ASSETS

Change in Market Value of Investments	Value at	Purchases	Sales	Change in	Value at
	01/04/12	at Cost	Proceeds	Market	31/03/13
	£'000	£'000	£'000	Value	£'000
				£'000	
Fixed Interest Securities	104,920	18,268	(18,096)	4,582	109,674
Equities	390,014	294,637	(251,080)	62,409	495,980
Index Linked Securities	189,659	35,415	(31,467)	16,269	209,876
Pooled Investments-					
- Property	196,951	36,144	(18,841)	8,087	222,341
- Non Property	1,796,213	47,414	(96,172)	267,931	2,015,386
Derivatives	(73)	2,860	(5,522)	(403)	(3,138)
	<u>2,677,684</u>	<u>434,738</u>	<u>(421,178)</u>	358,875	<u>3,050,119</u>
Cash Deposits	76,595	235,134	(225,911)	77	85,895
Net Purchases & sales		669,872	(647,089)	22,783	
Investment Debtors & Creditors	3,086			(3,724)	(638)
Total Investment Assets	<u>2,757,365</u>				<u>3,135,376</u>
Current Assets	8,929			1,351	10,280
Less Net Revenue of Fund				(17,077)	
Total Net Assets	<u>2,766,294</u>			<u>362,285</u>	<u>3,145,656</u>

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.

PENSION FUND ACCOUNTS 2012/13

Change in Total Net Assets 2011/12

Change in Market Value of Investments	Value at 01/04/11 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31/03/12 £'000
Fixed Interest Securities	154,494	23,025	(103,921)	31,322	104,920
Equities	246,996	415,218	(263,954)	(8,246)	390,014
Index Linked Securities	157,378	46,148	(41,614)	27,747	189,659
Pooled Investments-					
- Property	172,052	40,890	(25,477)	9,486	196,951
- Non Property	1,873,152	129,556	(219,883)	13,388	1,796,213
Derivatives	483	1,687	(3,009)	766	(73)
	2,604,555	656,524	(657,858)	74,463	2,677,684
Cash Deposits	50,515	240,786	(213,344)	(1,362)	76,595
Net Purchases & sales		897,310	(871,202)	26,108	
Investment Debtors & Creditors	2,881			205	3,086
Total Investment Assets	2,657,951				2,757,365
Current Assets	10,112			(1,183)	8,929
Less Net Revenue of Fund				(26,990)	
Total Net Assets	2,668,063			71,241	2,766,294

Investment Transaction Costs

The following transactions costs are included in the above:

	2012/13				2011/12			
	Purchases £'000	Sales £'000	Other £'000	Total £'000	Purchases £'000	Sales £'000	Other £'000	Total £'000
Fees and Taxes	644	21	-	665	650	31	-	681
Commission	320	304	5	629	414	446	9	869
Total	964	325	5	1,294	1,064	477	9	1,550

12 INVESTMENT ASSETS

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

	31 March 2013 £'000	31 March 2012 £'000
UK Equities		
Quoted	258,957	224,418
Pooled Investments	318,640	272,289
FTSE Futures	(226)	(514)
Overseas Equities		
Quoted	237,022	165,597
Pooled Investments	1,185,894	963,933
UK Fixed Interest Gilts		
Quoted	109,674	104,920
Pooled Investments	14,668	27,676
UK Index Linked Gilts		
Quoted	209,876	189,658
Sterling Bonds (excluding Gilts)		
Pooled Investments	193,549	240,771
Non-Sterling Bonds		
Pooled Investments	81,488	77,973
Hedge Funds		
Pooled Investments	221,147	312,571
Property		
Pooled Investments	222,341	196,951
Cash Deposits		
Sterling	81,806	70,728
Foreign Currencies	4,089	5,867
Investment Debtors/Creditors		
Investment Income	3,671	3,132
Sales of Investments	9,194	3,602
Foreign Exchange Hedge	(2,912)	441
Purchases of Investments	(13,502)	(3,648)
TOTAL INVESTMENT ASSETS	3,135,376	2,856,365

PENSION FUND ACCOUNTS 2012/13

DERIVATIVES ANALYSIS

Open Forward Currency Contracts

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £'000	Liability Value £'000
Up to one month	GBP	4,257	CHF	(6,083)	24	
Up to one month	GBP	36,659	EUR	(44,234)		(762)
Up to one month	GBP	155,560	USD	(250,878)		(9,681)
Up to one month	GBP	18,509	JPY	(2,414,000)	1,594	
Up to one month	JPY	1,218,000	GBP	(9,418)		(884)
Up to one month	USD	249,200	GBP	(155,920)	8,217	
Up to one month	EUR	32,000	GBP	(26,432)	639	
Up to one month	EUR	5,709	USD	(7,300)	21	
Up to one month	USD	2,262	EUR	(1,766)		(4)
One to six months	GBP	168,038	EUR	(209,600)		(9,459)
One to six months	GBP	204,568	JPY	(26,368,000)	19,606	
One to six months	GBP	744,079	USD	(1,184,300)		(36,259)
One to six months	EUR	209,600	GBP	(169,248)	8,249	
One to six months	JPY	18,993,000	GBP	(148,501)		(15,277)
One to six months	USD	1,184,300	GBP	(748,864)	31,473	
Six to twelve months	EUR	90,800	GBP	(76,391)	650	
Six to twelve months	GBP	124,574	EUR	(147,800)		(867)
Six to twelve months	GBP	166,975	JPY	(23,355,000)	2,813	
Six to twelve months	GBP	150,693	USD	(231,300)		(1,765)
Six to twelve months	JPY	21,880,000	GBP	(156,255)		(2,453)
Six to twelve months	USD	164,000	GBP	(106,885)	1,213	
Total					74,499	(77,411)
Net forward currency contracts at 31st March 2013						(2,912)
Open forward currency contracts at 31 March 2012						441
Net forward currency contracts at 31st March 2012						441

Exchange Traded Derivatives held at 31 March 2013:-

Contract Type	Expiration	Book Cost £'000	Unrealised Gain £'000
FTSE equity futures	June 2013	25,186	(226)

Exchange Traded Derivatives held at 31 March 2012:-

FTSE equity futures	June 2012	15,869	(514)
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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 short term passively managed investment where the costs of investing directly in UK equities would be significant.

Forward "over the counter" foreign exchange contracts are held by one of the investment managers to reduce the impact of fluctuations in the exchange rate between sterling and the other currency.

PENSION FUND ACCOUNTS 2012/13

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 2013		31 March 2012	
	£'000	%	£'000	%
Blackrock	1,506,620	48.0	1,297,622	47.1
Transition	9	0.0	1	-
Record	4,893	0.2	11,141	0.40
Jupiter Asset Management	139,898	4.5	115,721	4.2
Genesis Investment Management	158,548	5.1	140,717	5.1
Invesco Perpetual	218,121	7.0	173,237	6.3
State Street Global Advisors	103,009	3.3	86,241	3.1
Partners Group	97,395	3.1	71,011	2.5
Royal London Asset Management	176,526	5.6	227,558	8.3
TT International	163,186	5.2	134,334	4.9
Man Investments	63,955	2.0	63,099	2.3
Gottex Asset Management	55,059	1.8	52,820	1.9
Stenham Asset Management	34,936	1.1	33,272	1.2
Signet Capital Management	67,197	2.1	64,379	2.3
Lyster Watson Management	0	0.0	799	0.0
Schroder Investment Management	327,563	10.4	270,996	9.8
Bank of New York Mellon	10,059	0.3	7,369	0.3
Treasury Management	8,402	0.3	7,048	0.3
TOTAL INVESTMENT ASSETS	3,135,376	100.0	2,757,365	100.0

Assets held in Transition are assets in the process of being transferred from former Managers.

