

BATH & NORTH EAST SOMERSET COUNCIL
STATEMENT OF ACCOUNTS 2019/20

It should be noted that this is not the final version of accounts as Grant Thornton's audit work is still ongoing.

Some adjustments since the draft version of accounts (published on 9th July 2020) are now included, which are listed in Grant Thornton's draft Audit Findings Report.

There may be further changes required pending the conclusion of Grant Thornton's audit work, as well as the inclusion of the Auditor's report for the Council and Pension Fund, to be added to pages 2-6.

An update will be provided at the Corporate Audit Committee meeting.

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

TO FOLLOW

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

TO FOLLOW

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

TO FOLLOW

NARRATIVE REPORT

Introduction

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

The Accounts and Audit Regulations (2015) require that the Statement of Accounts are approved by a resolution of a Committee of the relevant body and that following approval, the Statement of Accounts be signed and dated by the person presiding at the Committee.

The main purpose of a Local Authority's published Statement of Accounts is to provide Electors, Council Tax Payers, Members of the Council, Employees and other interested parties, with clear information about the Council's financial position. It should aim to provide answers to the following questions:

- What did the Council's services cost in the year?
- Where did the money come from?
- What are the Council's assets and liabilities at the year-end?

The main financial statements are:

Comprehensive Income and Expenditure Statement

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

Movement in Reserves Statement

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

Balance Sheet

The Balance Sheet shows the assets and liabilities of the Council as a whole as at the 31 March 2020.

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 2019/20, which is recognised by statute as representing proper accounting practices. The Code of Practice incorporates Best Value Accounting principles with which the Council has also complied.

NARRATIVE REPORT

Bath & North East Somerset in Context

As a local authority area Bath and North East Somerset (B&NES) was formed in 1996 and covers approximately 135.2 square miles. In mid-2018 there were 192,106 residents.

Topography and features

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

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

Population and Demography

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 areas notable student population. Between 2001 and 2017, the growth in the 20-24 age range accounted for nearly 50% of the area's population growth.

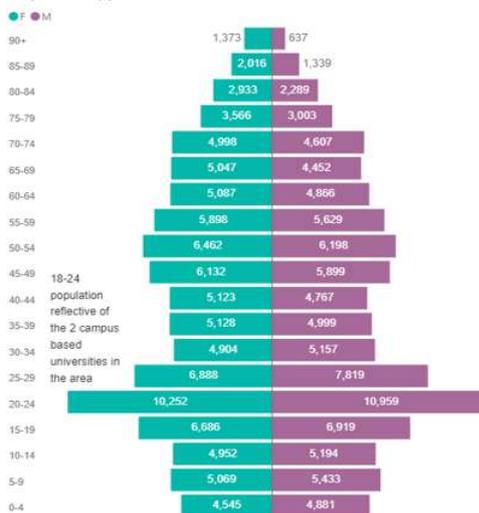
The claimant count (those claiming Jobseekers Allowance (JSA), NI credits and Universal Credit (UC) who are out of work) was 2,145 (1.7%) in B&NES in March 2020, lower than the South West and England figures (2.2% and 3.1% respectively). Rates locally have been fairly static since 2016, while national and regional figures show a general upward trend. It should be noted that B&NES is a pilot area for UC.

B&NES 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.

In 2019, 84% of the population were either very or fairly satisfied with their local area as a place to live, which is a 1% increase from 2018.

The Office for National Statistics (ONS) project that the Bath and North East Somerset population will increase to 210,848 by 2030, an increase of nearly 8% from 2020.

Population pyramid 2018



Economy

Workplace wages are higher in B&NES at £613 median weekly gross pay compared to £560 for the South West region and £587 for England. The same pattern is true when looking at wages for residents only.

Economic activity in B&NES remains just higher than the national average, at 80% compared to 79% nationally.

There are an estimated 6,100 workless households in B&NES (10.5%) compared to 14.3% nationally.

Overall levels of resident qualifications are also high in B&NES with 46% educated to NVQ4 and above compared to 39% regionally and 40% nationally.

Wellbeing

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

Health outcomes for B&NES are generally good. However, inequalities in outcomes do exist, as well as some concerning emerging trends that possibly point to an overall worsening level of health and wellbeing across the population.

Previous improvements in male life expectancy in B&NES appears to have stalled, and since 2012-2014 has levelled out (81 years during the period 2016-2018). Although female life expectancy in B&NES during the period 2016-2018 stood at 85 years, healthy female life expectancy has fallen during the period 2012-2014 to 2016-2018 from 68 years to 64 years. At the time of writing this summary, the world, including B&NES, was experiencing its first significant pandemic since the 1918 flu pandemic. Increases in mortality, both direct and indirect, have the potential to cause further stagnations or declines in life expectancy.

Summary of the Council's financial performance

The 2019/20 budget included the requirement for the delivery of £8.9m of savings of which 76% were achieved. The Council delivered a net underspend of £0.1m on its revised revenue budget after allowing for carry forwards. The net underspend will be transferred to the Revenue Budget Contingency earmarked reserve which is held to fund any future unmitigated revenue pressures.

The main areas contributing to the underspend were in the Resources portfolio mainly relating to lower capital financing costs due to re-profiling the delivery of capital schemes into future years leading to lower than forecast borrowing interest and repayment costs. The favourable position was partially offset by spend pressure in Children's Services due to an increase in support packages to keep children safe and for complex care packages for the children with highest needs.

NARRATIVE REPORT

The Next Twelve Months & Medium Term Outlook

The Budget for 2020/21 represents the first year of the Council's new Medium Term Financial Strategy (MTFS). The MTFS was approved in September 2019 and updated as part of the February 2020 Budget Report, outlining how the budget would be delivered over the medium to long-term. The MTFS spans two years with a further three added to show the likely longer-term picture.

The Council needs to deliver a balanced budget over the term of the plan. A balanced budget means that balances or reserves are not used to meet on-going expenditure commitments. The MTFS estimates that savings and income generation of £14m will be required over the next two years, with the budget report approved in February 2020 including savings proposals of £7.3m, leaving a savings gap of £6.7m in 2021/22 for which savings plans will need to be developed by February 2021. The MTFS also currently estimates further savings requirements of £14m covering the three year period from 2022/23 to 2024/25.

An updated Efficiency Strategy was approved in February 2020, which outlined the use of Government's capital receipts flexibility. This enables the utilisation of capital receipts for revenue spend which results in ongoing savings. This is a key part of the strategy for funding the one-off costs, such as severance, in reducing on-going salary and other service costs. The Council utilised £1.3m of capital receipts to fund one-off costs of delivering savings in 2019/20 and has budgeted to utilise £3m in 2020/21.

The Local Government Finance Settlement for 2020/21 provided updates on future funding changes and further funding provisions including:-

- The continuation of the West of England Devolution Authorities 100% Business Rate Retention pilot in 2020/21. This provides a significant financial benefit to the Council with estimated benefits of c.£3.8 million factored into the Council's budget in 2020/21.
- A delay in the Fairer Funding Review and Business Rate Retention changes until 2021/22.
- Confirmation of a further £1bn Social Care grant funding equation to £2.68m for the Council which will be combined with the continuation of the existing Social Care Support grant (£1.25m). It was also confirmed that this will be paid in each year of the new Parliament.
- Confirmation that the existing £1.837bn improved Better Care Fund social grant will continue and incorporate the £240m Winter Pressures Grant with the same distribution as 2019/20. For the Council this will mean continuation of £4.76m funding protecting the Better Care Fund schemes that have committed this funding on an annual basis.
- In recognising the continued pressures facing Adult Social Care (ASC) authorities, a further 2% allowance for the Adult Social Care Council Tax increase was announced for 2020/21.
- A general council tax increase cap of 2% for 2020/21 (this excludes the Adult Social Care Council Tax increase).

The budget for 2020/21 was developed along with the Corporate Strategy to ensure that it aligns to the Council's key principles and commitments. For 2020/21 a total of £2.25m was allocated to meet new priorities as well as savings and income generation plans totalling £4.85m. Of these savings 11% were considered high risk (an improvement compared to 2019/20 of 35%).

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

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

(2) We have two core policies – tackling the climate and nature emergency and giving people a bigger say. These will shape our work.

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

The Budget agreed for 2020/21 included the following key proposals:

- An increase of 1.99% to Council Tax for the Adult Social Care Precept in recognition of the current demands and financial pressures on this service.
- An increase in general Council Tax of 1.99% in 2020/21.
- £4.6m added to reserves within the budget to add additional resilience in 2020/21.
- A General Fund net revenue budget of £118.25m for 2020/21 and an approved Capital Programme for 2020/21 of £109.51m.

NARRATIVE REPORT

The Covid 19 Pandemic Impacts on the Revenue Budget 2020/21

The Council's 2020/21 budget was set prior to the emergence of the Covid-19 pandemic in the United Kingdom. It is now clear that the Council has an unprecedented financial challenge due to the Covid-19 impacts on Council services and the revenue budget. This is a fast moving and dynamic situation which requires immediate action to manage the 2020/21 associated financial pressures arising from income reductions and spend pressures. This has resulted in a high degree of uncertainty on the longer-term financial impact that Covid-19 will have on Council finances. It is important to acknowledge that the impact has been caused by events outside the Councils control. A report was taken to the Council's Cabinet Meeting on 2nd July 2020 setting out the first step to be taken, which is addressing the in-year budget impact and financial recovery measures.

The report sets out the financial impacts of Covid-19 on the Council's revenue budgets. The Council is anticipating a £42m pressure on its revenue budget and £7.5m on the Collection Fund before government grant and the proposed financial recovery measures.

The adverse impact on the Council's revenue budget has arisen from the urgent actions required to comply with the government lockdown measures which included the closure of the Roman Baths. To give context, the income from our Heritage and Parking Services for April and May was £0.259m compared to £5.866m for the same period last year, a reduction of £5.607m; this equates to a loss of £91,918 a day which is required to fund Council Services. This alongside expenditure pressures which include supplier relief such as supporting the social care market and new unplanned expenditure, for example the sourcing of Personal Protective Equipment (PPE), has resulted in a forecast £42m budget pressure, the Council is required to seek compensating savings to try and bring budgets back to balance.

