

**BATH & NORTH EAST SOMERSET COUNCIL**

**STATEMENT OF ACCOUNTS 2016/17**

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

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We have audited the financial statements of Bath and North East Somerset Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Resources Strategic Director and auditor**

As explained more fully in the Statement of Responsibilities, the Resources Strategic Director 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice"), and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 Resources Strategic Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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:

- \* present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income 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 2016/17 and applicable law.

## **Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the statements are prepared is consistent with the audited financial statements.

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

We are required to report to you if:

- \* in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- \* we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- \* we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- \* we have exercised any other special powers of the auditor under the Act.

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

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

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## **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Respective responsibilities of the Authority and auditor**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

### **Delay in certification of completion of the audit**

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2017. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Act and the Code of Audit Practice.

Further, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2017. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

*Barrie Morris*

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

Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

12th September 2017

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

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We have audited the pension fund financial statements of Avon Pension Fund (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Resources Strategic Director and auditor**

As explained more fully in the Statement of Responsibilities, the Resources Strategic Director 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the pension fund 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 pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Resources Strategic Director; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on the pension fund financial statements**

In our opinion:

- \* the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities, and
- \* the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

## **Opinion on other matters**

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

*Julie Masci*

Julie Masci

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

Hartwell House  
55-61 Victoria Street  
Bristol BS1 6FT

12th September 2017

# NARRATIVE REPORT

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## Introduction

The Statutory Statement of Accounts have been produced in accordance with the CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards.

The Accounts and Audit Regulations 2015 require that the Statement of Accounts 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:

### Comprehensive Income and Expenditure Statement

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

### Movement in Reserves Statement

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

### Balance Sheet

The Balance Sheet shows the assets and liabilities of the Council as a whole at the 31 March 2017.

### Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from external transactions for both capital and revenue purposes.

### Collection Fund

These statements show the transactions of the billing Authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to precepting bodies.

### Pension Fund Accounts

A summary of the Pension Fund accounts is included, as the Council is the administering Authority for the Avon Pension Fund.

### Statement of Accounting Policies

The statement describes the accounting concepts and policies adopted in the preparation of the accounts. It contains a number of technical notes, none of which are unusual or which differ from the concepts adopted by the majority of other Local Authorities. The Council complied with all recommended accounting practices contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which is recognised by statute as representing proper accounting practices. The Code of Practice incorporates Best Value Accounting principles with which the Council has also complied.

# NARRATIVE REPORT

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## An Introduction to Bath & North East Somerset

### The Population at a Glance

The area of Bath & North East Somerset was formed in 1996 and covers approximately 135.2 square miles.

Bath is the largest urban settlement in the area and forms the main urban conurbation, acting as the commercial and recreational centre of the district. It is home to approximately 50% of the population and is one of the few cities in the world to be named a UNESCO World Heritage Site.

Keynsham lies to the west of Bath. A traditional market town with a population of almost 9% of the total population of Bath and North East Somerset. Midsomer Norton and Radstock are small historic market towns, located in the south of the district with approximately 12% of the total population split between them. They both have a strong heritage of mining and industry stemming from the North Somerset Coalfield.

The rest of the district consists of 69 diverse rural communities of varying sizes and characteristics, including a line of villages along the foothills of the Mendips, the Chew Valley and Cotswolds villages around Bath.

Bath and North East Somerset is less ethnically diverse than the UK as a whole, 90% of local residents define their ethnicity as White British. This is followed by 3.8% defining as White Other and 1.1% defining as Chinese. The local population's age structure is similar to the UK's population as a whole, however there is higher number of people aged between 20-24 highlighting the student population.

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

The Office for National Statistics project that the Bath and North East Somerset population will increase to 199,100 by 2037, an increase of 12% from 2012. The most significant increases expected are in older people, in particular the 85+ population (A 124% increase from 5,000 to 11,200).

A recent study suggested that nearly 88% of the population is satisfied with their local area as a place to live, significantly higher than the national figures.

Despite being an area with generally good health and low crime, there is significant variation within Bath and North East Somerset. Compared to the most affluent communities in the area, the most deprived communities:

- have 45% higher cancer rates,
- are three times as likely to smoke,
- are 22% more likely to think that anti-social behaviour is a problem in their area, and
- 16-17 year olds are nearly 4 times as likely to be not in education, training or employment.

### The Local Economy

The local workforce is highly skilled, with 41.8% educated to NVQ4 level or above, compared to 34% regionally and 35% nationally.

House prices are very high; in September 2013 the average house price was £226,465 making the average price of a home over 8 times average earnings of the area.

B&NES has a lower percentage of the working age population claiming key Out of Work Benefits than the South West Region and nationally. In August 2013 there were 10,060 key benefits claimants, making up about 8.8% of the working age population, compared to 13.6% nationally.

Employment is based in the public sector (around 34% in total – The Council is one of the area's biggest employers); followed by construction and banking, and finance and insurance.

Bath has World Heritage Status and international reputation as a tourist destination, attracting about 7 million day visits every year. Hence, tourism plays a key role in Bath and North East Somerset's economy, employing an estimated 11,800 people.

As a result wage levels are lower than the national average, however, in some technology based industries wages have increased. Related industries also attract higher wage levels. Alongside neighbouring authorities of North Somerset Council, South Gloucestershire Council and Bristol City Council, the area is part of the West of England 'Local Economic Partnership' which forms a focus for business growth and government support.

## Summary of the Council's financial performance

The 2016/17 budget included the requirement for the delivery of £12.6m of savings of which over 90% were achieved. The Council overspent its revenue budget by £2.0m in 2016/17, after allowing for the proposed carry forwards of underspends totalling £0.2m, this gives an overall outturn position overspend of £2.2m.

The main areas contributing to the overspend relate to increasing demand pressures being experienced in both Adults and Children's Social Care budgets, these pressures were partially mitigated by underspends in corporate budgets, including additional income received from the Thermae Spa Profit Share arrangements and an underspend in Capital Financing costs owing to capital programme slippage delaying the need to borrow and Minimum Revenue Provision (MRP) savings against budget.

Following a review of the outturn position, it was agreed to fund the £2.2m overspend position through drawdowns from earmarked reserves, with £1.155m drawn from the Revenue Budget Contingency, mainly related to the release of Transitional grant contingency, and a further drawdown of £1.065m from the Adult Social Care Reserve.

# NARRATIVE REPORT

## The Next Twelve Months & Medium Term Outlook

The Budget for 2017/18 was the second to be prepared following the announcement by Government of the Comprehensive Spending Review for 2016/17 to 2019/20 and the resulting challenging Local Government Finance settlement for the same period.

The Government Spending Review, announced in December 2016 confirmed that the financial challenge facing local government will continue to 2019/20 at least. This represents a full decade of sustained funding reductions which will fundamentally have changed the way in which Councils are funded for providing public services. Indeed by 2019/20 we have confirmation that our core Government grant funding will effectively be removed.

Since 2012/13 the reduction in Government grant funding has averaged over 11% per annum resulting in over £30 million of savings and additional income generation over the last three years alone.

During 2016, the Council had provided an Efficiency Plan submission to the Government as part of the national scheme, to secure the basis of a 4-year financial settlement through to 2019/20. This was agreed by the Government and basically provides some protection to the Council against any additional funding reductions over this period.

This additional clarity around future financial planning confirmed the further grant funding reductions that are to be expected which, together with anticipated cost and demographic pressures currently require up to £37 million in additional savings and income generation over the next three year period.

The Local Government Finance Settlement was therefore in line with expectations for reductions to core government grant funding with reductions of 15.8% in 2017/18, followed by further reductions of 10.4% and 11.3% in 2018/19 and 2019/20.

Within the settlement the Government made a number of further provisions and funding changes including:-

- The inclusion of the West of England Devolution Authorities as a pilot area for 100% Business Rate Retention from 2017/18. This provides a significant financial benefit to the Council estimated at some £2.5 million in 2017/18.
- Inclusion of a one-off Adult Social Care Grant for 2017/18 worth £733k to this Council.
- An increase in the Adult Social Care Council Tax increase threshold from 2% to 3% in 2017/18 and 2018/19, although this 1% per annum addition is then not available in 2019/20 if used.
- Significant changes to New Homes Bonus funding although these were better for the Council than assumed mainly because of a very positive position on new housing delivery.
- The general council tax referendum limit remains at 2% (this excludes the Adult Social Care Council Tax increase)

The Budget presented in February 2017 addresses the financial challenge facing the Council and included a balanced budget for 2017/18 together with proposals to reduce the budget gap in the following two years to 2019/20. The Cabinet have identified three core aims as a focus to ensure the Council,

- **Is efficient and well run;**
- **Invests in the future of the area; and**
- **Puts the interests of residents first.**

In order to present proposals for covering the next three year period, the Cabinet examined a range of options as part of its review of Council spending. This included consideration of proposals provided by management, the Council's finance business partner EY, and from a portfolio holder challenge process to generate the additional savings or income to address the budget gap.

The Council's four strategic priorities as set out in the Corporate Strategy remain at the heart of this process:

- **A strong economy and growth**
- **A focus on prevention**
- **A new relationship with customers and communities**
- **An efficient business**

The Budget agreed for 2017/18 included the following key proposals:

- In order to protect frontline adult social care services an additional 2% increase in the specific Adult Social Care council tax precept was included in the budget following Government recognition of the acute financial challenges facing Adult Care Services;
- Whilst significant savings and additional income generation proposals totalling £14.5m relating to 2017/18 were included in the budget, a Council Tax increase of 1.50% was agreed in order to help protect frontline services.

Given the scale of savings already achieved, and the £29 million proposals outlined in the 2017/18 Budget report covering the period to 2019/20, it is likely that future savings will require further prioritised changes to, and redesign of Council Services.

The Financial Planning work undertaken indicates the remaining future scale of the financial challenge, for the remainder of the Spending Review Period to 2019/20, requires the Council to identify and deliver further savings or additional income of around £7 million over this period.

## Total Resources Available for the Capital Programme

The table below summarises the approved resources available for the 2017/18 Capital Programme and the indicative programme for the next five years. This level of resource ensures that overall planned spending and funding are in balance.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>Total Schemes</b>	<b>182,667</b>	<b>79,844</b>	<b>26,272</b>	<b>19,289</b>	<b>19,574</b>
<b>Funding Sources</b>					
Grant	40,742	16,269	5,357	5,906	5,758
Capital Receipts	9,993	6,590	590	635	605
Revenue	2,281	0	0	0	0
Borrowing	119,848	51,610	19,806	12,560	13,031
3rd Party (incl. s106 & CIL)	9,803	5,375	519	188	180
<b>Total Funding</b>	<b>182,667</b>	<b>79,844</b>	<b>26,272</b>	<b>19,289</b>	<b>19,574</b>

# NARRATIVE REPORT

## Revenue outturn and balances - 2016/17

The Council's net revenue budget was set at £115.73 million with an increase of 3.25% in its part of the 2016/17 Council Tax (split 2% for the Adult Social Care precept and a 1.25% general increase). Dedicated Schools Grant funding of £71.54m separately supports expenditure on schools.

Total net spending amounted to £125.30 million against a revised budget of £123.27m, with a year end deficit of £2.03 million on general fund spending.

The Council followed well established procedures for monitoring its finances and reporting the position to Senior Management and the Cabinet.

The Council continues with its programme of budget management where overspends and underspends can be carried forward subject to policy approval. After allowing for transfers to earmarked reserves, carry forwards and excluding invest to save drawdowns, the General Fund balance stands at £13.5m, which is in accordance with the increased risk assessed target level approved by the Council.

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

Children's Services - overspend of £1.491m - The overspend mainly relates to pressures on children's social care operational costs resulting from increased costs associated with placements of children in high cost residential placements and the increased use of court directed parent and baby placements. There was also an overspend in Home to School transport due to pressures on Special Educational Needs (SEN) and Mainstream transport, following demand increases as a result of legislative change in recent years.

Adult Social Services - overspend of £1.970m - The overspend mainly relates to inflationary and demographic pressures in Adult Social Care as a result of a number of factors including: implementation of the National Living Wage; the costs associated with purchased care packages to support people with complex and acute care needs to remain in their own homes; the increasing demand for high dependency residential care and nursing care home placements, which have higher associated fees than lower dependency care home placements; and an increasingly challenged care market with some providers withdrawing from the market.

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

Place - underspend of £0.343m - mainly due to a combination of the return generated by the Heritage estate being greater than forecast, reflecting visitor trends remaining above the national average for visitor attractions, and underspends on Public & Passenger Transport.

Resources & Support Services (including Corporate & Agency Budgets) - underspend of £735k - The main favourable variances in this area related to additional income received from the Thermae Spa Profit Share arrangements and an underspend in Capital Financing costs owing to capital programme slippage delaying the need to borrow and Minimum Revenue Provision (MRP) savings against budget. The main unfavourable variance was an overspend in Traded Services relating to the Catering service due to lower than forecast income from school meals and inflationary pressures in the supply of food costs from the new Schools food contract.

The outturn position compared to the budget is as follows:

	Budgeted	Actual	(Under)/ Over
<b>Service (based on Council Directorates)</b>	Spend	Spend	Spend
	£'000	£'000	£'000
Place	24,361	24,018	(343)
Children's Services	27,810	29,301	1,491
Adult Social Services	59,252	61,222	1,970
Resources & Support Services (Including Corporate & Agency Budgets)	11,849	10,763	(1,086)
	<b>123,272</b>	<b>125,304</b>	<b>2,032</b>

The Place Directorate is made up of Environmental Services (including Waste, Highways, Parks, Parking, Transport Delivery & Leisure), Development (including Development Management and Building Control), and Community Regeneration (including Housing Delivery, Heritage Services, Regeneration and Economic Development).

Children's Services is made up of Children & Young People Strategy & Commissioning (including Education, Safeguarding & Commissioning) and Children & Young People Specialist Services (including Children In Care, Early Years, Assessment & Intervention and Youth Services).

Adult Services is made of Adult Care, Health & Housing Strategy & Commissioning (including Mental Health, Learning Difficulties, Adult Social Care & Adult Safeguarding), and Public Health (including Health Improvement, Health Intelligence and support to NHS Commissioning).

The Resources Directorate is made up of Business Support (including Finance, Information Technology, Audit & Procurement), Customer Services (including Council Connect, Libraries & Council Tax & Business Rates), Strategy & Performance (including Human Resources, Sustainability and Performance Management), Property & Project Delivery (including Property Services, Traded Services and Commercial Management) and Legal & Democratic Services.

The outturn overspend position (including the agreed carry forward of underspends of £0.188m) has been funded through drawdowns from earmarked reserves, with £1.155m drawn from the Revenue Budget Contingency, mainly related to the release of Transitional grant contingency, and a further drawdown of £1.065m from the Adult Social Care Reserve.

The bottom line outturn position in relation to schools is a reduction in balances of £0.991m resulting in the balances held by schools reducing from £3.037m to £2.046m. The main reason for this reduction in balances is a result of schools converting to academies and therefore their balances transfer to the academy. The centrally held elements of the Dedicated Schools Grant (DSG) have overspent by £3.025m. The DSG overspend results in a balance to be carried forward through earmarked reserves of £2.014m down from £5.039m in 2016/17. The main reasons for the decrease in the DSG balance is a planned reduction in the DSG carry forward. The Schools Forum allocated £2.337m in one off resources to schools and central budgets as part of setting the DSG budget for 2016/17. Further Overspends have occurred as a result of increased Special Educational Needs expenditure.



## NARRATIVE REPORT

### Collection Fund

As part of the 2017/18 budget setting, an estimate was made on the position of the Collection Fund as at 31st March 2017. The estimate is split into two elements, one relating to Council Tax and the other relating to Business Rates. The estimated and actual position for each is shown in the following table. The figures relate to the Council's share of the surplus / deficit, excluding any preceptor and central government shares. The increase in the deficit on the Business Rates Collection Fund is mainly due to the increasing cost of settling appeals. The difference will be taken into consideration when estimating the closing 2017/18 Collection Fund as part of the 2018/19 budget process.

	Estimated surplus / (deficit) £'000	Actual surplus / (deficit) £'000	Difference £'000
Council Tax	755	709	(46)
Business Rates	(2,134)	(2,939)	(805)
<b>Total</b>	<b>(1,379)</b>	<b>(2,230)</b>	<b>(851)</b>

### Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement includes a number of items that are not required to be included in the General Fund and to be taken into account in setting the council tax. The Comprehensive Income and Expenditure Statement included within this Statement of Accounts shows the net cost of services for the year of £163.1m. This reconciles to the General Fund spending reported above as follows:

	£m	£m
Total net spending by departments		125,304
Add:		
Charges related to capital assets:		
- depreciation and impairments	18,661	
- revenue expenditure funded from capital under statute	8,469	
- loss on revaluations	14,553	
		41,683
Offset by:		
Grant funded revenue expenditure funded from capital under statute	4,458	
Unapportioned pensions contributions	1,634	
Levy payments	235	
Interest received and paid	(4,661)	
Other movements on funds and balances	(11,205)	
Net transfers to reserves	13,426	
		3,887
Cost of services - continuing operations		<b>163,100</b>

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

## NARRATIVE REPORT

### Capital Expenditure

Capital expenditure in 2016/17 totalled £53.9m. Overall capital spending was 69% of the revised capital budget, primarily reflecting the delivery time to complete projects moving into future financial periods. Details are:

Departments	Planned Spend	Actual Spend	Variation on planned spend
	£'000	£'000	£'000
Place	44,322	31,437	(12,885)
People & Communities	13,127	9,136	(3,991)
Resources & Support Services	19,142	13,336	(5,806)
Corporate Capital Contingency	2,000	-	(2,000)
	<u>78,591</u>	<u>53,910</u>	<u>(24,682)</u>

Capital expenditure was financed as:

	£'000
Capital receipts	11,171
Capital grants and contributions	20,778
Revenue	470
Borrowing	21,490
	<u>53,910</u>

Capital spend of £10.m was incurred on the highways infrastructure along with £6.4m on improvement and repairs to Schools. Economic development scheme spend including Bath Quays Development, being on general delivery of £3.6m and Flood Mitigation £3.4m. Significant other spend was incurred on Leisure schemes, Bath Transport Package and Disabled Facilities Grants.

### Property, Plant & Equipment

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

Transfers of £3.05m from Assets Under Construction reflecting projects becoming operational in the year:-

	£'000
Bishop Sutton Primary School	1,130
Castle Primary School	12
Oldfield Park Junior School	25
Paulton Infant School	15
Roundhill Primary School	274
St Saviour's	939
Liquid Logic Adult Social Care Database	653
Other projects	1
	<u>3,049</u>

Transfers of £0.4m of former investment properties to Other Land and Buildings to reflect that their purpose is not solely for the purpose of income generation or capital gain, being typically held in support of development and other objectives.

	£'000
Wellington Gardens 9 & 10	400
Beacon Hall Play Area PSJ	4
	<u>404</u>

Net Revaluation Gain of £4.3m for Other Land and Buildings for the following classes of assets:-

	£'000
Schools' Valuations	(5,226)
Resource Centres	4,688
Leisure	296
Car Parks	1,395
Retail/Offices	1,487
Other	37
Gain from Heritage Services (Inc. Pump Room and Roman Baths)	1,592
	<u>4,269</u>

### Other property assets Values

Investment Properties were subject to new valuations in 2016/17 and reflected a valuation basis of "highest and best use"

The valuer reported an £5.5 million increase in Investment Property values since the last full valuation was undertaken (1st April 2015), but the overall balance sheet value reduced by £8.3 million as previous indexed estimates were refined.

# NARRATIVE REPORT

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## Non Financial Performance of the Council - 2016/17

The Corporate Strategy 2016-2020 highlights the following four priorities through which we are delivering our Cabinet's manifesto commitments. Below provides some high level points on Council performance in 2016-17.

### A Strong Economy & Growth

- The West of England Combined Authority has come into existence, leveraging significant national infrastructure spending and enabling the West of England to make more decisions locally on issues including regional transport, housing, adult education and skills.
- Visitor numbers remain at a historically high level and are comparatively high. The Roman Baths had 1.12m visitors in 2017/17, compared with 1.04m visitors in 2015/16.
- Delivery of the Bath Quays site is looking positive, with key decisions expected over the next 12 months.
- ADL, the Council's property company has received consent for its first 96 developments.
- Housing completion figures are on target. In 2016/17 850 homes were provided and this is on target.

### A Focus on Prevention

- Health and Social Care integration continues and the Your Care, Your Way contract began on 1 April 2017 with Virgin Care taking a new 'prime provider' role in the local area.
- Looked After Children and Child Protection rates remain higher than previous years, but this is in line with national trends. Rates are currently lower than or in line with similar authorities. In Q4 2016/17 there were 152 children on Child Protection Plans an increase on the past 3 years.
- Education outcomes are, on the whole, good. The new Progress 8 measures of education achievement have been challenging for a number of schools.
  - Attainment and progress for Disadvantaged pupils, those with special education needs and disability (SEND) and lower ability pupils continues to be a challenge and remains an area of focus. Progress disadvantaged pupils made between the end of key stage 2 and the end of key stage 4 was -0.63, compared to -0.02 for all B&NES pupils, which is the target.
- Good progress has been made on implementing new leisure centre contracts with a focus on increasing physical activity in key target groups delivering Fit for Life outcomes.
- Demographic changes following historically high levels of housing completion are being observed. Taking expected housing growth into account, the overall population is expected to increase to nearly 200,00 by 2024, an increase of 11% from 2014.

### A New Relationship with Customers and Communities

- All Council Departments have received accreditation for the Customer Service Excellence standard.
- A new parish charter provides a positive opportunity to engage with parish councils
- A brand new Community Empowerment Fund has been agreed by Council, to help support local projects.

### An Efficient Business

- A root and branch review of council spending has been undertaken developing plans to save £37m by 2022.
- Movement of Bath Tourism Plus to a council owned company is agreed.
- Plans are in place to implement new waste collection arrangements in November 2017.
- Growth in demand for support to children with special education needs and disability (SEND) remains challenging. There were 1,062 SEND Statement/EHC plans in January 2017 compared to 692 in January 2013.

# NARRATIVE REPORT

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## Corporate Risk Management

The Council's Risk Management Strategy is reviewed on an ongoing basis and sets out the framework to manage risk in terms of –

- Objectives
- Processes
- Systems
- Reporting

Senior Management maintain a Corporate Risk Register which assesses key risks at a strategic level, however risks are being actively managed on a daily basis to respond to the challenges of delivering services in a complex environment.

Key risks have been kept under review during the year and will continue to form an ongoing focus for successful delivery of the Council's plans. Work to manage risk in 2016/17 has focussed on –

- How we plan for and meet the Financial Challenge facing the public sector
- Delivering on savings projects by reshaping the Council through its Strategic Review
- Supporting and stimulating Economic Growth and Regeneration such as the Bath Quay's projects
- Safeguarding Children and Vulnerable Adults in our community
- Delivering joined up commissioning of social care through the new Your care Your Way contract
- Working across the West of England to create a new combined Authority to stimulate housing needs, skills and employment and support major transport projects
- Managing and Investing in the key infrastructure and assets of the area and tackling major transport issues

As we move into 2017/18 the Council will be heavily focussed on delivering its savings plans and managing the financial challenge but it will also have to consider in more depth emerging risks and opportunities around the West of England Combined Authority and its first year of operation along with the Council's ambitious digital and capital programmes and the first year of its major contract with Virgin Care on community health and care services. All of these feature regularly at Cabinet and Senior Management team level and the Council is well placed to meet the challenges ahead.

## Pension Fund

As required by the Local Government Pension Scheme Regulations 2013, an actuarial valuation of the Avon Pension Fund was carried out as at 31 March 2016. The market value of the Fund's assets at the valuation date was £3,737 million. The Actuary estimated that the value of the Fund was sufficient to meet 86% of its expected future liabilities of £4,355 million in respect of service completed to 31 March 2016. This triennial valuation set the employer contribution rates from 1 April 2017. The next triennial valuation will be as at 31st March 2019.

Since the triennial valuation, the Actuary has estimated that the funding level as at 31 March 2017 has risen to 95% from 86% at 31 March 2016 based on the 2016 valuation financial assumptions. The improvement is due to strong investment returns offsetting a more modest rise in the value of the liabilities.

## Pension Liabilities

The Council itself has a liability of £297.8m for future pensions costs. This is because under IAS19 the Council must account for pensions for former members of staff when the commitment is made not when the pension is paid.

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

The increase in 2016/17 is mainly due to changes in the actuary's assumptions in valuing the liabilities, as detailed in Note 41.

The Actuary has estimated that the funding level as at 31 March 2017 has risen to 95% from 86% at 31 March 2016 based on the preliminary financial assumptions proposed for the 2016 valuation. The improvement is due to strong investment returns offsetting a more modest rise in the value of the liabilities.

In 2014/15, the Council made an up-front payment of the LGPS deficit contributions for the three years 2014/15 - 2016/17 totalling £14.042m. The up-front payment took advantage of the independent actuary's calculation of the return these contributions could achieve once invested by the Pension Fund. The discount calculated by the actuary for making the up-front payment rather than the normal approach of monthly payments in arrears over the three year period was £1.091m, reducing total payments from £15.133m to £14.042m. The return was judged to be far greater than could have been achieved by investing the amounts as part of the Council's treasury management strategy and the approach represented good value for money for the Council.

# NARRATIVE REPORT

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## Minimum Revenue Provision

During 2016/17 the Council reviewed its policy for calculating the minimum revenue provision (MRP), which is the amount charged to the revenue budget for the repayment of debt where the Authority finances capital expenditure by debt. The review compared the policy against the options suggested in the department of Communities & Local Government guidance. As a result of the review some changes to the MRP policy were approved by Council in February 2017 with the changes coming into effect in 2016/17.

For supported borrowing the Council will make an MRP charge using an Annuity Rate of 2% over a 50 year period. The previous MRP charge for this borrowing was based on a 4% charge on a reducing balance basis meaning the borrowing is never entirely paid off. This has the effect of a lower MRP charge for the medium term (until around 2037/38) while beyond this it will be higher. However, it has the advantage over the previous 4% reducing balance method as the debt will be fully repaid over a 50 year period which is more prudent than the previous method which would leave £5.8 million of debt unfinanced at the end of the 50 year period.

MRP on unsupported borrowing was being charged over the life of the asset financed by the borrowing on a straight line basis. The revised policy is that the MRP charge will still be charged over the life of the asset but will be calculated on an annuity basis. The annuity method provides a fairer charge than the straight line basis as it takes account of the time value of money, whereby paying £100 in 10 years' time is less of a burden to the taxpayer than paying £100 now.

For expenditure financed by unsupported borrowing incurred before April 2016, an element of MRP has already been charged on the straight line method. By applying the straight line method rather than the annuity method an "overprovision" of £3.3m is able to be released over a 5 year period. This is viewed as a prudent approach in providing a benefit to the revenue budget over the medium term financial planning period taking into consideration the alternative service reductions that would have to be made if the benefits were released over a longer period.

The 2016/17 in year savings of £3million arising from the change in the MRP Policy have been transferred to unearmarked reserves to maintain these in line with the risk assessed level required set out in the 2017/18 Budget Report.

Further information on MRP is included in notes to the main financial statements.

## West of England Combined Authority

Following the making of The West of England Combined Authority Order 2017 ("WoECA Order"), The West of England Combined Authority ("WoECA") came in to force on 9th February 2017.

The WoECA met on the 15th March 2017 to consider and set the Mayoral and WECA Budget 2017/18.

The Council's budget for 2017/18 included reasonable financial provisions related to the financial arrangements for the WECA in anticipation of this, in particular:-

- Capital Grant payments from the WECA to the Council in respect of Highways Maintenance and Transport Improvement funding (previously funded directly by the Department for Transport).
- Contributions to the WECA from the Council (from existing budgets) to meet the costs associated with transferring transport functions including concessionary fares and community transport.
- Appropriate commissioning payments from the WECA to the Council for delivery of transport activities to ensure continuity of service provision.
- Within the Business Rates Collection Fund to provide for an appropriate share of Business Rates to be allocated to the WECA in accordance with the 100% Business Rate Retention pilot to meet the costs of Highways Maintenance and Transport Improvement Grants

The net impact of the above transactions is anticipated to be neutral for the Council as these merely reflect the appropriate movement of funds in line with the devolution deal.

## West of England Revolving Investment Fund

The Council, as accountable body to the West of England Partnership, is acting as agent for these regional central government grants. In 2016/17 £6.875m was distributed to specific projects as various criteria are satisfied, with the receiving body then treating these appropriately in their own accounts. The balance of funds not distributed is treated as a creditor in B&NES accounts as these sums will either be transferred to future recipients or will be returned back to government if not used.

Following the creation of the West of England Combined Authority (WoECA) by parliamentary order on 1st February 2017, as part of the devolution deal with government, the new authority will take over the accountable body role for these funds going forward and the balance of funds will be transferred from the Council to the WoECA during 2017/18.