13 SINGLE INVESTMENTS OVER 5% OF ASSET CLASS

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

Investments	Value at 31st March 2013	% of Net Asset	Value at 31st March 2012	% of Net Asset
	£'000		£'000	
Aquila Life UK Equity Index Fund (BlackRock)	315,092	10.05%	269,730	9.78%
BlackRock World Index Fund	310,707	9.91%	229,083	8.31%
Invesco Perpetual Global ex UK Enhanced Index Fund	218,121	5.63%	173,236	6.28%
RLPPC UK Corporate Bond Fund (Royal London)	176,528	6.96%	227,557	8.25%
Genesis Emerging Markets Investment Fund	158,549	5.06%	140,717	5.10%

PENSION FUND ACCOUNTS 2012/13

14 CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2013.

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

	31 March 2013 £'000		31 March 2012 £'000	
CURRENT ASSETS				
Contributions Receivable				
- Employers	7,736		7,306	
- Members	2,817		2,783	
Transfer Values Receivable	1,640		-	
Discretionary Early Retirement Costs	585		640	
Other Debtors	505	<u>13,283</u>	152	<u>10,881</u>
CURRENT LIABILITIES				
Management Fees	(911)		(1,119)	
Lump Sum Retirement Benefits	(547)		(720)	
Other Creditors	(1,545)	<u>(3,003)</u>	(113)	<u>(1,952)</u>
		<u>10,280</u>		<u>8,929</u>

Analysis of Debtors and Creditors by Public Sector Bodies:-

	31 March 2013		31 March 2012	
	£'000	£'000	£'000	£'000
CURRENT ASSETS				
Local Authorities	8,050		8,424	
NHS Bodies	6		-	
Other Public Bodies	4,338		1,764	
Non Public Sector	889		693	
		<u>13,283</u>		<u>10,881</u>
CURRENT LIABILITIES				
Other Public Bodies	(1,310)		(40)	
Non Public Sector	(1,693)	<u>(3,003)</u>	(1,912)	<u>(1,912)</u>
NET CURRENT ASSETS		<u>10,280</u>		<u>8,969</u>

The Current Liabilities as at 31 March 2012 did not include a creditor within "Other Public Bodies" for £1,243,278 PAYE due to HMRC. There were no debtors or creditors of Central Government or traded funds.

15 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2013. (March 2012 = NIL)

16 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2013 that require any adjustment to these accounts.

PENSION FUND ACCOUNTS 2012/13

17 ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSE OF IAS 26

The following statement is by the Fund's actuary

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions:

	31st March 2013	31st March 2012
Rate of return on investments (discount rate)	4.2% per annum	4.9% per annum
Rate of pay increases	3.9% per annum	4.0% per annum *
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.5% per annum

* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

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

During the year, corporate bond yields reduced, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (4.2% p.a. versus 4.9% p.a.). The impact of this was offset slightly by the 0.1% p.a. fall in assumed inflation.

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2012 was estimated as £3,869 million. The effect of the changes in assumptions between 31 March 2012 and 31 March 2013 as described above is to increase the liabilities by c.£456 million. Adding interest over the year increases the liabilities by a further c.£190 million, and allowing for net benefits accrued/paid over the period increases the liabilities by another c.£4 million. The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2013 is therefore £4,519 million.

18 TRANSFERS IN

During the year ending 31 March 2013 there were group transfers in to the fund from Newcastle College to City of Bristol College and from Strode College to Weston College. The transfer values have not yet been confirmed. Estimated values have been included as part of the Fund's Current Assets.

19 BENEFITS RECHARGED TO EMPLOYERS

The Fund makes payments with regard to added year benefits awarded by the Employer to LGPS members, including related pension increases, and pension increases in respect of certain bodies with no pensionable employees in the Fund. 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 or related notes.

	31 March 2013	31 March 2012
	£'000	£'000
Benefits Paid and Recharged	6,225	6,049

20 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested in insurance policies with The Equitable Life Assurance Society or Friends Life, the Fund's nominated AVC providers. Additional Voluntary Contributions received from employees and paid to The Equitable Life Assurance Society during 2012/13 were £953 (2011/12 - £1,156). Additional Voluntary Contributions received from employees and paid to Friends Life during 2012/13 were £418,478 (2011/12 - £452,103).

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

	31 March 2013	31 March 2012
	£'000	£'000
<u>Equitable Life</u>		
With Profits Retirement Benefits	582	678
Unit Linked Retirement Benefits	306	310
Building Society Benefits	264	279
	<u>1,152</u>	<u>1,267</u>
Death in Service Benefit	<u>150</u>	<u>150</u>
<u>Friends Life</u>		
With Profits Retirement Benefits	197	230
Unit Linked Retirement Benefits	3,775	3,700
Cash Fund	402	442
	<u>4,374</u>	<u>4,372</u>

AVC investments are not included in the Fund's financial statements in accordance with Regulation 5(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 1998.

PENSION FUND ACCOUNTS 2012/13

21 RELATED PARTIES

Committee Member Related:-

In 2012/13 £37,071 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£37,926 in 2011/12). Seven voting members and one non- voting member of the Avon Pension Fund Committee (including five B&NES Councillor Members) were members of the Local Government Pension Scheme during the financial year 2012/2013. (Six voting members and two non-voting members in 2011/2012, including five B&NES Councillor Members)

Independent Member Related:-

Two Independent Members were paid allowances of £7,102 and £12,778 respectively during the year for their work in relation to the Pension Fund Committee and the Investment Panel. They are also entitled to claim reasonable expenses. The Independent Members are not eligible to join the Local Government Pension Scheme.

Employer Related:-

During the year 2012/13 the Fund paid B&NES Council £275,215 for administrative services (£253,542 in 2011/12) and B&NES Council paid the Fund £40,157 for administrative services (£28,574 in 2011/12). Various Employers paid the fund a total of £177,346 (£136,921 in 2011/12) for pension related services including pension's payroll and compiling data for submission to the actuary.

Officer and Manager related:-

The officers administering the Avon Pension Fund are all eligible to be members of the Avon Pension Fund.

The Fund is governed by Central Government regulation. There are no other related party transactions except as already disclosed elsewhere.

22 OUTSTANDING COMMITMENTS

As at the 31 March 2013 the Fund had outstanding commitments relating to investments in property that will be drawn down in tranches by the Investment Managers totalling £46,798,161.

23 KEY MANAGEMENT REMUNERATION

Of Bath & North East Somerset Council's key management personnel, some of the remuneration costs were charged to the fund to reflect the time spent. These consisted of:

- part of the Strategic Director of Resources salary, fees and allowances (£17,393) and their employers' pension contributions (£3,107).
- part of the Head of Business Finance and Pensions salary, fees and allowances (£31,540) and their employers' pension contributions (£5,460).

PENSION FUND ACCOUNTS 2012/13

24 FINANCIAL INSTRUMENTS

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

	31/03/2013 £'000	31/03/2012 £'000
Financial Assets		
Loans & Receivables	13,283	10,881
Financial assets at fair value through profit or loss	3,149,104	2,761,527
Total Financial Assets	3,162,387	2,772,408
Financial Liabilities		
Payables	(16,505)	(5,600)
Financial liabilities at fair value through profit or loss	(226)	(514)
Total Financial Liabilities	(16,731)	(6,114)
Total Net Assets	3,145,656	2,766,294

All investments are disclosed at fair value. Carrying value and fair value are therefore the same. Payables and Receivables are valued at amortised cost. The carrying value has not been amortised and therefore is the same as the fair value. The gains and losses recognised in the Fund Account in relation to financial instruments are made up as follows:-

Net Gains & Losses on Financial Instruments

	Financial assets at fair value through profit or loss	
	2012/13 £'000	2011/12 £'000
Losses on derecognition	(9,302)	(19,427)
Reductions in fair value	(10,079)	(67,447)
Total expense in Fund Account	(19,381)	(86,874)
Gains on derecognition	53,216	72,287
Increases in fair value	325,040	89,050
Total income in Fund Account	378,256	161,337
Net gain/(loss) for the year	358,875	74,463

PENSION FUND ACCOUNTS 2012/13

25 FINANCIAL RISK MANAGEMENT DISCLOSURE

The primary objective of the Avon Pension Fund is to generate positive investment returns 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 Fund.

To achieve its investment objective the Fund invests across a diverse range of assets in order to manage market risks (price, interest rate and currency risk), credit risk and liquidity risk to an acceptable level.

The Fund's investments are managed by external Investment Managers. Each investment manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines that sets out the relevant benchmark, performance target, asset allocation ranges and any restrictions. The Avon Pension Fund Committee ("Committee") has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The Committee regularly monitors each investment manager and its Investment Consultant advises on the nature of the investments made and associated risks.