The most significant forecast pressures on service income and expenditure are as follows:-

- Heritage Income - £16.6m - due to the closure of the Roman Baths, Fashion Museum and Victoria Art Gallery which under normal circumstances would generate a net annual profit of £9.7m. There is now a forecast deficit in turnover ranging between £14.5m to £18.7m with the mid-point used in the forecast. Reopening of the service will need to take into account social distancing measures and anticipated reductions in demand from international visitors.
- Parking Income - £7.2m - adversely impacted from the Covid-19 restrictions with a period of non-charging during the lockdown and ongoing reduced demand. This is due to the material usage drop from the impacts on the visitor economy alongside fewer regular users as people are working from home or not able to work.
- Commercial Estate Rental Income - £6.1m - The deficit is projected to the end of the year and built on the assumption that there will be new voids in the Commercial Estate due to the impact on business viability following the Covid-19 restrictions and changes in consumer behaviour.
- Adults Social Care Expenditure - £5.2m - Due to the Covid-19 impact on the health and care sector there will be additional financial pressure on the adult social care budgets as a result of supporting the care market in responding to the changes in care delivery from social distancing.

Due to the early assessment of annual income loss in 2020/21, which in March was forecast to have an annual impact of over £30m early work started on the Council's in year financial recovery plans.

With a Government Covid-19 Grant allocation of £10m and in year revenue pressures of over £40m it was apparent the grant would contribute to the new cost pressures but not mitigate the loss of income. As a result, the following scenarios were developed to identify recovery measures:

| |
|---|
| Red scenario = Maximum Govt support: 25% of projected additional pressures (£12.5m Grant) reducing the projected in year deficit to £30m |
| Amber scenario = Maximum Govt support: 50% of projected additional pressures (£25m Grant) reducing the projected in year deficit to £17.8m |
| Green scenario = Maximum Govt support: 75% of projected additional pressures (£37.5m Grant) reducing the projected in year deficit to £5.3m |
| <i>*Note: the scenarios are based on a £42m revenue deficit (c£10m expenditure & c£32m income loss) and Council tax and Business Rates collection deficit of c£7m</i> |

At the time of developing the above scenarios the confirmed government revenue grant allocation to B&NES was £10m from the national funding of £3.2bn to local government for dealing with Covid-19 related pressures. Based on this the current working assumption is the adoption of the red scenario and this has guided the creation of the recovery plan.

A set of financial measures required to manage the Council's financial recovery through recognising the impact of Covid-19 on the revenue budget have been agreed. This includes a range of service-based Director mitigations within Cabinet Portfolios alongside Corporate mitigations to deliver a fully funded 2020/21 revenue outturn. Early decisive action and delivery at pace will enable the Council to implement the in-year recovery measures that will help mitigate the loss of income minimise further exposure to financial risk.

The financial recovery measures totalling £20.7m together with applying the £10m government Covid-19 local government support grant, leaves a balance of just over £11m against which reserves have been earmarked.

Government announced on the 2nd July a new support package to help councils respond to coronavirus announced as part of comprehensive plan to ensure councils' financial sustainability for the future. This includes the recognition of lost income which is a welcome addition to the government support scheme for B&NES due to our reliance on external income generation.

The announcement included:

- Further £500 million brings funding given to support local councils with pressures to £4.3 billion, part of a package of over £27 billion to help councils, businesses and communities.
- New scheme will also reimburse Councils for lost income and allow council and business rates tax deficits to be repaid over 3 years instead of one.

A full assessment will be made of the additional support to B&NES following the publication of detailed guidance for the income reimbursement scheme and grant allocation. At a minimum this will enable to Council to move away from the red scenario above and reduce its reliance on reserve funding for the projected deficit in 2020/21 which will help enable a more resilient approach to managing the future years budget risks from 2021/22.

NARRATIVE REPORT

Total Resources Available for the Capital Programme

The table below summarises the approved resources available for the 2020/21 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.

| | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| Total Schemes | 236,286 | 44,756 | 15,602 | 9,921 | 3,904 |
| Funding Sources | | | | | |
| Grant | 86,605 | 20,437 | 6,899 | 6,469 | 1,158 |
| Capital Receipts | 9,593 | 141 | 1,685 | 200 | 0 |
| Revenue | 114 | 0 | 0 | 0 | 0 |
| Borrowing | 130,266 | 20,763 | 6,055 | 2,156 | 2,632 |
| 3rd Party (incl. s106 & CIL) | 9,707 | 2,146 | 963 | 1,096 | 0 |
| Total Funding | 236,285 | 43,487 | 15,602 | 9,921 | 3,790 |

Revenue outturn and balances 2019/20

The Council's net revenue budget was set at £113.101m with an increase of 3.95% in its part of the 2019/20 Council Tax (split 1% for the Adult Social Care precept and a 2.95% general increase). Dedicated Schools Grant funding of £47.059m separately supports expenditure on schools.

Total net spending amounted to £107.492m against a revised budget of £107.841m, giving a year end underspend of £0.349m on the general fund. After allowing for carry forwards of £0.229m, the net underspend position was £0.120m. The net underspend will be transferred to the Revenue Budget Contingency earmarked reserve which is held to fund any future unmitigated revenue pressures. The General Fund balance (unearmarked reserves) stands at £12.7m as at 31st March 2020, which is in accordance with the current risk assessed target range approved by the Council in February 2020.

Schools balances have increased by £0.197m to £0.585m at the year-end, this is partly due to schools with deficits converting to academies and taking their deficit out of the Local Authority held schools balances.

The Council followed well established procedures for monitoring its finances and reporting the position to Senior Management and the Cabinet throughout the year. The final outturn represents an improved position over the forecast based on the period covering April to December which was for a balanced outturn position after drawing on £0.61m from the Financial Planning & Smoothing Reserve, and reflects the actions taken to implement recovery plans to mitigate budget pressures.

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

Children's Services - over budget by £2.247m - Key placement budgets were overspent by £1.6m as a result of increases in support packages to keep children safe and for complex packages for the children with highest need. The portfolio was further over budget by £0.6m relating to respite and care packages for disabled children, reflecting a national and regional trend for numbers of children coming into care. Staffing overspends on Special Educational Needs and Disability (SEND) were offset by staffing underspends in Integrated Commissioning and Safeguarding.

Leader - over budget by £0.434m - The over budget position is due to revisions to the Aequus company business plan projections which have resulted in the timing of the dividend payment to the Council being reprofiled into 2020/21, causing a pressure of £0.26m and delays in achieving destination management savings targets amounting to £0.17m.

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

Resources - under budget by £1.266m - The under-budget position has resulted mainly due to underspends on capital financing corporate budgets of £2.8m due to re-profiling the delivery of capital schemes such as the Waste Relocation strategy into future years. In addition, the Council has had the benefit of lower borrowing rates, both factors have contributed to a reduction in the revenue budget required to repay capital borrowing costs. Other favourable variances arose from contract management savings in ICT of £0.2m, Housing Benefits (£0.2m) due to the improved controls on claimant eligibility resulting in a reduction in overpayments, as well as vacancy management savings from across other services. These are partially offset by adverse variances of £1.5m as a result of the phased implementation of schemes within the Improving How We Work and Contract Management savings programmes, as well as a shortfall in budgeted income of £0.8m within the Commercial Estate due to a slowing down of retail income and challenges in new acquisitions that will generate additional income.

Community Services - under budget by £0.765m - Heritage's most profitable year to date contributed £0.8m to the under-budget position, which was offset slightly by a reduction in cremation and burial income. The favourable outturn position for Heritage Services was impacted by the early closure of the service due to the Covid-19 outbreak, however most of the impact of this will be felt in 2020/21.

Housing, Planning & Economic Development - under budget by £0.601m - All four services within the portfolio (Housing, Regeneration, Planning, Business and Skills) ended the year in an under budget position, with salary savings and over-achieved income being the core reasons.

NARRATIVE REPORT

The outturn position compared to the budget is as follows:

| Service (based on Cabinet Portfolios) | Budget | Actual | (Under)/ Over |
|--|----------------|----------------|-----------------|
| | £'000 | £'000 | Budget £'000 |
| Leader | (363) | 71 | 434 |
| Resources | 1,330 | 64 | (1,266) |
| Adult Services | 61,951 | 61,555 | (396) |
| Children's Services | 28,148 | 30,396 | 2,247 |
| Climate Emergency & Neighbourhood Services | 16,229 | 16,426 | 197 |
| Housing, Planning & Economic Development | 3,286 | 2,685 | (601) |
| Community Services | (2,718) | (3,483) | (765) |
| Transport Services | (22) | (220) | (198) |
| Overall Total | 107,841 | 107,492 | (349) |

The Leader Portfolio is made up of Visit Bath and the Council's Housing Delivery Company.

The Resources Portfolio is made up of Finance, Information Technology, Audit & Procurement, Human Resources, Legal & Democratic Services, Property Services, Traded Services, and Corporate & Agency budgets.

Adult Services Portfolio 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).

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

The Climate Emergency & Neighbourhoods Portfolio is made up of Waste & Fleet Services, Environmental Monitoring & Sustainability.

Housing, Planning & Economic Development Portfolio is made up Housing, Regeneration, Development Management and Business & Skills

The Community Services Portfolio is made up of Building Control & Public Protection, Parks & Open Spaces, Customer Services & Libraries, Community Safety, World Heritage, Heritage Services, Registrars, Leisure and Events & Active Lifestyles.

Transport Services is made up of Highways, Parking and Public & Passenger Transport and Emergency Planning.

Collection Fund

As part of the 2020/21 budget setting, an estimate was made on the position of the Collection Fund as at 31st March 2020. The estimate is split into two elements, one relating to Council Tax and the other relating to Business Rates. The estimated and actual position for each is shown in the following table. The figures relate to the Council's share of the surplus / deficit, excluding any preceptor and central government shares. At an overall level, the outturn position on the Collection Fund position improved by £0.143m over the estimated position. The difference will be taken into consideration when estimating the closing 2020/21 Collection Fund as part of the 2021/22 budget process.

| | Estimated surplus / (deficit) | Actual surplus / (deficit) | Difference |
|----------------|-------------------------------------|----------------------------------|------------|
| | £'000 | £'000 | £'000 |
| Council Tax | 707 | 1,168 | 461 |
| Business Rates | 1,517 | 1,199 | (318) |
| Total | 2,224 | 2,367 | 143 |

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 £144.3m.