## No Change in Accounting Policy for Highways Network Asset in 2016/17

The proposed change in the Code of Practice on Local Authority Accounting for 2016/17 requiring measurement of Highways Networks at Depreciated Replacement Cost (DRC) was suspended by CIPFA and these assets remain reported at historical cost.

## Group Accounts

There is now a requirement to consider a consolidation of group accounts under the Local Authority Statement of Recommended Practice (SORP) 2010. The Council has group relationships with Bath Tourism Plus Ltd. and Aequus Developments Ltd (ADL). The turnover and assets held by these company is not considered significant enough to produce Group Accounts, with further details in Note 45

## NARRATIVE REPORT

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

[www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk)

Once again the accounts have been produced promptly and to a high standard. This is the first year that the accounts have been prepared against the faster closing timetable, reducing the time available to produce the accounts by a third (from three months to two months) and reflects the exceptional commitment and hard work undertaken by 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.

### Andrew Pate

Strategic Director - Resources (Section 151 Officer)

**Date:** 12th September 2017

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2016/17

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure Funding Analysis note to the accounts.

Notes	2015/16 Gross Exp	2015/16 Gross Inc	2015/16 Net Exp		2016/17 Gross Exp	2016/17 Gross Inc	2016/17 Net Exp
49	Restated £'000	Restated £'000	Restated £'000	Expenditure on Services	£'000	£'000	£'000
	37,326	(15,643)	21,683	Transport	28,483	(14,605)	13,878
	6,814	(710)	6,104	Leader	6,778	(985)	5,793
	9,211	(3,821)	5,390	Homes & Planning	9,048	(5,415)	3,633
	85,041	(66,095)	18,946	Finance & Efficiency	79,396	(62,024)	17,372
	114,724	(52,918)	61,806	Adult Social Services & Health	115,973	(53,726)	62,247
	134,120	(95,174)	38,946	Children's Services	123,722	(87,293)	36,429
	12,623	(14,235)	(1,612)	Economic Development	12,372	(16,363)	(3,991)
	32,113	(6,228)	25,885	Community Services	33,930	(6,191)	27,739
	431,972	(254,824)	177,148	<b>Cost of Services - continuing Operations</b>	409,702	(246,602)	163,100
9			167	Other Operating Expenditure			22,104
10		(24,186)		Financing and Investment Income & Expenditure			4,636
11		(135,981)		Taxation and Non-Specific Grant Income			(132,398)
			17,148	<b>(Surplus) or Deficit on Provision of Services</b>			57,442
12, 13 & 14		(54,409)		(Surplus) or Deficit on Upward Revaluation of Non-current Assets			(43,308)
12, 13 & 14			30,380	(Surplus) or Deficit on Downward Revaluation of Non-current Assets			27,158
41		(16,026)		Remeasurement of the net defined benefit liability			70,229
		(40,055)		<b>Other Comprehensive Income &amp; Expenditure</b>			54,079
		(22,907)		<b>Total Comprehensive Income &amp; Expenditure</b>			111,521

## MOVEMENT IN RESERVES STATEMENT 2016/17

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

<b>Current Year</b>	Unearmarked General Fund Balance £'000	Earmarked General Fund Balance £'000	<b>Total General Fund Balance £'000</b>	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves (Note 23) £'000</b>	Unusable Reserves (Note 24) £'000	<b>Total Authority Reserves £'000</b>
<b>Balance at 31 March 2016</b>	9,047	49,726	<b>58,774</b>	451	9,689	<b>68,915</b>	209,064	<b>277,979</b>
Movements During 2016/17:								
Total Comprehensive Income & Expenditure	(57,442)		(57,442)	-	-	(57,442)	(54,079)	(111,521)
Adjustments between accounting basis and funding basis under statutory provisions	47,623		47,623	1,757	(6,952)	42,428	(42,428)	-
<b>Increase / (Decrease) during year</b>	(9,819)	-	(9,819)	1,757	(6,952)	(15,014)	(96,507)	(111,521)
Transfers to / (from) earmarked reserves	13,426	(13,426)	-					
<b>Balance at 31 March 2017</b>	<b>12,657</b>	<b>36,300</b>	<b>48,957</b>	<b>2,208</b>	<b>2,737</b>	<b>53,902</b>	<b>112,556</b>	<b>166,459</b>
<b>Comparative Year</b>	Unearmarked General Fund Balance £'000	Earmarked General Fund Balance £'000	<b>Total General Fund Balance £'000</b>	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves (Note 23) £'000</b>	Unusable Reserves (Note 24) £'000	<b>Total Authority Reserves £'000</b>
<b>Balance at 31 March 2015</b>	8,900	53,635	<b>62,535</b>	250	8,472	<b>71,260</b>	183,813	<b>255,072</b>
Movements During 2015/16:								
Total Comprehensive Income & Expenditure	(17,148)		(17,148)	-	-	(17,148)	40,055	22,907
Adjustments between accounting basis and funding basis under statutory provisions	13,386		13,386	201	1,217	14,804	(14,804)	-
<b>Increase / (Decrease) during year</b>	(3,762)		(3,762)	201	1,217	(2,345)	25,251	22,907
Transfers to / (from) earmarked reserves	3,909	(3,909)	-					
<b>Balance at 31 March 2016</b>	<b>9,047</b>	<b>49,726</b>	<b>58,773</b>	<b>451</b>	<b>9,689</b>	<b>68,915</b>	<b>209,064</b>	<b>277,979</b>



## BALANCE SHEET as at 31 MARCH 2017

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 2016 £'000		31 March 2017 £'000
12	217,913	Property, Plant & Equipment:	
	564	Land & Buildings	206,928
	80,916	Community Assets	677
	13,002	Infrastructure	79,742
	20,158	Vehicles, Plant & Equipment	12,481
	2,556	Assets under Construction	25,922
13	24,821	Surplus assets	2,560
14	274,132	Heritage Assets	31,301
15	1,643	Investment Property	268,616
19	7,289	Intangible Assets	1,082
	642,994	Long Term Debtors	3,351
		<b>Long Term Assets</b>	<b>632,660</b>
16	29,549	Short Term Investments	44,031
18	509	Inventories	510
19	36,741	Short Term Debtors	38,495
20	38,103	Cash and Cash Equivalents	23,097
	104,902	<b>Current Assets</b>	<b>106,133</b>
16	(28,067)	Short Term Borrowing	(4,001)
21	(95,265)	Short Term Creditors	(100,146)
35	(2,604)	Grants Receipts In Advance - Revenue	(1,573)
35	(2,107)	Grants Receipts In Advance - Capital	(10,961)
	(128,043)	<b>Current Liabilities</b>	<b>(116,681)</b>
22	(4,332)	Provisions	(3,374)
16	(91,833)	Long Term Borrowing	(121,684)
41&42	(236,314)	Other Long Term Liabilities	(310,688)
35	(9,396)	Grants Receipts In Advance - Capital	(19,907)
	(341,875)	<b>Long Term Liabilities</b>	<b>(455,653)</b>
	<b>277,978</b>	<b>Net Assets</b>	<b>166,459</b>
23	68,912	Usable reserves	53,902
24	209,064	Unusable Reserves	112,556
	<b>277,977</b>	<b>Total Reserves</b>	<b>166,459</b>

The accounts were authorised for issue on 12th September 2017.

**Andrew Pate**      **Strategic Director - Resources (s.151 officer)**

**Date:** 12th September 2017

## 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.

	2015/16	See Note 25 for further details	2016/17
	£'000		£'000
	(17,148)	Net surplus or (deficit) on the provision of services	(57,442)
		Adjustment to surplus or deficit on the provision of services	
A	40,767	for non cash movements	82,000
		Adjust for items included in the net surplus or deficit on the provision	
A	(25,901)	of services that are investing and financing activities	(17,724)
	<u>(2,282)</u>	Operating Activities	<u>6,834</u>
C	7,561	Investing Activities	(26,043)
D	12,735	Financing Activities	4,203
	<u>18,014</u>	Net Increase/(decrease) in cash equivalents	<u>(15,006)</u>
E	20,089	Cash & cash equivalents at the beginning of the reporting period	38,103
E	38,103	Cash & cash equivalents at the end of the reporting period	23,097

# NOTES TO MAIN FINANCIAL STATEMENTS

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## 1 ACCOUNTING POLICIES

### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts & Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting policies. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), supported by International Financial Reporting Standards (IFRS).

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

### 1.2 Qualitative Characteristics of Financial Statements

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

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

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

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

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

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

### 1.3 Underlying Assumptions

#### Accruals Basis

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

#### Going Concern

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

#### Primacy of Legislation Requirements

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

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

### 1.4 Accruals of Income and Expenditure

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

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 1.5 Revenue Recognition

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

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

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

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

Non Domestic Rates (NDR)

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

Council Tax

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

Both Non Domestic Rates (NDR) and Council Tax will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation and Non-Specific Grant Income. As a billing Authority, the difference between the NDR and Council Tax included in the Comprehensive Income & Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken into the Collection Fund Adjustment Account and reported in the Movement In Reserves Statement. Each major preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

The income for Non Domestic Rates and Council Tax is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority, and the amount of the revenue can be measured reliably.

### 1.7 Provisions

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

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

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

### 1.8 Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and 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

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### 1.9 Government Grants and Contributions

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

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

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

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

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

### 1.10 Employee Benefits

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

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

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

### Post-Employment Benefits

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

- \* The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- \* The Local Government Pension Scheme (Avon Pension Fund). The Fund itself is administered entirely by Bath & North East Somerset Council under arrangements made following the abolition of the former Avon County Council on 31 March 1996. Bath & North East Somerset Council is one of over 200 contributing employers into the Avon Pension Fund.

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

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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### The Local Government Pension Scheme

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

- \* The liabilities of the Avon Pension Fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and 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
    - unlisted securities - average of the bid and offer rates
    - property - market value.
- The change in the net pensions liability is analysed into the following components:

#### Service Costs:

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

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

#### Remeasurements of the net defined benefit liability (asset) comprising:

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

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

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

**Benefits Paid** - payments to discharge liabilities directly to Pensioners.

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

In 2014/15, the Council made an up-front payment of the LGPS deficit contributions for the three years 2014/15 - 2016/17 totalling £14.042m. The up-front payment took advantage of the independent actuary's calculation of the return these contributions could achieve once invested by the Pension Fund. The discount calculated by the actuary for making the up-front payment rather than the normal approach of monthly payments in arrears over the three year period was £1.091m, reducing total payments from £15.133m to £14.042m. The return was judged to be far greater than could have been achieved by investing the amounts as part of the Council's treasury management strategy and the approach represented good value for money for the Council.

### Discretionary Benefits

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 1.11 VAT

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

### 1.12 Overheads and Support Services

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

### 1.13 Property, Plant & Equipment

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

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

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

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

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

Where non-property assets that have short useful lives or low values, depreciated historical cost basis is used as a proxy for current 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 Department on a recurring, minimum 5 year basis and reviewed annually for impairment and material changes. The valuations were done on the basis of Existing Use Value, Market Value or, in the case of specialised properties on the basis of, Depreciated Replacement Cost in accordance with the RICS Valuation Standards. Valuations are reviewed and signed off by Richard Long FRICS (Registered Valuer), Head of Property Services. The carrying value of asset in the balance sheet ahead of new valuations can be different due to both Depreciation, an assumed diminution in value, as well as new capital spend.

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

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

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

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

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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**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.

### Charges to Revenue for Property, Plant & Equipment

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

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

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

### 1.14 Intangible Assets

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



## NOTES TO MAIN FINANCIAL STATEMENTS

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### 1.15 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable partners at arms-length. Properties are not depreciated but values are reviewed on a recurring annual basis according to market conditions at year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental received in relation to Investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

### 1.16 Heritage Assets

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

### 1.17 Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows and, in future years, we will track movements between these levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - unobservable inputs for the asset or liability.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 1.18 Revenue expenditure funded from capital by statute (REFCUS)

Previously called 'Deferred charges' this is expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue expenditure funded from capital incurred during the year has been written off as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the costs from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged on General Fund Balances in the Movement in Reserves Statement so there is no impact on the level of council tax.

### 1.19 Cash & Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### 1.20 Leases

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

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

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

#### The Authority as Lessee

##### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the leases inception. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset.

Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the period in which they are incurred.

Lease payments are apportioned between:

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

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

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

##### Operating Leases

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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### The Authority as Lessor

#### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

#### Operating Leases

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

### 1.21 Financial Instruments

#### Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement 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 Statement 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 Statement 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 Statement 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 Statement 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 Statement 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 Statement.

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

#### Available-for-sale Financial Assets

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

# NOTES TO MAIN FINANCIAL STATEMENTS

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## 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.

## 1.22 Inventories and Work in Progress

Inventories and work in progress are included in the Balance Sheet at the lower of cost and net realisable value.

## 1.23 Controlled Companies

The Authority has two controlled companies - Bath Tourism Plus Ltd and Aequus Development Limited

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

## 1.24 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but wither is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent Liabilities are not recognised in the accounting statements but disclosed by way of a note giving a brief explanation of any possible obligations and an estimate of the likely financial effect if known.

## 1.25 Accounting for Schools

In determining these accounting policies we have considered the treatment of land and building separately and referred to the requirements and considerations within the following publications and standards:

- The Code of Practice on Local Authority Accounting in the United Kingdom;
- IAS 16 Property, plant and equipment as adopted by the Code;
- IFRIC4 / IAS 17 Leases.

The Code of Practice on Local Authority Accounting concluded that schools are separate entities and that under IFRS 10, maintained schools (but not free schools or academies) meet the definition of entities controlled by local authorities which should be consolidated in group accounts. However, rather than requiring local authorities to prepare group accounts, the Code requires local authorities to account for maintained schools within their single entity accounts. This includes schools income and expenditure as well as assets and liabilities.

Academies and Free Schools are managed completely independently of the Council with funding provided directly by central government, with the exception of some top up funding typically for Special Needs. The Council has granted long leases as part of the Academies transfer which includes a peppercorn rent, with the net present value of future minimum lease payments deemed to be nil in the finance lease calculation. No revenue or capital amounts are therefore recognised in the Council's accounts for these schools.

No adjustment is made in the Council's accounts for a maintained school in the process of conversion to Academy, as it is still possible for them to withdraw from the conversion process, and only treated outside of the Council's accounts from the date of the transfer.

In respect of Maintained Schools, the Council oversees many different types of school including Community, Voluntary Aided and Voluntary Controlled schools, as well as a Foundation School, and has included all income and expenditure and liabilities for these schools in the accounts.

The recognition of Community Schools Non-current Assets within the Property Plant and Equipment Land and Building Valuations is in accordance with usual Service provision and is generally straightforward, with the Council being the freeholder of land and buildings. However, for other maintained schools (Voluntary Aided, Voluntary Controlled Schools and Foundation Schools) the accounting is a little more complex, in particular where ownership with the Trustee is not formalised. A further consideration is that the ownership of these school sites can be split into areas of Playing Fields and Buildings, and individual buildings.

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

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

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

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

### 1.26 Group Accounts

Group Accounts are covered by IFRS Standard 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities, IAS27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures. An assessment of the criteria for the completion of Group Accounts has been undertaken and the conclusion reached that there was no requirement to produce such accounts.

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

### 1.27 Joint Working Arrangements

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

### 1.28 Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date that the Statement of Accounts is authorised for issue. Two types of events can be identified:

1) those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events

2) those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### 1.29 City Region Deal

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

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

#### Income

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

#### Expenditure

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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

The Code of Practice on Local Council Accounting in the United Kingdom 2017/18 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2017. If these had been adopted for the financial year 2018/17 there would be no material changes. These changes are:

- Amendment to the reporting of Pension Fund Scheme transaction costs, and
- Amendment to the reporting of investment concentration.

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

### 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, 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

Government spending announcements have identified a significant reduction in Central Government funding for local authorities over the medium term financial planning 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.

#### West Of England Revolving Investment Fund

Bath and North East Somerset Council is the accountable body for the West of England in 2016/17. The reporting approach is that total expenditure is not shown in the Financial Statements; rather the following accounting treatment is adopted:-

- 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.
- 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.

#### Property Valuations

Our Valuers confirmed the value for Other Land and Buildings to be £206.9m as at the 31st March 2017, and confirmed no specific properties with no material impairments as at the 31st March 2017. The Authority is satisfied that its balance sheet figure of £213.1m is not materially different from this amount, the difference being to costs incurred since the last valuations. The valuers also confirmed the value of Investment Properties as £268.6m as at 31st March 2017.

#### Fair Value of PWLB Loans

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

#### City Region Deal

The Authority has determined that transactions occurring in respect of the City Regions Deal arrangement arise from non-exchange transactions (the collection of Non-Domestic Rates by the Authority) and so IPSAS 23 may be applied in accounting for them. The Authority's accounting policy and note to the Statement of Accounts are described in Notes 1 & 50 respectively.

## NOTES TO MAIN FINANCIAL STATEMENTS

### 4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Authority's Balance Sheet at 31 March 2017 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.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in Note 41.

The liability as at 31st March 2017 is £297.828m.

#### Property, Plant and Equipment Values

The Council has a large number of properties which are valued in accordance with the RICS valuation standards.

Individual valuations are undertaken to reflect material changes in circumstances affecting individual properties and properties are valued on a minimum five year basis to comply with the Code of Practice on Local Authority Accounting.

As a consequence the balance of properties valued differs from year to year.

The Authority is required to review whether there is any indication of material impairment to property values at the balance sheet date, including changes in the value of the asset due to market changes.

To satisfy this requirement the Council's Property Services has undertaken a desktop re-valuation of the asset portfolio using national indices (IPD, BCIS and a residential land index) and also considered other local factors. They have confirmed that there has been no material impairment to property values and consequently no adjustments have been required.

#### NNDR Appeals

Since the introduction of the Business Rates Retention Scheme effective from 1st April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2016/17 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31st March 2017. The estimate has been calculated using the latest Valuation Office Agency (VOA) list of appeals and analysis of successful appeals to date. The Council's share of the balance of business rate appeals provisions held at 31st March 2017 amounted to £2.9m, this has decreased by £817K from the previous year. If appeals were to increase by 10% then this could require an increase in the Council's share of its appeals provision by £291k.

### 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 Strategic Director- Resources (Section 151 Officer) on 12th September 2017. Events taking place after this date are not reflected in the draft financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this situation.

#### Academy Schools

These accounts reflect the transfer of assets and liabilities in respect of those schools which became Academies during the 2016/17 financial year. The following schools are expected to convert to academy during the financial year 2017/18, although the timeframe for conversion is not fixed:

Chandag Juniors	Abbot Alphege Academy
Chandag Infants	Somerdale Educate Together Primary
Midsomer Norton Primary	Chew Valley Secondary
Farrington Gurney Primary	St Stephens Primary
Farmborough Primary	Batheaston Primary
Marksbury Primary	Bathford Primary
St Saviour Infant	Bathampton Primary
St Saviour Junior	Bathwick St Marys Primary

#### Bath Tourism Plus

In April 2017, the Council gain sole ownership of the Company is made to ensure the ongoing viability and the successful delivery of Destination Management services.

# NOTES TO MAIN FINANCIAL STATEMENTS

## 7 EXPENDITURE AND FUNDING ANALYSIS

The Expenditure & Funding Analysis shows how the annual expenditure is used and funded from resources (Government grants, rents, Council Tax and Business Rates) by Local Authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates / Services / Departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income & Expenditure Statement.

	As reported for Resource Management	Adjustment to arrive at the new amount chargeable to the General Fund Balance (Note 7a)	Net Expenditure charged to the General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
2016/17	£'000	£'000	£'000	£'000	£'000
Transport	4,788	159	4,947	8,931	13,878
Children's Services	29,301	-	29,301	7,128	36,429
Adult Social Care & Health	61,222	-	61,222	1,025	62,247
Leader	5,834	-	5,834	(41)	5,793
Community Services	22,091	133	22,224	5,515	27,739
Economic Development	(4,206)	320	(3,886)	(105)	(3,991)
Finance & Efficiency	2,939	9,148	12,087	5,285	17,372
Homes & Planning	3,335	-	3,335	298	3,633
<b>Net Cost Of Services</b>	<b>125,304</b>	<b>9,760</b>	<b>135,064</b>	<b>28,036</b>	<b>163,100</b>
Other Income & Expenditure	(114,095)	(11,153)	(125,248)	19,590	(105,658)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>11,209</b>	<b>(1,393)</b>	<b>9,816</b>	<b>47,626</b>	<b>57,442</b>
Opening General Fund Balance at 31 March 2016			58,773		
<b>Closing General Fund Balance at 31 March 2017</b>			<b>48,957</b>		

	As reported for Resource Management	Adjustment to arrive at the new amount chargeable to the General Fund Balance (Note 7a)	Net Expenditure charged to the General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
2015/16	£'000	£'000	£'000	£'000	£'000
Transport	5,719	(1,446)	4,273	17,410	21,683
Children's Services	25,246	(749)	24,497	14,449	38,946
Adult Social Care & Health	59,328	(10)	59,318	2,488	61,806
Leader	6,063	-	6,063	41	6,104
Community Services	21,696	(1,205)	20,491	5,394	25,885
Economic Development	(3,277)	(570)	(3,847)	2,235	(1,612)
Finance & Efficiency	7,317	5,215	12,532	6,414	18,946
Homes & Planning	3,609	(9)	3,600	1,790	5,390
<b>Net Cost Of Services</b>	<b>125,701</b>	<b>1,226</b>	<b>126,927</b>	<b>50,221</b>	<b>177,148</b>
Other Income & Expenditure	(120,005)	(10,684)	(130,689)	(29,311)	(160,000)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>5,696</b>	<b>(9,458)</b>	<b>(3,762)</b>	<b>20,910</b>	<b>17,148</b>
Opening General Fund Balance at 31 March 2015			62,535		
<b>Closing General Fund Balance at 31 March 2016</b>			<b>58,773</b>		



# NOTES TO MAIN FINANCIAL STATEMENTS

## 7a NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

	Rental Income reported at Portfolio Level (a)	Other Income reported at Portfolio Level (a)	Interest Payments reported at Portfolio Level (a)	Other Payments reported at Portfolio Level (a)	Adjustments to the net amount chargeable to the General Fund £'000
2016/17	£'000	£'000	£'000	£'000	£'000
Transport				159	159
Children's Services					-
Adult Social Care & Health Leader					-
Community Services				133	133
Economic Development				320	320
Finance & Efficiency	16,554	2,704	(9,490)	(620)	9,148
Homes & Planning					-
<b>Net Cost of Services</b>	16,554	2,704	(9,490)	(8)	9,760
Other Income & Expenditure	(16,554)	(2,704)	4,831	3,274	(11,153)
<b>Surplus or Deficit</b>	-	-	(4,659)	3,266	(1,393)

	Adjustment for capital purposes (b)	Net charges for Pension Fund adjustment (c)	Other Adjustments (d)	Total Adjustments Between Funding & Accounting Basis £'000
	£'000	£'000	£'000	£'000
Transport	8,952	(21)		8,931
Children's Services	7,349	(221)		7,128
Adult Social Care & Health Leader	1,072	(47)		1,025
Community Services	(41)			(41)
Community Services	5,577	(62)		5,515
Economic Development	(73)	(32)		(105)
Finance & Efficiency	5,856		(571)	5,285
Homes & Planning	329	(31)		298
<b>Net Cost of Services</b>	29,022	(415)	(571)	28,036
Other Income & Expenditure	11,580	7,475	535	19,590
<b>Surplus or Deficit</b>	40,602	7,060	(36)	47,626

## NOTES TO MAIN FINANCIAL STATEMENTS

	Rental Income reported at Portfolio Level (a)	Other Income reported at Portfolio Level (a)	Interest Payments reported at Portfolio Level (a)	Other Payments reported at Portfolio Level (a)	Adjustments to the net amount chargeable to the General Fund £'000
2015/16	£'000	£'000	£'000	£'000	£'000
Transport			(1,218)	(228)	(1,446)
Children's Services			(749)		(749)
Adult Social Care & Health Leader			(10)		(10)
Community Services			(1,205)		(1,205)
Economic Development			(570)		(570)
Finance & Efficiency	15,853	1,027	(7,787)	(3,878)	5,215
Homes & Planning			(9)		(9)
<b>Net Cost of Services</b>	15,853	1,027	(11,548)	(4,106)	1,226
Other Income & Expenditure	(15,853)	(1,027)	4,555	1,641	(10,684)
<b>Surplus or Deficit</b>	-	-	(6,993)	(2,465)	(9,458)

	Adjustment for capital purposes (b)	Net charges for Pension Fund adjustment (c)	Other Adjustments (d)	Total Adjustments Between Funding & Accounting Basis £'000
	£'000	£'000	£'000	£'000
Transport	17,373	37		17,410
Children's Services	14,053	396		14,449
Adult Social Care & Health	2,465	23		2,488
Leader	16	25		41
Community Services	5,324	70		5,394
Economic Development	2,202	33		2,235
Finance & Efficiency	5,922	120	372	6,414
Homes & Planning	1,760	30		1,790
<b>Net Cost of Services</b>	49,115	734	372	50,221
Other Income & Expenditure	(39,344)	7,033	3,000	(29,311)
<b>Surplus or Deficit</b>	9,771	7,767	3,372	20,910

(a) For Management Reporting, the Authority includes rental income from investment properties and interest income in the Finance & Efficiency Portfolio. Also, expenditure relating to borrowing, Investment Estate Management and Traded Operations are also reported within the Portfolios. However, these items are reported in the Financial Statements below the Cost of Service line, and are therefore reallocated within this note. Transfers to balances & revenue funding of capital which are shown as expenditure within the Portfolio reporting have also been removed, in order to show the net expenditure chargeable to the general fund balance.

(b) This column adds depreciation, impairments and revaluation gains and losses. It also adjusts for the capital disposals with a transfer of the income on the disposal and the amounts written off, and adjusts for the recognition of Capital Grant income.

(c) This column shows which lines have been affected by the removal of pension contributions and replacement with IAS19 debits and credits.

(d) These adjustments are the timing differences for debits relating to premiums, variations in the amount chargeable for NDR & Council Tax under statute and the Code, and accumulated absence adjustments.