The Fund's investments are held by BNY Mellon Asset Servicing, who act as custodian on behalf of the Fund.

Because the Fund adopts a long term investment strategy, the high level risks described below will not 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.

(a) Market Risk

Market risk is the risk of loss from fluctuations in market prices, interest rates or currencies. The Fund is exposed through its investments portfolio to all these market risks. The aim of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return from the investment portfolio.

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 and will affect the assets held by the Fund in different ways.

All investments present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments. The Fund's strategy is to manage market price risk through the diversification of the investments held by asset class, geography and industry sector, investment mandate guidelines and Investment Managers. 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.

A high proportion of the Fund is invested in equities and therefore the fluctuation in equity prices is the largest market risk within the portfolio. The maturity profile of the Fund and strong underlying covenant underpins the allocation to equities which are expected to deliver higher returns over the long term.

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 within the Fund during the 3 years to 31 March 2013, in consultation with the Fund's advisors. These movements in market prices have been judged as possible for the 2013/14 reporting period. The analysis assumes all other variables including interest rates and foreign currency exchange rates remain the same.

Movements in market prices could have increased or decreased the net assets available to pay benefits by the amounts shown below. It should be noted that the likelihood of this risk materialising in normal circumstances is low by virtue of the diversification within the Fund. Only assets affected by market prices have been included. For 2013 the volatility figure at Total Assets level incorporates the impact of correlation across the asset classes which means the Total Assets increase /decrease is not the sum of the parts.

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	560,825	13.1%	634,293	487,357
Overseas Equities	1,243,081	12.9%	1,403,438	1,082,723
Global inc UK	196,608	12.6%	221,341	171,875
UK Bonds	317,892	6.7%	339,032	296,752
Overseas Bonds	81,487	7.6%	87,680	75,294
Index Linked Gilts	209,876	8.3%	227,317	192,435
Property	222,341	1.4%	225,521	219,162
Alternatives	221,147	3.6%	229,042	213,252
Total Assets	3,053,257	7.6%	3,284,083	2,822,431

PENSION FUND ACCOUNTS 2012/13

The analysis for the year ending 31 March 2012 is shown below:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	531,761	15.6%	614,716	448,806
Overseas Equities	1,095,720	14.5%	1,254,599	936,841
Total Bonds	451,340	6.8%	482,032	420,648
Index Linked Gilts	189,658	7.8%	204,451	174,865
Property	196,951	3.3%	203,450	190,452
Alternatives	213,571	3.8%	221,687	205,455
Total Assets	2,679,001		2,980,935	2,377,067

The correlation between asset classes across the Total Asset level was not available for the year ending 31 March 2012.

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. The amount of income receivable from cash balances or interest payable on overdrafts will also be affected by fluctuations in interest rates.

The Fund's exposure to interest rate movements on these investments is provided below. Cash includes the cash deposits held against futures contracts.

	31/03/2013 £'000	31/03/2012 £'000
Cash and Cash Equivalents	85,895	76,595
Fixed Interest Assets	609,255	640,998
Total	695,150	717,593

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 fixed income securities as at 31 March 2013 of a 1% change in interest rates (or 100 basis points (bps)). The analysis assumes that all other variables including foreign currency exchange rates remain the same.

An increase or decrease of 1% in interest rates at the reporting date would have increased or decreased the net assets by the amount shown below.

As at 31 March 2013

	Change in net assets		
	Value £'000	+100 BPS £'000	-100 BPS £'000
Cash and Cash Equivalents	85,895	-	-
Fixed Interest Assets	609,255	(83,651)	83,651
Total	695,150	(83,651)	83,651

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 2011 is shown below:

As at 31 March 2012

	Change in net assets		
	Value £'000	+100 BPS £'000	-100 BPS £'000
Cash and Cash Equivalents	76,595	-	-
Fixed Interest Assets	640,998	(76,407)	76,407
Total	717,593	(76,407)	76,407

PENSION FUND ACCOUNTS 2012/13

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 stocks. To reduce the volatility associated with fluctuating currency prices the Fund dynamically hedges its exposure to the US Dollar, Yen and Euro. The Fund invests in the Fund of Hedge Funds' Sterling share classes which effectively eliminates currency gains and losses from the investment gains and losses.

Where an investment manager chooses to hedge against foreign currency movements forward foreign exchange contracts are used.

The following tables summarise the Fund's currency exposures within the portfolio. For the global property funds the share class of the pooled funds held has been used. The funds of hedge funds are not included in this analysis given the share classes held are hedged back to Sterling.

Currency risk by asset class:

Currency Exposure - Asset Type	Asset value as at 31st	Asset value as at 31st
	March 2013	March 2012
	£'000	£'000
Overseas Equities	1,384,728	1,095,720
Overseas Fixed Income	81,487	77,934
Overseas Property	95,729	70,333

Currency Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in currency exchange rates has been analysed using the volatility which is broadly consistent with a one-standard deviation movement in the currency and incorporates the impact of correlation across currencies (which dampens volatility). The analysis assumes a 50% hedge ratio on the equity and bond assets to reflect the dynamic hedging strategy.

A strengthening of Sterling against the various currencies by one standard deviation (expressed as a percentage) at 31 March 2013 would have decreased the net assets by the amount shown in the tables below and vice versa:

Currency Risk by Asset Type:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	1,384,728	2.6%	1,420,836	1,348,620
Overseas Fixed Income	81,487	2.7%	83,655	79,319
Overseas Properties	95,729	5.5%	101,005	90,453

The same analysis for the year ending 31 March 2012 is shown below:

Currency Risk by Asset Type:

Asset Type	Value (£) £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	1,095,720	4.7%	1,147,054	1,044,386
Overseas Fixed Interest	77,934	4.7%	81,585	74,283
Overseas Property	70,333	4.7%	73,628	67,038

PENSION FUND ACCOUNTS 2012/13

(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. This is often referred to as counterparty risk. In addition, the market values of investments will reflect an assessment of credit in their pricing and therefore the risk of loss is implicitly provided for in the carrying value of the 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 over-the-counter derivative contracts is minimised by the various insurance policies held by exchanges to cover defaulting counterparties.

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). Through the UK Gilt and Index Linked portfolios the Fund has significant credit exposure to the UK Government, whose credit rating was downgraded during the year.

Another source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion. Internally held cash is managed on the Fund's behalf by the Council's Treasury Management Team in line with the Fund's Treasury Management Policy which sets out the permitted counterparties and limits. The Fund and managers invest surplus cash held with the custodian in diversified money market funds.

The cash held under the Treasury Management arrangements and by the custodian as at 31 March 2013 was £18.5m. This was held with the following institutions:

	31st March 2013		31st March 2012	
	Rating	Balance £'000	Rating	Balance £'000
Custodian's Liquidity Fund				
Bank of New York Mellon	AA-	10,058	AAA	7,357
Bank Call Accounts				
Barclays Platinum Account	A	1,000	A	3,000
Bank of Scotland Corporate Deposit Account	A	2,500	A	3,000
RBS Global Treasury Fund	AAA	4,880	AAA	-
NatWest Special Interest Bearing Account	A-	-	A	1,020
Bank Current Account				
NatWest	A-	17	A	14

Through its securities lending activities, the Fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. This risk is managed by restricting the collateral permitted to high grade sovereign debt and baskets of liquid equities. Cash collateral is not permitted and collateral is held in excess of the securities lent.

(c) Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's investment strategy and cash management policy ensure that the pension fund has adequate cash to meet its working requirements. Cash flow forecasts are prepared to manage the timing of and changes to the Fund's cash flows. The Fund has access to an overdraft facility for short term cash needs which was not drawn on during the year.

The Fund has immediate access to its cash holdings and a substantial portion of the Fund's investments consist of readily realisable securities, in particular equities and fixed income investments, even though a significant proportion is held in pooled funds. These are classed as liquid assets as they can be converted to cash within 3 months. The main liability of the Fund is 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 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 2013 the value of the illiquid assets was £443m, which represented 14.1% of the total Fund assets (31 March 2012: £140m which represented 14.9% of the total Fund assets).