This reconciles to the General Fund spending reported above as follows:

| | £'000 | £'000 |
|--|---------|----------------|
| Total net spending by departments | | 107,492 |
| Add: | | |
| Charges related to capital assets: | | |
| - depreciation and impairments | 23,982 | |
| - revenue expenditure funded from capital under statute | 8,681 | |
| - loss on revaluations | 3,483 | |
| | | 36,146 |
| Offset by: | | |
| Grant funded revenue expenditure funded from capital under statute | 5,634 | |
| Unapportioned pensions contributions | 1,399 | |
| Levy payments | 4,349 | |
| Interest received and paid | (6,975) | |
| Other movements on funds and balances | 3,158 | |
| Net transfers to reserves | (8,233) | |
| | | (668) |
| Cost of services - continuing operations | | 144,306 |

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 2019/20 totalled £63m. Overall capital spending was 70% of the revised capital budget, primarily reflecting the delivery time to complete projects moving into future financial periods. Details are:

| Cabinet Portfolios | Planned Spend | Actual Spend | Variation on planned spend |
|--|---------------|---------------|----------------------------|
| | £'000 | £'000 | £'000 |
| Adult Services | 293 | 295 | 2 |
| Children's Services | 12,523 | 8,563 | (3,960) |
| Climate Emergency & N'Hood Services | 6,324 | 3,838 | (2,486) |
| Community Services | 10,620 | 8,364 | (2,256) |
| Housing, Planning & Economic Development | 28,614 | 21,474 | (7,140) |
| Resources & Deputy Leader | 20,764 | 11,950 | (8,814) |
| Transport Services | 11,025 | 8,607 | (2,418) |
| | <u>90,163</u> | <u>63,091</u> | <u>(27,072)</u> |

Capital expenditure was financed by:

| | £'000 |
|---------------------------|---------------|
| Capital Receipts | 1,680 |
| Grants | 24,904 |
| Borrowing | 31,120 |
| 3rd Party Contributions | 199 |
| Revenue | 24 |
| S.106 / CIL contributions | 5,164 |
| | <u>63,091</u> |

Capital spend on developments for the Bath Quays North Site, South Site and Bridge was £10.1m, and £9.1m on the Bath Western Riverside (mainly land). Capital spend of £8.2m was on Highways infrastructure, £4.5m of spend was incurred on improvement and repairs to schools, and £4.4m on upgrading Keynsham Leisure Centre.

Property, Plant & Equipment

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

Transfers of £875K from Assets Under Construction reflecting projects becoming operational in the year:-

| | £'000 |
|--|------------|
| Whitchurch Primary | 464 |
| Twerton Infant | 288 |
| Bath Quays North: Children's Centre Relocation | 312 |
| Other | 24 |
| Keynsham High Street (reclassified) | (213) |
| | <u>875</u> |

Transfers of £856K to Investment Properties to reflect that their purpose is now income generation or capital gain

| | £'000 |
|-------------------------------|------------|
| 62 Walcot Street (Cornmarket) | 590 |
| Dartmouth Avenue | 266 |
| | <u>856</u> |

Net Revaluation loss of 20.771m for Other Land and Buildings for the following classes of assets:-

| | £'000 |
|---|---------------|
| Secondary Schools | 11,840 |
| Heritage | 4,901 |
| Leisure Centres | 4,321 |
| Car Parks | 3,820 |
| Land | 744 |
| Adult Services (Community Resource Centres / Homes) | (2,723) |
| Public Rooms | (727) |
| Offices | (551) |
| Refuse / Recycling Centres | (456) |
| Other | (398) |
| | <u>20,771</u> |

Other Property Assets Values

Investment Properties were subject to new valuations in 2019/20 and reflected a valuation basis of market value.

The valuer reported an £9.0m reduction in Investment Property values since the last full valuation was undertaken (31st March 2019), arising from movements in yields.

Impact of Covid-19 On Valuations

Our valuation(s) reported on the basis of 'material valuation uncertainty' arising from Brexit and COVID-19 impacts. Consequently a higher degree of caution should be attached to valuations than would normally be the case. Further details are provided in Note 4.

NARRATIVE REPORT

Non Financial Performance of the Council

New Priorities

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

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

The following is a brief narrative overview of metrics associated with the three principles. This is for the financial year 19/20 with available data. Please note that the Covid-19 pandemic created significant disruption to both service delivery and availability of data.

'Delivering for local residents'

Education

- The large majority of pupils in Bath and North East Somerset are taught in Good or Outstanding schools and educational outcomes are broadly in line with or above the national average at most key stages. In some cases attainment in B&NES is the best or amongst the best in the South West, for example the proportion of pupils reaching both the expected and higher standards at the end of Key Stage 2 is the highest in the South West. Attainment at Key Stage 5 remains high.
- However, the achievement of pupils eligible for Free School Meals is much lower than similar pupils nationally at all key stages, and reducing this gap remains a priority.

People who might experience barriers to employment

- In 2018/19 10.1% of adults with Learning Disabilities who are known to the Council were in paid employment. This has decreased slightly from 10.4% in 2017/18. The figure for England as a whole is 5.9%, and for the South West it is 6%.
- In 2018/19 10% of adults in contact with secondary mental health services were in paid employment, a decrease from 12% in 2017/18. The figure for England is 8%, and for the South West it is 10%

Housing benefit and Council tax

- As of March 2020, the total caseload for Housing Benefit locally was at 5,486, it's lowest level over the past 8 years. The reduction (seen mainly in the working age population) is likely to be largely down to the ongoing rollout of Universal Credit.
- The total Council Tax Support caseload is more variable, reaching its lowest level in recent years in June 2019 and showing a rising trend to 9,831 recipients in March 2020.

Homelessness

- The number of households in temporary accommodation has decreased to 24 in December 2019, compared to 30 in December 2018.
- There were 17 rough sleepers in the Autumn 2019 single night snapshot, down from 20 in Autumn 2018.

'Focusing on prevention'

Child Protection

- The volume and rates of children in care has stabilised following a period of increase, with 182 children in care by March 2020.
- Alongside this, the number of children on a child protection plan has increased to 135 in December 2019, from 100 in December 2018.
- There has been a decline in the number of contacts over the financial year from around 2,000 per quarter at the start of the year, to 1,768 for the quarter ending March 2020.

Adult Social Care

- National reporting of delayed transfers of care (DTC) for Q4 ceased after February's return, in response to the COVID pandemic. For the two months' data available for Q4, the daily rate of occupied beds per 100,000 population (18+) was 19.1 against a target of 11.7. Significant pressure across the health and social care system has impacted DTC rates throughout the year, despite the mitigation of Better Care Fund schemes.
- Emergency hospital admissions improved significantly in Q4, with 4,923 admissions against the target of 5,507. This was the first quarter in 19/20 that performance was better than the planned level, which continues the general reduction in the rate seen since Q1. While each month in Q4 returned better-than-planned performance, the overall Q4 improvement will include the effect of COVID-19 in the last two weeks of March, which contributed to a significant drop in admissions.

Wellbeing and Health inequalities

- As with many outcomes, there is an inequality gap in life expectancy at birth, especially for men - with those living in the least deprived areas of B&NES living 7 years longer than men in the most deprived areas of B&NES (2016-2018).
- Around 1,600 people normally resident in B&NES die every year, with 1 in 4 being classified as a premature death, i.e. under the age of 75. Just under half of all premature deaths in B&NES have an underlying cause of cancer, with the next leading underlying cause of premature death being circulatory diseases such as heart disease and stroke.
- Although B&NES has a relatively low rate of childhood obesity compare to other areas in England (among County Council and Upper Tier Local Authorities) for Year 6 pupils, 1 in 4 Year 6 pupils in B&NES schools are classified as overweight (12.1%) or obese (13.5%) [2018/19]. Significant age and socio-economic gradients exist for childhood obesity, i.e. levels of childhood obesity increase with increasing age and worsening levels of deprivation.

Special Education Needs

- As at January 2020 there were 1,363 B&NES Council maintained Statements / Education, Health and Care (EHC) Plans for children and young people with Special Educational Needs and/or Disabilities (SEND). There were also a further 3,162 lower need SEND Support pupils in local state-funded mainstream primary and secondary schools.

Waste & Recycling

- In 2019-20 58.97% of domestic waste was reused, recycled or composted, against a 60% target. Overall rates have remained consistent over time but this is a slight decline on the previous year (59.24%).

NARRATIVE REPORT

Non Financial Performance of the Council (cont.)

'Preparing for the future'

Local Renewable Energy

- By the end of 2018, 3.2% of homes in B&NES had Solar PV Installed (Department of Business Energy and Industrial Strategy, Renewable electricity by local authority, 26 September 2019).

Carbon neutral development and energy efficiency retrofitting

- 3,635 ECO measures (retrofitting) have been installed in B&NES up to the end March 2020 (Department of Business Energy and Industrial Strategy, Household energy efficiency Statistics, 18 June 2020).

Local Travel Options

- According to the Travel West March 2020 Travel to Work Survey (1,364 respondents), the main modes of travel to work in B&NES were as follows: 53% car, 8% car share (drivers with other passengers), 7% cycle, 11% walk, 12% bus, 7% train, 3% other.

Housing Growth and Development

- There were 1,163 net additional homes built in 2019/20, well above the trajectory target of 648.
- Statutory planning development targets all remain significantly above target for 2019/20, with 94% of major planning decisions made within timescale, compared to a target of 60%.

Heritage Visitor Numbers

- For the first time in eight years Heritage Services saw a fall in visitor numbers, which dropped 3%. This is entirely due to the impact of COVID-19, which affected visitor numbers from February 2020. Prior to this point visitor numbers had been strong at the Roman Baths, Fashion Museum and Victoria Art Gallery, with the Roman Baths having its busiest ever calendar year in 2019.