## NOTES TO MAIN FINANCIAL STATEMENTS

### 8 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2016/17	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000's	£'000's	£'000's	£'000's
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Charges for depreciation of Non-Current Assets	18,204			(18,204)
Revaluation gains / Impairments on Property Plant & Equipment	14,553			(14,553)
Movements in the Market Value of Investment Properties	8,324			(8,324)
Amortisation of Intangible Assets	457			(457)
Capital Grants & contributions applied	(4,458)			4,458
Revenue expenditure funded from Capital under Statute	8,469			(8,469)
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	24,993			(24,993)
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Statutory provision for the financing of capital investment expenditure charged against the General Fund	(3,783)			3,783
Principal repayment of Avon Loan	(536)			536
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(9,369)		9,369	
Application of grants to capital financing transferred to the Capital Adjustment Account			(16,321)	16,321
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(9,314)	9,314		
Use of the Capital Receipts Reserve to finance new capital expenditure		(11,171)		11,171
Capital expenditure financed from revenue	(470)			470
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	-	-		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		3,614		(3,614)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-			-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	(170)			170
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	16,916			(16,916)
Employer's pensions contribution and direct payments to pensioners payable in the year	(16,970)			16,970
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	365			(365)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(238)			238
Other movements	651			(651)
<b>Total Adjustments</b>	<b>47,623</b>	<b>1,757</b>	<b>(6,952)</b>	<b>(42,428)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

2015/16

	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000's	£'000's	£'000's	£'000's
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Charges for depreciation and Impairment of Non-Current Assets	19,335			(19,335)
Revaluation gains on Property Plant & Equipment	30,599			(30,599)
Movements in the Market Value of Investment Properties	(21,309)			21,309
Amortisation of Intangible Assets	281			(281)
Capital Grants & Contributions Applied	(3,902)			3,902
Revenue expenditure funded from Capital under Statute	6,602			(6,602)
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	947			(947)
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Statutory provision for the financing of capital investment expenditure charged against the General Fund	(6,095)			6,095
Principal repayment of Avon Loan	(558)			558
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(16,957)		16,957	
Application of grants to capital financing transferred to the Capital Adjustment Account			(15,740)	15,740
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,086)	5,086		
Use of the Capital Receipts Reserve to finance new capital expenditure		(8,000)		8,000
Capital expenditure financed from revenue	(1,101)			1,101
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	-	-		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		3,115		(3,115)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-			-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	(170)			170
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	23,579			(23,579)
Employer's pensions contribution and direct payments to pensioners payable in the year	(15,718)			15,718
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	2,822			(2,822)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	372			(372)
Other movements	(255)			255
<b>Total Adjustments</b>	<b>13,386</b>	<b>201</b>	<b>1,217</b>	<b>(14,804)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 9 OTHER OPERATING EXPENDITURE

	2016/17 £'000	2015/16 £'000
(Gain)/Loss on disposal of non-current assets	19,560	(2,295)
Parish Precepts	2,309	2,230
Levy payments to joint bodies	235	232
Contribution to Housing Pooled Receipts	-	-
	<u>22,104</u>	<u>167</u>

### 10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2016/17 £'000	2015/16 £'000
Interest Payable & Premiums	5,001	4,725
Interest & Investment Income	(340)	(199)
Net Deficit/(Surplus) on Trading Services	31	516
Income & expenditure in relation to Investment properties and changes in fair value	(7,531)	(36,261)
Net Interest on the Net Defined Benefit Liability (Asset)	7,475	7,033
	<u>4,636</u>	<u>(24,186)</u>

### 11 TAXATION AND NON-SPECIFIC GRANT INCOME

	2016/17 £'000	2015/16 £'000
Council Tax Income	(80,897)	(78,448)
Non -Domestic Rates Income & Expenditure	(20,764)	(20,317)
Non ring fenced government grants	(14,433)	(21,476)
Capital grants and contributions	(16,304)	(15,740)
	<u>(132,398)</u>	<u>(135,981)</u>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 12 PROPERTY, PLANT & EQUIPMENT

Movement in 2016/17:

	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
<b>Cost or valuation as at 1 April 2016</b>	223,112	564	134,649	32,505	20,158	2,556	24,821	<b>438,365</b>
Adjustment to opening balance	-	-	-	-	-	-	-	-
Additions	9,008	190	8,748	2,552	15,201	13	0	<b>35,712</b>
Revaluations increases/decreases recognised in the Revaluation Reserve	5,325	(3)	10	1		67	6,480	<b>11,880</b>
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(9,261)	(63)	(1,117)	(397)	(6,388)			<b>(17,226)</b>
De-recognition - Disposals	(21,109)	-	-	(7,338)	-	(52)		<b>(28,499)</b>
Assets reclassified to/from Held for sale	-				-			-
Reclassifications - other	2,800		-	653	(3,049)	-	-	<b>404</b>
<b>Valuation as at 31 March 2017</b>	<b>209,875</b>	<b>688</b>	<b>142,290</b>	<b>27,976</b>	<b>25,922</b>	<b>2,584</b>	<b>31,301</b>	<b>440,636</b>
<b>Accumulated Depreciation and Impairment</b>								
Accumulated depreciation as at 1 April 2016	(5,199)	-	(53,733)	(19,503)	-	-	-	<b>(78,435)</b>
Adjustment to opening balance		-				-		-
Depreciation charge in year	(6,045)	(11)	(8,815)	(3,307)	-	(24)		<b>(18,202)</b>
Depreciation written out to the Revaluation Reserve	4,269					-		<b>4,269</b>
Depreciation written out to the Surplus/Deficit on Provision of Services	2,674					-		<b>2,674</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	-							-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services*	-					-		-
De-recognition - disposals	1,354			7,315				<b>8,669</b>
Other Movements in Depreciation & Impairment								-
<b>Accumulated depreciation at 31 March 2017</b>	<b>(2,947)</b>	<b>(11)</b>	<b>(62,548)</b>	<b>(15,495)</b>	<b>-</b>	<b>(24)</b>	<b>-</b>	<b>(81,025)</b>
<b>Balance sheet amount 31 March 2017</b>	<b>206,928</b>	<b>677</b>	<b>79,742</b>	<b>12,481</b>	<b>25,922</b>	<b>2,560</b>	<b>31,301</b>	<b>359,611</b>
<b>Revaluations (GBV)</b>								
Carried at Historic Cost	5,839	688	142,290	27,976	25,922	-		<b>202,715</b>
Heritage Valuations (Insurance or Curatorial)							31,301	<b>31,301</b>
Surplus Properties at Fair Value						2,584		<b>2,584</b>
Valued at Current value as at:								
31/03/2017	6,843							<b>6,843</b>
29/09/2016	108,822							<b>108,822</b>
01/04/2015	66,668							<b>66,668</b>
01/04/2014	18,299							<b>18,299</b>
01/04/2013	555							<b>555</b>
01/04/2012	2,849							<b>2,849</b>
<b>Total Cost or Valuation</b>	<b>209,875</b>	<b>688</b>	<b>142,290</b>	<b>27,976</b>	<b>25,922</b>	<b>2,584</b>	<b>31,301</b>	<b>440,636</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

Comparative Movements in 2015/16:

	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
<b>Cost or valuation as at 1 April 2015</b>	<b>234,602</b>	<b>2,230</b>	<b>116,777</b>	<b>30,161</b>	<b>19,470</b>	<b>3,030</b>	<b>16,719</b>	<b>422,989</b>
Adjustment to opening balance	-	-	-	-	-	-	-	-
Additions	5,461	647	12,974	2,460	9,269	1	0	30,812
Revaluations increases/decreases recognised in the Revaluation Reserve	7,350	(404)	3			882	8,102	15,933
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(30,913)	(1,946)	293	(223)	(2,587)	(1,135)		(36,511)
De-recognition - Disposals	(538)	-		(3)	-	-		(541)
Assets reclassified to/from Held for sale	-				-			-
Reclassifications - other	7,150	37	4,602	110	(5,994)	(222)	-	5,683
<b>Valuation as at 31 March 2016</b>	<b>223,112</b>	<b>564</b>	<b>134,649</b>	<b>32,505</b>	<b>20,158</b>	<b>2,556</b>	<b>24,821</b>	<b>438,365</b>
<b>Accumulated Depreciation and Impairment</b>								
Accumulated depreciation as at 1 April 2015	(12,537)	(835)	(43,622)	(16,253)	-	(119)	-	(73,366)
Adjustment to opening balance	(11)	-				-		(11)
Depreciation charge in year	(5,804)	(148)	(10,111)	(3,253)	-	(19)		(19,335)
Depreciation written out to the Revaluation Reserve	7,781	302				13		8,096
Depreciation written out to the Surplus/Deficit on Provision of Services	5,369	417				125		5,911
Impairment losses/(reversals) recognised in the Revaluation Reserve	-							-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services	-					-		-
De-recognition - disposals				3				3
Other Movements in Depreciation & Impairment	3	264						267
<b>Accumulated depreciation at 31 March 2016</b>	<b>(5,199)</b>	<b>-</b>	<b>(53,733)</b>	<b>(19,503)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(78,435)</b>
<b>Balance sheet amount 31 March 2016</b>	<b>217,913</b>	<b>564</b>	<b>80,916</b>	<b>13,002</b>	<b>20,158</b>	<b>2,556</b>	<b>24,821</b>	<b>359,930</b>

### 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

### Revaluations

The Council carries out a recurrent rolling programme that ensures all PPE required to be measured out at least every five years, along with other revaluations as required. New valuations undertaken in 2016/17 were carried out to the value of £124.320m. Along with existing valid valuations, acquisitions and disposals this gives a total valuation of £206.870m. All valuations of land & buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The general assumptions applied in estimating the values are as follows:

- Properties classified as occupied by the council for the purpose of its business have been valued on the basis of Fair Value (Existing Use Value), assuming vacant possession on all parts occupied by the Council.
  - Surplus Properties have been valued with their "highest and best use" and are deemed to be level 2 Valuations from the hierarchy outlined in policy 1.17.
  - Specialist building are valued at Depreciation replacement cost (e.g. Schools)
  - All other assets are valued at Historical Costs, including Infrastructure and Vehicles
- Specific Voluntary Aided / Controlled schools, along with the Foundation School, where title deeds are not assigned to the Council are not included on the Council's Balance Sheet. In addition, no Academy Schools are held on the balance sheet.
- To Assets not revalued in year, estimated for enhancing expenditure and depreciation of useful life is applied.

### Capital Commitments

At 31 March 2017 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years estimated to cost £13.446m.

The major commitments are:

	2016/17 £'000	2015/16 £'000
Leisure Centres	5,000	
Waste and Cleaning Vehicles	3,773	
Bath Quays	2,022	4,116
Education & Children's Services	1,621	1,778
Bath Transport Package	-	1,063
Resources (Property) Schemes	1,003	795
Adult Services	-	598
River Corridor	-	124
NRR Infrastructure	-	87
Neighbourhoods projects	-	73
London Road Regeneration	-	59
Other	27	48
<b>Total</b>	<b>13,446</b>	<b>8,741</b>

## 13 HERITAGE ASSETS

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

2016/17 Cost or Valuation	Victoria Art Gallery £'000	Roman Baths £'000	Fashion Museum £'000	Chandeliers £'000	Records Office £'000	Library £'000	Total £'000
1st April	14,856	3,078	1,528	1,800	936	2,623	24,821
Additions							-
Disposals							-
Revaluations		6,006	107		367		6,480
Impairment Losses/(reversals) recognised in the Reval Reserve							-
Impairment Losses/(reversals) recognised in the Surplus or Deficit on Provision of Service							-
<b>31st March</b>	<b>14,856</b>	<b>9,084</b>	<b>1,635</b>	<b>1,800</b>	<b>1,303</b>	<b>2,623</b>	<b>31,301</b>

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

2015/16 Cost or Valuation	Victoria Art Gallery £'000	Roman Baths £'000	Fashion Museum £'000	Chandeliers £'000	Records Office £'000	Library £'000	Total £'000
1st April	10,558	1,458	1,528	1,000	936	1,239	16,719
Additions							-
Revaluations	4,298	1,620		800		1,384	8,102
<b>31st March</b>	<b>14,856</b>	<b>3,078</b>	<b>1,528</b>	<b>1,800</b>	<b>936</b>	<b>2,623</b>	<b>24,821</b>



## NOTES TO MAIN FINANCIAL STATEMENTS

### 14 INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2016/17 £'000	2015/16 £'000
Rental Income from Investment Property	16,554	15,853
Direct operating expenses arising from Investment Property	(699)	(901)
Net gain/(loss)	15,855	14,952

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.

	2016/17 £'000	2015/16 £'000
Balance at start of year	274,132	257,725
Adjustment to opening balance		
Additions of expenditure	8,205	1,246
Disposals	(4,993)	(409)
Net gains/losses from fair value adjustments	(8,324)	21,309
Transfer to/from Property, Plant & Equipment	(404)	(5,739)
<b>Balance at end of the year</b>	<b>268,616</b>	<b>274,132</b>

The Council carries out recurring annual valuations of all investment properties. Within the valuation instruction there is a requirement to review that these properties are held "solely of the purpose for income generation or capital gain." Properties valued at £0.4m were identified as held for other purposes from this and transferred to Other Land & Buildings. The valuer's report identified a total valuation of £268.5m, being all level 2 in the hierarchy outlined in policy 1.17 before in year capital expenditure was applied. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

### 15 INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, Plant and Equipment. All software is given a finite useful life based on assessments of the period that the software is expected to be of use to the Authority.

	2016/17 £'000	2015/16 £'000
<b>Cost or valuation as at 1 April</b>	<b>3,757</b>	<b>3,136</b>
Purchases	67	565
Transfers	-	56
Disposals	(2,279)	
Net gains/losses from fair value adjustments	(2)	
<b>Cost or valuation as at 31 March</b>	<b>1,544</b>	<b>3,757</b>
Accumulated depreciation as at 1 April	2,114	1,833
Depreciation for the period	457	281
Depreciation Write Back (Disposals)	(2,109)	
Accumulated depreciation at 31 March	462	2,114
<b>Net Carrying amount at 31 March</b>	<b>1,082</b>	<b>1,643</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 16 FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Financial liabilities at amortised cost - loans	90,768	120,468	28,000	4,000
Accrued Interest (1)			1,132	1,217
Financial liabilities at amortised cost trade creditors			15,104	15,717
<b>Total borrowings</b>	<b>90,768</b>	<b>120,468</b>	<b>44,236</b>	<b>20,934</b>

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

	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Loans & receivables	-	-	68,203	67,807
Accrued Interest (1)			64	138
Cash			(615)	(817)
Loans & receivables - trade debtors			14,718	11,844
<b>Total Investments</b>	<b>-</b>	<b>-</b>	<b>82,370</b>	<b>78,972</b>

(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 material Unquoted Equity Instruments at Cost.

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

#### Financial Instruments Gains & Losses

	Financial Liabilities 31 March 2016 Liabilities measured at amortised cost £'000	Financial Assets 31 March 2016 Loans & Receivables £'000	Total £'000	Financial Liabilities 31 March 2017 Liabilities measured at amortised cost £'000	Financial Assets 31 March 2017 Loans & Receivables £'000	Total £'000
Interest Expense *	(3,994)	-	(3,994)	(4,298)	-	(4,298)
Premium on Early Repayment of Debt	-	-	-	-	-	-
<b>Interest payable &amp; similar charges</b>	<b>(3,994)</b>	<b>-</b>	<b>(3,994)</b>	<b>(4,298)</b>	<b>-</b>	<b>(4,298)</b>
Interest Income	-	199	199	-	340	340
<b>Interest &amp; investment Income</b>	<b>-</b>	<b>199</b>	<b>199</b>	<b>-</b>	<b>340</b>	<b>340</b>
<b>Net gain/(loss) for the Year</b>	<b>(3,994)</b>	<b>199</b>	<b>(3,795)</b>	<b>(4,298)</b>	<b>340</b>	<b>(3,958)</b>

\*The Authority also paid £1.24m (of which £0.54m related to principal), in respect of its share of debt relating to the former Avon County Council which is managed by Bristol City Council.

## NOTES TO MAIN FINANCIAL STATEMENTS

### Fair value of assets and liabilities carried at amortised cost

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

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

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

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

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

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

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

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

The fair values calculated are as follows:

	31 March 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities - PWLB Loans (Long Term Borrowing)	60,892	78,499	90,748	120,884
Financial Liabilities - Local & Police Authority Loans (Long Term Borrowing)	10,065	10,508	10,065	10,398
Financial Liabilities - Market Loans (Long Term Borrowing)	20,876	30,980	20,871	34,475
<b>Total Long Term Borrowing</b>	<b>91,833</b>	<b>119,987</b>	<b>121,684</b>	<b>165,757</b>
Financial Liabilities - Local & Police Authority Loans (Short Term Borrowing)	28,067	28,176	4,001	3,997
Financial Liabilities - trade creditors (see Note 21)	15,104	15,104	15,717	15,717
	<b>135,004</b>	<b>163,267</b>	<b>141,402</b>	<b>185,471</b>

The total long term borrowing shown above is the sum of the financial liabilities at amortised costs and the accrued interest from the table in the previous page.

The fair value as at 31st March 2017 on the Council'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 Council would have to pay if it requested early repayment of the loan.

	31 March 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans & Receivables - investments*	68,267	68,378	67,945	67,949
Cash	(615)	(615)	(817)	(817)
Loans & Receivables - trade debtors (see Note 19)	14,718	14,718	11,844	11,844

\* The "Loans & Receivables - investments" figures above include those short-term investments classed as Cash Equivalents, as detailed in Note 20. This equated to **£23.914m** as at 31st March 2017, with the remaining **£44.031m** being short term investments. (£38.718m Cash Equivalents as at 31st March 2016, with £29.549m being short term investments).

The fair value of loans and receivables is slightly higher than the carrying amount as at 31st March 2017 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.

### Fair Value Hierarchy

Our valuations of assets and liabilities are deemed to be Level 2 in terms of hierarchy set out in Policy 1.17, with all inputs being observable but not quoted prices.

## NOTES TO MAIN FINANCIAL STATEMENTS

### Disclosure of nature and extent of risks arising from financial instruments

The Authority's activities expose it to a variety of financial risks:

- \* credit risk - the possibility that other parties might fail to pay amounts due to the Authority
- \* liquidity and refinancing risk - the possibility that the Authority might not have funds available, or that it may have to borrow funds at a high rate of interest, to meet its financial obligations.
- \* market risk - the possibility that changes in market variables such as interest rates and asset prices may place an unexpected burden on the Authority's finances.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the central treasury team, under policies approved by the Authority in the Annual Treasury Management Strategy. The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk interest rate risk and investment of surplus cash.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. The Council's approved Treasury Management Strategy for 2016/17 set the minimum credit ratings for the banks and financial institutions with which deposits can be made. The minimum credit ratings were Long Term rating BBB+ or equivalent for UK banks and A for Foreign banks. The Council also set additional criteria in relation to the time limit and amount of monies which will be invested with financial institutions based on the level of their credit rating with a maximum lending limit of £10m restricted to UK banks and foreign banks. For operational reasons, the Treasury Management Strategy for 2016/17 permitted the overnight use of the Council's current bank account provider (NatWest), subject to maintaining a credit rating of not lower than BBB-.

Investments in foreign countries will be limited to those that hold a AAA or AA+ sovereign credit rating from all three major credit rating agencies, and to a maximum of £20m per country for those rated AAA and £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 2017	Historical Experience of default	Estimated maximum exposure to default & uncollectability
	£'000	%	£'000
<b>Deposits with banks &amp; financial institutions (grouped by LT credit rating):</b>			
Government Debt Management Office & Local Authorities - AAA rated	49,023	0.24	119
Banks/Financial Institutions with lowest equivalent rating of AAA	9,310	0.37	34
Banks/Financial Institutions with lowest equivalent rating of AA	4,500	0.24	11
Banks/Financial Institutions with lowest equivalent rating of A	5,012	0.68	34
Banks/Financial Institutions with lowest equivalent rating of BBB	100	1.79	2
<b>Total deposits with Banks &amp; Financial Institutions</b>	<b>67,945</b>	<b>-</b>	<b>201</b>
	<b>2017</b>	<b>2016</b>	
	<b>£'000</b>	<b>£'000</b>	
Trade Debtors	11,844	14,718	
Total debtors at 31st March including trade debtors	38,495	36,741	

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 £13.1m outstanding at 31st March 2017 is all past its due date for payment.

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

	2016/17 £'000's	2015/16 £'000's
Less than three months	8,052	10,396
Three to six months	361	712
Six months to one year	555	1,041
More than one year	2,876	2,569
	<b>11,844</b>	<b>14,718</b>

## 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 2017 £'000's	%	Amount at 31 March 2016 £'000's	%
<b>Loans &amp; Receivables (Cash on Deposit) by Country Analysis</b>				
UK Debt Management Office	-	0.0%	6,403	9.4%
UK Local Authorities	49,023	72.2%	39,955	58.5%
UK - Other Financial Institutions	14,422	21.2%	5,001	7.3%
Singapore	-	0.0%	10,007	14.7%
Sweden	4,500	6.6%	6,901	10.1%
<b>Total</b>	<b>67,945</b>	<b>100%</b>	<b>68,267</b>	<b>100%</b>

### Liquidity and Refinancing Risk

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

### The maturity analysis of borrowing is as follows:

	31 March 2016 £'000	31 March 2017 £'000
Borrowing due for repayment:		
Under 1 year *	48,468	24,464
Between 1 and 2 years		
Between 2 and 5 years	10,000	10,000
Between 10 and 15 years	15,000	15,000
Between 15 and 20 years	20,300	20,300
Between 20 and 25 years		29,704
Between 40 and 45 years	25,000	25,000
Between 45 and 50 years		
	<b>118,768</b>	<b>124,468</b>

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 (call date). If the lender decided to increase the coupon rate the Council would have the option to either agree to the increased rate or to repay the loan with no penalty charge. In the event that the Council decided to repay the loan and long term borrowing rates were unfavourable, it is likely that short term borrowing would be undertaken until long term rates return to target levels. The fixed interest period has passed on all loans and the lender has options to change the rate of interest in April and October of each year the loan continues.

\* The Council's LOBO loans are included as maturing within 1 year in the table above as the CIPFA Treasury Management Code requires to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date (6 monthly).

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

## NOTES TO MAIN FINANCIAL STATEMENTS

### Market Risk

#### Interest Rate Risk

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

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

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

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

For indication purposes, at 31st March 2016, 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	(182)
Impact on Income and Expenditure Statement	(182)
Decrease in fair value of fixed rate investment assets (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	155
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	22,937

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 ASSETS HELD FOR SALE

There are currently no assets held for sale.

## 18 INVENTORIES

	Balance 2015/16 £'000	Purchases £'000	Recognised as expense in year £'000	Written off Balances £'000	Balance 2016/17 £'000
Consumable Stores	509	67	(66)		510
<b>Total Inventories</b>	<b>509</b>	<b>67</b>	<b>(66)</b>	-	<b>510</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 19 DEBTORS

	2016/17 £'000	2015/16 £'000
Amounts falling due in one year:		
Central Government bodies	6,344	7,327
Other local authorities	5,742	4,245
NHS bodies	1,594	1,267
Other entities and individuals (Trade Debtors)	11,844	14,718
Other entities and individuals (Non-Trade Debtors)	9,313	5,647
Prepayments	3,658	3,537
<b>Total - Current Assets</b>	<b>38,495</b>	<b>36,741</b>
Amounts falling after one year:	£'000	£'000
Other entities and individuals	3,351	7,289
<b>Total - Long Term Assets</b>	<b>3,351</b>	<b>7,289</b>

### 20 CASH AND CASH EQUIVALENTS

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

	2016/17 £'000	2015/16 £'000
Cash held by the Authority	98	100
Bank current accounts	(915)	(715)
Short-term deposits	23,914	38,718
<b>Total cash and cash equivalents</b>	<b>23,097</b>	<b>38,103</b>

### 21 CREDITORS

	2016/17 £'000	2015/16 £'000
Central government bodies	35,223	41,193
Other local authorities	11,821	8,533
NHS bodies	420	265
Public corporations and trading funds	-	316
Other entities and individuals (Trade Creditors)	15,717	15,104
Other entities and individuals (Non-Trade Creditors)	22,767	17,207
Income Received in Advance	7,815	6,326
Pensions Fund	6,383	6,321
	<b>100,146</b>	<b>95,265</b>

Included in Central Government Bodies is £27m 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 (£32m in 2015/16).

### 22 PROVISIONS FOR LIABILITIES

Provisions comprise:	31 March 2016 £'000	New Provisions £'000	Utilised in Year £'000	Written Back £'000	31 March 2017 £'000
Spa Right of Lights Provision	30		(30)		-
Provision for Child Care Costs	11				11
Children's Services Provision	32				32
Social Services Pension Provision	327				327
Planning Provision	154		(80)		74
NNDR Appeals Provision	3,728	1,799	(2,616)		2,911
Land Charge Fee Provision	50		(31)		19
	<b>4,332</b>	<b>1,799</b>	<b>(2,757)</b>	<b>-</b>	<b>3,374</b>

- \* 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.
- \* The Children's Services Provision is for an employee claim.
- \* The Social Services Provision relates to Pension deficit costs relating to the transfer of staff between the Council and a care provider.
- \* The Planning Provision is for a number of Planning Appeals.
- \* The NNDR Appeals Provision is for appeals made to the Valuation Office in respect of NNDR valuations.
- \* The Land Charges Fee Provision is for search fee claims.

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

## NOTES TO MAIN FINANCIAL STATEMENTS

### 23 GENERAL FUND BALANCES AND RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

#### Unearmarked Reserves

	31 March 2016 £'000	transfers to £'000	transfers from £'000	31 March 2017 £'000
General Fund Balances unearmarked	9,047	20,390	(16,781)	12,656

#### Earmarked Reserves

	31 March 2016 £'000	transfers to £'000	transfers from £'000	31 March 2017 £'000
LMS Schools Balances	3,038		(991)	2,047
Corporate Earmarked Reserves	39,193	9,298	(19,088)	29,403
Service Specific Reserves	658	197	(294)	561
General Service Earmarked Reserves	6,838	171	(2,719)	4,290
	49,727	9,666	(23,092)	36,301

#### Total General Fund Balances and Reserves

	58,774	30,056	(39,873)	48,957
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#### Other Usable Reserves

Capital Receipts Reserve	451	12,928	(11,171)	2,208
Capital Grants Unapplied Reserve	9,689	22,043	(28,995)	2,737

#### Total Usable Reserves

	68,916	65,027	(80,039)	53,902
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LMS Schools balances will be used by individual schools

	31 March 2016 £'000	transfers to £'000	transfers from £'000	31 March 2017 £'000
<b>Corporate Earmarked Reserves</b>				
Insurance Fund	1,778	391	(395)	1,774
Capital Financing Reserve	7,767	959	(205)	8,521
Revenue Funding of capital	993	716	(1,277)	432
Financial Planning Reserve	6,017	81	(2,489)	3,609
Affordable Housing & Capital Development	3,000			3,000
Revenue Budget Contingency Reserve	1,514	2,277	(1,372)	2,419
Revenue Grants Unapplied	1,652	143	(762)	1,033
Transformation Investment Reserve	2,403	1,270	(1,078)	2,595
Restructuring & Severance Reserve	4,913		(4,837)	76
Dedicated Schools Grant Reserve	5,039	2,014	(5,039)	2,014
Business Rates Reserve	2,181	1,052	(1,600)	1,633
Other	1,936	395	(34)	2,297
	39,193	9,298	(19,088)	29,403

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

The Capital Financing reserve is used to match capital financing costs arising in the future.

The Revenue Funding of capital reserve is used to finance specific capital spend items.

The Financial Planning 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 Transformation Investment Reserve is used to support the Authority's change programme including the development and implementation of specific transformation business cases.

The Restructuring & Severance reserve is used to fund severance related costs related to service changes arising from the Medium Term Service & Resource Plan.

The Dedicated Schools Grant (DSG) Reserve holds the balance of DSG to be carried forward for use in future years.

The Business Rates Reserve exists in order to meet costs arising from volatility in NNDR income due to changes in the Rateable Value of properties or the granting of new exemptions and reliefs and is utilised to fund deficits impacting in future years.



## NOTES TO MAIN FINANCIAL STATEMENTS

	31 March 2016 £'000	transfers to £'000	transfers from £'000	31 March 2017 £'000
<b>General Service Earmarked Reserves</b>				
Information Technology Reserve	1,870		(138)	1,732
Finance VAT Advice Reserve	371	71	(50)	392
Leisure Reserves	498			498
CDSM Interpretation Centre Reserve	172		(16)	156
Care & Health Reserve	2,159		(2,021)	138
Care Act Reserve	1,705		(494)	1,211
Other Service Reserves	63	100		163
	<b>6,838</b>	<b>171</b>	<b>(2,719)</b>	<b>4,290</b>

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

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

The Care Act Reserve retained reserve to enable the protection of social care in meeting demographic demand and transformation projects.

### 24 UNUSABLE RESERVES

	2016/17 £'000	2015/16 £'000
Revaluation Reserve	115,302	112,415
Capital Adjustment Account	304,389	330,038
Deferred Capital Receipts Reserve	429	4,043
Financial Instruments Adjustment Account	(6,340)	(6,510)
Accumulated Absences Account	(1,188)	(1,426)
Pensions Reserve	(297,828)	(227,653)
Collection Fund Adjustment Account	(2,208)	(1,843)
<b>Total Unusable Reserves</b>	<b>112,556</b>	<b>209,064</b>

#### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- \* re-valued downwards or impaired and the gains are lost
- \* used in the provision of services and the gains are consumed through depreciation, or
- \* disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2016/17 £'000	2015/16 £'000
Balance at 1 April	112,415	89,701
Adjustment to opening balance		(521)
Upwards revaluation of assets	43,308	54,409
Downwards revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(27,158)	(30,380)
Impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	-
Transfer of depreciation on re-valued assets	(1,490)	(592)
Written Back on asset disposal and transfer	(11,772)	(201)
Impairment of fixed assets - transfer		
Balance at 31 March	<b>115,302</b>	<b>112,415</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set a side by the Authority as finance for the cost of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2016/17 £'000	2016/17 £'000	2015/16 £'000
Balance at 1 April		330,038	329,527
Adjustment to opening balance			510
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	(18,204)		(19,335)
Revaluation losses on Property, Plant & Equipment	(14,553)		(30,599)
Amortisation of intangible assets	(457)		(281)
Revenue expenditure funded from capital under statute	(8,469)		(6,602)
Grant funding of revenue expenditure funded from capital under statute	4,458		3,902
		(37,225)	(52,915)
Adjusting amounts written out of the Revaluation Reserve			
Transfer of depreciation on re-valued assets		1,490	592
Transfer of revaluation reserve balance on asset disposal		11,772	201
Net written out amount of the cost of non-current assets consumed in the year		(23,963)	(52,122)
Capital financing applied in the year:			
Use of capital receipts reserve to finance new capital expenditure	11,171	11,171	8,000
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	16,321		15,740
Capital expenditure financed from revenue	470	470	1,101
Minimum Revenue Provision	3,783	3,783	6,095
		31,745	30,936
Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		(8,324)	21,309
Deferred liability - Repayment of Avon Loan Debt		536	558
Carrying value of fixed assets disposed of		(24,993)	(947)
Other movements		(650)	267
<b>Balance at 31 March</b>		<b>304,389</b>	<b>330,038</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the Account to manage premiums paid on early redemption of loans.

Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

Discounts received have the opposite entries.

	2016/17 £'000	2016/17 £'000	2015/16 £'000
Balance at 1 April		(6,510)	(6,680)
Premiums incurred in year and charged to the Comprehensive Income & Expenditure Statement			
Proportions of Premiums incurred to be charged against General Fund Balance in accordance with statutory requirements	170		170
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.		170	170
<b>Balance at 31 March</b>		<b>(6,340)</b>	<b>(6,510)</b>

## 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.

	2016/17 £'000	2015/16 £'000
Balance at 1 April	(227,653)	(235,818)
Remeasurements of the net defined benefit liability / (asset)	(70,229)	16,026
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	(16,916)	(23,579)
Employer's pensions contributions and direct payments to pensioners payable in the year	16,970	15,718
<b>Balance at 31 March</b>	<b>(297,828)</b>	<b>(227,653)</b>

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2016/17 £'000	2015/16 £'000
Balance at 1 April	4,043	7,158
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement		
Transfer to the Capital Receipts Reserve upon receipt of cash	(3,614)	(3,115)
<b>Balance at 31 March</b>	<b>429</b>	<b>4,043</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax, and from 2013/14, National Non Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and Business Rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2016/17 £'000	2015/16 £'000
Balance at 1 April	(1,843)	979
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(365)	(2,822)
<b>Balance at 31 March</b>	<b>(2,208)</b>	<b>(1,843)</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2016/17 £'000	2016/17 £'000	2015/16 £'000
Balance at 1 April		(1,426)	(1,054)
Settlement or cancellation of accrual made at the end of the preceding year	1,426		1,054
Amounts accrued at the end of the current year	(1,188)		(1,426)
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		238	(372)
<b>Balance at 31 March</b>		<b>(1,188)</b>	<b>(1,426)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 25 CASH FLOW STATEMENT

#### Note A to the cashflow statement

	2016/17 £'000	2015/16 £'000
Net Surplus or (Deficit) on the Provision of Services	(57,442)	(17,148)
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>		
Depreciation	18,203	19,335
Impairment and downward valuations	14,553	30,599
Amortisation	457	281
Adjustment for internal interest charged	-	-
Adjustments for effective interest rates	(1)	(5)
Increase/Decrease in Interest Creditors	85	90
Increase/Decrease in Creditors	13,525	276
Increase/Decrease in Interest and Dividend Debtors	(180)	(3)
Increase/Decrease in Debtors	1,446	(6,827)
Increase/Decrease in Inventories	(1)	(73)
Pension Liability	(54)	16,026
Pension Fund Gains on Past Service Costs		
Contributions to/(from) Provisions	(958)	1,536
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	24,993	947
Movement in investment property values	8,324	(21,309)
Other movements	1,608	(106)
Total adjustments on the provision of services for non cash movements	82,000	40,767

#### 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	(8,352)	(20,859)
Net adjustment from the sale of short and long term investments	(50)	54
Proceeds from the sale of property plant and equipment, investment property and intangible assets	-	-
	(9,322)	(5,096)
Total adjustments on the provision of services that are investing or financing activities	(17,724)	(25,901)

#### Net Cash Flows from Operating Activities

	6,834	(2,282)
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#### Note B to the Cash Flow Statement - Operating Activities (Interest)

	2016/17 £'000	2015/16 £'000
<b>Operating activities within the cashflow statement include the following cash flows relating to interest</b>		
Ordinary interest received	340	199
Other adjustments for differences between Effective Interest Rates and actual interest receivable-Long Term	3	(1)
Opening Debtor	15	12
Closing Debtor	(195)	(15)
Interest Received	163	195
Interest charge for year	(5,001)	(4,725)
Adjustment for difference between effective interest rates and actual interest payable	(4)	(4)
Adjustment for internal interest charged to balance sheet funds		
Opening Creditor	-	-
Closing Creditor	85	90
Interest Paid	(4,920)	(4,639)

## NOTES TO MAIN FINANCIAL STATEMENTS

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

	2016/17 £'000	2015/16 £'000
Property, Plant and Equipment Purchased	(35,779)	(30,812)
Purchase of Investment Properties	(8,205)	(1,246)
Other Capital Payments	-	(565)
Opening Capital Creditors	(6,163)	(7,913)
Closing Capital Creditors	6,349	6,163
Purchase of Property, Plant and Equipment, investment property and intangible assets	(43,798)	(34,373)
Purchase of short term investments	(96,031)	(124,692)
Long term loans granted	(1,496)	(124)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	8,932	7,149
Proceeds from short term investments	81,549	136,632
Proceeds from long term investments	50	(50)
Other capital cash receipts	2,634	1,388
Capital Grants Received	22,117	21,631
Other Receipts from Investing Activities	24,751	23,019
<b>Total Cash Flows from Investing Activities</b>	<b>(26,043)</b>	<b>7,561</b>

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

	2016/17 £'000	2015/16 £'000
Cash receipts of long term borrowing	34,000	28,000
Billing Authorities - Council Tax and NNDR adjustments	(965)	471
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	-	2,822
Repayment of Short-Term and Long-Term Borrowing	(28,832)	(18,558)
Payments for the reduction of a finance lease liability	-	-
<b>Total Cash Flows from Financing Activities</b>	<b>4,203</b>	<b>12,735</b>

### Note E - Makeup of Cash and Cash Equivalents

	2016/17 £'000	2015/16 £'000
Cash and Bank Balances	(817)	(615)
Cash Investments - regarded as cash equivalents	23,914	38,718
Bank Overdraft	-	-
	<b>23,097</b>	<b>38,103</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 26 EXPENDITURE & INCOME ANALYSED BY NATURE

	2016/17 £'000	2015/16 £'000
<b>Expenditure</b>		
Employee benefits expenses	118,053	125,785
Other service expenses	258,434	257,783
Depreciation amortisation & impairment	33,214	48,404
Loss on disposal of non-current assets	19,560	-
Net Loss on Trading Operations	31	516
Interest payments (Inc. Net Interest on Net Defined Benefit Liability)	12,476	11,758
Precepts and levies	2,544	2,462
	<b>444,312</b>	<b>446,708</b>
<b>Income</b>		
Fees and charges and other service income	(103,191)	(98,253)
Income from Council Tax & Business Rates	(101,661)	(98,765)
Gain on disposal of non-current assets	-	(2,295)
Income from Investment Estate & Changes in fair value	(7,531)	(36,261)
Government Grants & Contributions	(174,146)	(193,787)
Interest & Investment Income	(340)	(199)
	<b>(386,869)</b>	<b>(429,560)</b>
<b>Deficit on provision of services</b>	<b>57,442</b>	<b>17,148</b>

### 26a SEGMENT REPORTING

	2016/17 £'000	2015/16 £'000
<b>Depreciation amortisation &amp; impairment</b>		
Transport	11,413	20,276
Children's Services	7,552	12,572
Adult Social Care & Health	678	2,170
Leader	-	-
Community Services	3,576	5,219
Economic Development	580	1,635
Finance & Efficiency	9,320	6,156
Homes & Planning	95	376
<b>Total</b>	<b>33,214</b>	<b>48,404</b>
<b>Revenues from external customers / Contributions</b>		
Transport	(13,919)	(14,688)
Children's Services	(10,559)	(10,477)
Adult Social Care & Health	(43,756)	(42,921)
Leader	(559)	(214)
Community Services	(5,985)	(5,795)
Economic Development	(16,243)	(13,971)
Finance & Efficiency	(6,820)	(6,535)
Homes & Planning	(5,350)	(3,652)
<b>Total</b>	<b>(103,191)</b>	<b>(98,253)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 27 TRADING OPERATIONS

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

	2016/17 Income £'000	2016/17 Expenditure £'000	Deficit/ (Surplus) £'000	2015/16 £'000
School and Other Catering	(1,358)	2,018	660	199
Cleaning Services	(185)	156	(29)	117
Fleet Management	(222)	63	(159)	228
Passenger Transport Services	(471)	474	3	376
Trade Refuse Collection	(816)	683	(133)	(81)
Print Services	(26)	35	9	(1)
Bath Museum Shops	(2,256)	1,936	(320)	(322)
<b>Surplus for Year</b>	<b>(5,334)</b>	<b>5,365</b>	<b>31</b>	<b>516</b>

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.

	2016/17 £'000	2015/16 £'000
Net surplus on trading operations	31	516
Services to the public included in Expenditure of Continuing Operations	(450)	(27)
Support services recharged to Expenditure of Continuing Operations	481	543
Net Surplus credited to Other Operating Expenditure	31	516

## NOTES TO MAIN FINANCIAL STATEMENTS

### 28 POOLED FUNDING

The Council has Pooled Budget arrangements under section 31 of the Health Act 1999 with NHS Bath & North East Somerset CCG. The Pooled Budgets are hosted by the Council. There are five Pooled Budgets :-

#### Adult Learning Difficulties

	2016/17 £'000	2015/16 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	20,044	21,249
Bath & North East Somerset Clinical Commissioning Group	5,663	3,554
Income from Client Contributions	1,825	1,746
Interest on External Funding Balances		20
<b>Total Funding</b>	<b>27,532</b>	<b>26,569</b>
<b>Total Expenditure</b>	<b>28,881</b>	<b>26,372</b>
<b>Net (Underspend) / Overspend</b>	<b>1,349</b>	<b>(197)</b>

#### **Overspend Recharged**

Bath & North East Somerset Council	1,034
Bath & North East Somerset Clinical Commissioning Group	315

#### Community Equipment

	2016/17 £'000	2015/16 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	203	203
Bath & North East Somerset Clinical Commissioning Group	473	473
<b>Total Funding</b>	<b>676</b>	<b>676</b>
<b>Total Expenditure</b>	<b>849</b>	<b>676</b>
<b>Net (Underspend) / Overspend</b>	<b>173</b>	<b>0</b>

#### **Overspend Recharged**

Bath & North East Somerset Council	52
Bath & North East Somerset Clinical Commissioning Group	121

#### Better Care Fund

	2016/17 £'000	2015/16 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	1,500	1,148
Bath & North East Somerset Clinical Commissioning Group	8,545	8,475
<b>Total Funding</b>	<b>10,045</b>	<b>9,623</b>
Spend on Better Care Fund schemes	10,045	9,623
<b>Total Expenditure</b>	<b>10,045</b>	<b>9,623</b>

#### Mental Health

	2016/17 £'000	2015/16 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council		3,527
Bath & North East Somerset Clinical Commissioning Group		2,898
<b>Total Funding</b>	<b>-</b>	<b>6,425</b>
Spend on community equipment		6,425
<b>Total Expenditure</b>	<b>-</b>	<b>6,425</b>

#### Children and Young People with Multiple and Complex Needs

	2016/17 £'000	2015/16 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	2,515	2,571
Bath & North East Somerset Primary Care Trust	392	392
<b>Total Funding</b>	<b>2,907</b>	<b>2,963</b>
<b>Total Expenditure</b>	<b>3,889</b>	<b>2,832</b>
<b>Net (Underspend) / Overspend</b>	<b>982</b>	<b>(131)</b>
<b>Overspend Recharged</b>		
Bath & North East Somerset Council	848	
Bath & North East Somerset Clinical Commissioning Group	134	



## NOTES TO MAIN FINANCIAL STATEMENTS

### 29 MEMBERS' ALLOWANCES

The total cost of Members Allowances for 2016/17 including employers national insurance, pensions contributions and expenses was £885,029 (£861,549 in 2015/16).

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

		Basic & Special Allowance £	Expenses £	Total £
ANKETELL-JONES	PM	26,788	-	26,788
APPLEYARD	R	11,394	197	11,591
BALL	TM	8,060	-	8,060
BARRETT	CV	8,060	112	8,172
BEATH	CE	13,786	348	14,134
BECKER	J	8,060	-	8,060
BEVAN	SF	16,775	393	17,167
BLACKBURN	C	8,060	-	8,060
BRETT	LJ	13,789	903	14,692
BULL	JA	15,705	38	15,742
BUTTERS	TN	8,060	-	8,060
CARR	J	4,458	-	4,458
CLARKE	AK	26,788	-	26,788
COCHRANE	M	10,322	-	10,322
CROSSLEY	PN	8,060	91	8,151
DANDO	C	8,060	-	8,060
DAREY	F	8,060	-	8,060
DAVIES	M	8,060	-	8,060
DAVIS	S	21,819	-	21,819
DEACON	DE	8,060	97	8,157
DIXON	E	10,322	643	10,965
EVANS	M	26,788	1,028	27,816
FURSE	AJ	8,060	8	8,068
GERRISH	CD	26,788	90	26,877
GILCHRIST	IA	9,145	-	9,145
GLADWYN	E	2,978	-	2,978
GOODMAN	R	10,322	163	10,485
HAEBERLING	F	15,705	-	15,705
HALE	AD	16,441	874	17,316
HARDMAN	EJ	8,060	345	8,404
HASSETT	D	8,060	-	8,060
HEDGES	SP	8,610	-	8,610
HORSTMANN	D	8,060	113	8,173
JACKSON	EM	8,060	411	8,471
JEFFRIES	S	8,060	-	8,060
KEW	LJ	12,355	1,211	13,565
LONGSTAFF	M	8,060	-	8,060
MACRAE	BJ	8,060	-	8,060
MAY	P	10,322	1,540	11,862
McGALL	S	11,730	347	12,076
MILLAR	A	8,060	1,073	9,133
MOSS	R	13,014	1,236	14,249
MYERS	P	28,854	-	28,854
NORTON	M	8,060	-	8,060
O'BRIEN	B	10,322	636	10,957
ORGAN	BS	8,060	-	8,060
PATTERSON	L	8,060	-	8,060
PEARCE	C	13,992	106	14,098
PLAYER	J	8,060	-	8,060
PRITCHARD	VL	26,788	2,842	29,630
RAYMENT	J	8,060	-	8,060
RICHARDSON	EA	26,788	1,483	28,271
ROBERTS	CM	8,060	138	8,198
ROBERTS	N	8,060	-	8,060
ROMERO	UM	14,480	-	14,480
SANDRY	WA	12,392	-	12,392
SHELFORD	M	10,322	37	10,359
SIMMONS	B	8,060	-	8,060
TURNER	P	8,060	-	8,060
VEAL	M	26,788	4,174	30,962
VEALE	DJ	12,916	636	13,552
WALKER	K	8,060	414	8,474
WARD	G	8,060	143	8,203
WARREN	T	39,246	2,315	41,560
WARRINGTON	K	8,060	-	8,060
WATT	C	8,060	-	8,060
<b>Total</b>		<b>816,946</b>	<b>24,185</b>	<b>841,131</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 30 OFFICER REMUNERATION

#### Senior Officers emoluments - annualised salary of £150,000 or more for the year ending **31 March 2017**

Post Holder	Salary	Expenses	Benefits in Kind e.g. Relocation, Subscriptions	Employer Pension Contrib'ns	Total
	£	£	£	£	£
Chief Executive - Jo Farrar (to 31/08/16)	63,125	121		13,887	<b>77,133</b>
Chief Executive - Ashley Ayre (from 01/09/16)	88,375	216		19,442	<b>108,033</b>

#### Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending **31 March 2017**

Post Holder	Salary (incl. Honorarium)	Expenses	Benefits in Kind e.g. Relocation, Subscriptions	Compensation for Loss of Office	Employer Pension Contrib'ns	Total
	£	£	£	£	£	£
Strategic Director - People & Communities (to 31/08/16)	54,707	476	-	-	12,035	<b>67,218</b>
Strategic Director - People & Communities (from 01/09/16)	70,700	363			15,554	<b>86,617</b>
Strategic Director - Resources	121,200	637	355	-	26,664	<b>148,856</b>
Strategic Director - Place	121,200	207	-	-	26,664	<b>148,071</b>
Director of Public Health	122,654	1,376	-	-	17,539	<b>141,569</b>
Deputy Director Adult Care, Health, Housing Strategy	100,209				22,046	<b>122,255</b>
Head of Legal & Democratic Services *	89,076	1,062	7,000		19,596	<b>116,734</b>
Divisional Director - Business Support	113,121		221	-	24,886	<b>138,228</b>
Head of Heritage Services **	106,575	182		-	23,277	<b>130,034</b>

\* the benefits in kind payment for this post is a one-off relocation allowance.

\*\* the salary payment for this post includes a one-off payment in the year for arrears of salary following a grading review. The substantive salary is below the reporting threshold.

#### Senior Officers emoluments - annualised salary of £150,000 or more for the year ending **31 March 2016**

Post Holder	Salary	Expenses	Benefits in Kind e.g. Relocation, Subscriptions	Employer Pension Contrib'ns	Total
	£	£	£	£	£
Chief Executive - Jo Farrar	150,000	995		31,500	182,495

#### Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending **31 March 2016**

Post Holder	Salary (incl. Honorarium)	Expenses	Benefits in Kind e.g. Relocation, Subscriptions	Compensation for Loss of Office	Employer Pension Contrib'ns	Total
	£	£	£	£	£	£
Strategic Director - People & Communities	130,000	2,186	-	-	27,300	159,486
Strategic Director - Resources	120,000	1,660	345	-	25,200	147,205
Strategic Director - Place	120,000	446	-	-	25,200	145,646
Director of Public Health	122,654	1,176	-	-	17,478	141,308
Head of Legal & Democratic Services (to 31/05/15)	23,386	14	-	49,611	7,591	80,602
Head of Legal & Democratic Services (from 01/06/15)	71,197	726	-	-	14,952	86,875
Divisional Director - Business Support	111,999	8	211	-	23,520	135,738

## 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	2016/17 Teachers	2016/17 Others	2016/17 Total	2015/16 Teachers	2015/16 Others	2015/16 Total
£50,000 - £54,999	19	28	47	21	18	39
£55,000 - £59,999	9	24	33	12	21	33
£60,000 - £64,999	6	4	10	4	7	11
£65,000 - £69,999	2	4	6	6	4	10
£70,000 - £74,999	3	5	8	2	7	9
£75,000 - £79,999	1	11	12	-	11	11
£80,000 - £84,999	-	4	4	1	8	9
£85,000 - £89,999	-	4	4	-	1	1
£90,000 - £94,999	-	1	1	5	2	7
£95,000 - £99,999	-	6	6	1	3	4
£100,000 - £104,999	-	1	1	-	-	-
£105,000 - £109,999	-	1	1	-	-	-
£110,000 - £114,999	-	2	2	-	2	2
£115,000 - £119,999	-	-	-	-	-	-
£120,000 - £124,999	-	3	3	-	3	3
£125,000 - £129,999	-	-	-	-	1	1
£130,000 - £134,999	-	-	-	-	-	-
£135,000 - £139,999	-	-	-	-	-	-
£140,000 - £144,999	-	1	1	-	-	-
£145,000 - £149,999	-	-	-	-	-	-
£150,000 - £154,999	-	-	-	-	1	1
£155,000 - £159,999	-	-	-	-	-	-
	<b>40</b>	<b>99</b>	<b>139</b>	<b>52</b>	<b>89</b>	<b>141</b>

The above totals include 18 staff who would not have been included in the note if it were not for one-off severance payments (15 staff in 2015/16). This included 1 in the Teacher category (nil in 2015/16) and 17 in the Others category (15 in 2015/16).

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 2016/17, incurring liabilities of £2.900m (£1.235m in 2015/16). 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)	2016/17 Number of Compulsory Redundancies	2016/17 Number of Other Exits Agreed	2016/17 Total Cost £	2015/16 Number of Compulsory Redundancies	2015/16 Number of Other Exits Agreed	2015/16 Total Cost £
£0 - £20,000	7	39	331,394	4	39	208,011
£20,001 - £40,000	3	25	827,319	1	12	344,167
£40,001 - £60,000	4	13	837,602	2	8	472,243
£60,001 - £80,000	-	4	291,793	-	2	125,447
£80,001 - £100,000	-	4	359,112	1	-	85,299
£100,001 - £150,000	-	2	252,765	-	-	0
£150,001 - £200,000	-	-	0	-	-	0
	<b>14</b>	<b>87</b>	<b>2,899,985</b>	<b>8</b>	<b>61</b>	<b>1,235,167</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 33 EXTERNAL AUDIT COSTS

The Council has incurred the following fees payable to its auditors, Grant Thornton UK LLP	<b>2016/17</b> <b>£'000</b>	<b>2015/16</b> <b>£'000</b>
Fees payable with regard to external audit services	<b>124</b>	124
Fees payable for the certification of grant claims and returns	<b>14</b>	17
Fees payable for other services during the year	<b>16</b>	5
	<b>154</b>	<b>146</b>

In addition, fees in relation to the West of England Partnership 2016/17 audit totalled £6k (£9k in 2015/16)

### 34 DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2016. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2016/17 are as follows:

	<b>2016/17</b> Central Expenditure  <b>£'000</b>	<b>2016/17</b> Individual Schools Budget  <b>£'000</b>	<b>2016/17</b> <b>Total</b>  <b>£'000</b>	<b>2015/16</b> Total  <b>£'000</b>
Final DSG for before Academy recoupment			<b>123,430</b>	120,310
Academy figure recouped			<b>56,927</b>	46,540
Total DSG after Academy recoupment			<b>66,503</b>	73,770
<i>plus</i> Brought forward from previous year			<b>5,039</b>	5,924
<i>less</i> Carry forward into future year agreed in advance				
Final budget distribution	28,344	43,198	<b>71,542</b>	79,694
<i>less</i> Actual central expenditure	26,485		<b>26,485</b>	24,409
<i>less</i> Actual ISB deployed to schools	-	43,043	<b>43,043</b>	50,246
plus Local Authority contribution for year			-	-
Carry forward	1,859	155	<b>2,014</b>	5,039

### 35 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

<b>Credited to Taxation and Non Specific Grant Income</b>	<b>2016/17</b> <b>£'000</b>	<b>2015/16</b> <b>£'000</b>
Council Tax Income	<b>80,897</b>	78,448
Revenue Support grant	<b>14,433</b>	20,504
Contribution from the Non-Domestic Rate Pool / Non-Domestic Rate Income	<b>20,764</b>	20,317
Local Services Support Grant	-	159
Council Tax Freeze Grant	-	813
Department for Education	<b>4,330</b>	4,229
Department of Transport	<b>5,228</b>	5,576
Department of Health	<b>127</b>	644
Other	<b>4,247</b>	4,300
Third party contributions	<b>8</b>	322
Section 106 Developer Contributions	<b>2,364</b>	669
	<b>132,398</b>	<b>135,981</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### Credited to Services

Education Services Grant	1,269	1,570
Education Funding Agency (incl. Universal Infant Free School Meals)	3,614	4,025
Pupil Premium Grant	2,686	3,198
Mandatory rent allowances	46,821	51,318
Public Health Grant	9,398	8,246
Department of Health	588	1,836
Department of Transport	318	1,406
DCLG	4,350	3,289
New Homes Bonus Grant	5,199	3,709
Other	6,122	7,403
Third party contributions	298	597
Section 106 Developer Contributions	702	116
	<b>81,365</b>	<b>86,713</b>

The above is in addition to the Dedicated Schools' Grant, which is separately disclosed in Note 34.

The Authority has received a number of grants, contributions & donations that have yet to be recognised as income, as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year end are as follows:

### Current Liabilities

	2016/17 £'000	2015/16 £'000
<b>Grants Receipts In Advance (Capital Grants)</b>		
Section 106 Developer Contributions	5,488	2,107
Various Capital Grants	5,473	-
<b>Total</b>	<b>10,961</b>	<b>2,107</b>
<b>Grants Receipts In Advance (Revenue Grants)</b>		
Various Service Grants	1,573	2,604
<b>Total</b>	<b>1,573</b>	<b>2,604</b>

### Long-Term Liabilities

	2016/17 £'000	2015/16 £'000
<b>Grants Receipts In Advance (Capital Grants)</b>		
Section 106 Developer Contributions	12,349	9,396
Various Capital Grants	7,558	-
<b>Total</b>	<b>19,907</b>	<b>9,396</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 36 RELATED PARTIES

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. There are no material outstanding balances between the Council and the Related Parties disclosed below.

#### Central Government

Central UK Government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the 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 charged the fund for the direct costs of £1,656,209 (£1,422,911 15/16) and support services costs of £379,828 (£402,248 15/16). Five B&NES Councillors are voting members on the Pensions Committee.

#### West of England Partnership

The Council, as accountable body to the West of England Partnership in 2016/17, acts as agent for regional central government grants.

#### Bath Tourism Plus

The Council set up 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.

#### Aequus Developments Ltd (ADL)

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

#### Members & Officers

Four Members of the Council are members of the Avon Fire & Rescue Service.

Two Members of the Council are members of the Police and Crime Panel

Eleven Members are Parish / Town Councillors

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

The Council made payments of £738,220 (£377,546 in 15/16) to voluntary bodies and organisations where members have an interest (either due to a Council nomination or in an independent capacity).

	2016/17
	£
Bath Festivals Trust	122,000
Bath Royal Literary & Scientific Association	5,035
Friends of Field Firs	150
Keynsham & District Dial-A-Ride	109,212
Theatre Royal Bath Ltd	1,847
B&NES Citizens Advice	285,986
Bristol Airport Consultative Committee	2,000
Buro Happold	12,000
Community@67 Association	1,633
Developing Health & Independence	173,300
MHA Care Group	2,947
Radstock Museum Society	1,042
South West Councils	20,485
The Guild Co-Working Hub	583
	<b>738,220</b>

The Council is in partnership with the NHS B&NES Clinical Commissioning Group (CCG) to commission adult social care, health and housing services (previously with the PCT until 31st March 2013 prior to the enactment of the Health & Social Care Act 2012). Community Health & Social Care services, previously delivered through the partnership between the Council and PCT, 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. This arrangement will transfer to Virgin Health Care Ltd with effect from April 2017 under a "tri-partite" contract between the Council, CCG and Virgin, with the Council continuing to act as lead commissioner. Relevant elements of the Council's budget are reported to the Health & Wellbeing Board. The Board is Chaired by the Cabinet Member for Adult Social Care & Health, and the Council Chief Executive and Councillors are on the Board.

## 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.

<b>Capital expenditure on fixed assets was as follows:</b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Highways / Road Safety & Bridge Strengthening	10,008	11,079
Property Acquisitions - 30-35 Westgate Street	7,773	-
School Improvements	6,361	4,547
Bath Quays Delivery	3,591	-
Bath Quays Flood Mitigation	3,381	968
Keynsham Leisure Centre	2,273	-
Capitalised Buildings Maintenance	1,521	2,252
Bath Transport Package - Main Scheme	1,314	2,759
Keynsham Redevelopment Project	1,218	1,817
Other	6,543	9,201
	<b>43,983</b>	<b>32,623</b>

(excludes Revenue expenditure funded from capital under statute)

Capital Expenditure was categorised as follows:

	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Property, plant and equipment	20,510	21,543
Investment properties	8,205	1,246
Intangible assets	67	565
Heritage Assets	-	-
Assets under construction	15,201	9,269
Non Current Assets held for sale	-	-
Capital Loans	1,458	774
Revenue expenditure funded from capital under statute	8,469	6,602
Total expenditure	<b>53,910</b>	<b>39,999</b>

Sources of finance:

	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Capital Receipts	11,171	8,000
Grants	17,407	17,937
Borrowing	21,490	11,256
3rd Party Contributions	306	919
Revenue	470	1,101
S.106 contributions	3,065	786
Total financing	<b>53,910</b>	<b>39,999</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### Capital Financing Requirement

	2016/17 £'000	2015/16 £'000
Opening Capital Financing Requirement	182,475	177,334
Capital Investment	53,910	39,999
Sources of Finance:		
Capital Receipts	(11,205)	(8,020)
Government grants & other contributions	(20,778)	(19,642)
Sums set aside from revenue (including MRP)	(4,253)	(7,196)
Closing Capital Financing Requirement	200,147	182,475
Increase in underlying need to borrow unsupported by Government financial assistance	21,490	11,256
Repayments received in respect of Capital Expenditure Loans	(34)	(20)
Less minimum revenue provision repayment	(3,783)	(6,095)
Increase / (decrease) in Capital Financing Requirement	17,673	5,141

## 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:

	2016/17 £'000	2015/16 £'000
Other Land & Buildings	2,627	2,380
Vehicles, Plant & Equipment	-	-
	2,627	2,380

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

#### Operating Leases

The Council uses vehicles and other equipment financed under the terms of various operating leases. The lease rentals paid in 2016/17 were £3,401,317 (£3,897,232 in 2015/16).