PENSION FUND ACCOUNTS 2012/13

(d) Fair Value Hierarchy

The Fund is required to classify its investments using a fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. Fair value is the value at which the investments could be realised within a reasonable timeframe. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. The hierarchy has the following levels:

- * Level 1 - easy to price securities; there is a liquid market for these securities.
- * Level 2 - moderately difficult to price; limited visible market parameters to use in the valuation e.g. use inputs derived from observable market data.
- * Level 3 - difficult to price; difficult to verify the parameters used in valuation e.g. use information not available in the market.

The level in the fair value hierarchy will be determined by the lowest level of input that is appropriate for the investment. This is particularly relevant for pooled funds where, for this exercise, a pooled fund is classified as a single investment.

The classification of financial instruments in the fair value hierarchy is subjective but the Fund has applied the same criteria consistently across its investments. The financial instruments reported at fair value are classified in accordance with the following levels:

Level 1 – Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. These include active listed equities, exchange traded derivatives, quoted government securities and quoted unit trusts.

Therefore in the analysis below, Level 1 includes quoted equities and government securities but excludes pooled funds that invest in these securities.

Level 2 - Financial instruments at Level 2 are those where quoted market prices are not available; for example where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where those techniques use inputs that are based significantly on observable market data. Therefore in the analysis below, Level 2 includes pooled funds where the net asset value of the pooled fund is derived from observable prices of the underlying securities. The Fund's holding in these pooled funds can be realised at net asset value.

Level 3 - Financial instruments at Level 3 are those where at least one input that could have a significant effect on the valuation is not based on marketable data.

Such instruments would include unquoted equity, property and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. Therefore in the analysis below, Level 3 includes pooled funds such as the property funds and Fund of Hedge Funds where the net asset value is derived from unobservable inputs and the Fund's holding in these pooled funds is not immediately realisable at the net asset value.

The following sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 March 2013.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities - Quoted	495,979			495,979
Bonds - Quoted	319,550			319,550
Pooled Investment Vehicles		1,794,239		1,794,239
Fund of Hedge Funds			221,147	221,147
Property			222,341	222,341
Cash	85,895			85,895
Derivatives: Forward FX	(2,911)			(2,911)
Derivatives: Futures	(226)			(226)
Investment Debtors/Creditors	(638)			(638)
	897,649	1,794,239	443,488	3,135,376

The fair value hierarchy as at 31 March 2012 was:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities - Quoted	390,015			390,015
Bonds - Quoted	294,578			294,578
Pooled Investment Vehicles		1,582,642		1,582,642
Fund of Hedge Funds			213,571	213,571
Property			196,951	196,951
Cash	76,595			76,595
Derivatives: Forward FX	441			441
Derivatives: Futures	(514)			(514)
Investment Debtors/Creditors	3,086			3,086
	764,201	1,582,642	410,522	2,757,365

The 31 March 2012 table has been restated into 31 March 2013 format separating Derivatives and Investment Debtors/Creditors.

PENSION FUND ACCOUNTS 2012/13

26 EMPLOYING BODIES

As at 31 March 2013 the following employing bodies had contributing scheme members in the Avon Pension Fund:

Scheduled Bodies

Principal Councils and Service Providers

Avon Fire Brigade

Bath & North East Somerset Council

Bristol City Council

North Somerset Council

South Gloucestershire Council

Education Establishments

Abbeywood Community School Academy

Academy of Trinity C of E

Backwell School

Bannerman Road Community Academy

Bath Community Academy

Bath Spa University

Bedminster Down School Academy

Beechen Cliff School Academy

Begbrook Academy

Bridge Learning Campus Foundation

Bristol Church Academies Trust

Bristol Cathedral Choir School

Bristol Free School

Broadlands Academy

Broadoak Mathematic & Computing College

Cabot Learning Federation

Castle School Education Trust

Chew Stoke Church School

Christ Church C of E Primary School

Churchill Academy & Sixth Form

City Academy Bristol

City of Bath College

City of Bristol College

Clevedon School Academy

Colston Girl's School Trust

Colston's Primary School Academy

Cotham School Academy

The Dolphin Academy

Downend School

EACT (St Ursula's Academy)

Elmlea Junior School Academy

Filton Avenue Infants Academy

Fosseway Special School

Frome Vale Academy

Gordano School Academy

Hans Price Academy

Hareclive Academy

Hayesfield Girl's School Academy

Henbury School Academy

Henleaze Junior School Academy

Heron's Moor Community School

Illminster Avenue E – Act Academy

Kings Oak Academy

Little Mead Primary School

Merchant's Academy

Midsomer Norton School Partnership

Minerva Primary Academy

Nailesea School Academy

Norton Radstock College

Oasis Academy Bank Leaze

Oasis Academy Brightstowe

Oasis Academy John Williams

Oasis Academy Connaught

Oasis Academy New Oak

Oldfield School Academy Trust

Olympus Trust

One World Learning Trust

Orchard Academy

Parson Street Primary School

Priory Community School Academy

Ralph Allen Academy

Redland Green School Academy

South Gloucestershire & Stroud College

St Bede's School Academy

St. Brendan's College

St. Nicholas of Tolentine Catholic Primary School

St. Patrick's Academy

St. Teresa's Catholic Primary School

Summerhill Academy

Trust in Learning

University of the West of England

Waycroft School Academy

Wellsway School Academy

West Town Lane Primary School

Westbury Park Primary School Academy

Westbury-on-Trym C of E Academy

Weston College

Winterbourne International Academy

Writhlington School Academy

Yate International Academy

Designating Bodies

Almondsbury Parish Council
Backwell Parish Council
Bath Tourism Plus
Bradley Stoke Town Council
Charter Trustees of the City of Bath
Clevedon Town Council
Destination Bristol
Dodington Parish Council
Downend & Bromley Heath Parish Council
Easton in Gordano Parish Council
Filton Town Council
Frampton Cotterell Parish Council
Hanham Parish Council
Hanham Abbots Parish Council
Keynsham Town Council
Mangotsfield Rural Parish Council
Midsomer Norton Town Council
Nailsea Town Council

Offender Learning Service
Oldland Parish Council
Patchway Town Council
Paulton Parish Council
Peasedown St John Parish Council
Portishead & North Weston Town Council
Radstock Town Council
Saltford Parish Council
Stoke Gifford Parish Council
Thornbury Town Council
Vista SWP Ltd.
Westerleigh Parish Council
Westfield Parish Council
Weston Super Mare Town Council
Whitchurch Parish Council
Winterbourne Parish Council
Yatton Parish Council
Yate Town Council

Admitted Bodies

Active Community Engagement Ltd *
Agilisys *
Agincare Ltd *
Alliance Homes
Aquaterra Leisure *
Aramark Ltd *
Ashley House Hostel
BAM Construct UK Ltd *
Bath & North East Somerset Racial Equality Council
Bespoke Cleaning Services Ltd *
Bristol Disability Equality Forum
Bristol Drugs Project *
Bristol Music Trust
The Brandon Trust *
The Care Quality Commission
Cater Link *
Centre For Deaf People
Churchill Contract Services Ltd *
Circadian Trust *
Clifton Suspension Bridge Trust
Creative Youth Networks *
CT Plus (CIC) *
Curo Group
Direct Cleaning (SW) Ltd *
Eden Food Services *
English Landscapes*
Holburne Museum of Art

ISS Mediclean Ltd *
Keeping Kids Company *
Keir Facilities Services Ltd *
Liberata UK Limited *
Learning Partnership West (CAB)
Learning Partnership West Ltd *
Merlin Housing Society Ltd
Mouchel Business Services Ltd *
Off The Record Bath & North East Somerset
The Park Community Trust
Prospect Services Ltd *
Quadron Services *
Shaw Healthcare (North Somerset) Ltd. *
Sirona Care & Health CIC
SITA Holdings UK Ltd. *
Skanska Rashleigh Westerfoil *
SLM Community Leisure *
SLM Fitness and Health *
Sodexo Ltd *
Southern Brooks Community Partnership
Southwest Grid for Learning Trust
Tone Leisure Trust *
University of Bath
UPP Residential Services Ltd *
Vision North Somerset
West of England Sports Trust

* Transferee Admission Body: A body that provides, by means of contract, a service in connection with the exercise of a function of a scheme employer.