Corporate Risk Management

The Council's Risk Management Strategy was reviewed and updated during 2019 and sets out the framework to manage risk. Subsequent to the local elections in May 2019 a new Corporate Strategy and priorities have also been developed for the organisation and approved in early 2020.

Senior Management assess key risks at a strategic level against these priorities and actively manage risk on a daily basis to respond to the challenges of delivering services in a complex environment.

The Covid-19 pandemic has changed much of our focus from March 2020 but subsequent to this 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 2019/20 has focussed on –

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

As we move into 2020/21 the Council will be heavily focussed on meeting the challenges posed by the Covid-19 pandemic and the risks it poses both in terms of supporting those directly affected in our community and the severe financial challenges it poses to the Council and the wider local economy.

Beyond this the Council will be focussed on delivering its new Corporate Strategy and how it tackles the Climate Emergency at a local level. All of these issues feature regularly at Cabinet and Senior Management team level and the Council continues to strive to meet the financial challenges ahead.

NARRATIVE REPORT

Pension Fund

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

The Actuary has estimated that the funding level has fallen over the year to 84% based on the 2019 valuation financial assumptions.

Pension Liabilities

The Council itself has a liability of £326.2m 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 2019/20 is mainly due to gains from changes in the Actuary's assumptions in valuing the liabilities as detailed in Note 41 below. The Actuary has estimated that the funding level has fallen over the year to 84% based on the 2019 valuation financial assumptions.

In 2017/18, the Council made an up-front payment of the LGPS deficit contributions for the three years 2017/18 - 2019/20 totalling £14.837m (net of academy conversions). 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 (net of academy conversions) rather than the typical approach of monthly payments in arrears over the three year period was £1.034m, reducing total payments from £15.871m to £14.837m. The return was judged to be far greater than could have been achieved by investing the amounts as part of the Council's Treasury Management Strategy and the approach represented good value for money for the Council.

Group Accounts

There is now a requirement to consider a consolidation of group accounts under the Local Authority Statement of Recommended Practice (SORP) 2010. The Council has group relationships with Visit Bath (Tourism Information & Marketing Services), Aequus Developments Ltd (ADL) (develop, deliver, own & manage property) and Aequus Construction Ltd. (ACL) (building construction & development). All three entities are ultimately 100% subsidiaries of the Council, with ACL being a 100% subsidiary of ADL.

The 2019/20 increased turnover and assets held by Aequus Developments Ltd (ADL) and Aequus Construction Ltd. (ACL), as detailed in Note 45, is considered significant enough to produce Group Accounts for the first time. These Group Financial Statements are included in these Statement of Accounts.

Further Information

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

Once again the accounts have been produced promptly and to a high standard. This year has been particularly challenging given the need for all members of the finance team to work from home as a result of the national lockdown which coincided with the main period of the accounts preparation and finalisation, as well as delivering the requirement to produce group accounts for the first time. The publication of the draft set of accounts ahead of the revised deadline reflects the exceptional commitment and hard work undertaken by Finance staff and other service teams across the Council. My thanks go to all Finance staff and to Service Directors for their assistance in the preparation of these accounts and for their support throughout the year.



Andy Rothery

Director of Finance (Section 151 Officer)

Date: 26th November 2020

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2019/20

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 | 2018/19 Gross Exp | 2018/19 Gross Inc | 2018/19 Net Exp | | 2019/20 Gross Exp | 2019/20 Gross Inc | 2019/20 Net Exp |
|-------------|-------------------------|-------------------------|-----------------------|--|-------------------------|-------------------------|-----------------------|
| 49 | Restated £'000 | Restated £'000 | Restated £'000 | | £'000 | £'000 | £'000 |
| | | | | Expenditure on Services | | | |
| | 738 | (329) | 409 | Leader | 663 | (528) | 135 |
| | 69,498 | (53,360) | 16,138 | Resources | 69,421 | (57,868) | 11,553 |
| | 117,575 | (55,037) | 62,538 | Adult Services | 106,301 | (41,253) | 65,048 |
| | 98,586 | (64,081) | 34,505 | Children's Services | 93,597 | (60,931) | 32,666 |
| | 18,479 | (2,694) | 15,785 | Climate Emergency & Neighb'hood Serv. | 19,328 | (2,568) | 16,760 |
| | 8,797 | (7,670) | 1,127 | Housing, Planning & Economic Developm't | 9,371 | (5,651) | 3,720 |
| | 25,040 | (24,239) | 801 | Community Services | 24,466 | (25,116) | (650) |
| | 30,819 | (15,396) | 15,423 | Transport Services | 30,159 | (15,085) | 15,074 |
| | 369,532 | (222,806) | 146,726 | Cost of Services - continuing Operations | 353,306 | (209,000) | 144,306 |
| 9 | | | 12,060 | Other Operating Expenditure | | | 12,969 |
| 10 | | | 26,394 | Financing and Investment Income & Expenditure | | | 5,228 |
| 11 | | | (138,417) | Taxation and Non-Specific Grant Income | | | (143,298) |
| | | | 46,763 | (Surplus) or Deficit on Provision of Services | | | 19,205 |
| 12, 13 & 14 | | | (29,510) | (Surplus) or Deficit on Upward Revaluation of Non-current Assets | | | (43,600) |
| 12, 13 & 14 | | | 17,095 | (Surplus) or Deficit on Downward Revaluation of Non-current Assets | | | 13,573 |
| 41 | | | 28,798 | Remeasurement of the net defined benefit liability | | | (2,253) |
| | | | 16,383 | Other Comprehensive Income & Expenditure | | | (32,280) |
| | | | 63,146 | Total Comprehensive Income & Expenditure | | | (13,075) |

MOVEMENT IN RESERVES STATEMENT 2019/20

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

| Current Year | Unearmarked General Fund Balance £'000 | Earmarked General Fund Balance £'000 | Total General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves (Note 23) £'000 | Unusable Reserves (Note 24) £'000 | Total Authority Reserves £'000 |
|---|--|--|--|---|---|---|--|---|
| Balance at 31 March 2019 | 12,318 | 36,568 | 48,886 | 3,474 | 222 | 52,582 | 80,576 | 133,158 |
| Movements During 2019/20: | | | | | | | | |
| Total Comprehensive Income & Expenditure | (19,205) | | (19,205) | - | - | (19,205) | 32,280 | 13,075 |
| Adjustments between accounting basis and funding basis under statutory provisions | 27,786 | | 27,786 | 1,523 | (208) | 29,101 | (29,101) | - |
| Increase / (Decrease) during year | 8,581 | - | 8,581 | 1,523 | (208) | 9,896 | 3,179 | 13,075 |
| Transfers to / (from) earmarked reserves | (8,233) | 8,233 | - | | | | | |
| Balance at 31 March 2020 | 12,667 | 44,801 | 57,468 | 4,997 | 14 | 62,479 | 83,754 | 146,233 |

| Comparative Year | Unearmarked General Fund Balance £'000 | Earmarked General Fund Balance £'000 | Total General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves (Note 23) £'000 | Unusable Reserves (Note 24) £'000 | Total Authority Reserves £'000 |
|---|--|--|--|---|---|---|--|---|
| Balance at 31 March 2018 | 12,473 | 33,487 | 45,960 | 2,770 | 1,375 | 50,105 | 146,199 | 196,304 |
| Movements During 2018/19: | | | | | | | | |
| Total Comprehensive Income & Expenditure | (46,763) | | (46,763) | - | - | (46,763) | (16,383) | (63,146) |
| Adjustments between accounting basis and funding basis under statutory provisions | 49,689 | | 49,690 | 704 | (1,153) | 49,241 | (49,241) | - |
| Increase / (Decrease) during year | 2,926 | | 2,927 | 704 | (1,153) | 2,478 | (65,624) | (63,146) |
| Transfers to / (from) earmarked reserves | (3,081) | 3,081 | - | | | | | |
| Balance at 31 March 2019 | 12,318 | 36,568 | 48,886 | 3,474 | 222 | 52,582 | 80,576 | 133,158 |

BALANCE SHEET as at 31 MARCH 2020

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 2019 £'000 | | 31 March 2020 £'000 |
|-------|---------------------------|--------------------------------------|---------------------------|
| 12 | 200,896 | Property, Plant & Equipment: | |
| | 917 | Land & Buildings | 227,185 |
| | 100,463 | Community Assets | 1,337 |
| | 18,473 | Infrastructure | 93,504 |
| | 22,193 | Vehicles, Plant & Equipment | 18,893 |
| | 2,378 | Assets under Construction | 40,000 |
| 13 | 34,096 | Surplus assets | 2,138 |
| 14 | 319,322 | Heritage Assets | 38,997 |
| 15 | 497 | Investment Property | 310,762 |
| 19 | 13,298 | Intangible Assets | 823 |
| | <u>712,533</u> | Long Term Debtors | <u>16,994</u> |
| | | Long Term Assets | 750,633 |
| 16 | 15,054 | Short Term Investments | 29,634 |
| 18 | 498 | Inventories | 615 |
| 19 | 31,937 | Short Term Debtors | 34,620 |
| 20 | 25,482 | Cash and Cash Equivalents | 27,419 |
| 17 | 1,725 | Assets Held for Sale | <u>98</u> |
| | 74,696 | Current Assets | 92,386 |
| 16 | (10,065) | Short Term Borrowing | - |
| 21 | (49,589) | Short Term Creditors | (46,412) |
| 35 | (3,554) | Grants Receipts In Advance - Revenue | (9,544) |
| 35 | (11,129) | Grants Receipts In Advance - Capital | <u>(26,766)</u> |
| | (74,337) | Current Liabilities | (82,723) |
| 22 | (9,087) | Provisions | (12,214) |
| 16 | (218,488) | Long Term Borrowing | (234,867) |
| 41&42 | (321,691) | Other Long Term Liabilities | (337,531) |
| 35 | (30,468) | Grants Receipts In Advance - Capital | <u>(29,451)</u> |
| | (579,734) | Long Term Liabilities | (614,063) |
| | <u>133,158</u> | Net Assets | 146,233 |
| 23 | 52,582 | Usable reserves | 62,479 |
| 24 | 80,576 | Unusable Reserves | 83,754 |
| | <u>133,158</u> | Total Reserves | 146,233 |

The accounts were authorised for issue on 26th November 2020.