The future payments required under these leases are £2,781,664, comprising the following elements:

	2016/17 £'000	2015/16 £'000
Not later than one year	1,830	3,423
Later than one year and not later than five years	952	3,220
Later than five years	-	116
	2,782	6,759

The Council holds property leases which are operating leases. The amount paid in rent for 2016/17 was £51,000 (2015/16 was £344,804)

The future commitments required under these leases in 2016/17 are £38,250, comprising the following elements:

	2016/17 £'000	2015/16 £'000
Not later than one year	38	51
Later than one year and not later than five years	-	38
Later than five years	-	-
	38	89

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 £16,554,137 (£15,698,210 in 2015/16).

The net book value of these properties is £268,616,000 (£274,132,000 in 2015/16).

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

	2016/17	2015/16
	£'000	£'000
Not later than one year	13,653	13,529
Later than one year and not later than five years	40,029	42,067
Later than five years	184,508	188,183
	<u>238,190</u>	<u>243,779</u>

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

	2016/17	2015/16
	£'000	£'000
Not later than one year	791	715
Later than one year and not later than five years	2,700	2,424
Later than five years	6,927	7,170
	<u>10,418</u>	<u>10,309</u>

### 39 EXCEPTIONAL ITEMS

There were no exceptional items in 2016/17.

### 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 2016/17 the council paid £3.804m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.5% of pensionable pay. The figures for 2015/16 were £4.212m and 15.5%. There were no contributions remaining payable at the year end.

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 41 PARTICIPATION IN PENSIONS SCHEMES

The Council offers retirement benefits as part of the terms and conditions of employment. Whilst these benefits are not payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two pension schemes:

- The Teachers' Pension Scheme, as detailed in Note 40, and,
- The Local Government Pension Scheme via the Avon Pension Fund. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into the fund which are calculated at a level intended to balance the pension liabilities with investment assets, and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).
- Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

#### **2015/16 & 2016/17 Up-Front Payment of Local Government Pension Scheme Deficit Contributions**

In 2014/15, the Council made an up-front payment of the LGPS deficit contributions for the three years 2014/15 - 2016/17 totalling £14.042m. The up-front payment took advantage of the independent actuary's calculation of the return these contributions could achieve once invested by the Pension Fund. The discount calculated by the actuary for making the up-front payment rather than the normal approach of monthly payments in arrears over the three year period was £1.091m, reducing total payments from £15.133m to £14.042m. The return was judged to be far greater than could have been achieved by investing the amounts as part of the Council's treasury management strategy and the approach represented good value for money for the Council.

The actual payment made in 2014/15 was £14.042m, and the actuary calculated the Equivalent Discounted annual Lump Sums Certified across the 3 years as follows:

£4.633m relating to 2014/15,  
£4.674m relating to 2015/16, and  
£4.735m relating to 2016/17.

The Pension Liability as at 31st March 2015 was reduced by the total £14.042m payment, and the full amount was reflected in the actuarial valuation as at 31st March 2015. The £4.633m relating to 2014/15 was charged to the General Fund in the 2014/15 Statement of Accounts, the £4.674m was charged in 2015/16, with the £4.735m credited to the Pension Reserve and charged to the General Fund in 2016/17 via the Movement In Reserves Statement.

#### **Transactions relating to post-employment benefits**

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

## NOTES TO MAIN FINANCIAL STATEMENTS

	Local Government Pension Scheme		Unfunded Liabilities (Teachers) Discretionary Benefits	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
Current Service Costs	14,704	16,305		
Past Service Cost	-	-	-	-
Settlement and Curtailment (Gain) / Loss	(5,571)	(1)	-	-
Administration Expenses	308	242		
<i>Financing and Investment Income &amp; Expenditure:</i>				
Net Interest Expense	6,726	6,302	749	731
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>16,167</b>	<b>22,848</b>	<b>749</b>	<b>731</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</i>				
Remeasurement of the net defined benefit liability:				
Return on plan assets (excluding the amount included in the net interest expenses)	(14,722)	-	(638)	-
Actuarial (gains) and losses arising on changes in demographic assumptions	(2,642)	-	(275)	-
Actuarial (gains) and losses arising on changes in financial assumptions	149,671	(35,923)	2,890	(724)
<b>Total Remeasurements</b>	<b>132,307</b>	<b>(35,923)</b>	<b>1,977</b>	<b>(724)</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>148,474</b>	<b>(13,075)</b>	<b>2,726</b>	<b>7</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	16,167	22,848	749	731
<b>Actual amount charged against General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	10,692	9,447		
<i>less</i> upfront deficit payment for 2015/16 & 2016/17	4,735	4,674		
<i>add</i> upfront deficit payment recognised in year	(7,620)	734	-	-
Retirement benefits payable to pensioners			<b>23,976</b>	<b>22,793</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

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

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

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		(Teachers) Discretionary Benefits	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	809,137	664,807	23,976	22,793
Fair value of plan assets	(535,285)	(464,682)	-	-
<b>Net liability arising from defined benefits obligation</b>	<b>273,852</b>	<b>200,125</b>	<b>23,976</b>	<b>22,793</b>

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		(Teachers) Discretionary Benefits	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Opening Balance at 1 April	664,807	683,245	22,793	24,383
Current service cost	14,704	16,305		
Interest cost	22,832	21,499	749	731
Contributions from scheme participants	4,081	4,089		
Actuarial gains and losses	132,307	(35,923)	1,977	(724)
Benefits paid	(23,081)	(22,287)	(1,543)	(1,597)
Past service costs	1,562	405	-	-
Past service gain	(8,075)	(2,526)	-	-
<b>Closing Balance at 31 March</b>	<b>809,137</b>	<b>664,807</b>	<b>23,976</b>	<b>22,793</b>

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

	Local Government Pension Scheme	
	2016/17	2015/16
	£'000	£'000
Opening Fair Value of scheme assets at 1 April	464,682	481,219
Interest on Plan Assets	16,106	15,197
Remeasurement Gain (Loss)	64,055	(20,621)
Administration Expenses	(308)	(242)
Settlements	(942)	(2,120)
Contributions from employer	10,692	9,447
Contributions from employees into the scheme	4,081	4,089
Benefits paid	(23,081)	(22,287)
<b>Closing Balance at 31 March</b>	<b>535,285</b>	<b>464,682</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £80.064m (2015/16 £5.424m).

### Scheme History

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:						
Local Government Pension Scheme	(524,107)	(600,996)	(573,606)	(683,245)	(664,807)	(809,137)
Discretionary Benefits	(23,625)	(25,922)	(23,075)	(24,383)	(22,793)	(23,976)
Fair value of assets in the Local Government Pension Scheme	362,458	406,443	417,686	481,219	464,682	535,285
Surplus/(deficit) in the scheme:						
Local Government Pension Scheme	(161,649)	(194,553)	(155,920)	(202,026)	(200,125)	(273,852)
Discretionary Benefits	(23,625)	(25,922)	(23,075)	(24,383)	(22,793)	(23,976)
<b>Long Term Liability in Balance Sheet</b>	<b>(185,274)</b>	<b>(220,475)</b>	<b>(178,995)</b>	<b>(226,409)</b>	<b>(222,918)</b>	<b>(297,828)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £298m 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 2016/17 are estimated to be £25.5m. Estimated contributions to the Discretionary Benefits scheme are £1.6m.

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent triennial valuation was carried out as at 31 March 2016, which showed a shortfall of assets against liabilities of £0.62 billion as at that date, equivalent to a funding level of 86%. The fund's employers are paying additional contributions over a period of up to 16 years in order to meet the shortfall.

The weighted average duration of the Authority's defined benefit obligation is 17 years, measured on the actuarial assumptions used for IAS19 purposes.

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both scheme liabilities have been assessed by an independent firm of actuaries Mercer Ltd, estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31 March 2017.

The principal assumptions used by the actuary have been:

	Avon Pension Fund		Discretionary Benefits (Teachers) Scheme	
	2016/17	2015/16	2016/17	2015/16
<b>Mortality assumptions :</b>				
Longevity for current pensioners:	<u>at 65</u>		<u>at 75</u>	
Men	23.5	23.5	14.4	14.5
Women	26.0	26.0	16.5	16.6
Longevity for future pensioners:				
Men	26.0	25.9		
Women	28.7	28.9		
Rate of inflation	2.3%	2.0%	2.3%	2.0%
Rate of increase in salaries	3.8%	3.5%		
Rate of increase in pensions	2.3%	2.0%	2.3%	2.0%
Rate for discounting scheme liabilities	2.5%	3.5%	2.5%	3.4%

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	15,737	(15,737)
Rate of Inflation (increase or decrease by 1%)	13,827	(13,827)
Rate of increase in salaries (increase or decrease by 1%)	2,326	(2,326)
Rate of discounting scheme liabilities (increase or decrease by 1%)	(13,594)	13,594

## NOTES TO MAIN FINANCIAL STATEMENTS

### Risks and Investment strategy

The Avon Pension Fund does not have an explicit asset and liability matching strategy. The primary objective of its investment strategy is to generate positive real investment return above the rate of inflation for a given level of risk to meet the liabilities as they fall due over time. When setting the investment strategy, the expected volatility of the assets relative to the value placed on the liabilities was measured and taken into account. The aim of the strategy and management structure is to minimise the risk of a reduction in the value of the assets and maximise the opportunity for asset gains across the Fund.

To achieve its investment objective the Fund invests across a diverse range of assets such as equities, bonds, property and other alternative investments, and uses a number of investment managers. The risk management process identifies and mitigates the risks arising from the Fund's investment strategy and policies which are reviewed regularly to reflect changes in market conditions.

### Constitution of the fair value of scheme assets

The Discretionary Benefits Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Assets Held :	Assets at 31 March 2017		Assets at 31 March 2016	
	£'000	%	£'000	%
Equity investments	278,349	52.0%	250,000	53.8%
Government Bonds	64,234	12.0%	51,579	11.1%
Other Bonds	42,288	7.9%	43,215	9.3%
Other	150,414	28.1%	119,888	25.8%
<b>Total</b>	<b>535,285</b>	<b>100%</b>	<b>464,682</b>	<b>100.0%</b>

### History of experience gains and losses

Actuarial losses identified as movements on the Pensions Reserve in 2016/17 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2017.

	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
<b>Difference between the expected and actual return on scheme assets:</b>						
amount (£'000)	64,055	(20,621)	39,638	(2,697)	30,725	(13,953)
percentage	12.0	4.4	8.2	0.6	7.6	3.8
<b>Experience gains and losses on liabilities</b>						
amount (£'000)	-	-	-	-	-	-
percentage	0.0	0.0	0.0	0.0	0.0	3.4
	<b>64,055</b>	<b>(20,621)</b>	<b>39,638</b>	<b>(2,697)</b>	<b>30,725</b>	<b>(13,953)</b>
<b>Cumulative gains / losses recognised</b>	<b>97,147</b>	<b>33,092</b>	<b>53,713</b>	<b>14,075</b>	<b>16,772</b>	<b>(13,953)</b>

## 42 AVON COUNTY COUNCIL DEBT

Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment. The amount of residual debt outstanding at 31 March 2017 apportioned to this Council is £12.86m (£13.40m in 2015/16). The debt has now been included in the Council's Balance Sheet as a deferred liability which will reduce each year due to principal repayments.

	31 March 2016	Principal Repaid	31 March 2017
	£000	£000	£000
Ex- Avon loan debt principal repayment	13,396	(536)	12,860

## NOTES TO MAIN FINANCIAL STATEMENTS

### 43 MINIMUM REVENUE PROVISION (MRP)

#### Minimum Revenue Provision - Provision for Repayment of External Debt

The Local Government Act 2003 requires that where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008.

The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the CLG Guidance), whilst making its own assessment of a prudent MRP.

The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP.

The Council has reviewed and amended its MRP Policy during 2016/17. The following approved MRP statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

- For capital expenditure incurred before 1st April 2008 MRP will be determined as the principal repayment on a 50 year annuity with an annual interest rate equal to 2% which will fully finance this element of the Capital Financing Requirement (CFR) within 50 years, incorporating an "Adjustment A" of £38.8m. This is a change from original 2016/17 MRP Policy where the CFR was being financed on a 4% reducing balance methodology and whilst the change will generate savings it is also considered to be more prudent as it finances the CFR over a shorter period.
- For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
- For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.

Capital expenditure incurred during each financial year will not be subject to a MRP charge until the following financial year or until the year after the asset becomes operational.

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 £3.783m calculated as follows:

	2016/17	2015/16
	£000	£000
Provision for capital expenditure incurred before 1st April 2008	531	1,874
Provision based on estimated useful life of new assets since 2008	3,252	4,221
<b>Total Minimum Revenue Provision (MRP)</b>	<b>3,783</b>	<b>6,095</b>

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

## NOTES TO MAIN FINANCIAL STATEMENTS

### 44 TRUST FUNDS

The Council is the trustee of a small number of Trusts which were inherited from the predecessor authorities. These include bequests, schools prize and scholarship funds and grave maintenance.

The only Trusts with material assets are:

	2016/17 Exp. £'s	2016/17 Income £'s	2016/17 Assets £'s	2016/17 Liabilities £'s
Alice Park Trust	35,485	(36,046)	154,652 *	
<b>Total</b>	<b>35,485</b>	<b>(36,046)</b>	<b>154,652</b>	<b>0</b>

\* Includes external investments valued at £18,419

	2015/16 Exp. £'s	2015/16 Income £'s	2015/16 Assets £'s	2015/16 Liabilities £'s
Alice Park Trust	51,603	(63,828)	154,091 *	
<b>Total</b>	<b>51,603</b>	<b>(63,828)</b>	<b>154,091</b>	<b>0</b>

\* Includes external investments valued at £6,453.

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

**Other Trust Funds** of which B&NES is the sole trustee, relate to assets held - these are for items such as Bequests and Scholarship funds, for which external annual accounts are not prepared:

	2016/17 Exp. £'s	2016/17 Income £'s	2016/17 Assets £'s	2016/17 Liabilities £'s
Educational Funds	300	(452)	46,773	
Graves/memorial maintenance	0	(42)	12,449	
Client accounts	0	0	94,000	
Twinning Fund	130	(88)	26,088	
Bequests	0	(121)	35,621	
<b>Total</b>	<b>430</b>	<b>(703)</b>	<b>214,931</b>	<b>0</b>

	2015/16 Exp. £'s	2015/16 Income £'s	2015/16 Assets £'s	2015/16 Liabilities £'s
Educational Funds	300	(523)	46,621	
Graves/memorial maintenance	2,737	(69)	12,407	
Client accounts	0	0	94,000	
Twinning Fund	130	(130)	26,130	
Bequests	2,400	(182)	35,500	
<b>Total</b>	<b>5,567</b>	<b>(904)</b>	<b>214,658</b>	<b>0</b>



## NOTES TO MAIN FINANCIAL STATEMENTS

### 45 CONTROLLED COMPANIES

#### Bath Tourism Plus Ltd

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. In 2016/17 the Council and Initiative had equal rights to appoint directors. The directors have day to day control over the management of the company.

The Company's un-audited accounts to 31st March 2017 show a turnover of £2,659,415, a net profit of £11,708 and net current assets of £306,093 (turnover of £2,750,673, a net profit of £16,101 and net current assets of £264,813 in 2015/16). 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.

#### Aequus Developments Ltd (ADL)

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

The Company's un-audited accounts from 14th March 2016 to 31st March 2017 show a turnover of £82,605, a net loss of £126,210 and net current liabilities of £151,001, which includes £214,688 owed to the Council. (As a new company, there is no previous year comparator). 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 and North East Somerset Council, The Guildhall, High Street, Bath. BA1 5AW

### 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 activity is integrated into the West of England Local Enterprise Partnership (LEP) and is fully aligned to promoting economic growth and prosperity through the key themes of Place, People and Business and the Accountable Body for Place is Bath and Northeast Somerset Council.

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 growth in homes and jobs. Funding has been provided by Central Government including from DCLG for Core LEP Activity and Strategic Economic Plan Development, BIS for Regional Growth Funds 2 & 3 (Revolving Infrastructure Fund and Growth Fund) and the Department of Transport. The local authorities remain the primary local contributors and each provide equal shares of funding.

The table below reflects the revenue expenditure incurred by Bath and North East Somerset on behalf of the West of England Authorities in 2016/17:

#### West of England Pooled Revenue Expenditure 2016-17

Expenditure	£'000	Acting As
LEP Management & Co-ordination	489	
LEP Places & Infrastructure	1,053	
LEP Skills & Economy	415	
LEP Funds Management	332	
Growth Hub	298	
Other Spend	0	
<b>Total Expenditure</b>	<b>2,587</b>	
<b>Funding</b>		
Local Authority Contributions Core	599	Agent
Local Authority Contributions Projects	714	Agent
Higher/Further Education Contributions	76	Agent
Govt. Grant - Core & Strategic Economic Plan	500	Principal
Govt. Grant - RIF Admin	48	Principal
Govt. Grant - Growth Fund Admin	164	Principal
Govt. Grant - Growth Hub	298	Principal
Govt. Grant - Other	188	Principal
<b>Total Income</b>	<b>2,587</b>	

The reporting approach is that total expenditure is not shown in the Financial Statements; rather the following accounting treatment is adopted:-

- 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.
- 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.

## NOTES TO MAIN FINANCIAL STATEMENTS

In addition, B&NES is the accountable body for central government grants and acts as Agent. Sums are distributed to specific projects, as various criteria are satisfied, with the receiving body or Authority 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 will either be paid to future grant recipients or returned to government if not used or where they are recovered.

Grant Award	Fund b/f	Grant Received/ returned	Interest applied to fund	Grant Distributed/ recovered	Funds c/f
	£'000	£'000	£'000	£'000	£'000
Department of Communities and Local Government (DCLG) - Growth Points Fund	134	0	0	134	0
Department of Communities and Local Government (DCLG) - Growing Places Fund for "revolving investment fund"	5,796	0	31	-188	6,015
Department of Business, Innovation and Skills (BIS) - Regional Growth Fund 2 for "revolving investment fund"	25,578	0	126	7,236	18,468
"Revolving investment fund" - returned Funds from Completed schemes	903	1,900	8	0	2,811
Department of Business, Innovation and Skills (BIS) - Regional Growth Fund 3 – "Growth Fund "	1,695	-1,794	0	-99	0
Department of Communities and Local Government (DCLG) - Local Growth Fund	0	42,407	0	37,879	4,528
Department for Education (DfE) - Apprenticeship Grant for Employers	0	1,036	0	640	396
	34,106	43,549	165	45,602	32,218

Following the creation of the West of England Combined Authority (WoECA) as part of the devolution deal with government, the new authority will take over the accountable body role for these funds going forward and the balance of funds will be transferred from the Council to the WoECA during 2017/18.

### 47 CONTINGENT LIABILITIES

The Council's Senior Management Team have identified / reviewed the potential liabilities arising from appeals or objections to the Council's actions for which there is only a small number of such cases and are not considered material.

### 48 HERITAGE ASSETS; FURTHER INFORMATION ON THE COLLECTIONS

#### Roman Baths Museum

The Roman Baths Museum holds a number of collections principally of an archaeological nature but also includes a diverse local history collection and a major collection of coins which together tell the story of 7,000 years of human activity around the hot springs of Bath. The collections have been designated as being of outstanding national significance.

**Archaeology:** The prehistoric collections include flint and stone objects, mostly from the downs to the north and south of Bath. There is also bronze age metalwork and small quantities of prehistoric pottery, human and faunal remains including objects from the iron age hillfort at Little Solsbury.

In the Roman collection, the bulk of materials relate to the Baths and Temple site in which the museum is situated, consisting of building blocks, architectural fragments, sculptural reliefs, inscriptions, tile and lead and bronze plumbing fittings. There are similar objects from elsewhere in Bath. From elsewhere in the District there are objects from the Roman Villas at Combe Hay, Somerdale Roman House and Medieval Abbey site which is managed locally by the Keynsham Heritage Trust.

The museum has been approved by English Heritage for the deposition of excavation material and the collections are added to continually through receipt of excavation material as well as the occasional stray find. The museum will only normally collect within the boundaries of Bath & North East Somerset.

**Numismatics:** There is a strong collection of Roman coins of which the most important are those excavated from the King's Spring, as well as the recently acquired Beau Street hoard of coins, purchased with the support of external grants. There are also coins from the Saxon mint at Bath as well as a representative collection of English coinage from the Saxon period to the 20th century. The collection also includes miscellaneous foreign coins, commemorative medals, jettons and reckoning counters and a comprehensive collection of 17th, 18th and 19th century tokens, tickets, inn checks and bank notes from Bath and north eastern Somerset. The museum will continue to develop its collection of locally associated objects.

**Local History:** These collections consist principally of objects relating to the city and immediate environs of Bath, including a significant and substantial collection of old photographs, postcards and glass negatives.

The museum will continue to take a leading role in promoting the acquisition of objects of local and social historical significance.

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 an external source, with the latest valuation carried out in 2015/16 by Bonham's for insurance purposes.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### Bath Record Office

Bath is the only city in the UK to be designated as a UNESCO world heritage site, selected for its 18th century townscape, built around the ancient thermal spa. The archive collections of the Record Office are exceptional for their quality and completeness in documenting the transition from medieval market town to fashionable Georgian resort, preserved today as one of Britain's top visitor destinations.

The wide-ranging subject matter touches on almost every aspect of life in the developing city throughout the last 400 years including records of parishes, schools, crime and punishment, hospitals and medicine, charities, societies, commerce and entertainment. The role played by the Corporation of Bath as a major property developer, from the 17th century to the present is represented by an outstanding collection of title deeds, complemented by major collections from local solicitors. Since the creation of the Record Office in 1967 many substantial and historically important archives collections have been received from private sources.

The Bath Record Office collection will be developed through the acquisition of archives and records from within the Bath & North East Somerset area and may encompass records in any form including manuscripts, photographs, pictures, film and all communication media. Items from the records office are not kept on display but access to the material can be arranged by appointment.

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

### Fashion Museum

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

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

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

The 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. The latest complete valuation was carried out externally in 2015/16 by Bonhams for insurance purpose.

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

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

### Library Service

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

The collection is divided into 4 categories:

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

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

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

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

The latest valuations were carried out in 2015/16 by Bonhams for insurance purpose.

Title to the collection of civic regalia and silver of the former Bath City Council was transferred to the Charter Trustees on local government re-organisation in 1996 and is therefore not included in the Council's balance sheet.

# NOTES TO MAIN FINANCIAL STATEMENTS

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

### Restatement of Service Income & Expenditure

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income & Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that authorities present expenditure and income on services on the bases of its reportable segments. These reportable segments are based on the authority's reporting structure. This is a change from the previous requirement to present expenditure & income in accordance with the Service Expenditure Code of Practice (SerCOP). This note shows how the net expenditure and income has been restated.

	As originally reported in the CIES 2015/16 £'000	Adjustments between SERCOP classifications and Cabinet reporting £'000	As Restated 2015/16 £'000
<b>NET EXPENDITURE</b>			
<b>SERCOP Service Line</b>			
Central Services to the Public	3,315	(3,315)	-
Cultural & Related Services	2,662	(2,662)	-
Environmental & Regulatory Services	25,866	(25,866)	-
Planning Services	4,401	(4,401)	-
Children's & Education Services	42,905	(42,905)	-
Highways & Transportation Services	24,237	(24,237)	-
Housing Services	6,518	(6,518)	-
Adult Social Care	59,265	(59,265)	-
Public Health	268	(268)	-
Corporate & Democratic Core	7,703	(7,703)	-
Non Distributed Pension Costs	8	(8)	-
	<u>177,148</u>	<u>(177,148)</u>	<u>-</u>
<b>Cabinet Portfolio</b>			
Transport	-	21,683	21,683
Leader	-	6,104	6,104
Homes & Planning	-	5,390	5,390
Finance & Efficiency	-	18,946	18,946
Adult Social Care & Health	-	61,806	61,806
Children's Services	-	38,946	38,946
Economic Development	-	(1,612)	(1,612)
Community Services	-	25,885	25,885
	<u>-</u>	<u>177,148</u>	<u>177,148</u>
<b>Cost of Services</b>	<u><b>177,148</b></u>	<u><b>-</b></u>	<u><b>177,148</b></u>
<b>GROSS EXPENDITURE</b>			
<b>SERCOP Service Line</b>			
Central Services to the Public	3,829	(3,829)	-
Cultural & Related Services	18,443	(18,443)	-
Environmental & Regulatory Services	31,242	(31,242)	-
Planning Services	7,686	(7,686)	-
Children's & Education Services	138,083	(138,083)	-
Highways & Transportation Services	39,911	(39,911)	-
Housing Services	61,953	(61,953)	-
Adult Social Care	103,334	(103,334)	-
Public Health	8,600	(8,600)	-
Corporate & Democratic Core	18,883	(18,883)	-
Non Distributed Pension Costs	8	(8)	-
	<u>431,972</u>	<u>(431,972)</u>	<u>-</u>
<b>Cabinet Portfolio</b>			
Transport	-	37,326	37,326
Leader	-	6,814	6,814
Homes & Planning	-	9,211	9,211
Finance & Efficiency	-	85,041	85,041
Adult Social Care & Health	-	114,724	114,724
Children's Services	-	134,120	134,120
Economic Development	-	12,623	12,623
Community Services	-	32,113	32,113
	<u>-</u>	<u>431,972</u>	<u>431,972</u>
<b>Cost of Services</b>	<u><b>431,972</b></u>	<u><b>-</b></u>	<u><b>431,972</b></u>

## NOTES TO MAIN FINANCIAL STATEMENTS

	As originally reported in the CIES 2015/16 £'000	Adjustments between SERCOP classifications and Cabinet reporting £'000	As Restated 2015/16 £'000
<b>GROSS INCOME</b>			
<b>SERCOP Service Line</b>			
Central Services to the Public	(514)	514	-
Cultural & Related Services	(15,781)	15,781	-
Environmental & Regulatory Services	(5,376)	5,376	-
Planning Services	(3,285)	3,285	-
Children's & Education Services	(95,178)	95,178	-
Highways & Transportation Services	(15,674)	15,674	-
Housing Services	(55,435)	55,435	-
Adult Social Care	(44,069)	44,069	-
Public Health	(8,332)	8,332	-
Corporate & Democratic Core	(11,180)	11,180	-
Non Distributed Pension Costs	-	-	-
	<u>(254,824)</u>	<u>254,824</u>	<u>-</u>
<b>Cabinet Portfolio</b>			
Transport	-	(15,643)	(15,643)
Leader	-	(710)	(710)
Homes & Planning	-	(3,821)	(3,821)
Finance & Efficiency	-	(66,095)	(66,095)
Adult Social Care & Health	-	(52,918)	(52,918)
Children's Services	-	(95,174)	(95,174)
Economic Development	-	(14,235)	(14,235)
Community Services	-	(6,228)	(6,228)
	<u>-</u>	<u>(254,824)</u>	<u>(254,824)</u>
<b>Cost of Services</b>	<u><u>(254,824)</u></u>	<u><u>-</u></u>	<u><u>(254,824)</u></u>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 50 CITY REGION DEAL

#### Background

Under the City Region Deal, Bristol City, Bath & North East Somerset, North Somerset and South Gloucestershire Councils ("the Authorities") are part of a Business Rates Retention Scheme, introduced by the Government in April 2013, allowing Authorities to retain a proportion of the business rates collected locally. The Authorities are allowed to retain 100% of the growth in business rates raised in the City Regions network of Enterprise Areas over a 25 year period ending on 31/3/2039 to create an Economic Development Fund for the West of England and to manage local demographic and service pressures arising from economic growth.

A 'baseline' level of rates for each Authority has been agreed with the government for the areas designated within the Non-Domestic Rating (Designated Areas) Regulations 2014. Rates collected up to this figure (the baseline) are subject to the national rates retention system. Rates collected in excess of this figure (the 'growth figure') are retained by the Authorities under the Non-Domestic Rates Designated Area Regulations 2013 and 2014 in a pooling arrangement. The governance of the distribution of retained pooled funds will occur through a Business Rates Pooling Board constituted under the Business Rates Pooling Principles Agreement (BRPPA) signed by the four Authorities.