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 Divisional Director of Finance 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.

Divisional Director of Finance responsibilities:

The Divisional Director of Finance 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 Divisional Director of Finance 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 Divisional Director of Finance 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 Divisional Director of Finance

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 2013.

SIGNED:

Divisional Director Finance (s.151 officer)

DATE: 27th September 2013

Tim Richens

SIGNED:

Chairperson, Corporate Audit Committee

DATE: 27th September 2013

Councillor Will Sandry

The Statement of Accounts were Authorised for Issue on 27th September 2013.

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.

GLOSSARY OF TERMS

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.

Fixed Asset Restatement Account

Balance of surpluses or deficits arising on periodic revaluation of fixed assets.

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 (NDR)

A flat rate in the pound set by government and levied on businesses in the Council area.

Net Expenditure

Gross expenditure less income.

GLOSSARY OF TERMS

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.

Private Finance Initiative (PFI)

Government initiative under which councils buy the services of the private sector to design, build, finance and operate a public facility.

Provision

Amounts set aside for any liability or loss that is likely to be incurred, but where the exact amount and date is uncertain.

Rateable Value

The value of a property for rating purposes set by the inland revenue. Business rates payable are calculated by multiplying the rateable value of the property by the rate in the pound set by government.

Reserves

The amount held in balances and funds that are free from specific liabilities or commitments.

Revenue Expenditure

The regular day-to-day running costs incurred in providing services.

Revenue Support Grant (RSG)

The main grant paid by central government to a local authority towards the cost of all its services.

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.

ANNUAL GOVERNANCE STATEMENT 2012/13

1. SCOPE OF RESPONSIBILITY

Bath & North East Somerset Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its services are delivered in terms of economy, efficiency and effectiveness in order to demonstrate 'Best Value'.

In meeting its responsibilities, the Council must ensure that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The Council's system of internal control is designed to manage risk to a reasonable level rather than eliminate the risk of failure to achieve organisational objectives. Therefore the Annual Governance Statement only provides reasonable assurance around effectiveness.

The Council has adopted a Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'. A copy of the Code is accessible through the Council's website at www.bathnes.gov.uk.

This Statement explains how the Council has complied with the Code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

Our definition of Corporate Governance is –

'Ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner'

This definition is underpinned by values of Integrity, Making a Difference and Innovation. The purpose of the governance framework is to allow the Authority to –

- Focus on the outcomes for the area and its community and create a vision for the local area which it can play a leadership role in helping to implement;
- Engage with local people and its other stakeholders to ensure robust public accountability;
- Foster a leadership community that sees Members and Officers working together to achieve a common purpose with clearly defined roles and responsibilities;
- Promote values and behaviours for the Authority that will demonstrate how it will uphold good governance and high standards of conduct;
- Take informed and transparent decisions, which manage risk and opportunity and are subject to effective scrutiny;
- Develop the capacity and capability of its Members and Officers to be effective and innovative

The governance framework has been in place at B&NES Council for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance framework are described below. Further details in relation to each element can be viewed through the Council's website <http://www.bathnes.gov.uk> or can be requested from the Council, e- mail: councilconnect@bathnes.gov.uk

1) Legal & Constitutional Governance

a) Constitution

The Council's Constitution sets out how the Council legally operates, how formal decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

Key roles and responsibilities are detailed which align to a scheme of delegation which is put in place to ensure accountability is clear. Full Council has responsibility for setting what is called the Policy and Budget Framework. This is a collection of plans, strategies and policies (including the Council's Budget) which describe how services are to be provided.

Each agenda for a Council or business meeting contains an item requiring members at the outset of the meeting to declare any relevant interests. The agendas and minutes of all the public meetings of the Council and its Committees are available on our website and all follow a standard process as set out by the Constitution.

b) Council Structure & Leadership

The Council operates under a Leader and Cabinet structure with Cabinet Members responsible for individual portfolios. The following cabinet portfolios and responsibilities have been agreed at full Council:-

- Leader of the Council
- Community Resources
- Wellbeing
- Early Years Children & Youth
- Homes & Planning
- Sustainable Development
- Neighbourhoods
- Transport

The Cabinet can only make decisions which are in line with the Council's overall Policy and Budget Framework. If it wishes to make a decision which is contrary to the Policy and Budget Framework, it must be referred to the full Council to decide.

The Cabinet collectively make recommendations to the Council about the policy framework and take decisions that ensure services are provided within the framework. Full Council will decide whether to allocate decision making responsibilities to individual members of the Cabinet. If the Council decides to allocate these powers, it will also determine the scope of those powers and the range of service responsibilities allocated to each Cabinet Member.

For most "key" decisions made by the Cabinet, by Cabinet Members or by Officers, the Council is required to publish in advance information about:

- (a) the matter to be decided;
- (b) who will be making the decision, and
- (c) the date or timescale for the decision and the place where the decision will be made.

Most day to day service decisions are taken by Council Officers. The Council appoints committees with power to carry out non-executive and other functions (e.g. planning and licensing where there is a statutory requirement for the Council to maintain committees). Non-executive functions are those which the Cabinet does not have the power to carry out

c) Budget & Resource Setting

The Council is required to set a balanced budget on an annual basis under the Policy & Budget framework. The budget sets out how much money will be spent on services, invested in projects and the level of Council Tax for individual residents. This also includes the tax required by the Police, Fire Authorities and Parishes, although it has no control over the amount set by these bodies.

The budget process follows a set path each year involving proposals from Cabinet, scrutiny by Policy, Development and Scrutiny Panels and final approval at Full Council.

d) Code of Corporate Governance

In May 2008 the Council approved a 'local' Code of Corporate Governance. The 'local' Code sets out the Council's definition of corporate governance, the Values it stands for and the Key Principles of Corporate Governance that it has adopted

2) Democratic Governance & Scrutiny

a) Policy Development and Scrutiny Panels

Full Council established 6 Policy Development and Scrutiny Panels.

- Early Years, Children and Youth Policy Development and Scrutiny Panel
- Economic and Community Development Policy Development and Scrutiny Panel
- Housing and Major Projects Policy Development and Scrutiny Panel
- Planning, Transport and Environment Policy Development and Scrutiny Panel
- Resources Policy Development and Scrutiny Panel
- Wellbeing Policy Development and Scrutiny Panel

The Panels monitor the activity of the Cabinet and also assist them in developing policy.

A further Joint Scrutiny Panel was established to monitor the West of England Partnership:

- West of England Joint Scrutiny Panel

Overview and Scrutiny Terms of Reference have been agreed to enable a joint health scrutiny committee to be established if a decision is taken that it is needed.

b) Standards Committee

Standards Committee is made up of five Councillors, three independent people and three Parish Councillors. The roles and responsibilities of the Committee include:

- Promoting and maintaining high standards of conduct by councillors, co-opted members and church and parent representatives on school governing bodies.
- Assisting the councillors, co-opted members and church and parent representatives on school governing bodies to observe the Members' Code of Conduct;
- To recommend to the Council one or more Codes of Conduct and Practice or protocols for members and/or employees of the Council.

The Localism Act 2011 repealed the Standards Committee Regulations 2008 and a revised Local Code of Conduct was agreed by Council on the 19th July 2013.

c) Audit Committee

The Corporate Audit Committee is made up of six (seven up to the meeting on the 20th May 2013) Councillors and one independent member. The Council has delegated to this Committee responsibilities including:

- To approve on behalf of the Council its Annual Accounts, as prepared in accordance with the statutory requirements and guidance.
- To approve the External Auditors' Audit Plan and to monitor its delivery and effectiveness during the year.
- 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).
- To consider, prior to signature by the Leader of the Council and Chief Executive, the Annual Governance Statement.
- To review periodically the Council's risk management arrangements, make recommendations and monitor progress on improvements.
- To review periodically the Council's key financial governance procedures.
- 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 Code of Corporate Governance.
- To consider the Annual Audit & Inspection Letter from the External Auditor

3) Organisational Governance

a) Management Structure

A management structure is in place to operate the Council's services through the Policy and Budget Framework, this includes a number of statutory and senior Officers.