Andy Rothery Director of Finance (s.151 Officer)

Date: 26th November 2020

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.

| | 2018/19 | See Note 25 for further details | 2019/20 |
|---|-----------------|--|-----------------|
| | £'000 | | £'000 |
| | (46,763) | Net surplus or (deficit) on the provision of services | (19,205) |
| A | 85,717 | Adjustment to surplus or deficit on the provision of services for non cash movements | 52,147 |
| A | <u>(28,446)</u> | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | <u>(33,206)</u> |
| | 10,508 | Operating Activities | (264) |
| C | (57,531) | Investing Activities | (4,085) |
| D | 33,860 | Financing Activities | 6,285 |
| | <u>(13,163)</u> | Net Increase/(decrease) in cash equivalents | <u>1,936</u> |
| E | 38,645 | Cash & cash equivalents at the beginning of the reporting period | 25,482 |
| E | 25,482 | Cash & cash equivalents at the end of the reporting period | 27,419 |

NOTES TO MAIN FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end 31 March 2020. 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 2019/20 (the Code), supported by International Financial Reporting Standards (IFRS).

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

1.2 Qualitative Characteristics of Financial Statements

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

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

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

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

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

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

1.3 Underlying Assumptions

Accruals Basis

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

Going Concern

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

Primacy of Legislation Requirements

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

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

1.4 Accruals of Income and Expenditure

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

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

NOTES TO MAIN FINANCIAL STATEMENTS

1.5 Revenue Recognition

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

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

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

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

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

Non Domestic Rates (NDR)

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

Council Tax

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

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 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

1.9 Government Grants and Contributions

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

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

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

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

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

1.10 Employee Benefits

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

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

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

Post-Employment Benefits

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

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

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

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

NOTES TO MAIN FINANCIAL STATEMENTS

The Local Government Pension Scheme

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

- * The liabilities of the Avon Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the Projected Unit Method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- * Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (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 which eliminates all further legal or constructive obligations for part or all of the benefits provided under a Defined Benefit Plan.

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

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

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

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

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

Benefits Paid - payments to discharge liabilities directly to pensioners.

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

In 2017/18, the Council made an up-front payment of the LGPS deficit contributions for the three years 2017/18 - 2019/20 totalling £14.837m (net of academy conversions). 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 (net of academy conversions) rather than the typical approach of monthly payments in arrears over the three year period was £1.034m, reducing total payments from £15.871m to £14.837m. 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

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 guidance 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

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

1.15 Investment Property

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

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

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

1.16 Heritage Assets

The Council's museum, galleries, Record Office and libraries hold a number of collections of historical artefacts. The collections include archaeological artefacts, coin collections, fine and decorative art collections, fashionable dress, accessories and associated paperwork collections, rare books, maps, manuscripts and local history collections.

They are maintained for their contribution to knowledge and culture and are held in order to preserve them for future generations. Details relating to accessibility of these items to the public is available on the Council's website.

Museum Collections

Museum collections will be reported in the Balance Sheet at market value where the information is available. In other circumstances, valuations for insurance purposes will be used if appropriate. Valuations need not be all recurring and are not required to be carried out or verified by external valuers, and so in most cases will be undertaken by the Museum's Curator. Where officers are unable to value items themselves, external expertise may be used.

Acquisitions will only relate to existing subject fields and areas of collection. The collections will not be extended into new areas. This is in line with the policy set by the Museums and Archives Service. New acquisitions will be recognised at cost for assets purchased. Donated assets will be recognised at valuation if available or insurance values where relevant.

Chandeliers

The chandeliers located in the Guildhall will be reported in the balance sheet at a valuation representing their insurance value.

Statues and Monuments

The Authority has a number of statues, fountains, memorials and monuments throughout the area. As there is no readily available valuation held by the Council and no definitive market value for these types of assets they will not be recognised on the Council's Balance Sheet.

Historical Buildings

The Council owns many historic buildings. Buildings such as the Roman Baths, Victoria Art Gallery and Guildhall are operational buildings and as such remain classified within Property, Plant and Equipment in the Council's balance sheet. Others are held within the Council's Investment Estate. The accounting treatment of these buildings will not change. Some of these buildings contain some items of antique furniture.

1.17 Fair Value Measurement

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

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

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

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

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

Level 3 - unobservable inputs for the asset or liability.

NOTES TO MAIN FINANCIAL STATEMENTS

1.18 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

1.19 Cash & Cash Equivalents

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

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

1.20 Leases

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 lease inception. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset.

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

Lease payments are apportioned between:

- * a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and

- * a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

NOTES TO MAIN FINANCIAL STATEMENTS

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

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

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

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

Financial Assets Measured at Amortised Costs

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

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

Expected Credit Loss Model

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

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

NOTES TO MAIN FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Instruments Entered into Before 1 April 2006

The Authority entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in 1.24.

1.22 Inventories and Work in Progress

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

1.23 Controlled Companies

The Authority has three controlled companies - Aequus Construction Limited, Aequus Developments Limited and Visit Bath. The turnover and assets held by Aequus Developments Ltd (ADL) and Aequus Construction Ltd. (ACL) is considered significant enough to produce Group Accounts, with further details in Note 45 below.

1.24 Contingent Liabilities

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

1.25 Accounting for Schools

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

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

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

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

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

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

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

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

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

NOTES TO MAIN FINANCIAL STATEMENTS

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

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

1.26 Group Accounts

Group Accounts are covered by IFRS Standard 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities, IAS27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures. An assessment of the criteria for the completion of Group Accounts has been undertaken and the conclusion reached that the turnover and assets held by Aequus Developments Ltd (ADL) and Aequus Construction Ltd. (ACL) is considered significant enough to produce Group Accounts, and have therefore been consolidated with the accounts of Bath & North East Somerset Council in the group accounts section of the Statement of Accounts. All material assets and liabilities relating to maintained schools are included in the Council's accounts. Owing to the nature of schools, it is highly unlikely that there would be any losses.

1.27 Joint Working Arrangements

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

1.28 Pooled Budget Arrangements

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

1.29 Events After the Reporting Period

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

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

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

1.30 City Region Deal

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

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

Income

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

Expenditure

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

NOTES TO MAIN FINANCIAL STATEMENTS

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2020. If these had been adopted for the financial year 2019/20 there would be no material changes. These changes are:

Amendments to IAS28 Investments In Associates & Joint Ventures - Long-term Interests in Associates and Joint Ventures.

Amendments to IAS19 Employment Benefits - Plan Amendment, Curtailment or Settlement.

Annual Improvements to **IFRS Standards 2015-17 Cycle**.

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

CIPFA/LASAAC have deferred implementation of **IFRS16 Leases** for local government to 1 April 2021. This standard will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). The estimated impact of this standard is not yet known.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Fair Value of Public Works Loan Board (PWLB) Loans

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

Pooled Budgets

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

Group Accounts

The Council has reviewed its group activities for the 2019/20 financial year and based on the following estimates of group financials for our 100% owned companies, the turnover and assets held by Aequis Developments Ltd (ADL) and Aequis Construction Ltd. (ACL) is now considered significant enough to produce Group Accounts, with further details in Note 45 below.

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

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

The items in the Authority's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

An estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. 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 2020 is £326.2m.

NOTES TO MAIN FINANCIAL STATEMENTS

Local Government Pension Scheme Asset Values - Impact of COVID-19

In respect of the pooled UK property funds held in the UK Property and Secured Income portfolios (valued at £229.2m), the independent valuers consider that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value and as a result have reported the values on the basis of 'Material Valuation Uncertainty' as per VPGA 10 of the RICS Red Book-Global Standards. Consequently, for these assets, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

Having taken advice from the fund manager of the UK Property Portfolio, the indicative effect of COVID-19 pandemic on these valuations could result in a reduction of 10-15% in the reported value which is between £23m and £34m.

Investment Property / Property, Plant and Equipment Values

The Council has a large number of properties which are valued in accordance with the RICS valuation standards. Individual valuations are undertaken to reflect material changes in circumstances affecting individual properties and properties are valued on a minimum five year basis to comply with the Code of Practice on Local Authority Accounting. As a consequence the balance of properties valued differs from year to year.

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

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

Brexit negotiations have moved on and the UK has left the EU on 31st January 2020. There is still a transition period and uncertainty whether a trade deal will be agreed by 31st December 2020

In addition, the outbreak of the Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, the valuers consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that they were faced with an unprecedented set of circumstances on which to base a judgement.

Valuations are therefore reported on the basis of '*material valuation uncertainty*' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case.

The effect of 1% change in valuations would represent £3.1m change for Investment Properties (Note 14), and £2.3m change for Surplus Properties and Other Land and Buildings (Note 12).

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 2019/20 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 2020. For 2010 rating list the estimate has been calculated using the latest Valuation Office Agency (VOA) list of appeals and analysis of successful appeals to date. For 2017 rating list the process of lodging an appeal has been changed to a three stage process of Check, Challenge & Appeal. Provision for appeals on the 2017 rating list has been estimated at 4.7% of net business rates payable, which is Central Government's forecasted cost of appeals nationally. The Council's share of the balance of business rate appeals provisions held at 31st March 2020 amounted to £11.7m, this has increased by £3.1m from the previous year. The variance is mainly due to making a further year's provision for 2017 rating list appeals, against which, no appeals have been settled as at 31st March 2020. If appeals were to increase by 10% then this could require an increase in the Council's share of its appeals provision by £1.171m.

5 MATERIAL ITEMS OF INCOME AND EXPENSE

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

6 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Finance (Section 151 Officer) on 26th November 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this situation.