#### Transactions

Each participating Authority pays an annual growth figure to South Gloucestershire Council, as the Accountable Body for the Business Rates Pool (BRP), representing business rates collected in the Enterprise Areas in excess of an agreed baseline figure. Retained funds will be distributed or invested annually in accordance with the 2014 Regulations and the BRPPA as:

**Tier 1:** to ensure that no individual Authority is any worse off than it would have been under the national local government finance system,

**Tier 2:** to an Economic Development Fund (EDF) for reinvestment within the designated areas through approved programmes,

**Tier 3:** for the relief of demographic and service pressures associated with growth.

Cash receivable and disbursements payable by the BRP and the Council's share of these are reflected under 'Cash Transactions' in the table below. Expenditure and Revenue recognised in the Council's CIES is also disclosed:

	Cash Transactions		Revenue & Expenditure	
	Business Rates Pool Total £'000	of which the Council's Share £'000	Council Expenditure £'000	Council Revenue £'000
Funds held by BRP at 1 April 2016	(9,453)	(599)	0	0
Receipts into the Pool in-year:				
- Growth sums payable by Councils to BRP in-year	(12,717)	(595)	595	0
Distributions out of the Pool BRP in-year:				
- Tier 1 no worse off	5,126	206	0	(206)
- BRP Management Fee	44	11	0	0
- EDF Management Fee	55	14	0	(55)
- Tier 2 EDF funding	2,144	113	0	0
- Tier 3 Demographic and service pressures	1,177	58	0	(164)
<b>Funds held by the BRP at 31 March 2017</b>	<b>(13,624)</b>	<b>(792)</b>		
Analysed between:				
Uncommitted cash (Tier 2 incl. Contingency)	(10,325)	(601)	(193)	n/a
Committed cash (Tier 3)	(3,299)	(191)	n/a	n/a
	<b>(13,624)</b>	<b>(792)</b>		
<b>Expenditure / (Revenue) recognised</b>			<b>402</b>	<b>(425)</b>

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

The Council's share of this committed and uncommitted cash balance held by the BRP (£792,000) has been recognised in the accounts and is held in an earmarked reserve to smooth the impact of City Region Deal transactions, and match the release of revenue support and charges for projects. The BRP has made several payments totalling £2.144m on behalf of the EDF in 2016/17.

The council itself has recognised revenue income of £425,000 (2015/16: £326,000) from the BRP and expenditure of £402,000 (2015/16: £254,000) to the BRP for the year.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 51 SOMERSET BUSINESS RATES POOL

As part of the Business Rates Retention system the Government introduced a system of Levies and Safety Nets. Growth is limited by a Levy, which pays for a national Safety Net for authorities whose Business Rates base declines by more than 7.5%.

The Levy rate can be reduced by being part of a Business Rates Pool. The Somerset Business Rates Pool was established with effect from 1st April 2015 with B&NES operating as the lead Authority. The Pool consists of five other Districts and Somerset County Council and has resulted in a Pool Levy rate of 7.5% (opposed to 31.4%) enabling the council to retain more of the proceeds from growth.

The retained levy is allocated across the pool members in accordance with the Pooling Agreement. The allocations of the retained levy for 2016/17 are shown below.

<b>Somerset Business Rates Pool</b>	<b>2016/17 £'000</b>
<b>Pooling Distribution of Retained Levy</b>	
North Somerset Council	220
Somerset County Council	438
Mendip District Council	369
Sedgemoor District Council	515
South Somerset District Council	316
Taunton Deane Borough Council	326
Bath & North East Somerset Council	211
Bath & North East Somerset Council – Lead Authority Role	30
<b>Total</b>	<b>2,425</b>

## COLLECTION FUND 2016/17

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing Authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

	Notes	£'000	2016/17 £'000	2015/16 £'000
<b>INCOME</b>				
Council Tax	2	(96,726)		(92,148)
Income collectable from business ratepayers	3	(68,161)		(67,057)
			(164,887)	(159,205)
<b>EXPENDITURE</b>				
Council Tax - Precepts and demands				
Bath & North East Somerset		80,156		76,685
Avon & Somerset Police	1	11,183		10,828
Avon Fire	1	4,262		4,126
			95,601	91,639
National Non-Domestic Rates (NNDR)				
Central share payment to Government		33,090		32,226
Local share payment to Bath & North East Somerset		32,428		31,581
Local share payment to Avon Fire Authority		662		645
Transfer of City Deal Growth Disregard to General Fund	6	595		534
Transfer of Renewable Energy Growth Disregard to General Fund		46		1
Cost of Collection Allowance		260		260
			67,081	65,247
Impairments of debts	4		1,405	967
Write off of uncollectable amounts			(194)	271
Increases / (decreases) in allowance for impairment			3,671	3,680
Provision for NNDR Appeals	5			
Contributions				
Contribution towards previous year's estimated Collection Fund (Surplus)/Deficit			(1,422)	1,723
			166,142	163,527
(Surplus)/Deficit for the Year			1,255	4,322
(Surplus)/Deficit Brought Forward as at 1 April			3,897	(425)
<b>(Surplus)/Deficit as at 31 March</b>	7		5,152	3,897
Council Tax Surplus to be refunded to Police & Fire Authorities			137	141
NNDR Deficit to be charged to Government & Fire Authority			(3,059)	(2,427)
<b>Bath &amp; North East Somerset (Surplus)/Deficit</b>			2,230	1,611



# NOTES TO THE COLLECTION FUND

## 1 The Collection Fund

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

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

	<b>Precept</b>	<b>Surplus</b>	<b>Precept</b>	<b>Surplus</b>
	<b>2016/17</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
The Avon & Somerset Police Authority	<b>11,183</b>	<b>106</b>	10,828	244
The Avon Fire Authority	<b>4,262</b>	<b>41</b>	4,126	93

## 2 Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands. Estimated values at 1 April 1991 are used for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Bath & North East Somerset Council, the Police Authority and the Fire Authority for the forthcoming year and dividing this by the Council Tax base (adjusted for discounts) of 62,734.6 (61,950.6 for 2015/16). This amount of Council Tax for a Band D property £1,523.89 (£1,479.22 - 2015/16) 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:

	<b>Discounted</b>	<b>Ratio to</b>	<b>Band D</b>
	<b>Properties</b>	<b>Band D</b>	<b>Equivalents</b>
Band A - Disabled Relief	10	5/9	6
Band A	6,253	6/9	4,169
Band B	16,062	7/9	12,493
Band C	16,899	8/9	15,021
Band D	11,989	9/9	11,989
Band E	8,313	11/9	10,161
Band F	4,827	13/9	6,972
Band G	4,269	15/9	7,115
Band H	347	18/9	694
			68,620
Overall Adjustment for Council Tax Support and Technical Changes			<b>(5,885)</b>
<b>Council Tax Base</b>			<b>62,735</b>

The increase in the Council Tax base between financial years is as a result of a combination of new builds and a reduction in the level of Council Tax Discounts and Exemptions.

The income for 2016/17 is receivable from the following sources:-

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Billed to Council Tax payers	<b>(96,744)</b>	<b>(92,142)</b>
Localism Act Discounts funded from General Fund	<b>(2)</b>	<b>(6)</b>
Prior Year DWP Benefits funded from General Fund	<b>20</b>	<b>-</b>
	<b>(96,726)</b>	<b>(92,148)</b>

## NOTES TO THE COLLECTION FUND

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

The Council collects NNDR for its area based on local rateable values multiplied by a uniform business rate set nationally by Central Government. The national multipliers for 2016/17 were 48.4 pence for qualifying small businesses and 49.7 pence for all other businesses, subject to transitional arrangements. The NNDR income after reliefs of £68.161 million for 2016/17 (£67.057 million in 2015/16) resulted from a total rateable value at 31 March 2017 of £168.793 million.

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

From 1 April 2013, the NNDR scheme changed following the introduction of a business rates retention scheme where local authorities retain a proportion of the total amount due (49% for B&NES and 1% for Avon Fire Authority), subject to safety net and levy payments on disproportionate losses or growth. The remaining 50% is paid to Central Government and redistributed to local authorities as Revenue Support Grant. The new scheme aims to give the Council a greater incentive to encourage economic growth in the district but also increases the risk of non-collection of rates.

In its fourth year of operation, the business rates retention scheme has resulted in a deficit of £5.998m against the amounts allocated to the Council, Central Government and the Fire Authority throughout 2016/17 (£4.759m deficit in 2015/16). This is due to the level of provision required to meet the probable costs of appeals, which have increased significantly in 2015/16.

### 4 Council Tax and NNDR - Provision for Bad Debts

The Collection Fund account provides for bad debts on Council Tax and NNDR arrears as shown below:

	2016/17 £'000	2015/16 £'000
<b>Council Tax</b>		
Balance at 1 April 2016	461	417
Write-offs during the year	(166)	(153)
Contributions to provisions during the year	241	197
Net Increase/(Decrease) in Provision	75	44
Balance at 31 March 2017	536	461
<b>NNDR</b>		
Balance at 1 April 2016	734	507
Write-offs during the year	(1,239)	(814)
Contributions to provisions during the year	970	1,041
Net Increase/(Decrease) in Provision	(269)	227
Balance at 31 March 2017	465	734
<b>Total</b>		
Balance at 1 April 2016	1,195	924
Write-offs during the year	(1,405)	(967)
Contributions to provisions during the year	1,211	1,238
Net Increase/(Decrease) in Provision	(194)	271
Balance at 31 March 2017	1,001	1,195

The closing balances represent the impairment allowances for the estimated amounts that may become uncollectable in future.

### 5 Provision for Appeals

An estimate of the impact of business rate appeals, where businesses believe they have been overcharged and have made an appeal to the Valuation Office Agency (VOA), has been made, including for the effect of backdated appeals costs prior to 1 April 2016.

	2016/17 £'000	2015/16 £'000
Balance at 1 April 2016	7,607	4,503
Cost of Appeals settled during the year	(5,338)	(576)
Contributions to provisions during the year	3,671	3,680
Net Increase/(Decrease) in Provision	(1,667)	3,104
Balance at 31 March 2016	5,940	7,607

The movements in the provision for appeals reflect a significant number of appeals being settled in 2016/17, including for several supermarket, retail, MoD and GP surgery properties.

## NOTES TO THE COLLECTION FUND

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### 6 City Deal Growth Disregard

From 2014/15, the Council is allowed to retain 100% of the growth in Business Rates in its Enterprise Area. The growth is transferred to the Council's General Fund before being pooled with other participating authorities (see Note 50 to the Main Financial Statements for full details).

### 7 Balance of Fund & Distribution

As at 31 March 2017, the balance on the Collection Fund stood at an overall deficit of £5.152m.

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

	<b>Council Tax</b>	<b>NNDR</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Central Government	-	2,999	<b>2,999</b>
Bath & North East Somerset	(709)	2,939	<b>2,230</b>
Avon & Somerset Police	(99)	-	<b>(99)</b>
Avon Fire Authority	(38)	60	<b>22</b>
	<b>(846)</b>	<b>5,998</b>	<b>5,152</b>

Surpluses declared by the Collection Fund are apportioned to the precepting bodies in subsequent financial years.

Deficits likewise are proportionately charged to the precepting bodies in following financial years.

## 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 2016 to 31 March 2017.

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 2016/17 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 2.7. They do not take account of liabilities to pay pensions and other benefits in the future.

1.3 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.

1.4 In compliance with CIPFA guidance the presentation of the accounts includes the following changes from previous years:-

In note 8 Income from pooled investments has been analysed between Property and non-property investments.

In note 22 Financial Instruments for pooled investments are split between property and non-property investments.

Note 24 includes an analysis of the sensitivity of the valuations of Level Three assets in the Fair Value Hierarchy and a reconciliation of the change in value measurements within level three over the year. Some of the previous year figures in note 24 have been re-worked to be on a consistent basis with the 31 March 2017 figures. The previous figure for Pooled Investment Vehicles of £1,617,764m in Level 2 has instead been analysed between quoted equities and quoted bonds in Level 2. In the Currency Risk sensitivity analysis assets that are fully hedged are not shown because they have zero sensitivity.

### 1.5 Actuarial Valuations

As required by the Local Government Pension Scheme Regulations 2013 an actuarial valuation of the Fund was carried out as at 31 March 2016. The market value of the Fund's assets at the valuation date was £3,737 million. The Actuary estimated that the value of the Fund was sufficient to meet 86% of its expected future liabilities of £4,355 million in respect of service completed to 31 March 2016.

1.6 At the 2016 valuation the average deficit recovery period for the Fund overall was set at 16 years.

1.7 The 2016 actuarial valuation was carried out using the projected unit actuarial method. The main assumptions used to set employers' contributions, are set out in the table below:

	Past Service Liabilities	Future Service Liabilities
Rate of Discount	4.4% per annum	4.95% per annum
Rate of pensionable pay inflation	3.7% per annum	3.7% per annum
Rate of price inflation	2.2% per annum	2.2% per annum

1.8 The 2016 triennial valuation was completed during 2016/17 using market prices and membership data as at 31 March 2016. The 2016 valuation set the employer contribution rates for future service and deficit recovery payments (expressed as a monetary amount payable annually) with effect from 1 April 2017. Historically the discount rate used has been based on gilt yields. However, having taken advice from the Scheme Actuary, the discount rate used in the 2016 valuation is based on CPI plus a real investment return of 2.2% p.a. which better reflects the expected return of the investment portfolio in the long term compared to the gilts basis.

- 1.9 The Actuary has estimated that the funding level as at 31 March 2017 has risen to 95% from 86% at 31 March 2016 based on the 2016 valuation financial assumptions. The improvement is due to strong investment returns offsetting a more modest rise in the value of the liabilities.
- 1.10 Note 15 to the accounts shows the actuarial present value of promised retirement benefits for the purposes of IAS26 using the assumptions and methodology of IAS 19. The discount rate referenced for IAS19 is the Corporate Bond yield. The discount rate used for the Actuarial Valuation references the Fund's investment strategy.
- 1.11 The Fund's Funding Strategy Statement can be found on the Fund's website [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk) (search Funding Strategy Statement).

### Investment Strategy Statement

- 1.12 The Fund's Investment Strategy Statement (ISS) as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 can be found on the Fund's website [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk) (search Investment Strategy Statement). The first statement was published for 1 April 2017 and it includes a statement on the Fund's approach to pooling its investment assets as required under the regulations.

## 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 2017 by the Fund's custodian using internationally recognised 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. All these valuations are subject to the custodian's and fund manager's internal control reports and external auditors.
  - 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 2017.
  - 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 2017.
  - 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) Overseas properties are valued as at 31 December 2016 with adjustments made for any reduction or addition to the level of investment.
  - vii) 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.
  - viii) Acquisition costs of investments (e.g. stamp duty and commissions) are treated as part of the investment cost.
  - ix) Investment debtors and creditors at the year- end are included in investment assets in accordance with the CIPFA code of practice on local authority accounting.
  - x) The Fund's surplus cash is managed separately from the surplus cash of Bath and North East Somerset Council (B&NES) and is treated as an investment asset.

### Contributions

- 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. The last such valuation was at 31 March 2016. Currently employer contribution rates range from 7.0% to 30.8%. Employees' contributions have been included at the rates prescribed by the Local Government Pension Scheme Regulations 2013. The employee contribution rates range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2017.
- 2.4 Normal contributions both from members and the employer are accounted for on an accruals basis in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

### Benefits, Refunds of Contributions and Cash Transfer Values

- 2.5 From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.
- 2.6 Benefits payable and refunds of contributions have been brought into the accounts as they fall due.
- 2.7 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.

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

### Investment Income

- 2.9 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

- 2.10 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 permit Bath & North East Somerset Council to charge administration costs to the Fund. A proportion of relevant Council costs has been charged to the Fund on the basis of actual time spent on Pension Fund business.
- 2.11 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. A provision has been made for performance fees that have been incurred but are subject to phased payments or are not to be paid until the realisation of the related investments. These remain subject to change as a consequence of future performance. Fees are also payable to the Fund's global custodian and other advisors.

### Taxation

- 2.12 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

- 2.13 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. Estimates are used in the valuation of unquoted investments (see 2.2i) and in the actuarial valuation for the purposes of IAS 26 (note 15) in which the actuarial calculation of the liability is subject to the professional judgement of the actuary. The Fund's investments are stated at fair value. The subjectivity of the inputs used in making an assessment of fair value is explained in note 24.

### Events After the Balance Sheet Date

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

### Financial Instruments

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

## PENSION FUND ACCOUNTS 2016/17

### Fund Account

For the Year Ended 31 March 2017

	Notes	2016/17 £'000	2015/16 £'000
<b>Dealing with members, employers and others directly involved in the fund</b>			
Contributions Receivable	4	146,347	143,578
Transfers In	16	2,911	4,170
		<b>149,258</b>	147,748
Benefits Payable	5	159,775	155,310
Payments to and on account of Leavers	6	4,717	7,861
		<b>164,492</b>	163,171
<b>Net additions / (withdrawals) from dealings with member</b>		<b>(15,234)</b>	<b>(15,423)</b>
Management Expenses	7	24,498	21,334
		<b>(39,732)</b>	<b>(36,757)</b>
<b>Net (withdrawals) / additions from dealings with members</b>			
<b>Returns on Investments</b>			
Investment Income	8	29,425	24,399
Profits and losses on disposal of investments and change in value of investments	9	627,155	(85,504)
<b>Net Returns on Investments</b>		<b>656,580</b>	<b>(61,105)</b>
<b>Net Increase in the net assets available for benefits during the year</b>		<b>616,848</b>	<b>(97,862)</b>
<b>Opening Net Assets of the Fund</b>		<b>3,736,930</b>	3,834,792
<b>Closing Net Assets of the Fund</b>		<b>4,353,778</b>	3,736,930

### Net Assets Statement at 31 March 2017

	Notes	31 March 2017 £'000	%	31 March 2016 £'000	%
<b>INVESTMENT ASSETS</b>					
Equities		750,053	17.2	598,343	16.0
Diversified Growth Funds		375,391	8.6	360,928	9.7
Infrastructure		256,003	5.9	0	-
Index Linked securities : Public Sector		509,172	11.7	433,798	11.6
Pooled Investment vehicles:					
- Property : Unit Trusts		135,309	3.1	132,549	3.6
: Unitised Insurance Policies		52,677	1.2	62,554	1.7
: Other Managed Funds		192,923	4.4	171,811	4.6
Property Pooled Investment vehicles		380,909		366,914	
- Non Property : Unitised Insurance		769,043	17.7	710,765	19.0
: Other Managed Funds		1,238,965	28.5	1,099,271	29.4
Non Property Pooled Investment Vehicles		2,008,008		1,810,036	
Cash Deposits		67,712	1.6	209,518	5.6
Other Investment balances		6,103	0.1	3,748	0.1
<b>INVESTMENT LIABILITIES</b>					
Derivative Contracts (Foreign Exchange hedge)		5,075	0.1	(40,415)	(1.1)
Derivative Contracts: FTSE Futures		(53)	-	(44)	-
Other Investment balances		(598)	-	(394)	-
<b>TOTAL INVESTMENT ASSETS</b>	10	<b>4,357,775</b>		3,742,432	
<b>Net Current Assets</b>					
Current Assets	12	11,255	0.3	7,679	0.2
Current Liabilities	12	(15,252)	(0.4)	(13,181)	(0.4)
<b>Net assets of the scheme available to fund benefits at the period end</b>		<b>4,353,778</b>	<b>100.0</b>	<b>3,736,930</b>	<b>100.0</b>

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2017.

## Notes to Accounts - Year Ended 31 March 2017

### 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 scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Membership of the Fund is open to pensionable employees of scheduled bodies in the former Avon County area, together with employees of eligible designating and admission bodies. A list of employers with contributing scheme members can be found in note 25.

Employers' contributions are payable at the rate specified for each employing authority by the Fund's actuary. The employees' contribution rate is payable in accordance with the Local Government Pension Scheme Regulations 2013 as amended.

### 2 MEMBERSHIP

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

	31 March 2017	31 March 2016
<b>Employed Members</b>	<b>36,213</b>	37,899
<b>Pensioners</b>	<b>29,464</b>	28,079
<b>Members entitled to Deferred Benefits</b>	<b>41,279</b>	40,711
<b>TOTAL</b>	<b>106,956</b>	106,689

A further 491 ex-members whose membership was for up to 2 years before 1 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 HM Revenue and Customs and the accounts are shown exclusive of VAT.

#### (ii) Income Tax

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

#### (iii) Capital Gains Tax

No capital gains tax is chargeable.

#### (iv) Taxation of Overseas Investment Income

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 2016/17

### 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable are analysed below:-

	2016/17 £'000	2015/16 £'000
<b>Employers' normal contributions</b>		
Scheduled Bodies	69,518	63,792
Administering Authority	8,610	8,008
Admission Bodies	7,520	7,508
	<u>85,648</u>	<u>79,308</u>
<b>Employers' deficit Funding</b>		
Scheduled Bodies	14,022	12,336
Administering Authority	0	0
Admission Bodies	710	11,406
	<u>14,732</u>	<u>23,742</u>
<b>Total Employer's normal &amp; deficit funding</b>	<b>100,380</b>	<b>103,050</b>
<b>Employers' contributions - Augmentation</b>		
Scheduled Bodies	6,265	2,071
Administering Authority	1,007	319
Admission Bodies	155	178
	<u>7,427</u>	<u>2,568</u>
<b>Members' normal contributions</b>		
Scheduled Bodies	31,126	30,374
Administering Authority	4,008	3,981
Admission Bodies	2,792	2,984
	<u>37,926</u>	<u>37,339</u>
<b>Members' contributions toward additional benefits</b>		
Scheduled Bodies	484	463
Administering Authority	104	82
Admission Bodies	26	76
	<u>614</u>	<u>621</u>
<b>Total</b>	<b>146,347</b>	<b>143,578</b>

The 2015/16 Employer's Deficit Funding for Admission Bodies includes a £10.7m termination payment from an employer exiting the Fund.

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

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

A further facility is provided whereby members can make Additional Voluntary Contributions, on a money purchase basis, which are invested in insurance policies with 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 18.

### 5 BENEFITS PAYABLE

#### Analysis of Gross Benefits Payable by Type:-

	2016/17 £'000	2015/16 £'000
Retirement Pensions	129,796	126,126
Commutation of Pensions and Lump Sum Retirement Benefits	27,443	26,158
Lump Sum Death Benefits	2,536	3,026
	<u>159,775</u>	<u>155,310</u>

#### Analysis of Gross Benefits Payable by Employing Body:-

	2016/17 £'000	2015/16 £'000
Scheduled & Designating Bodies	131,452	127,949
Administering Authority	16,496	15,026
Admission Bodies	11,827	12,335
	<u>159,775</u>	<u>155,310</u>

## PENSION FUND ACCOUNTS 2016/17

### 6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

Leavers	2016/17 £'000	2015/16 £'000
Refunds to members leaving service	1,165	672
Individual Cash Transfer Values to other schemes	2,890	4,628
Group Transfers	662	2,561
	<u>4,717</u>	<u>7,861</u>

### 7 MANAGEMENT EXPENSES

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

	2016/17 £'000	2015/16 £'000
Administrative Costs	1,774	1,540
Investment Management Expenses	21,409	18,779
Oversight & Governance Costs	1,315	1,015
	<u>24,498</u>	<u>21,334</u>

#### Further Analysis of Management Expenses:-

#### Administrative Costs

Management Costs	1,167	959
Administration and Processing	459	502
Service from Administrating Body	346	352
Fees and Income	(198)	(273)
	<u>1,774</u>	<u>1,540</u>

#### Investment Management Expenses

Fund Manager Base Fees	15,490	15,017
Fund Manager Performance Fees	4,032	1,964
Investment Transaction Costs	1,760	1,690
Global custody	127	108
	<u>21,409</u>	<u>18,779</u>

#### Oversight & Governance Costs

Management costs	550	469
Specialist advice and Governance	1,062	713
Actuarial recharges	(334)	(204)
Audit Fees	37	37
	<u>1,315</u>	<u>1,015</u>
	<u>24,498</u>	<u>21,334</u>

Fund Manager Performance Fees include fees that have been accrued but are subject to phased payment or not due to be paid until the realisation of the related assets. Unpaid fees remain subject to variation as a result of future performance. Total fund manager fees include management charges for pooled investments that are settled directly within the pooled vehicles in accordance with the investment management agreement.

Investment transaction costs do not include the underlying transaction costs within pooled funds.

Management costs in Oversight & Governance Costs include actuarial and accounting staff.

## PENSION FUND ACCOUNTS 2016/17

### 8 INVESTMENT INCOME

	2016/17 £'000	2015/16 £'000
Interest from fixed interest securities	-	1,754
Dividends from equities	19,815	15,890
Income from Index Linked securities	4,143	2,461
Income from pooled Property Investments	5,067	3,767
Income from other pooled investment vehicles	63	55
Interest on cash deposits	265	330
Other - stock lending	72	142
<b>TOTAL</b>	<b>29,425</b>	<b>24,399</b>

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 2017 was £10.3 million (31 March 2016 £7.3m), comprising of equities and sovereign debt. This was secured by collateral worth £11.0 million comprising equities and sovereign debt. The Fund does not sell collateral unless there is a default by the owner of the collateral.

### 9 CHANGE IN TOTAL NET ASSETS

Change in Market Value of Investments	Value at 31/03/16 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31/03/17 £'000
Equities	598,344	326,609	(300,194)	125,294	750,053
Index Linked Securities	433,798	24,017	(18,586)	69,943	509,172
Pooled Investments-					
- Property	366,914	39,244	(51,767)	26,518	380,909
- Non Property	2,170,963	418,803	(446,451)	496,086	2,639,401
Derivatives	(40,459)	292,558	(135,312)	(111,764)	5,023
<b>Sub Total</b>	<b>3,529,560</b>	<b>1,101,231</b>	<b>(952,310)</b>	<b>606,077</b>	<b>4,284,558</b>
Cash Deposits	209,518	514,449	(658,837)	2,582	67,712
Net Purchases & Sales		1,615,680	(1,611,147)	4,533	
Investment Debtors & Creditors	3,354			2,151	5,505
Total Investment Assets	3,742,432				4,357,775
Current Assets	(5,502)			1,505	(3,997)
Less Net Revenue of Fund				10,307	
<b>Total Net Assets</b>	<b>3,736,930</b>			<b>627,155</b>	<b>4,353,778</b>

The **Change in Market Value** of investments comprises all gains and losses on Fund investments during the year, whether realised or unrealised.

The **Change in Market Value** for cash deposits represents net gains on foreign currency deposits and foreign exchange transactions during the year.

**Derivatives.** The purchases and sales of derivatives are shown at the values of the realised profits and losses of the net derivatives transactions.

## PENSION FUND ACCOUNTS 2016/17

### Change in Total Net Assets 2015/16

Change in Market Value of Investments	Value at 31/03/15 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31/03/16 £'000
Fixed Interest Securities	111,675	10,408	(120,275)	(1,808)	-
Equities	603,222	360,901	(353,625)	(12,154)	598,344
Index Linked Securities	238,961	222,236	(29,813)	2,414	433,798
Pooled Investments-					
- Property	315,668	100,975	(83,810)	34,081	366,914
- Non Property	2,474,380	421,380	(682,111)	(42,686)	2,170,963
Derivatives	2,026	188,758	(157,550)	(73,693)	(40,459)
<b>Sub Total</b>	3,745,932	1,304,658	(1,427,184)	(93,846)	3,529,560
Cash Deposits	94,416	559,331	(441,664)	(2,565)	209,518
Net Purchases & Sales		1,863,989	(1,868,848)	(4,859)	
Investment Debtors & Creditors	(476)			3,830	3,354
Total Investment Assets	3,839,872				3,742,432
Current Assets	(5,080)			(422)	(5,502)
Less Net Revenue of Fund				12,358	
<b>Total Net Assets</b>	<b>3,834,792</b>			<b>(85,504)</b>	<b>3,736,930</b>

The Net Revenue of Fund figures in the above tables include the investment transaction costs as specified below:

### Investment Transaction Costs

	2016/17				2015/16			
	Purchases £'000	Sales £'000	Other £'000	Total £'000	Purchases £'000	Sales £'000	Other £'000	Total £'000
Fees and Taxes	1,044	10	-	1,054	1,020	5	-	1,025
Commission	359	340	7	706	328	329	8	665
<b>Total</b>	<b>1,403</b>	<b>350</b>	<b>7</b>	<b>1,760</b>	<b>1,348</b>	<b>334</b>	<b>8</b>	<b>1,690</b>

## 10 INVESTMENT ASSETS

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

	31 March 2017 £'000		31 March 2016 £'000	
<b>UK Equities</b>				
Quoted	331,898		313,922	
Pooled Investments	202,152		171,812	
FTSE Futures	(53)	533,997	(44)	485,690
<b>Diversified Growth Funds</b>				
Pooled Investments	375,391	375,391	360,928	360,928
<b>Infrastructure</b>				
Pooled Investments	256,003	256,003		-
<b>Overseas Equities</b>				
Quoted	418,155		284,421	
Pooled Investments	1,234,900	1,653,055	1,087,924	1,372,345
<b>UK Index Linked Gilts</b>				
Quoted	509,172	509,172	433,798	433,798
<b>Sterling Bonds (excluding Gilts)</b>				
Pooled Investments	342,728	342,728	358,029	358,029
<b>Hedge Funds</b>				
Pooled Investments	228,228	228,228	192,271	192,271
<b>Property</b>				
Pooled Investments	380,909	380,909	366,914	366,914
<b>Cash Deposits</b>				
Sterling	55,506		66,961	
Foreign Currencies	12,206	67,712	142,557	209,518
<b>Investment Debtors/Creditors</b>				
Investment Income	4,937		3,558	
Sales of Investments	1,166		190	
Foreign Exchange Hedge	5,075		(40,415)	
Purchases of Investments	(598)	10,580	(394)	(37,061)
<b>TOTAL INVESTMENT ASSETS</b>		<b>4,357,775</b>		<b>3,742,432</b>

## PENSION FUND ACCOUNTS 2016/17

### DERIVATIVES ANALYSIS

#### Open Forward Currency Contracts

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £'000	Liability Value £'000
Up to one month	EUR	48,148	GBP	(55,564)	598	
Up to one month	GBP	55,564	EUR	(47,638)		(88)
Up to one month	GBP	1,790,800	JPY	(12,898)		(40)
Up to one month	GBP	158,785	USD	(127,273)		(463)
Up to one month	JPY	13,634	GBP	(1,790,800)	776	
Up to one month	USD	122,750	GBP	(158,785)		(4,160)
One to six months	EUR	238,938	GBP	(275,028)	3,050	
One to six months	GBP	9,748	EUR	(8,485)		(129)
One to six months	GBP	178,900	JPY	(1,323)		(38)
One to six months	GBP	38,885	USD	(31,166)		(135)
One to six months	JPY	59,119	GBP	(8,158,900)	450	
One to six months	USD	608,944	GBP	(757,670)	4,794	
Six to twelve months	EUR	44,249	GBP	(51,428)	34	
Six to twelve months	JPY	11,493	GBP	(1,596,000)	(6)	
Six to twelve months	USD	114,758	GBP	(143,757)	432	
<b>Total</b>					<b>10,128</b>	<b>(5,053)</b>
<b>Net forward currency contracts at 31st March 2017</b>						<b>5,075</b>
Open forward currency contracts at 31 March 2016					(94,338)	53,923
<b>Net forward currency contracts at 31st March 2016</b>						<b>(40,415)</b>

#### Exchange Traded Derivatives held at 31 March 2017:-

Contract Type	Expiration	Book Cost £'000	Unrealised Gain £'000
FTSE equity futures	June 2017	5,602	(53)

#### Exchange Traded Derivatives held at 31 March 2016:-

FTSE equity futures	June 2016	11,309	(44)
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A derivative is a financial contract between two parties, the value of which is determined by the underlying asset. Investment in derivatives may only be made if they contribute to a reduction of risks and facilitate efficient portfolio management.