Staff within the organisation are led by a Chief Executive and three Strategic Directors who each then have their own individual management structures to deliver their functions.

b) Head of Paid Service

The Chief Executive is designated as Head of Paid Service and has overall corporate management and operational responsibility (including overall management responsibility

for and authority over all officers). She provides professional advice to all parties in the decision making process; and, together with the Monitoring Officer, is responsible for the system of record keeping for all Council's decisions. She represents the Council on partnership and external bodies as required by statute or by the Council.

The current Chief Executive / Head of Paid Service Dr Jo Farrar commenced her duties on 1st August 2012 taking over from the previous post holder John Everitt

c) Monitoring Officer

The Council Solicitor is designated as Monitoring Officer with responsibility for ensuring compliance with established policies, procedures, laws and regulations, and reporting any actual or potential breaches of the law or maladministration to the full Council and/or to the Cabinet

d) S151 Officer

The Divisional Director Finance is designated as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

In March 2010 CIPFA / SOLACE issued an application note on the CIPFA Statement on the role of the Chief Financial Officer in Local Government. This required the Chief Finance Officer (S151 Officer) to be:

- A key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- Actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy; and
- Leading the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer must:

- Lead and direct a finance function that is resourced to be fit for purpose; and
- Be professionally qualified and suitably experienced.

The transfer of Section 151 responsibilities from the Director of Resources & Support Services was agreed by Council in May 2010 to enable him to concentrate on the main strategic roles of supporting the Strategic Directors Group, leading strategic resource allocation, and providing the necessary support to Services in his Directorate. It was recorded that the breadth of the Director of Resources role had the potential to limit the attention able to be afforded to the S151 role.

Council was assured that the Divisional Director Finance would have direct access to the Chief Executive and be free to attend meetings of the leadership team. At such meetings and elsewhere the Council's Constitution afforded the highest status to the S151 officer. The Director of Resources would also continue to take an overview and support the DD Finance especially in relation to strategic resource allocation.

The S151 Officer has responsibility for establishing sound financial management within the Council and ensuring adherence to the Council's own financial standards and rules including the Budget Management Scheme (November 2007), Financial Regulations (May 2002) and Contract Standing Orders (November 2007). The Council has put in place a Financial Plan to support the aims of the Corporate Plan and a system of regular reporting of its financial position and performance during the year

e) Internal Audit

Internal Audit is delivered by an in-house function and operates to the Public Sector Internal Audit Standards (prior to 1st April 2013 the Internal Audit Service had to comply with the 'Code of Practice for Internal Audit in Local Government in the UK').

A Quality Assurance and Improvement Programme is required which will need to be self-assessed internally and externally at least every 5 years. The Council's appointed External Auditor will consider Internal Audit's overall arrangements as part of their work for the Council and the function reports progress on its work to the Audit Committee.

f) Counter Fraud & Corruption Arrangements

The Council has an Anti-Fraud and Corruption Policy that demonstrates its commitment to tackling fraud and corruption whether within or external to the Council. It details:

- The key principles of the policy;
- The roles and responsibilities of Members and Officers;
- Investigation procedures to be followed in a suspected case of fraud.

The Council's Whistleblowing Policy is a component of the Anti-Fraud & Corruption Policy.

4) Planning & Policy Framework

a) Corporate Plan

The Corporate Plan represents the Council's high level strategic plan and the priorities for its administration. During 2012/13 the plan was refreshed and the Council's previous eight priorities were replaced with three objectives that describe what Bath and North East Somerset is trying to achieve and to enable it to focus resources.

Whilst the same direction of travel is maintained there was a change of emphasis that puts people first and communities at the heart of everything.

The Vision is:

- Where everyone fulfills their potential;
- With lively, active communities;
- Unique places with beautiful surroundings.

To deliver this Vision the Council will focus on three key objectives:

- Promoting independence and positive lives for everyone.
- Creating neighbourhoods where people are proud to live.
- Building a stronger economy.

Each of these objectives then has a number of outcomes that will be delivered through the Council's Plans, Policies and Strategies.

b) Medium Term Service & Resource Plan

This is a 3 year rolling plan which links the outcomes of the Council's Corporate Plan to that of each of its three main Directorates -

- Resources;
- Place;
- People and Communities

Each Directorate will therefore individually represent the changes taking place and the proposals for the future in response to the key influences and challenges facing each one of them.

The Plan highlights the local and national contexts affecting each portfolio along with the individual priorities for each of its services and the overall financial and workforce planning parameters. Once approved these plans then directly feed into the formal budget setting process and completion of individual Service Plans.

c) Service Action Plans

Service Action Plans represent the operational annual plans for each of the services within the three main Directorates. The Plans detail the purpose and objectives of their services, budgets for the forthcoming year and the key priorities and outcomes to be achieved which relate directly back to the Corporate and Medium Term Service and Resource Plans.

The Plans are finalised once the budget has been approved in February of each year and the performance management system monitors delivery of the priorities through the service delivery programme which is reported publicly.

5) Performance Management Framework

a) Performance Management

A system of performance management is in place in the authority to monitor and manage performance from a Corporate to Service to an individual perspective.

Performance management is based on what's happened in the past, enabling intelligent planning for the future and informing current decisions to provide services. Performance Management data is compiled every quarter and this results in a comprehensive pack of performance, financial, risk and organisational health information.

This is formally reported to the Council's Senior Management Team, whilst Cabinet Members receive quarterly updates on remedial actions linked to any areas previously reported as requiring improvement.

b) Financial Management

The Council has in place a detailed framework of financial and budgetary management as a result of its responsibilities under the Policy and Budget framework.

As well as the processes already detailed above for the preparation and approval of the Budget and Medium Term Service and Resource Plans it has a number of other key elements –

- Creation and adoption of Financial Regulations and a budget management scheme;
- Monthly financial dashboards which provides a detailed analysis of each individual service's financial performance;
- This identifies the latest position, current issues or potential risks to meeting service budgets as well as a forecast to the end of the financial year;
- The dashboard provides a view both against revenue and capital budgets with individual commentaries on major projects or initiatives using a RAG status;
- The Accounts themselves are based on the financial ledger used by the Councils Agresso Financial Management System;
- This system is managed and monitored by the Council's Finance Service and has inbuilt into it sufficient controls to reduce or remove the risk of fraud and corruption, for example –
 - a) authorisation limits for individual officers; (i.e. journals)
 - b) controlled access to only authorised parts of the system;
 - c) reconciliation processes to balance control accounts
- The Councils finance service contains appropriate skilled and experienced staff to manage the production of the accounts as well as providing training for staff in services to use the financial ledger appropriately

c) Risk Management

The Council Risk Management Strategy is reviewed annually and refreshed formally in 2011. This sets out the framework to manage risk in terms of –

- Objectives
- Processes
- Systems
- Reporting

The Cabinet and Strategic Directors Group maintain a Corporate Risk Register which defines and assesses risks to Council's objectives and records actions to manage these risks. The risks and actions are monitored on a quarterly basis. Strategic and Divisional Directors review Service risk management processes periodically e.g. the maintenance of Service risk registers.

Internal Audit provides an overview of the risk management framework and advises services on the operation of the relevant systems. The Corporate Audit Committee monitors the risk management plan periodically.

6) Partnership Governance

a) Public Services Board

Our Public Services board brings together senior representatives from local public service agencies and other key partners. It is responsible for maintaining an overview of all of our partnership arrangements as well as setting a strategic vision for the area through the development and delivery of a Sustainable Community Strategy. Its work is supported by themed delivery partnerships which align to the Sustainable Community Strategy.

b) Sustainable Community Strategy

The Sustainable Community Strategy was created in 2009 and sets out a long term vision, up to 2026 in terms of a framework for long-term economic, social and environmental wellbeing of the area as a whole. It links directly to the priorities within the Corporate Plan and provides a starting point for the Council and its partners in building Bath and North East Somerset as the place to live, work and visit.

It contains six drivers for change –

- Climate Change
- Demographic Change
- Growth
- Inequalities
- Locality
- Economy

c) Community Healthcare and Adult Social Care Partnership - Sirona

In October 2011, the Council transferred its health and social care services to a Community Interest Company (CIC), Sirona Care & Health CIC.