COVID-19

The Councils' business response to COVID-19 has been summarised in the Narrative Report, and the Annual Governance Statement sets out how the associated risks are being identified and managed. Due to the evolving nature of the pandemic, it is not currently possible to estimate the financial impact of the pandemic. It is anticipated that the financial impact will be reflected in the 2020/21 financial statements, and is expected to be most significant in terms of:

- valuation of Investment Estate assets
- loss of fees & charges & Investment Estate rental income
- increased demand for public services
- increased cost of business continuity and disaster planning activities
- collectability of trade debtors and local taxation
- carrying values of non-current assets and investments
- the impact of reductions to LGPS investment portfolios on pension liabilities in the Balance Sheet.

Best estimates of the impact of COVID-19 are being monitored against the Council's budget and are being reflected in the Council's financial planning and budget setting processes for 2021/22.

Academy Schools

These accounts reflect the transfer of assets and liabilities in respect of those schools which became Academies during the 2019/20 financial year. The following schools have converted to Academy status, or are due to convert, during the financial year 2020/21.

| | |
|-------------------------------------|---|
| Whitchurch Primary - 01/04/20 | Paulton Infants - due 01/08/20 |
| St Marks Secondary - 01/05/20 | St Mary's Primary Writhlington due 01/08/20 |
| St Mary's Primary Timsbury 01/05/20 | |

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 |
|--|---|---|--|---|--|
| 2019/20 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Leader | 71 | (2) | 69 | 66 | 135 |
| Resources | 64 | 10,487 | 10,551 | 1,003 | 11,554 |
| Adult Services | 61,555 | - | 61,555 | 3,494 | 65,049 |
| Children's Services | 30,396 | (64) | 30,332 | 2,334 | 32,666 |
| Climate Emergency & Neighbourhood Services | 16,426 | (1,750) | 14,676 | 2,084 | 16,760 |
| Housing, Planning & Economic Development | 2,685 | - | 2,685 | 1,035 | 3,720 |
| Community Services | (3,483) | (1,380) | (4,863) | 4,213 | (650) |
| Transport Services | (220) | (432) | (652) | 15,726 | 15,074 |
| Net Cost Of Services | 107,492 | 6,859 | 114,351 | 29,955 | 144,306 |
| Other Income & Expenditure | (115,023) | (7,909) | (122,932) | (2,169) | (125,101) |
| (Surplus) or Deficit on Provision of Services | (7,531) | (1,050) | (8,581) | 27,786 | 19,205 |
| Opening General Fund Balance at 31 March 2019 | | | 48,886 | | |
| Closing General Fund Balance at 31 March 2020 | | | 57,467 | | |

| | 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 |
|--|---|---|--|---|--|
| 2018/19 (Restated) | £'000 | £'000 | £'000 | £'000 | £'000 |
| Leader | 359 | - | 359 | 50 | 409 |
| Resources | 4,239 | 6,858 | 11,097 | 5,041 | 16,138 |
| Adult Services | 60,738 | - | 60,738 | 1,799 | 62,538 |
| Children's Services | 30,798 | - | 30,798 | 3,707 | 34,505 |
| Climate Emergency & Neighbourhood Services | 15,084 | 213 | 15,297 | 488 | 15,785 |
| Housing, Planning & Economic Development | 2,754 | - | 2,754 | (1,627) | 1,127 |
| Community Services | (1,363) | 185 | (1,178) | 1,980 | 801 |
| Transport Services | (154) | (265) | (419) | 15,842 | 15,423 |
| Net Cost Of Services | 112,456 | 6,991 | 119,447 | 27,280 | 146,727 |
| Other Income & Expenditure | (118,227) | (4,145) | (122,372) | 22,409 | (99,963) |
| (Surplus) or Deficit on Provision of Services | (5,771) | 2,846 | (2,925) | 49,689 | 46,764 |
| Opening General Fund Balance at 31 March 2018 | | | 45,960 | | |
| Closing General Fund Balance at 31 March 2019 | | | 48,886 | | |

NOTES TO MAIN FINANCIAL STATEMENTS

7a NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

| 2019/20 | Rental Income reported at Portfolio Level (a) £'000 | Other Income reported at Portfolio Level (a) £'000 | Interest Payments reported at Portfolio Level (a) £'000 | Other Payments reported at Portfolio Level (a) £'000 | Adjustments to the net amount chargeable to the General Fund £'000 |
|--|--|---|--|---|---|
| Leader | | | | (2) | (2) |
| Resources | 19,580 | 771 | (8,220) | (1,644) | 10,487 |
| Adult Services | | | | | - |
| Children's Services | | | | (64) | (64) |
| Climate Emergency & Neighbourhood Services | | | | (1,750) | (1,750) |
| Housing, Planning & Economic Development | | | | | - |
| Community Services | | | | (1,380) | (1,380) |
| Transport Services | | | | (432) | (432) |
| Net Cost of Services | 19,580 | 771 | (8,220) | (5,272) | 6,859 |
| Other Income & Expenditure | (19,580) | (771) | 7,746 | 4,696 | (7,909) |
| Surplus or Deficit | - | - | (474) | (576) | (1,050) |

| | Adjustment for capital purposes (b) £'000 | Net charges for Pension Fund adjustment (c) £'000 | Other Adjustments (d) £'000 | Total Adjustments Between Funding & Accounting Basis £'000 |
|--|--|--|--------------------------------|---|
| Leader | 66 | | | 66 |
| Resources | (438) | 2,319 | (878) | 1,003 |
| Adult Services | 2,983 | 511 | | 3,494 |
| Children's Services | 1,454 | 969 | (89) | 2,334 |
| Climate Emergency & Neighbourhood Services | 1,504 | 580 | | 2,084 |
| Housing, Planning & Economic Development | 30 | 905 | 100 | 1,035 |
| Community Services | 3,455 | 698 | 60 | 4,213 |
| Transport Services | 15,258 | 468 | | 15,726 |
| Net Cost of Services | 24,312 | 6,450 | (807) | 29,955 |
| Other Income & Expenditure | (9,653) | 7,293 | 191 | (2,169) |
| Surplus or Deficit | 14,659 | 13,743 | (616) | 27,786 |

NOTES TO MAIN FINANCIAL STATEMENTS

| | Rental Income reported at Portfolio Level (a) £'000 | Other Income reported at Portfolio Level (a) £'000 | Interest Payments reported at Portfolio Level (a) £'000 | Other Payments reported at Portfolio Level (a) £'000 | Adjustments to the net amount chargeable to the General Fund £'000 |
|--|--|---|--|---|---|
| 2018/19 (Restated) | | | | | |
| Leader | | | | | - |
| Resources | 18,957 | 375 | (7,034) | (5,440) | 6,858 |
| Adult Services | | | | | - |
| Children's Services | | | | | - |
| Climate Emergency & Neighbourhood Services | | | | 213 | 213 |
| Housing, Planning & Economic Development | | | | | - |
| Community Services | | | | 185 | 185 |
| Transport Services | | | | (265) | (265) |
| Net Cost of Services | 18,957 | 375 | (7,034) | (5,307) | 6,991 |
| Other Income & Expenditure | (18,957) | (375) | 6,819 | 8,368 | (4,145) |
| Surplus or Deficit | - | - | (215) | 3,061 | 2,846 |

| | Adjustment for capital purposes (b) £'000 | Net charges for Pension Fund adjustment (c) £'000 | Other Adjustments (d) £'000 | Total Adjustments Between Funding & Accounting Basis £'000 |
|--|--|--|--------------------------------|---|
| Leader | 50 | - | | 50 |
| Resources | 4,972 | 4,115 | (4,046) | 5,041 |
| Adult Services | 1,815 | (12) | (4) | 1,799 |
| Children's Services | 3,760 | (121) | 68 | 3,707 |
| Climate Emergency & Neighbourhood Services | 549 | (54) | (6) | 488 |
| Housing, Planning & Economic Development | (1,619) | (8) | | (1,627) |
| Community Services | 2,002 | (22) | | 1,980 |
| Transport Services | 15,865 | (22) | | 15,842 |
| Net Cost of Services | 27,393 | 3,875 | (3,988) | 27,280 |
| Other Income & Expenditure | 15,448 | 6,690 | 271 | 22,409 |
| Surplus or Deficit | 42,841 | 10,565 | (3,717) | 49,689 |

(a) For Management Reporting, the Authority includes rental income from investment properties and interest income in the Resources. 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

| 2019/20 | Usable Reserves | | | Movement in Unusable Reserves £'000's |
|---|------------------------------------|-------------------------------------|-------------------------------------|--|
| | General Fund Balance £'000's | Capital Receipts Reserve £'000's | Capital Grants Unapplied £'000's | |
| Adjustments primarily involving the Capital Adjustment Account: | | | | |
| Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement: | | | | |
| Charges for depreciation of Non-Current Assets | 23,718 | | | (23,718) |
| Revaluation gains / Impairments on Property Plant & Equipment | 3,483 | | | (3,483) |
| Movements in the Market Value of Investment Properties | 9,024 | | | (9,024) |
| Amortisation of Intangible Assets | 264 | | | (264) |
| Capital Grants & contributions applied | (5,634) | | | 5,634 |
| Revenue expenditure funded from Capital under Statute | 8,681 | | | (8,681) |
| 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 | 8,944 | | | (8,944) |
| Impairment allowance for capital expenditure loans | 44 | | | (44) |
| Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement: | | | | |
| Statutory provision for the financing of capital investment expenditure charged against the General Fund | (6,145) | | | 6,145 |
| Principal repayment of Avon Loan | (474) | | | 474 |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement | (24,425) | | 24,425 | |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | (24,633) | 24,633 |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (3,196) | 3,196 | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | (1,631) | | 1,631 |
| Capital expenditure financed from revenue | (24) | | | 24 |
| 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 | | 7 | | (7) |
| Adjustments primarily involving the Deferred Capital Receipts Reserve: | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | - | | | - |
| Adjustments primarily involving the Financial Instruments Adjustment Account: | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements | (170) | | | 170 |
| Adjustments primarily involving the Pooled Fund Adjustment Account: | | | | |
| Amount by which the change in fair value of pooled funds charged to the Comprehensive Income & Expenditure Statement is different from that calculated for the year in accordance with statutory requirements. | 545 | | | (545) |
| Adjustments primarily involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement | 30,571 | | | (30,571) |
| Employer's pensions contribution and direct payments to pensioners payable in the year | (16,828) | | | 16,828 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | |
| Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements | (852) | | | 852 |
| Adjustments primarily involving the Accumulated Absences Account: | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (139) | | | 139 |
| Other movements | 399 | (49) | | (350) |
| Total Adjustments | 27,786 | 1,523 | (208) | (29,101) |