The UK Equity futures contracts are held to facilitate efficient portfolio management for a passively managed investment where the costs of investing directly in UK equities would be significant.

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

## PENSION FUND ACCOUNTS 2016/17

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 2017 £'000	%	31 March 2016 £'000	%
Blackrock	1,060,113	24.3	1,024,650	27.4
Standard Life	236,903	5.4	233,981	6.4
Record	10,624	0.2	(29,095)	(0.8)
Jupiter Asset Management	199,834	4.6	173,863	4.6
Genesis Investment Management	196,601	4.5	149,257	4.0
Invesco Perpetual	388,073	8.9	289,696	7.7
State Street Global Advisors	160,461	3.7	119,803	3.2
Partners Group	201,487	4.6	175,511	4.7
Royal London Asset Management	262,242	6.0	291,222	7.8
TT International	236,626	5.4	201,993	5.4
Gottex Asset Management	971	0.0	3,483	0.1
Signet Capital Management	1,162	0.0	1,057	0.0
IFM Investors	256,003	5.9	135,671	3.6
Pyrford International	138,487	3.2	126,947	3.4
Unigestion (UK) Ltd	223,160	5.1	178,118	4.8
Schroder Investment Management	539,380	12.4	449,901	12.0
JP Morgan	226,096	5.2	187,732	5.0
Bank of New York Mellon	7,497	0.2	17,603	0.5
Treasury Management	12,055	0.3	11,039	0.3
<b>TOTAL INVESTMENT ASSETS</b>	<b>4,357,775</b>	<b>100.0</b>	<b>3,742,432</b>	<b>100.0</b>

### 11 SINGLE INVESTMENTS OVER 5% OF THE FUND

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

Investments	Value at 31st March 2017 £'000	% of Net Asset	Value at 31st March 2016 £'000	% of Net Asset
Invesco Perpetual Global ex UK Enhanced Index Fund	388,073	8.91%	289,696	7.74%
RLPPC UK Corporate Bond Fund (Royal London)	262,242	6.02%	291,222	7.78%
IMF Global Infrastructure (UK)	256,003	5.87%		0.00%
Standard Life Global Absolute	236,903	5.44%	233,980	6.25%
Unigestion Uni-Global – Equity Emerging Mkt SAC GBP	223,160	5.12%	178,118	4.76%

## PENSION FUND ACCOUNTS 2016/17

### 12 CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2017.

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

	31 March 2017 £'000	31 March 2016 £'000
<b>CURRENT ASSETS</b>		
Contributions Receivable		
- Employers	6,784	4,636
- Members	2,877	2,010
Transfer Values Receivable	-	-
Discretionary Early Retirement Costs	526	308
Other Debtors	1,068	725
	<u>11,255</u>	<u>7,679</u>
<b>CURRENT LIABILITIES</b>		
Management Fees	(1,638)	(1,249)
Provision for Performance Fees	(10,567)	(8,422)
Transfer Values Payable	-	-
Lump Sum Retirement Benefits	(1,068)	(1,692)
Other Creditors	(1,979)	(1,818)
	<u>(15,252)</u>	<u>(13,181)</u>
<b>NET CURRENT ASSETS</b>	<u>(3,997)</u>	<u>(5,502)</u>

The provision for Performance Fees includes fees that have been incurred but are subject to phased payment or not due to be paid until the realisation of the related assets. They remain subject to variation as a result of future performance.

At 31 March 2016 Debtors were unusually low due to Bristol City Council having paid their March 2016 contributions (due in April 2016) before 31 March 2016.

Analysis of Debtors and Creditors by Public Sector Bodies:-

	31 March 2017 £'000	31 March 2016 £'000
<b>CURRENT ASSETS</b>		
Local Authorities	5,034	3,007
NHS Bodies		1
Other Public Bodies	2,313	2,117
Non Public Sector	3,908	2,554
	<u>11,255</u>	<u>7,679</u>
<b>CURRENT LIABILITIES</b>		
Local Authorities	(21)	(10)
Other Public Bodies	(1,569)	(1,569)
Non Public Sector	(13,662)	(11,602)
	<u>(15,252)</u>	<u>(13,181)</u>
<b>NET CURRENT ASSETS</b>	<u>(3,997)</u>	<u>(5,502)</u>

### 13 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2017. (March 2016 = NIL)

### 14 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2017 that require any adjustment to these accounts.

## PENSION FUND ACCOUNTS 2016/17

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2017 (the 31 March 2016 assumptions are included for comparison):

	31st March 2017	31st March 2016
Rate of return on investments (discount rate)	2.5% per annum	3.6% per annum
Rate of pay increases*	3.8% per annum	3.5% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.3% per annum	2.0% 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. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields fell, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.5% p.a. versus 3.6% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.0% p.a. to 2.3%. Both of these factors combined served to significantly increase the liabilities over the year. The pay increase assumption at the year-end has also changed to allow for short-term public sector pay restraint which serves to reduce the liabilities.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2016 was estimated as £5,159 million. Interest over the year increased the liabilities by c£186 million, and allowing for net benefits accrued/paid over the period also increased them by c£22 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then a further increase in liabilities of £1,092 million made up of "actuarial losses" (mostly changes in the actuarial assumptions used, primarily the discount rate and assumed rate of future CPI as referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2017 is therefore £6,459 million.

### 16 TRANSFERS IN

During the year ending 31 March 2017 there were no group transfers in to the fund.

### 17 AGENCY SERVICES

The Fund makes payments with regard to added year benefits awarded by the Employer to Local Government Pension Scheme members, including related pension increases. The Fund also pays a small number of other pension supplements. These are not funded by the Fund and are recharged in full. They are not included in the Fund Account.

	31 March 2017	31 March 2016
	£'000	£'000
<b>Benefits Paid and Recharged</b>	<b>6,024</b>	<b>6,193</b>

The Fund also administers £25.7m (£23.4m in 2015/16) pension payments on behalf of the Fire Service and the Teachers' pension schemes. These are not funded by the Fund and are recharged in full. They are not included in the Fund Account. The Fire Service and Teachers' employers also pay for the cost of providing this service.

### 18 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested in insurance policies with 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 2016/17 were £55 (2015/16 - £131). Additional Voluntary Contributions received from employees and paid to Friends Life during 2016/17 were £272,810 (2015/16 - £308,237).

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

	31 March 2017	31 March 2016
	£'000	£'000
<u>Equitable Life</u>		
With Profits Retirement Benefits	369	384
Unit Linked Retirement Benefits	362	171
Building Society Benefits	-	171
	<u>731</u>	<u>726</u>
Death in Service Benefit	<u>53</u>	<u>82</u>
<u>Friends Life</u>		
With Profits Retirement Benefits	84	115
Unit Linked Retirement Benefits	4,094	4,349
Cash Fund	309	385
	<u>4,487</u>	<u>4,849</u>

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



### 19 RELATED PARTIES

#### **Committee Member Related:-**

In 2016/17 £37,780 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£34,176 in 2015/16). Five voting members and one non-voting member of the Avon Pension Fund Committee (including two B&NES Councillor Members) were members of the Local Government Pension Scheme during the financial year 2016/2017. (Four voting members and one non-voting member in 2015/2016, including two B&NES Councillor Members)

#### **Independent Member Related:-**

Two Independent Members were paid allowances of £13,025 and £15,852 respectively during the year for their work in relation to the Pension Fund Committee and the Investment Panel. They are entitled to claim reasonable expenses which are included in the above allowances. The Independent Members are not eligible to join the Local Government Pension Scheme.

#### **Employer Related:-**

During the year 2016/17 the Fund paid B&NES Council £265,428 for administrative services (£287,848 in 2015/16) and B&NES Council paid the Fund £35,269 for administrative services (£28,266 in 2015/16). Various Employers paid the fund a total of £224,272 for pension related services including pension's payroll and compiling data for submission to the actuary (£222,662 in 2015/16).

#### **Pension Board Related:-**

The Pension Board came in to operation in July 2015. In 2016/17 £7,067 was charged to the Fund in respect of Allowances and expenses paid to the Members of the Pension Board (£5,446 for the nine months of 2015/16). Five members of the Pension Board were members of the Local Government Pension Scheme during the financial year 2016/2017. (Five members in 2015/2016).

#### **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.

### 20 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 were unchanged since 2015/16 and consisted of:

- part of the Head of Business Finance and Pensions salary, fees and allowances £50,167 (2015/16 £50,167) and their employer's pension contributions £9,498 (2015/16 £9,498).
- part of the Divisional Director Business Support's salary, fees and allowances £9,763 (2015/16 £9,763) and their employer's pension contributions £1,835 (2015/16 £1,835).

### 21 OUTSTANDING COMMITMENTS

As at the 31 March 2017 the Fund had outstanding commitments relating to investments in property that will be drawn down in tranches by the Investment Managers totalling £145,154,473 (31 March 2016 £149,355,935).

At 31st March 2017 there was no outstanding commitment relating to investments in a pooled fund of underlying infrastructure assets (31 March 2016 \$US105,000,000).

## PENSION FUND ACCOUNTS 2016/17

### 22 FINANCIAL INSTRUMENTS

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

	Fair Value through Profit and Loss	Loans & receivables	Financial liabilities at amortised cost
	£'000	£'000	£'000
<b>2016/17</b>			
<b>Financial Assets</b>			
Index Linked securities	509,172		
Equities	750,053		
Pooled Investments (Non-Property)	2,639,402		
Pooled Property Investments	380,909		
Derivative Contracts	5,075		
Cash		67,712	
Other investment balances	6,103		
Debtors		11,255	
<b>Total Financial Assets</b>	<b>4,290,714</b>	<b>78,967</b>	<b>-</b>
<b>Financial Liabilities</b>			
Derivative contracts	(53)		
Other investment balances	(598)		
Creditors			(15,252)
<b>Total Financial Liabilities</b>	<b>(651)</b>	<b>-</b>	<b>(15,252)</b>
<b>Total Net Assets</b>	<b>4,290,063</b>	<b>78,967</b>	<b>(15,252)</b>
	Fair Value through Profit and Loss	Loans & receivables	Financial liabilities at amortised cost
	£'000	£'000	£'000
<b>2015/16</b>			
<b>Financial Assets</b>			
Index Linked securities	433,799		
Equities	598,344		
Pooled Investments (Non-Property)	2,170,963		
Pooled Property Investments	366,914		
Derivative Contracts	-		
Cash		209,518	
Other investment balances	3,748		
Debtors		7,679	
<b>Total Financial Assets</b>	<b>3,573,768</b>	<b>217,197</b>	<b>-</b>
<b>Financial Liabilities</b>			
Derivative contracts	(40,460)		
Other investment balances	(394)		
Creditors			(13,181)
<b>Total Financial Liabilities</b>	<b>(40,854)</b>	<b>-</b>	<b>(13,181)</b>
<b>Total Net Assets</b>	<b>3,532,914</b>	<b>217,197</b>	<b>(13,181)</b>

## 23 FINANCIAL RISK MANAGEMENT DISCLOSURE

The primary objective of the Avon Pension Fund is to generate positive real investment return above the rate of inflation for a given level of risk to meet the liabilities as they fall due over time. The aim of the investment strategy and management structure is to minimise the risk of a reduction in the value of the assets and maximise the opportunity for asset gains across the portfolio of assets.

The Fund achieves this objective by investing across a diverse range of assets such as equities, bonds, property and other alternative investments in order to reduce exposure to a variety of financial risks including market risk (price, interest rate and currency risk), credit risk and liquidity risk.

The Fund's investments are managed by external Investment Managers who are required to invest in accordance with the terms of the agreed investment guidelines that set out the relevant benchmark, performance target, asset allocation ranges and any restrictions. The Avon Pension Fund Committee has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The Committee regularly monitors each investment 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 acts as custodian on behalf of the Fund.

Because the Fund adopts a long term investment strategy, the high level risks described below will not 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, credit spreads and currencies. The Fund is exposed through its investments portfolio to all these market risks. The level of risk exposure depends on market conditions, expectations of future price and yield movements and asset allocation. The objective of the investment strategy is to identify, manage and control market risk within acceptable parameters, while optimising the return.

Volatility in market risk is primarily managed through diversification across asset class and investment managers.

### Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate caused by factors other than interest rates or currencies. These changes can be caused by factors specific to the individual instrument, its issuer or factors affecting the market in general and will affect the assets held by the Fund in different ways.

All investments present a risk of loss of capital. By diversifying its investments across asset classes, geography and industry sectors, investment mandate guidelines and Investment Managers the Fund aims to reduce its exposure to price risk. Diversification seeks to reduce the correlation of price movements. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the Committee against the strategic benchmark.

The Fund has a high allocation to equities and therefore the fluctuation in equity prices is the largest market risk within the portfolio. The maturity profile of the Fund and strong underlying 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 held within the Fund (provided by the Fund's advisors). The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the three years to 31 March 2017. These movements in market prices are considered reasonable for the 2016/17 reporting period. This analysis assumes all other variables including interest rates and foreign currency exchange rates remain the same.

Movements in market prices could have increased or decreased the net assets available to pay benefits by the amounts shown below. However, the likelihood of this risk materialising in normal circumstances is low by virtue of the diversification within the Fund.

The analysis for the year ending 31 March 2017:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	533,997	9.0%	582,057	485,937
Overseas Equities	1,653,055	10.0%	1,818,361	1,487,750
UK Bonds	342,728	6.4%	364,662	320,793
Index Linked Gilts	509,172	12.6%	573,327	445,015
Pooled Multi Assets	375,391	6.1%	398,289	352,492
Property	380,909	2.6%	390,813	371,006
Fund of Hedge Funds	228,228	3.8%	236,901	219,556
Infrastructure	256,003	12.0%	286,723	225,282
Cash & Equivalents	78,292	0.0%	78,292	78,292
<b>Total Investment Assets</b>	<b>4,357,775</b>	<b>8.5%</b>	<b>4,729,425</b>	<b>3,986,123</b>

## PENSION FUND ACCOUNTS 2016/17

The analysis for the year ending 31 March 2016 is shown below (restated to be consistent with 2016/17):

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	485,690	10.3%	535,716	435,664
Overseas Equities	1,372,345	9.8%	1,506,972	1,237,718
UK Bonds	358,029	7.2%	383,807	332,251
Index Linked Gilts	433,798	9.3%	474,142	393,455
Pooled Multi Assets	360,928	4.2%	376,087	345,769
Property	366,914	1.6%	372,785	361,043
Fund of Hedge Funds	192,271	3.4%	198,808	185,734
Infrastructure	-	0.0%	-	-
Cash & Equivalents	172,455	0.0%	172,455	172,455
<b>Total Investment Assets</b>	<b>3,742,430</b>	<b>7.4%</b>	<b>4,020,772</b>	<b>3,464,089</b>

### Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates which will affect the value of fixed interest and index linked securities.

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

	31/03/2017 £'000	31/03/2016 £'000
Cash and Cash Equivalents	78,292	172,455
Fixed Interest Assets	851,900	791,827
<b>Total</b>	<b>930,192</b>	<b>964,282</b>

### 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 2017 of a 100 basis point (1%) change in interest rates. The analysis assumes that all other variables including foreign currency exchange rates remain constant.

An increase or decrease of 100 basis points (bps) in interest rates would have increased or decreased the net assets by the amount shown below.

#### As at 31 March 2017

	Value £'000	Change in net assets +100 BPS £'000	-100 BPS £'000
Cash and Cash Equivalents	78,292	-	-
Fixed Interest Assets	851,900	(132,619)	132,619
<b>Total</b>	<b>930,192</b>	<b>(132,619)</b>	<b>132,619</b>

A 1% rise in interest rates will reduce the fair value of the relevant net assets and vice versa. Changes in interest rates do not impact the value of cash balances but they will affect the interest income received on those balances.

The same analysis for the year ending 31 March 2016 is shown below (restated for consistency with 2016/17):

#### As at 31 March 2016

	Value £'000	Change in net assets +100 BPS £'000	-100 BPS £'000
Cash and Cash Equivalents	172,455	-	-
Fixed Interest Assets	791,827	(114,472)	114,472
<b>Total</b>	<b>964,282</b>	<b>(114,472)</b>	<b>114,472</b>

## PENSION FUND ACCOUNTS 2016/17

### 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, overseas property, infrastructure and hedge funds (where the shares are denominated in US dollars). When sterling depreciates the sterling value of foreign currency denominated investments will rise and when sterling appreciates the sterling value for foreign denominated investments will fall. The Fund has a passive hedging arrangement in place which reduces the volatility of returns over the longer term (the hedging programme hedges the exposure to the US Dollar, Yen and Euro).

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

The following tables summarise the Fund's currency exposures within the portfolio. For the global property funds the share class of the pooled funds held has been used.

Currency risk by asset class:

Currency Exposure - Asset Type	Asset value as at 31st March 2017	Asset value as at 31st March 2016
	£'000	£'000
Overseas Equities	1,653,055	1,372,345
Overseas Property	192,923	171,811
Fund of Hedge Funds	228,228	192,271
Infrastructure	256,003	-

### Currency Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates has been analysed using the volatility which is broadly consistent with a one-standard deviation movement in the main currencies over the 3 years to 31 March 2017 and these movements in currencies are considered reasonable for the 2016/17 reporting period. The analysis reflects the Fund's passive hedging policy of a 50% hedge ratio on the overseas equity assets and a 100% hedge ratio on the overseas property, infrastructure and hedge fund assets. Therefore there is no currency exposure on the assets that are 100% hedged.

A strengthening / weakening of Sterling against the various currencies by one standard deviation (expressed as a percentage) at 31 March 2017 would have increased / decreased the net assets by the amount shown in the tables below and vice versa:

Currency Risk by Asset Type:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	1,653,055	7.0%	1,768,769	1,537,341

The same analysis for the year ending 31 March 2016 is shown below:

Currency Risk by Asset Type:

Asset Type	Value (£) £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	1,372,345	5.3%	1,445,080	1,299,611

## (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. In addition, the market values of investments will reflect an assessment of creditworthiness 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 exchange-traded derivative contracts is minimised by the various insurance policies held by exchanges to cover defaulting counterparties. Over-the-counter (OTC) derivative contracts are bilateral agreements where the Fund faces the credit risk of the financial counterparty directly. This is the case for forward currency contracts where a line of credit is extended to the Fund in place of a collateral posting agreement (as is the case for exchange-traded contracts). The hierarchy and replacement of an OTC contract on default of one of the counterparties is detailed in the ISDA, which is a market standard legal document governing derivative contracts.

Forward currency contracts are entered into by the Fund's managers, especially the currency hedging manager, Record. These contracts are subject to credit risk in relation to the counterparties of the contracts. The responsibility for managing these contracts and counterparty risk rests with the managers. Counterparty management is evaluated as part of the due diligence process prior to appointing a manager.

The 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).

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

The cash held under the Treasury Management arrangements and by the custodian as at 31 March 2017 was £19.5m. This was held with the following institutions:

	31st March 2017		31st March 2016	
	Rating	Balance £'000	Rating	Balance £'000
<b>Custodian's Liquidity Fund</b>				
Bank of New York Mellon	AAA	7,495	AAA	17,591
<b>Bank Call Accounts</b>				
Handelsbanken	AA	5,200	AA-	5,090
Bank of Scotland Corporate Deposit Account	A+	3,210	A+	500
Goldman Sachs Global Treasury Fund	AAA	2,720	AAA	4,710
NatWest Special Interest Bearing Account	BBB+	910	BBB+	710
<b>Bank Current Account</b>				
NatWest	BBB+	10	BBB+	8

A securities lending programme is managed by the Fund's custodian BNY Mellon who manage and monitor the counterparty risk, collateral risk and the overall lending programme. Through its securities lending activities, the Fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon the type of transaction. This level is assessed daily to ensure it takes account of market movements. The current collateral the Avon Pension Fund accepts is AAA rated supranational debt, AA rated sovereign debt and FTSE Equity DBV. Cash collateral is not permitted. Securities lending is capped by investment regulations and statutory limits ensure no more than 25% of eligible assets can be on loan at any time.

## (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 including pension payments. Cash flow forecasts are prepared to manage the timing of and changes to the Fund's cash flows. The Fund has access to an overdraft facility for short term cash needs 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 liabilities of the Fund are the benefits payable as they fall due over a long period and the investment strategy reflects the long term nature of these liabilities. As a result the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes such as property 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 2017 the value of the illiquid assets was £1,102m, that represented 25.3% of the total Fund assets (31 March 2016: £793.2m which represented 21% of the total Fund assets).

## 24 FAIR VALUE HIERARCHY

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

- Level 1 – Asset and liabilities where the fair value is derived from unadjusted quoted prices in active markets for identical assets or liabilities. These include quoted/ listed equities, exchange traded derivatives, quoted government securities and quoted unit trusts.
- Level 2 – Assets and liabilities where quoted market prices are not available but uses inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. For example where an instrument is traded in a market that is not considered to be active, or where valuation techniques based significantly on observable market data are used to determine fair value. Level 2 includes pooled funds where the net asset value of the pooled fund is derived from observable prices of the underlying securities including the Diversified Growth Funds that only holds quoted securities. The Fund's holding in these pooled funds can be realised at net asset value.
- Level 3 – assets and liabilities where at least one unobservable input used to measure fair value could have a significant effect on the valuation. Level 3 includes pooled funds such as the property and infrastructure funds, other Diversified Growth 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 measured at fair value according to the fair value hierarchy at 31 March 2017.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities - Quoted	750,053	1,437,052		2,187,105
Bonds - Quoted	509,172	342,728		851,900
Fund of Hedge Funds			228,228	228,228
Diversified Growth Funds		375,391	-	375,391
Property			380,909	380,909
Infrastructure			256,003	256,003
Cash	67,712			67,712
Derivatives: Forward FX	5,075			5,075
Derivatives: Futures	(53)			(53)
Investment Debtors/Creditors	5,505			5,505
	<b>1,337,464</b>	<b>2,155,171</b>	<b>865,140</b>	<b>4,357,775</b>

The fair value hierarchy as at 31 March 2016 was:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities - Quoted	598,344	1,259,735		1,858,079
Bonds - Quoted	433,798	358,029		791,827
Fund of Hedge Funds			192,271	192,271
Diversified Growth Funds		126,947	233,981	360,928
Property			366,914	366,914
Cash	209,518			209,518
Derivatives: Forward FX	(40,415)			(40,415)
Derivatives: Futures	(44)			(44)
Investment Debtors/Creditors	3,354			3,354
	<b>1,204,555</b>	<b>1,744,711</b>	<b>793,166</b>	<b>3,742,432</b>

There has been one re-classification of assets between levels of the hierarchy between 31 March 2016 and 31 March 2017 transferring Diversified Growth Funds from level 3 to Level 2 following a review of the inputs to valuation techniques used to measure the fair value. Level 1 assets were sold to fund the investment in Infrastructure (Level 3). The fair value hierarchy as at 31 March 2016 has been restated, replacing the figure for Pooled Investment Vehicles of £1,617,764m in Level 2 with an analysis of the figure between quoted equities and quoted bonds in Level 2.

### Reconciliation of Fair Value measurements within Level 3

Level 3	Market Value 01 April 2016	Transfer into Level 2	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains / losses	Realised gains / losses	Market value 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fund of Hedge Funds	192,271		6,996	(10,651)	39,040	572	228,228
Diversified Growth Funds	233,981	(233,981)	-	-	-	-	-
Property	366,914		39,243	(51,767)	17,643	8,876	380,909
Infrastructure			359,365	(137,435)	34,073	-	256,003
	<b>793,166</b>	<b>(233,981)</b>	<b>405,604</b>	<b>(199,853)</b>	<b>90,756</b>	<b>9,448</b>	<b>865,140</b>

## PENSION FUND ACCOUNTS 2016/17

### Sensitivity of assets valued at Level 3

Having consulted its investment advisor, and having analysed historical data and market trends, the Fund has determined that the valuation methods used for Level 3 assets are likely to be accurate to within the following ranges on the closing value of the investments held at 31 March 2017:

	Assessed valuation range +/-	Value at 31 March 2017 £'000	Value on increase £'000	Value on decrease £'000
Property	10%	380,909	419,000	342,818
Fund of Hedge Funds	10%	228,228	251,051	205,405
Infrastructure	15%	256,003	294,403	217,603
<b>Total</b>		<b>865,140</b>	<b>964,454</b>	<b>765,826</b>

The same analysis for 31 March 2016:

	Assessed valuation range +/-	Value at 31 March 2016 £'000	Value on increase £'000	Value on decrease £'000
Property	10%	366,914	403,605	330,223
Fund of Hedge Funds	10%	192,271	211,498	173,044
Infrastructure	15%	-	-	-
Diversified Growth Funds	10%	233,931	257,379	210,583
<b>Total</b>		<b>793,116</b>	<b>872,482</b>	<b>713,850</b>



## 25 EMPLOYING BODIES

As at 31 March 2017 the following employing bodies had contributing scheme members in the Avon Pension Fund:

### Principal Councils and Service Providers

Avon Fire and Rescue Service

Bath & North East Somerset Council

Bristol City Council

North Somerset Council

South Gloucestershire Council

### Further & Higher Education Establishments

Bath Spa University

Bath College

City of Bristol College

South Gloucestershire & Stroud College

St. Brendan's Sixth Form College

University of the West of England

Weston College

### Education Establishments

Abbeywood Community School Academy

Academy of Trinity CofE

Aspire Academy

Backwell School Academy

Bannerman Road Community Academy

Barton Hill Academy

Bath Community Academy

Bedminster Down School Academy

Beechen Cliff Academy

Begbrook Primary School Academy

Birdwell Primary School Academy

Bradley Stoke Community School

Bridge Learning Campus

Bristol Cathedral School Trust

Bristol Free School

Bristol Futures Academy

Bristol Technology & Engineering Academy

Broadlands Academy

Broadoak Mathematics & Computing College

Cabot Learning Federation

Callicroft Primary School

The Castle School

Charlborough Road Primary School

Charfield Primary School

Chew Stoke Church School

Christ Church C of E Primary School

Churchill Academy

City Academy

Clevedon School Academy

Clutton Primary School

Colston's Girls' School

Colston's Primary School

Combe Down CofE Primary School

Cotham School Academy

Court de Wyck Church School

Crockerne CofE Primary School

Digitech Studio School

Diocese of Bristol Academy Trust

Downend School Academy

Dundrey C of E Primary

Easton C of E Academy

Elmlea Junior School Academy

Fairfield High School

Fairlawn School

Filton Avenue Primary School

Filton Hill Primary School

Fishponds Church of England Academy

Four Acres Primary School

Fosseway School

Frome Vale Academy

Gordano School Academy

Greenfield Primary School Academy

Hanham Woods School

Hans Price Academy

Hareclive Academy

Hayesfield Girl's School Academy

Haywood Village Academy

Henbury Court Primary School

Henbury School

Henleaze Junior School Academy

Heron's Moor Community School

High Down Infant School

High Down Junior School

High Littleton C of E Primary School

Hotwells Primary School

IKB Academy

Ilminster Avenue Academy

Inspirational Futures Trust

Kingshill Church School

Kings Oak Academy

Little Mead Primary School

Longvernal Primary School

Lyde Green Primary School

Mangotsfield School

Marlwood School

Meadowbrook Primary School

Merchant's Academy

Midsomer Norton Schools Partnership

Minerva Primary Academy

Moorlands Infant School

Moorlands Junior School

Nailsea School Academy

North Somerset Enterprise & Technology College

Oasis Academy Bank Leaze

Oasis Academy Brightstowe

Oasis Academy Brislington

Oasis Academy Connaught

Oasis Academy John Williams

Oasis Academy Longcross

Oasis Academy Marksbury Road

Oasis Academy New Oak

Oldfield School

Oldfield Park Infant School

Oldfield Park Junior School

Orchard Academy

Parson Street Primary School

Patchway Community College

Peasedown St. John Primary School

Portishead Primary School

Priory Community School

Ralph Allen School

Redland Green School

Redfield Educate Together Primary Academy

Saltford CofE Primary School

Severn Beach Primary Academy

Sir Bernard Lovell School

Steiner Academy Bristol

St Bede's Catholic College

St. Georges Church School  
St. John's CEVC Primary Academy (Keynsham)  
St. John's the Evangelist Church School  
St. John's CofE Primary School (Midsomer Norton)  
St. Katherine's School  
St. Nicholas of Tolentine Catholic Primary School  
St. Mark's Primary School  
St. Martin's Garden Primary School  
St. Mary's CEVA Primary School  
St Nicholas of Tolentine RC Primary School  
St Patrick's Catholic Primary School  
St Peter's C of E Primary School  
St Philip's C of E Primary School  
St. Teresa's Catholic Primary School  
St Ursula's Academy  
Stoke Bishop C of E Primary School  
Stoke Lodge Primary School  
Summerhill Academy  
The Bath Studio School  
The Dolphin Academy  
The Kingfisher School  
Three Ways School

### Designating Bodies

Almondsbury Parish Council  
Backwell Parish Council  
Bath Tourism Plus  
Bristol Waste Company  
Bradley Stoke Town Council  
Charter Trustees of the City of Bath  
Clevedon Town Council  
Congresbury Parish Council  
Destination Bristol  
Dodington Parish Council  
Downend & Bromley Heath Parish Council  
Emersons Green Town Council  
Filton Town Council  
Frampton Cotterell Parish Council  
Hanham Abbots Parish Council  
Hanham Parish Council  
Keynsham Town Council  
Midsomer Norton Town Council

### Community Admission Bodies

Alliance Homes  
Ashley House Hostel  
Bristol Music Trust  
Clifton Suspension Bridge Trust  
Disability Equality Forum  
The Holburne Museum  
Learning Partnership West Limited  
Merlin Housing Society Ltd. (South Glos. Council)  
Merlin Housing Society Ltd.