Sirona is an independent non-profit distributing organisation providing publicly-funded health and social care services. Sirona is responsible for the delivery of the community healthcare and adult social care services previously provided by Bath and North East Somerset PCT and Council respectively. A Council Member is a Non-Executive Director of Sirona and in addition the Council has four of the twenty Company Members.

This is a significant change to the way social services are delivered. Under the Community Care Act 1990 (Section 47) the Council is not able to delegate some decision making powers relating to the assessment of need and support plans. To enable the effective delivery of these functions legal advice was taken and a Secondment Agreement process was completed to allow Sirona staff to undertake Council roles / responsibilities.

d) Economic Regeneration - West of England Local Enterprise Partnership

The Local Enterprise Partnership (LEP) builds on the existing 'West of England Partnership' of the four local unitary councils and businesses in the sub-region. Significant funding is being made available to invest in economic regeneration of the sub-region through various means and progress is being made to agree a 'city deal' in 2013/14.

Bath and North East Somerset Council is the accountable body for the central administration of the LEP, whilst individual themes and projects are led by a relevant Authority. There are specific governance mechanisms in place to control each of the funding streams and delivery of the LEP's objectives.

The key actions of the LEP Business Plan 2011-2013 are:

1. Improving Transport Infrastructure
2. Tackling Skill mismatches and/or gaps in the workforce
3. Putting the West of England on the map: Inward Investment

4. Create a clear case for investment from the LEP to national government
5. Growing the green economy
6. Creating a successful Enterprise Zone/Enterprise Areas

7) Stakeholder Governance - Feedback & Review

a) Corporate Feedback/Complaints

The Council has a Corporate Feedback Policy and Procedure which describes how feedback will be handled and responded to whether it is suggestions or complaints.

It details how the Council will monitor and track complaints through its Customer Relationship Management system and ensure that feedback is proactively used to improve services and identify training needs.

For complaints specifically the Council has adopted a two stage approach to ensure that if the complainant is dissatisfied with the outcome of Stage 1 they can request a Stage 2 review. This review is carried out internally by officers independent of the service area to which the complaint was received. If the complainant is still dissatisfied they can request that their complaint is examined by the Local Government Ombudsman

b) Stakeholder Communication

The Council has an established Communications Strategy to engage with citizens and the Community. Four main methods are used to communicate the Council's objectives and achievements to citizens and service users:

- **'Your Local Council Spending & Council Tax Guide'** including an A-Z of Council Services is sent to all Bath & North East Somerset Council households. As well as providing statutory information relating to the Council Tax and budget setting process it provides full detail of the Council's Vision & Priorities and a review of progress.
- **The Council Website**, which is updated daily, and provides information about the Council & online access to services;
- **The 'Inform' newsletter**, which is sent weekly via email to all subscribers providing detailed news stories;
- **'Connect Magazine'** is produced quarterly and sent to all households within Bath & North East Somerset.
- **Council Facebook & Twitter Accounts** are updated regularly to provide instant access to relevant on-going events and incidents.

The Council also undertakes consultation exercises with stakeholders, through either one off consultations on specific subjects, or through the Voicebox satisfaction survey.

c) External Audit/Inspectorates

The Council maintains an objective and professional relationship with external auditors and statutory inspectors to seek assurance that the Council is providing efficient, effective and economic services and are proactive in securing continuous improvement in the way its functions are exercised. During 2012/13 the External Auditor changed to Grant Thornton under the auspices of a new 5 year contract as a result of the abolition of the Audit Commission.

4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting an annual review of the effectiveness of its governance framework including the system of internal control. In accordance with best practice, the Council has adopted a methodology (Process & Assurance Framework) to formally review the governance framework for the purposes of this Statement. The components are as follows:

Management Assurance -

- A review of compliance with the adopted Local Code of Corporate Governance.
- A review of the implementation of the Risk Management Strategy
- A review of Internal Audit Report findings and recommendations.
- A review of fraud and special investigations completed during the year by Internal Audit.
- Meetings with 'Key' Corporate Officers to specific areas including: Performance; Finance; Communications; Legal; Information Governance; Human Resources; Health & Safety; Equalities; Sustainability; Corporate Complaints and Internal Audit. The objective of these meetings was to identify issues for further discussion with Divisional Directors.

Statutory Officer Assurance

- Meeting with the Council's Statutory Officers (Head of Paid Service, Monitoring Officer and Chief Financial Officer) to discuss their roles and responsibilities and issues identified during the year.

Service Assurance -

- Meetings with Divisional Directors to capture their input using a standard Service Assurance framework.
- The Service Governance Framework consisted of the following components: Governance, Service Planning, Financial Management, Risk Management, Information Governance, Internal Control, Procurement, Project Management, Partnerships, Human Resource Management; Health & Safety, Corporate Equality; Environmental Sustainability & Climate Change and Public Interest.

Performance Management -

- A review of performance management reporting
- A review of financial management reporting

External Review Assurance -

- An examination of external inspection reports.
- An examination of external audit reports
- A review of complaints considered by the Local Government Ombudsman.

Other Sources -

- An examination of the work of the Corporate Audit Committee.
- An examination of Standards Committee and Policy Development & Scrutiny Panels minutes
- A review of the adequacy of the complaints procedure including monitoring and reporting outcomes.
- A review of Strategic Director / Senior Management Team meeting reports / minutes.

5. PRODUCTION OF THE ANNUAL GOVERNANCE STATEMENT

The publication of the Annual Governance Statement represents the end result of the review of the effectiveness of the governance framework. Corporate involvement in the production of the Statement included:

- **Divisional Directors** – Divisional Directors were interviewed as part of the review process to assist obtaining corporate involvement.
- **Statutory Officers** – The S151 Officer and Monitoring Officer were consulted during January / February 2013 on the process and their roles and responsibilities.
- **Corporate Audit Committee** – The Committee were informed of the Annual Governance Review on 5th February 2013 and consulted on the Long List of Issues on the 20th May 2013.
- **Strategic Directors** – The Annual Governance Review and the 'List of Issues' were considered by Strategic Directors during June 2013.
- **Leader of the Council & Chief Executive** – The Annual Governance Statement 2012-13 is signed by the Leader of the Council and the Chief Executive.

6. UPDATE ON SIGNIFICANT GOVERNANCE ISSUES 2011/12

The following issues were identified on last year's Annual Governance Statement:

No.	Issue	Actions	Update
1.	<p>Care Quality Commission / Ofsted Report</p> <p>In February 2012 the Care Quality Commission /Ofsted published its inspection report on Bath & North East Somerset relating to 'Safeguarding and Looked After Children Services'. The purpose of the inspection was to evaluate the contribution made by relevant services in the local area towards ensuring that children and young people are properly safeguarded and to determine the quality of service provision for looked after children and care leavers.</p> <p>For Safeguarding Services the overall effectiveness and capacity for improvement of the service was graded as Grade 3 "Adequate" (A service that meets minimum requirements).</p> <p>For Looked After Services the overall effectiveness and capacity for improvement of the service was graded as Grade 2 "Good" ("A service that exceeds minimum requirements").</p> <p>(Continued Overleaf)</p>	<p>1) The People and Communities Department Improvement Plan will continue to be monitored by an Improvement Group on a monthly basis.</p> <p>2) The Primary Care Trust Health Improvement Plan is to be monitored monthly.</p> <p>3) Progress reports will be submitted to the Local Safeguarding Children's Board.</p> <p>4) The People & Communities Improvement Plan will be regularly reported to the Early Years, Children and Youth Policy Development and Scrutiny Panel.</p>	<p>Divisional Director Children & Young People Strategy & Commissioning Services update:</p> <p>1) The Improvement Group has met regularly and tracked progress against the action plan, which has been reported to the Local Safeguarding Children's Board (LSCB) and Policy Development & Scrutiny Panel.</p> <p>2) The health plan has also been monitored through contract meetings, the Improvement Group and LSCB</p> <p>3) See 1) & 2) above</p> <p>Ofsted visited again in March 2013, to inspect the Council's arrangements for the protection of children under a new and tougher inspection framework. Positive progress was noted on issues identified in the previous inspection, including the effectiveness of LSCB and timeliness and quality of assessments. The overall rating was Adequate. A further improvement plan is being developed and will be similarly monitored and reported during 2013/14</p> <p>(Continued Overleaf)</p>