NOTES TO MAIN FINANCIAL STATEMENTS

| 2018/19 | Usable Reserves | | | Movement in Unusable Reserves |
|---|----------------------------|--------------------------------|--------------------------------|-------------------------------------|
| | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | |
| | £'000's | £'000's | £'000's | £'000's |
| Adjustments primarily involving the Capital Adjustment Account: | | | | |
| Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement: | | | | |
| Charges for depreciation of Non-Current Assets | 21,067 | | | (21,067) |
| Revaluation gains / Impairments on Property Plant & Equipment | 4,792 | | | (4,792) |
| Movements in the Market Value of Investment Properties | 30,482 | | | (30,482) |
| Amortisation of Intangible Assets | 296 | | | (296) |
| Capital Grants & Contributions Applied | (4,336) | | | 4,336 |
| Revenue expenditure funded from Capital under Statute | 11,349 | | | (11,349) |
| 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 | 9,076 | | | (9,076) |
| Impairment allowance for capital expenditure loans | 118 | | | (118) |
| Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement: | | | | |
| Statutory provision for the financing of capital investment expenditure charged against the General Fund | (5,267) | | | 5,267 |
| Principal repayment of Avon Loan | (494) | | | 494 |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement | (19,388) | | 19,388 | |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | (20,541) | 20,541 |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (4,855) | 4,855 | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | (4,025) | | 4,025 |
| Capital expenditure financed from revenue | (134) | | | 134 |
| Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool | - | - | | |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | | 8 | | (8) |
| Adjustments primarily involving the Deferred Capital Receipts Reserve: | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | - | | | - |
| Adjustments primarily involving the Financial Instruments Adjustment Account: | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements | (169) | | | 169 |
| Adjustments primarily involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement | 28,569 | | | (28,569) |
| Employer's pensions contribution and direct payments to pensioners payable in the year | (18,004) | | | 18,004 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | |
| Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements | (3,597) | | | 3,597 |
| Adjustments primarily involving the Accumulated Absences Account: | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 51 | | | (51) |
| Other movements | 133 | (134) | | 1 |
| Total Adjustments | 49,689 | 704 | (1,153) | (49,240) |

NOTES TO MAIN FINANCIAL STATEMENTS

9 OTHER OPERATING EXPENDITURE

| | 2019/20 | 2018/19 |
|---|---------------|---------------|
| | £'000 | £'000 |
| (Gain)/Loss on disposal of non-current assets | 5,893 | 5,299 |
| Parish Precepts | 2,727 | 2,510 |
| Levy payments to joint bodies | 4,349 | 4,251 |
| | <u>12,969</u> | <u>12,060</u> |

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| | 2019/20 | 2018/19 |
|---|--------------|---------------|
| | £'000 | £'000 |
| Interest Payable & Premiums | 7,746 | 6,819 |
| Interest & Investment Income | (771) | (375) |
| Net Deficit/(Surplus) on Trading Services | (42) | 354 |
| Income & expenditure in relation to Investment properties and changes in fair value | (9,591) | 12,778 |
| Impairment of Financial Instruments | 48 | 128 |
| Loss / (Gain) on Financial Instruments carried at Fair Value through Profit or Loss | 545 | - |
| Net Interest on the Net Defined Benefit Liability (Asset) | 7,293 | 6,690 |
| | <u>5,228</u> | <u>26,394</u> |

11 TAXATION AND NON-SPECIFIC GRANT INCOME

| | 2019/20 | 2018/19 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Council Tax Income | (95,953) | (90,045) |
| Non -Domestic Rates Income & Expenditure | (22,712) | (28,182) |
| Capital grants and contributions | (24,633) | (20,190) |
| | <u>(143,298)</u> | <u>(138,417)</u> |

NOTES TO MAIN FINANCIAL STATEMENTS

12 PROPERTY, PLANT & EQUIPMENT

Movement in 2019/20:

| | Other Land & Buildings | Community Assets | Infrastructure Assets | Veh'cls,Plant & Equipment | Assets Under Construction | Surplus Assets | Heritage Assets | Total Property Plant & Equipment £'000 |
|---|---------------------------|---------------------|--------------------------|------------------------------|------------------------------|-------------------|--------------------|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation as at 1 April 2019 | 201,612 | 917 | 185,449 | 33,212 | 22,193 | 2,381 | 34,096 | 479,860 |
| Additions | 15,759 | 433 | 7,176 | 4,394 | 18,837 | 180 | - | 46,779 |
| Revaluations increases/decreases recognised in the Revaluation Reserve | 20,456 | - | - | - | - | (293) | 4,901 | 25,064 |
| Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services | (3,965) | (13) | - | (139) | (148) | (21) | - | (4,286) |
| De-recognition - Disposals | (6,180) | - | (27,488) | (2,062) | (7) | (45) | - | (35,782) |
| Assets reclassified to/from Held for sale | 590 | - | - | - | - | (61) | - | 529 |
| Reclassifications - other | 46 | - | (254) | 227 | (875) | - | - | (856) |
| Valuation as at 31 March 2020 | 228,318 | 1,337 | 164,883 | 35,632 | 40,000 | 2,141 | 38,997 | 511,308 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| Accumulated depreciation as at 1 April 2019 | (716) | - | (84,986) | (14,739) | - | (3) | - | (100,444) |
| Depreciation charge in year | (5,974) | - | (13,899) | (3,820) | - | (25) | - | (23,718) |
| Depreciation written out to the Revaluation Reserve | 4,969 | - | - | - | - | - | - | 4,969 |
| Depreciation written out to the Surplus/Deficit on Provision of Services | 749 | - | 36 | 104 | - | 25 | - | 914 |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | - | - | - | - | - | - | - | - |
| Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services* | - | - | - | - | - | - | - | - |
| De-recognition - disposals | (51) | - | 27,488 | 1,699 | - | - | - | 29,136 |
| Other Movements in Depreciation & Impairment | (110) | - | (18) | 17 | - | - | - | (111) |
| Accumulated depreciation at 31 March 2020 | (1,133) | - | (71,379) | (16,739) | - | (3) | - | (89,254) |
| Balance sheet amount 31 March 2020 | 227,185 | 1,337 | 93,504 | 18,893 | 40,000 | 2,138 | 38,997 | 422,054 |
| Revaluations (GBV) | | | | | | | | |
| Carried at Historic Cost | 1,926 | 1,337 | 164,883 | 35,632 | 40,000 | - | - | 243,778 |
| Heritage Valuations (Insurance or Curatorial) | - | - | - | - | - | - | 38,997 | 38,997 |
| Surplus Properties at Fair Value | - | - | - | - | - | - | - | - |
| Valued at Current value as at: | | | | | | | | |
| Y/E 31/03/2020 | 175,383 | - | - | - | - | 1,304 | - | 176,687 |
| Y/E 31/03/2019 | 30,370 | - | - | - | - | 337 | - | 30,707 |
| Y/E 31/03/2018 | 12,720 | - | - | - | - | 125 | - | 12,845 |
| Y/E 31/03/2017 | 3,094 | - | - | - | - | 5 | - | 3,099 |
| Y/E 31/03/2016 | 4,825 | - | - | - | - | 370 | - | 5,195 |
| Y/E 31/03/2015 | - | - | - | - | - | - | - | - |
| Y/E 31/03/2014 | - | - | - | - | - | - | - | - |
| Y/E 31/03/2013 | - | - | - | - | - | - | - | - |
| Total Cost or Valuation | 228,318 | 1,337 | 164,883 | 35,632 | 40,000 | 2,141 | 38,997 | 511,308 |

NOTES TO MAIN FINANCIAL STATEMENTS

Comparative Movements in 2018/19:

| | 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 | |
| Cost or valuation as at 1 April 2018 | 199,286 | 583 | 170,490 | 30,602 | 13,006 | 2,286 | 33,467 | 449,720 |
| Adjustment to opening balance | - | - | - | - | - | - | - | - |
| Additions | 6,957 | 318 | 12,912 | 3,159 | 14,732 | 57 | - | 38,135 |
| Revaluations increases/decreases recognised in the Revaluation Reserve | 6,517 | - | - | - | - | - | 629 | 7,146 |
| Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services | (4,627) | - | - | - | (1,230) | 16 | - | (5,841) |
| De-recognition - Disposals | (6,287) | - | (359) | (2,230) | - | (248) | - | (9,124) |
| Assets reclassified to/from Held for sale | (1,691) | - | - | - | - | - | - | (1,691) |
| Reclassifications - other | 1,457 | 16 | 2,406 | 1,681 | (4,315) | 270 | - | 1,515 |
| Valuation as at 31 March 2019 | 201,612 | 917 | 185,449 | 33,212 | 22,193 | 2,381 | 34,096 | 479,860 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| Accumulated depreciation as at 1 April 2018 | (1,907) | - | (73,221) | (13,772) | - | (14) | - | (88,914) |
| Adjustment to opening balance | - | - | - | - | - | - | - | - |
| Depreciation charge in year | (5,748) | - | (12,137) | (3,156) | - | (26) | - | (21,067) |
| Depreciation written out to the Revaluation Reserve | 5,283 | - | - | - | - | 9 | - | 5,292 |
| Depreciation written out to the Surplus/Deficit on Provision of Services | 1,049 | - | - | - | - | 17 | - | 1,066 |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | - | - | - | - | - | - | - | - |
| Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services | - | - | - | - | - | - | - | - |
| De-recognition - disposals | 610 | - | 372 | 2,189 | - | 8 | - | 3,179 |
| Other Movements in Depreciation & Impairment | (3) | - | - | - | - | 3 | - | - |
| Accumulated depreciation at 31 March 2019 | (716) | - | (84,986) | (14,739) | - | (3) | - | (100,444) |
| Balance sheet amount 31 March 2019 | 200,896 | 917 | 100,463 | 18,473 | 22,193 | 2,378 | 34,096 | 379,416 |