Tickenham CofE Primary School  
Trinity Church School  
Trust in Learning  
Venturers' Academy  
Wallscourt Farm Academy  
Waycroft Academy  
Wellsway School  
Welton Primary School  
West Town Lane Academy  
Westbury Park Primary School  
Westbury-on-Trym CofE Academy  
Weston All Saints CofE Primary School  
Wicklea Academy  
Widcombe CofE Infant School  
Widcombe CofE Junior School  
Winterbourne International Academy  
Woodlands Academy  
Worle Community School  
Writhlington Academy  
Yate International Academy  
Yeo Moor Primary School

Nailsea Town Council  
Oldland Parish Council  
Patchway Town Council  
Paulton Parish Council  
Peasedown St John Parish Council  
Pill & Eastern Gordano Parish Council  
Portishead Town Council  
Radstock Town Council  
Saltford Parish Council  
Stoke Gifford Parish Council  
Thornbury Town Council  
Westerleigh Parish Council  
Westfield Parish Council  
Weston Super Mare Town Council  
Whitchurch Parish Council  
Winterbourne Parish Council  
Yate Town Council  
Yatton Parish Council

Sirona Care & Health CIC (B&NES)  
Sirona Care & Health CIC  
Southwest Grid for Learning Trust  
The Care Quality Commission  
The Park Community Trust  
University Of Bath  
Vision North Somerset CIO  
West of England Sport Trust  
Writhlington Trust

### Transferees Admitted Bodies

Action For Children	Compass Contract Services (UK) Ltd - Ashton Park School
Active Community Engagement Ltd	Compass Contract Services (UK) Ltd - Bristol Cathedral Choir School
Agilisys Limited	Compass Contract Services (UK) Ltd - St Bernard's Catholic Primary School
Agilisys Limited 2015	Compass Contract Services (UK) Ltd - Compass Point South Street School
Alliance Living Care Limited	Compass Contract Services (UK) Ltd - Luckwell Primary School
Aspens Services Limited - Abbeywood Community School	Compass Contract Services (UK) Ltd - Nova Primary School
Aspens Services Ltd. - Bannerman Road Community Academy	Compass Contract Services (UK) Ltd - Sea Mills Primary School
Aspens Services Limited - Beacons Rise Primary School	Creative Youth Network (East) - Hillfields Youth Centre
Aspens Services Limited - Begbrook Primary Academy	Dolce Ltd - Filton Hill Primary School
Aspens Services Limited - Blackhorse Primary School	Dolce Ltd - Mangotsfield School
Aspens Services Limited - Bradley Stoke Community School	Edwards and Ward Ltd
Aspens Services Limited - Castle School	Fit For Sport - Trinity Anglican Methodist Primary School
Aspens Services Limited - Charborough Primary School	Fit For Sport - St Peter's C of E Primary School
Aspens Services Limited - Charfield School	Glen Cleaning Company
Aspens Services Limited - Downend School	Greenwich Leisure Ltd - Bath & North East Somerset Council
Aspens Services Limited - Frampton Cottrell School	Greenwich Leisure Ltd - North Somerset Council
Aspens Services Limited - Frome Vale Academy	HCT Group (CT Plus CIC)
Aspens Services Limited - Hanham Woods Academy	Interserve Catering Services Ltd - Bristol City Council
Aspens Services Limited - Kings' Forest Primary School	Interserve Catering Services Ltd - Henleaze Junior School
Aspens Services Limited - King's Oak Academy	Interserve Catering Services Ltd - Little Mead Academy
Aspens Services Limited - Longwell Green Primary School	Interserve Catering Services Ltd - St Patrick's School
Aspens Services Limited - Mangotsfield School	ISS Mediclean Limited - Bristol City Council
Aspens Services Limited - Marlwood School	ISS Mediclean Limited - Cabot Learning Federation
Aspens Services Limited - Meadowbrook Primary School	KBC Cleaning (South West) Ltd. - Backwell Academy
Aspens Services Limited - Minerva Academy	Learning Partnership West (Lot 1) - Brentry Youth Centre
Aspens Services Limited - Patchway Community College	Learning Partnership West (Lot 2) - Lockleaze Youth & Play Space
Aspens Services Limited - Shirehampton Primary School	Learning Partnership West (Lot 3) - The Mill
Aspens Services Limited - Summerhill Academy	Learning Partnership West (Lot 7) - Hareclive Youth Centre
Aspens Services Limited - Warmley Park Primary School	Liberata UK Ltd
BAM Construction UK Ltd	Prestige Cleaning & Maintenance Limited
Bespoke Cleaning Services Ltd - Filton Hill Primary School	Reylon Cleaning Services
Bespoke Cleaning Services Ltd - Stoke Lodge Primary School	Ridge Crest Cleaning Ltd. - Sir Bernard Lovell School
Brunelcare CIC	Ridge Crest Cleaning Ltd. - Bristol City Council
Caterlink Ltd.	Shaw Healthcare - Petersfield
Churchill Contract Services Ltd - Bristol City Council	Shaw Healthcare - The Granary
Churchill Contract Services Ltd - Golden Valley Primary School	SITA Holdings UK Ltd.
Churchill Contract Services Ltd - Milton Park Primary School	Skanska Rashleigh Westerfoil Ltd.
Churchill Contract Services Ltd - South Gloucestershire & Stroud College	SLM Community Leisure Trust
Churchill Contract Services - Westhaven School	SLM Fitness and Health Ltd.
Circadian Trust	Sodexo Ltd.
Circadian Trust No. 2	The Brandon Trust

# ANNUAL GOVERNANCE STATEMENT 2016/17

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## **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](http://www.bathnes.gov.uk). CIPFA/SOLACE guidance was updated during the year and a refreshed code of corporate governance will be presented for approval to Council in 2017.

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 2015 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 2017 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](mailto: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.

Updates and revisions to the Constitution along with nominations are carried out normally at its May meeting of Council.

### b) Council Structure & Leadership

The Council operates under a Leader and Cabinet structure with Cabinet Members responsible for individual portfolios. The cabinet portfolios (recorded below) were agreed at full Council on 21st May 2015 and this was amended at the next Annual and Ordinary Meeting of Full Council on 21st May 2016 when the leader announced that he was appointing a new Cabinet portfolio of Policy, Localism & Partnerships.

<b>Leader of the Council</b>
<b>Finance &amp; Efficiency</b>
<b>Adult Social Care &amp; Health</b>
<b>Children's Services</b>
<b>Homes &amp; Planning</b>
<b>Economic Development</b>
<b>Community Services</b>
<b>Transport</b>
<b>Policy, Localism &amp; Partnerships</b> (new w.e.f. 24th May 2016)

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 (65 Councillors) to decide. It should be noted that an electoral review (the first review since 1997) by the Local Government Boundary Commission for England (LGBCE) took place and a planned reduction down to 59 Councillors was reported to Council in May 2017.

The Cabinet collectively make recommendations to the Council about the policy framework and take decisions that ensure services are provided within the framework. 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. A refreshed version to take account of latest guidance is currently being drafted.

## 2) Democratic Governance & Scrutiny

The Council has Committees, Panels and Boards to carry out non-executive and other functions. The Terms of Reference for Committees, Panels and Boards are approved at Full Council and this was last considered at the 18th May 2017 Council Meeting.

### a) Policy Development & Scrutiny Panels - B&NES Members

The Panels monitor the activity of the Cabinet and also assist them in developing policy. The following Policy Development and Scrutiny Panels were in place for the year commencing 1st April 2016:

- \* Children & Young People
- \* Communities, Transport & Environment
- \* Planning, Housing & Economic Development
- \* Resources
- \* Health & Wellbeing Select Committee (Statutory health scrutiny panel)

### b) Partnership Boards

- \* **Health & Wellbeing Board** – The Purpose of the Board is to reduce health inequalities and improve health and wellbeing in Bath and North East Somerset. Membership includes B&NES Councillors, and representatives from the Clinical Commissioning Group, Healthwatch B&NES & NHS England.
- \* **Joint Health Scrutiny Committee** – The Purpose is to work across Local Authority Boundaries. Membership will be dependent on the review being undertaken. This Committee has not convened to date.
- \* **West of England Local Enterprise Partnership Joint Scrutiny Committee** – Each of the 4 Councils making up the LEP have nominated representatives. This Committee has not convened during 2016/17.

In addition to the above Partnership Boards a Parishes Liaison Meeting takes place normally three meetings per year. Parish and Town Councils are each entitled to send their nominated representative and Clerk to the meetings. The Local Councils Association for the Council's area will be entitled to send representation to the meetings in their own right. The Liaison meeting is usually chaired by the Chair of Council and, depending on the agenda items, Cabinet Members may attend to represent their portfolio.

### c) Regulatory

**Standards Committee** - The purpose of this committee is to promote and maintain high standards of conduct by councillors, co-opted members and church and parent representatives on school governing bodies including the review of codes of conduct and any formal complaints on the conduct of individual members.

**Corporate Audit Committee** - The purpose of the Committee is to oversee all aspects of the Council's Corporate and Financial governance arrangements, including delegated authority to approve the Council's Annual Accounts and oversee the delivery of External and Internal Audit plans.

**Development Management Committee** - The Committee will act in accordance with the Local Plan and Local Development Framework elements of the Council's Policy Framework.

**Employment Committee** - To exercise all powers and duties of the Council under section 112 of the Local Government Act, 1972 relating to its role as an employer, except those reserved to the Restructuring Implementation Committee.

**Restructuring Implementation Committee** - To determine all necessary arrangements for implementing a senior management structure, including deciding on numbers of 1st and 2nd Tier officers and the span of work responsibility allocations for those officers.

**Licensing Committee** - The purpose is to discharge the local authority's licensing functions.

**Regulatory Access Committee** - The Committee is granted delegated authority to exercise all the Council's powers and duties in respect of:  
(1) Modification Orders, Reclassification Orders and Public Path Orders where the matters are contentious.  
(2) Commons Registration (including Town and Village Greens).

**Charitable Trust Board** – The purpose of the Charitable Trust Board is to facilitate the management of the charitable Trust for which the Council is the sole trustee; independently, in accordance with their governing documents and in the best interests of the charity.

**Pension Fund** – The Council is the Administering Body for the Avon Pension Fund and administer the following: 1) Avon Pension Fund Committee, 2) Avon Pension Fund Investment Panel and 3) Avon Pension Fund Board. During the year the Council, along with each of the three key pension bodies reviewed arrangements related to 'Project Brunel' and the creation of a new company for all Pension Fund related investments.

### d) Education School Appeal Panels

To hear and to determine appeals under the School Standards and Framework Act 1998, School Admissions (Appeal Arrangements) (England) regulations 2012, School Admissions Code 2012, Education Act 2002 as amended by Education Act 2011, School Discipline (Pupil Exclusions and Reviews) (England) Regulations 2012 and Education and Inspections Act 2006 relating to school admission, exclusion and reinstatement matters as applicable, within the general framework contained in the Code of Practice on Procedure produced by the local authority associations.

## ANNUAL GOVERNANCE STATEMENT 2016/17

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### 3) Organisational Governance

#### a) Management Structure

A management structure is in place to operate the Council's services through the Policy and Budget Framework.

The organisation for the period commencing 1st April 2016 was led by a Chief Executive and three Strategic Directors with each Director having their own management structure 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 / he 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 / he represents the Council on partnership and external bodies as required by statute or by the Council.

#### c) Monitoring Officer

The Head of Legal and Democratic Services is designated as the Council's Monitoring Officer in accordance with section 5 of the Local Government and Housing Act 1989 (as amended by Schedule 5 paragraph 24 of the Local Government Act 2000). The Monitoring Officer has 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 Business Support was designated as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972 up to 13th July 2017. The Chief Finance Officer was then seconded to the West of England Combined Authority and Council then approved the S151 role moving to the Strategic Director of Resources from this date forward.

During 2016/17 and up to 13th July 2017 the Chief Finance Officer had direct access to the Chief Executive and is free to attend meetings of the leadership team. The Strategic Director of Resources also continued to take an overview, 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, Financial Regulations and Contract Standing Orders. The Council has put in place a Financial Plan to support the aims of the Corporate Plan and a system of regular in-year reporting of its financial position and performance.

As part of the review process it was confirmed that the Council's financial management arrangements conform to the requirements set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015).

#### e) Internal Audit

Internal Audit is delivered by a partnership service – Audit West – hosted by Bath & North East Somerset which operates to the Public Sector Internal Audit Standards.

Audit West operates completely independently in delivering its services and the Head of Audit West has direct access to the Chief Executive as necessary. A Quality Assurance and Improvement Programme is required which will need to be self-assessed internally and externally at least every 5 years and a review is due during 2017/18.

The Head of Audit West has given a satisfactory formal opinion on the state of risk and internal control to the Audit Committee as well as reporting on progress with the delivery of their Audit Plan during 2016/17. External Audit also confirmed in their Audit Plan that their review of internal audit work had not identified any weaknesses which impact on their audit approach.

#### 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

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

## 4) Planning & Policy Framework

### a) Corporate Strategy

The Corporate Strategy 2016 – 2020 represents the Council's vision and priorities for its administration.

The 2020 Vision is:

'Bath and North East Somerset will be internationally renowned as a beautifully inventive and entrepreneurial 21st century place with a strong social purpose and a spirit of wellbeing, where everyone is invited to think big – a 'connected' area ready to create an extraordinary legacy for future generations.'

To deliver this Vision the Council will focus on four priorities:

- \* A strong economy and growth.
- \* A focus on prevention.
- \* A new relationship with customers and communities.
- \* An efficient business.

### b) Strategic Review

The strategic review process is being used to identify a range of options to deliver savings and generate additional income covering over the full spending review period. These pick up on the four key priorities of the Corporate Strategy.

## 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. It is designed to help tell the story about delivery of the Council's Corporate Strategy and our Cabinet's manifesto priorities.

This is formally reported to the Council's Senior Management Team, whilst Cabinet Members receive updates on remedial actions linked to any areas previously reported as requiring improvement. The Council is in the process of reviewing its performance management process to ensure integration with an holistic understanding of population need and a forward looking plan of research designed to understand more about the challenges faced by the organisation.

### 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 preparation and approval of the Budget it has a number of other key elements –

- \* Creation and adoption of Financial Regulations and a Budget Management Scheme;
- \* Monthly financial dashboards which provide a detailed analysis of each individual service's financial performance; which
- \* Identify the latest position, current issues or potential risks to meeting service budgets as well as a forecast to the end of the financial year;
- \* Provide a view of 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 Council's 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 Council's 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's Risk Management Strategy is reviewed on an ongoing basis and sets out the framework to manage risk in terms of –

- \* Objectives
- \* Processes
- \* Systems
- \* Reporting

Senior Management maintain a Corporate Risk Register which assesses key risks at a strategic level, however risks are being actively managed on a daily basis to respond to the challenges of delivering services in a complex environment. Strategic and Divisional Directors review Service risk management processes periodically e.g. the maintenance of Service or Project 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 Council's risk management arrangements.



### **c) Training & Development**

Every officer is entitled to an annual appraisal where their performance is reviewed and development needs identified. For managers the appraisal process includes an evaluation against the council's leadership standards.

The appraisal is accompanied by a training and development plan. A range of mechanisms are in place to meet officer's individual training and development needs including a suite of e-learning activities as well as face to face learning.

The council puts on a programme of training and development for Members which is accessible at any time whilst newly elected Members receive more intensive support which was delivered following the elections in May 2015.

### **6) Partnership Governance**

#### **a) Public Services Board**

The 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 high level strategic vision for the area.

#### **b) Health & Social Care Services**

The Health & Social Care Act 2012 led to the abolition of Primary Care Trusts (PCT's) with responsibilities being transferred to Local Clinical Commissioning Groups. Much of the Clinical Commissioning Group's work is carried out by a Governing Body made up of representatives elected by 26 practices in Bath and North East Somerset.

The Health & Wellbeing Board is now responsible for preparing a Joint Health and Wellbeing Strategy and reviewing and reporting on health and social care commissioning. Membership of the Board includes Council Officers & Members, CCG and Healthwatch representatives.

The Health & Wellbeing Board adopted a refreshed Joint Health & Wellbeing Strategy on the 25th March 2015 with three themes linked to eleven priorities. These are:

- 1) Preventing ill health by helping people to stay healthy,
- 2) Improving the quality of people's lives,
- 3) Tackling health inequality by creating fairer life chances.

On 23rd March 2016 a Joint Health and Wellbeing Strategy update was presented which was linked to Priority 4 - Creating healthy and sustainable places. The report provided an update on developments for the Foxhill Housing Zone.

#### **c) Economic Regeneration - West of England Local Enterprise Partnership & West of England Combined Authority**

The Local Enterprise Partnership (LEP) built 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 including the 'City Deal'.

Bath and North East Somerset Council was the Accountable Body for the central administration of the LEP and 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 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

Functions carried out by B&NES Council as the Accountable Body were transferred to the West of England Combined Mayoral Authority (MCA) on 1st February 2017.

The new Combined Authority represents the three unitary councils of Bath and North East Somerset Council, Bristol City Council and South Gloucestershire Council and a new West of England Combined Authority Mayor was elected on the 4th May 2017. New governance is being created and approved in 2017 to reflect this changed environment.

### 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 which includes consultation exercises with stakeholders, through either one off consultations on specific subjects, or through the Voicebox satisfaction survey. The main methods of stakeholder communication used are:

- \* **'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 'e-connect' 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 use of Social Media** – In addition to the Facebook & Twitter Accounts to provide instant access to on-going events and incidents, the Council also uses You Tube, Instagram, Linked-In, Google+, Pinterest and Flickr.

#### 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.

# ANNUAL GOVERNANCE STATEMENT 2016/17

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## **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; Legal; Information Governance; Human Resources; Health & Safety; 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:

- \* **Strategic & 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 on the review process and their roles and responsibilities and the Head of Paid Service consulted on the outcome of the review.
- \* **Corporate Audit Committee** – A report was presented to the Committee on 9th February 2017 to update them on the process of the review.
- \* **Leader of the Council & Chief Executive** – The Annual Governance Statement 2016/17 is signed by the Leader of the Council and the Chief Executive.

# ANNUAL GOVERNANCE STATEMENT 2016/17

## 6. SIGNIFICANT GOVERNANCE ISSUES 2016/17

Summary of Significant Issue for 2015/16	Commentary & Mitigating actions for 2016/17	Update Position through 2016/17
<p><b>Financial Challenge</b></p> <p>The unprecedented financial challenge continued into its sixth year, with public sector austerity likely to last up to and beyond 2020. The Council has responded positively with over £30M of savings already delivered, however at least £43M of additional savings still need to be identified over the remaining period. Therefore the Council has been actively planning to meet this challenge with over £28M of new savings initiatives already being worked on for future years.</p> <p>Whilst no significant governance failures have occurred, the Council acknowledge that the level of grant reductions from central government are a significant issue and represent a real challenge in being able to continue to deliver excellent services to the whole community at all times.</p> <p>Whilst all areas of the Council are under scrutiny this is especially important in the area of Health and Social Care where we are not only dealing with our most vulnerable members of the community but we are reliant on working with partners across different sectors, some of whom are also facing severe financial pressures.</p> <p>This puts additional strain on being able to meet the challenge and we therefore need robust governance and sensible plans to enable services to deliver these plans.</p>	<p>Council has already set out many of its plans to deliver services into the future against the backdrop of significant financial reductions. Robust governance and sound risk management will continue to be required to ensure that all aspects of delivery are supported and scrutinised to enable the challenge to be met. Actions included –</p> <ul style="list-style-type: none"> <li>- Using the Corporate Plan to help focus services on doing the right things for the Bath &amp; North East Somerset Community;</li> <li>- Using the Medium Term Financial Plan to enable sensible prioritisation of resources in the right areas and transparency on savings to be achieved;</li> <li>- Regular monitoring of delivery against the annual revenue budget, alongside sensible utilisation and management of its reserves;</li> <li>- Working effectively with Key Partners, especially those in the West of England and in Health to support the most vulnerable in the community;</li> <li>- Adopting a range of innovative tools and enabling its key governance mechanisms to both support key change projects and monitor delivery of significant savings programmes;</li> </ul> <p>Overseeing delivery against this agenda is a key role for the Cabinet and Senior Management and they will continue to be pro-active in working to ensure that significant risks to the organisation are appropriately mitigated and controlled.</p>	<p>The Council recognised the scale of the challenge facing it very early in the year and a number of actions as outlined were made to mitigate the significant issue. This included delivery of £12.644M of savings within the 2016/17 budget.</p> <p>Despite this the Council's end of year position resulted in a £2.2M overall overspend.</p> <p>Primarily the overspend was incurred through additional costs in Social Care and Children's Services and the reasons for this can be summarised as follows –</p> <ul style="list-style-type: none"> <li>- Costs associated with implementing the National Living Wage;</li> <li>- Costs associated with the move of 32 council funded clients following the closure of four care homes;</li> <li>- Increased costs associated with care packages for those with complex needs;</li> <li>- Increasing demand for high dependency residential and nursing care;</li> <li>- Placements of children in high cost residential placements;</li> <li>- Increased use of court directed parent and baby placements;</li> <li>- Court Action and Child sexual exploitation awareness work;</li> <li>- Additional costs to ensure staffing is at levels to protect vulnerable children;</li> <li>- Additional costs related to special educational needs transport.</li> </ul>

# ANNUAL GOVERNANCE STATEMENT 2016/17

## 7. SIGNIFICANT GOVERNANCE ISSUES 2016/17

Issue in 2016/17	Commentary & Mitigating actions for 17/18
<p><b>Financial Challenge</b></p> <p>As detailed last year the significant issue identified around the financial challenge continues to be ever more severe, with public sector austerity likely to last up to 2025.</p> <p>The Council has responded positively with over £42M of savings already delivered, however at least £30M of additional savings still need to be identified over the remaining period. Therefore the Council has been actively planning to meet this challenge with new savings initiatives already being worked on for future years.</p> <p>Despite this the Council's financial sustainability is being challenged and its outturn position for 2016/17 resulted in a £2.2M overspend with again the major challenges and spend pressures being in the sectors of Adult Social Care and Children's Services.</p> <p>Whilst again no significant governance failures have occurred, the Council acknowledge that the level of grant reductions from central government are a significant issue and represent the most significant set of challenges it has faced in being able to continue to deliver excellent services to the whole community at all times.</p> <p>Nationally the pressures in Social Care have started to be recognised and some temporary funding has been provided for future years. However this does not close the gap and increased health and social care integration and service transformation continues to be necessary.</p> <p>This puts additional strain on being able to meet the challenge and entails making difficult choices. We therefore need robust governance and sensible plans to enable services to deliver against all of these challenges.</p>	<p>As with last year the Council has already set out many of its plans to deliver services into the future against the backdrop of these significant financial reductions. Robust governance and sound risk management will continue to be required to ensure that all aspects of delivery are supported and scrutinised to enable the challenge to be met. Actions will again include –</p> <ul style="list-style-type: none"> <li>- Using the Corporate Plan to help focus services on doing the right things for the Bath &amp; North East Somerset Community;</li> <li>- Using the Medium Term Financial Plan to enable sensible prioritisation of resources in the right areas and transparency on savings to be achieved;</li> <li>- More regular monitoring of delivery against the annual revenue budget, alongside sensible utilisation and management of its reserves;</li> <li>- Working effectively with Key Partners, especially those in the West of England and in Health to support the most vulnerable in the community;</li> <li>- Adopting a range of innovative tools such as the use of council owned companies, more commercialisation, increases in digital provision, asset rationalisation, shared and devolved services and invest to save initiatives;</li> <li>- Reviewing the Capital Programme to reduce risk and improve management capacity and a number of specific actions in relation to Adult Care to re-assess demand management and contract management;</li> <li>- Instituting a range of new stringent cost control mechanisms on staff costs, goods, works and services;</li> </ul> <p>Overseeing delivery against this agenda is a key role for the Cabinet and Senior Management and they will continue to be pro-active in working to ensure that significant risks to the organisation are appropriately mitigated and controlled to ensure that the Council is able to meet these future challenges</p>

## 8. CONCLUSION - DECLARATION & CERTIFICATION

We have been advised on the results of the review of the effectiveness of the governance framework and are satisfied that existing arrangements are adequate and can certify the Annual Governance statement on behalf of the organisation. We will ensure the issues identified are monitored by the Audit Committee and independently reviewed by our Internal Auditor's as part of the process for producing next years' governance statement.

**SIGNED:**

**Leader of the Council**  
**DATE:** 12th September 2017

**Tim Warren**

**SIGNED:**

**Chief Executive**  
**DATE:** 12th September 2017

**Ashley Ayre**

## STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

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### 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 Strategic Director - Resources responsible for financial administration.
- \* Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- \* Approve the statement of accounts for the year.

### Strategic Director - Resources responsibilities:

The Strategic Director - Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing this Statement of Accounts, the Strategic Director - Resources has:

- \* Selected suitable accounting policies and then applied them consistently
- \* Made judgements which were reasonable and prudent
- \* Complied with the local authority Code of Practice

The Strategic Director - Resources has also:

- \* Kept proper and up to date accounting records.
- \* Taken reasonable steps for the prevention and detection of fraud and other irregularities

### Statement of the Strategic Director - Resources

I hereby certify that this statement of accounts presents a true and fair view of the financial position of the Council at the accounting date and the income and expenditure for the year ended 31 March 2017.

**SIGNED:**

**Strategic Director - Resources (s.151 officer)**

**DATE:** 12th September 2017

**Andrew Pate**

**SIGNED:**

**Chair, Corporate Audit Committee**

**DATE:** 12th September 2017

**Councillor Brian Simmons**

**The Statement of Accounts were Authorised for Issue on 12th September 2017.**

## **GLOSSARY OF TERMS**

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### **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**

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### **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 (NNDR)**

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**

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### **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.