No.	Issue	Actions	Update
	<p>The key findings were:-</p> <ul style="list-style-type: none"> • The Council through the LSCB needs to hold partners (in particular Health) to account for safeguarding arrangements. • Further improvements in performance management are required in particular to ensure core assessments are properly completed. • The need to ensure improvements from remodelling services can be demonstrated. • The need to ensure that Health Partners comply with statutory guidance. <p>Improvement Plans related to the report findings / recommendations were compiled in response to the report findings.</p>		<p>4) Scrutiny Panel 28th January 2013 - report detailing further progress with the implementation of the Council's Children's Service Improvement Plan.</p> <p>Scrutiny Panel 3rd June 2013 - The Panel to receive a presentation on the arrangements for the Protection of Children - Inspection / Improvement Plan from the Divisional Director of Children & Young People Specialist Services.</p>

No.	Issue	Actions	Update
2.	<p>Parking Services & Bus Lane Enforcement</p> <p>Parking Services has recorded a financial shortfall of £1.674m in 2011/12. This is largely as a result of an over optimistic increase in the income budget by £1.0m, (a 70:30 split between Bus Gate Enforcement & Parking). In addition, there has been a trading deficit of £400,000 and £300,000 in respect of Off Street & On-Street parking accounts respectively.</p> <p>The Bus Gate/Lane Enforcement income shortfall against the 2011/12 budget target resulted from the problems encountered in taking enforcement action.</p> <p>In 2010/11 an Automatic Number Plate Recognition System was installed to improve the efficiency of enforcement action. This new system was very successful and based on income collection figures the income budget target for following year 2011/12 was increased - based on the improved capture rate of contraventions.</p> <p>However, during 2011/12, there were a number of successful appeals to the Traffic Penalty Tribunal. This resulted in the Tribunal's Chief Adjudicator making an inspection visit of the High Street and New Bond Street Bus Lanes. The Traffic Penalty Tribunal view was that modification to the road layout was necessary. A revised layout and restrictions were therefore implemented and as a result enforcement cameras were switched off for a period with a consequent impact on revenue.</p>	<ol style="list-style-type: none"> 1) Carry out modifications to road layout at High Street / New Bond Street (Bath) and resume enforcement action. (Action completed) 2) A detailed action plan will be prepared following the 26th July 2012 meeting of the Parking Services Board. 3) The Parking Services Board action plan will be monitored at each quarterly meeting of the Board. 	<p>This action required further attention based on appeals being submitted and Tribunal findings. This resulted in a visit by the Chief Adjudicator in November 2012. Enforcement action was suspended for a time to enable Chief Adjudicator recommendations to be implemented.</p> <p>An Action Plan is maintained by the Parking Services Board. Actions included in the January 2013 version of the Plan included (Red / Amber / Green Implementation Status):</p> <ol style="list-style-type: none"> 1) Review & agree Service responsibilities in relation to Car Parks. (Amber) 2) Improve Payment Methods (Green). 3) Avon Street Car Park – Limit use of staff / Member permits; introduce variable charging (Red). 4) Improve website car parks information (Green) 5) Improve data collection & analysis (Green) 6) Reallocate unbudgeted costs to Highways (Green) 7) Review on street charges (premium areas) –(Amber) 8) Redesign Permit Offer (Green) 9) Recruit CPO's (Amber) 10) Introduce mobile ANPR enforcement vehicle (Green)

No.	Issue	Actions	Update
3.	<p>Planning During 2011/12, there have been a number of planning application cases that have resulted in significant public interest and costs being incurred by the Council.</p> <p>Stowey Quarry On 7th July 2011 the Council granted planning permission for 'restoration of Stowey Quarry by landfilling of Stable Non-Reactive Hazardous Waste (SNRH) and inert wastes'. The planning permission was subsequently quashed by consent in the High Court because the Council accepted that there had been an error in the consultation process. The Council also paid the claimant's legal costs in the sum of £12,250.</p>	<ol style="list-style-type: none"> 1) Review all extant planning applications accompanied by Environmental Impact Assessments to ensure the correct publication has taken place. (Action completed) 2) Provision of bespoke training by a specialist solicitor for technical support and planning officers. (Action completed) 3) Produce revised process notes including an additional check of publication prior to planning permissions being granted. (Action completed) 	<p>The Parking Services Board (Cabinet Member, Strategic Director Place, Divisional Director Environmental Services, Finance & Resources Manager, Business Analyst, Parking Analyst) have met quarterly – April 2012, 26th July 2012, 22nd October 2012 & 24th Jan 2013.</p> <p>Completed</p> <p>Completed</p> <p>Completed</p>

No.	Issue	Actions	Update
	<p><u>Development Control Committee Decision Making & Planning Inspectorate Findings</u></p> <p>During 2011/12, the Planning Inspectorate overturned 2 planning application decisions taken by the Council's Development Control Committee. The Committee did not agree with Council Officer advice and had refused planning permission.</p> <p>The Council Officer recommendation was to approve the applications for the development of land in Keynsham (owned by Taylor Wimpey) and construction of a new hotel at Number 4 James Street West.</p> <p>For the Keynsham development, the Council lost the appeal and the Inspector granted planning permission. The Inspector did not award the applicant their costs but the Council had to pay its own costs.</p> <p>In relation to the James Street West appeal, the costs that the Council will have to pay is currently being negotiated.</p>	<p>4) Officers to work with members to ensure that the implications of decisions are identified and any appeal risks are flagged. This will include making technical training courses available to address risks of appeal and how to mitigate against them.</p> <p>5) Ensure that where appropriate the cost implications of potential appeals and grounds for appeal are flagged by officers at meetings. In exceptional circumstances, the Development Manager will consider referring the decision to a subsequent meeting to consider the full cost implications.</p> <p>6) Appeal Cost awards will be included in the quarterly performance report to the Committee.</p> <p>7) A Service Improvement Plan will be developed to enable more resources to be deployed effectively and efficiently.</p>	<p>Specific Member Training re: Member decision making was provided in November 2011. Eight subsequent planning training events have taken place since on various issues. The latest training was in June 2013 – Planning Advisory Service Training for West of England Unitary Authorities. This included reference to implications if members do not follow appropriate protocols when involved in pre-application discussions.</p> <p>Divisional Director Planning & Transport advised that 'flagging' of potential costs is happening at Development Control meetings. During a recent meeting a decision about a planning application (Maynard Terrace) was referred to a subsequent meeting to ensure Members adequately considered the potential consequences of their action.</p> <p>Cost claims settled in previous quarter are being reported to Development Control Committee. The Divisional Director Planning & Transport is promoting a move to reporting the cost of claims on a full year to date basis.</p> <p>On-going.</p>

7. SIGNIFICANT GOVERNANCE ISSUES 2012/2013

The following issues have been identified for action by 31st March 2014:

No.	Issue	Actions
1.	<p><u>Conflicts of Interest/Financial Management</u></p> <p>During the year it was identified that in one service a small number of grants and contracts had been inappropriately allocated and managed as a result of conflicts of interest.</p> <p>In addition budgetary management and governance had not followed agreed council procedures leading to an overspend within one cost centre. Whilst this was an isolated set of circumstances and there was no material effect on the Council's financial position, significant resources were still required to resolve the situation.</p>	<p>S151 Officer has reviewed and updated the budget management scheme and financial reporting of virements.</p> <p>Council Solicitor has reviewed the relevant contractual arrangements and recommended improvements and options to resolve.</p> <p>The Head of Audit has reviewed the system for allocation of grants and contracts, whistleblowing arrangements and system for declaration of interests within the service area.</p>
		<p>All actions are completed but will be followed up in 2013/14</p>

We propose over the next financial year (2013/14) to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of the next annual governance review.

SIGNED BY:



**PAUL CROSSLEY
LEADER OF THE COUNCIL**

DATE: 28th June 2013



**JO FARRAR
CHIEF EXECUTIVE**