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 2019/20 were carried out to the value of £176.7m. Along with existing valid valuations, acquisitions and disposals this gave a total valuation of £228.6m. 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 2020 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years estimated to cost £26.005m
These are detailed below:

| | 2019/20 | 2018/19 |
|---------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Leisure Centres | 1,001 | 6,289 |
| Waste and Cleaning Vehicles | 1,795 | 810 |
| Bath Quays | 13,703 | 21,423 |
| Education & Children's Services | 1,893 | 2,660 |
| Bath Transport Package | 191 | 86 |
| Archway Centre | 1,922 | 254 |
| Cleveland Bridge | 1,819 | - |
| Resources (Property) Schemes | 2,031 | 470 |
| Other | 1,650 | 1,566 |
| Total | 26,005 | 33,558 |

13 HERITAGE ASSETS

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

| 2019/20 Cost or Valuation | Victoria Art Gallery £'000 | Roman Baths £'000 | Fashion Museum £'000 | Chandeliers £'000 | Records Office £'000 | Library £'000 | Total £'000 |
|--|----------------------------------|-------------------------|----------------------------|----------------------|----------------------------|------------------|----------------|
| 1st April | 15,103 | 9,084 | 3,995 | 1,800 | 1,303 | 2,811 | 34,096 |
| Additions | | | | | | | - |
| Disposals | | | | | | | - |
| Revaluations | 1,032 | 912 | 123 | 0 | 2,834 | | 4,901 |
| Impairment Losses/(reversals) recognised in the Reval Reserve | | | | | | | - |
| Impairment Losses/(reversals) recognised in the Surplus or Deficit on Provision of Service | | | | | | | - |
| 31st March | 16,135 | 9,996 | 4,118 | 1,800 | 4,137 | 2,811 | 38,997 |

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

| 2018/19 Cost or Valuation | Victoria Art Gallery £'000 | Roman Baths £'000 | Fashion Museum £'000 | Chandeliers £'000 | Records Office £'000 | Library £'000 | Total £'000 |
|------------------------------|----------------------------------|-------------------------|----------------------------|----------------------|----------------------------|------------------|----------------|
| 1st April | 14,928 | 9,084 | 3,729 | 1,800 | 1,303 | 2,623 | 33,467 |
| Additions | | | | | | | - |
| Revaluations | 175 | | 266 | | | 188 | 629 |
| 31st March | 15,103 | 9,084 | 3,995 | 1,800 | 1,303 | 2,811 | 34,096 |

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.

| | 2019/20 | 2018/19 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Rental Income from Investment Property | 19,580 | 18,957 |
| Direct operating expenses arising from Investment Property | (965) | (1,253) |
| Net gain/(loss) | <u>18,615</u> | <u>17,704</u> |

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.

| | 2019/20 | 2018/19 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Balance at start of year | 319,322 | 322,272 |
| Adjustment to opening balance | | |
| Additions of expenditure | 742 | 31,452 |
| Disposals | (1,134) | (2,405) |
| Net gains/losses from fair value adjustments | (9,024) | (30,482) |
| Transfer to/from Property, Plant & Equipment | 856 | (1,515) |
| Balance at end of the year | <u>310,762</u> | <u>319,322</u> |

The Council carries out annual valuations of all investment properties. The valuer's report identified a total valuation of £310.8m, being all level 2 in the hierarchy outlined in policy 1.17. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

15 INTANGIBLE ASSETS

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

| | 2019/20 | 2018/19 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Cost or valuation as at 1 April | 1,551 | 1,548 |
| Purchases | 595 | 3 |
| Transfers | - | - |
| Disposals | (11) | - |
| Net gains/losses from fair value adjustments | - | - |
| Cost or valuation as at 31 March | <u>2,135</u> | <u>1,551</u> |
| Accumulated Amortisation as at 1 April | 1,054 | 758 |
| Amortisation for the period | 264 | 296 |
| Amortisation Write Back (Disposals) | (6) | - |
| Accumulated Amortisation at 31 March | <u>1,312</u> | <u>1,054</u> |
| Net Carrying amount at 31 March | <u>823</u> | <u>497</u> |

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 2019 £'000 | 31 March 2020 £'000 | 31 March 2019 £'000 | 31 March 2020 £'000 |
| Financial liabilities at amortised cost - loans | 216,578 | 232,869 | 10,000 | - |
| Accrued Interest (1) | | | 1,974 | 1,998 |
| Financial liabilities at amortised cost trade creditors | | | 19,460 | 19,513 |
| Total borrowings | 216,578 | 232,869 | 31,434 | 21,511 |

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

| | Long-Term | | Current | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2019 £'000 | 31 March 2020 £'000 | 31 March 2019 £'000 | 31 March 2020 £'000 |
| Financial assets held at amortised cost * | - | - | 39,720 | 52,300 |
| Accrued Interest (1) * | | | 124 | 192 |
| Financial assets held at fair value through profit and loss | | | - | 4,455 |
| Cash | | | 692 | 106 |
| Loans & receivables - trade debtors | | | 13,635 | 15,713 |
| Total Investments | - | - | 54,171 | 72,766 |

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

(2) Impairment of Investments was estimated at £12k and not considered material.

* The "Financial assets held at amortised cost" and "accrued interest" figures above include those short-term investments classed as Cash Equivalents, as detailed in Note 20. Cash Equivalents equated to £27.313m as at 31st March 2020, with the remaining £25.179m being short term investments. (£24.790m Cash Equivalents as at 31st March 2019, with £15.054m being short term investments).

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

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

Financial Instruments Gains & Losses

| | Financial Liabilities | | | Financial Assets | | |
|---|---------------------------|---------------------------|----------------|---------------------------|---------------------------|----------------|
| | 31 March 2019 £'000 | 31 March 2019 £'000 | Total £'000 | 31 March 2020 £'000 | 31 March 2020 £'000 | Total £'000 |
| Interest Expense * | (6,171) | - | (6,171) | (7,122) | - | (7,122) |
| Impairment Losses | | (128) | (128) | | (48) | (48) |
| Net Gain / (Loss) on Financial Assets Measured at Fair Value Through Profit or Loss | | | - | | (545) | (545) |
| Interest payable & similar charges | (6,171) | (128) | (6,299) | (7,122) | (593) | (7,715) |
| Interest Income | - | 375 | 375 | - | 771 | 771 |
| Interest & investment Income | - | 375 | 375 | - | 771 | 771 |
| Net gain/(loss) for the Year | (6,171) | 247 | (5,924) | (7,122) | 178 | (6,944) |

*The Authority also paid £1.10m (of which £0.47m related to principal), in respect of its share of debt relating to the former Avon County Council which is managed by Bristol City Council.

NOTES TO MAIN FINANCIAL STATEMENTS

Fair value of assets and liabilities carried at amortised cost

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

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

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

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

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

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

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

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

Fair values are shown in the table below, split by their level in the fair value hierarchy:

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

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

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

| | Fair Value Level | 31 March 2019 | | 31 March 2020 | |
|---|------------------|--------------------------|---------------------|--------------------------|---------------------|
| | | Carrying Amount £'000 | Fair Value £'000 | Carrying Amount £'000 | Fair Value £'000 |
| Financial liabilities held at amortised cost: | | | | | |
| Financial Liabilities - PWLB Loans (Long Term Borrowing) | 2 | 197,627 | 229,221 | 203,960 | 237,855 |
| Financial Liabilities - Local & Police Authority Loans (Long Term Borrowing) | 2 | 0 | 0 | 10,049 | 10,109 |
| Financial Liabilities - Market Loans (Long Term Borrowing) | 2 | 20,861 | 32,640 | 20,858 | 34,414 |
| Total | | 218,488 | 261,861 | 234,867 | 282,378 |
| <i>Liabilities for which fair values are not disclosed:</i> | | | | | |
| Financial Liabilities - Local & Police Authority Loans (Short Term Borrowing) | | 10,065 | | 0 | |
| Financial Liabilities - trade creditors (see Note 21) | | 19,460 | | 19,513 | |
| Total Financial Liabilities | | <u>248,013</u> | | <u>254,380</u> | |

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

The fair value as at 31st March 2020 on the Council's portfolio of loans is higher than the carrying amount because the interest rate payable is higher than the premature repayment rates available for similar loans at the Balance Sheet date. This commitment to pay interest above market exit prices increases the amount that the Council would have to pay if it requested early repayment of the loan.

| | Fair value Level | 31 March 2019 | | 31 March 2020 | |
|--|------------------|--------------------------|---------------------|--------------------------|---------------------|
| | | Carrying Amount £'000 | Fair Value £'000 | Carrying Amount £'000 | Fair Value £'000 |
| <i>Financial assets held at fair value:</i> | | | | | |
| Property funds | 2 | | | 4,455 | 4,455 |
| <i>Financial assets held at amortised cost:</i> | | | | | |
| Money market funds and S/Term deposits | 1 | 39,720 | 37,741 | 52,300 | 52,274 |
| Total | | 39,720 | 37,741 | 56,755 | 56,729 |
| <i>Assets for which fair value is not disclosed:</i> | | | | | |
| Accrued Interest | | 124 | | 192 | |
| Cash | | 692 | | 106 | |
| Loans & Receivables - trade debtors (see Note 19) | | 13,635 | | 15,713 | |
| Total Financial Assets | | <u>54,171</u> | | <u>72,766</u> | |

Property funds totalling £4.455m currently sit in level 2 of the hierarchy for 2019/20 reflecting that there is no longer an active market in these instruments. Fund managers have suspended redemptions reflecting market conditions for underlying properties caused by the economic consequences of the coronavirus pandemic, however under normal circumstances these funds would have a level 1 valuation.

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 (as revised) for 2019/20 sets the minimum credit ratings for the banks and financial institutions with which deposits can be made. The minimum credit ratings were Long Term rating BBB+ or equivalent for UK banks and 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 2019/20 permitted the overnight use of the Council's current bank account provider (NatWest), subject to maintaining a credit rating of not lower than BBB-.

Investments in foreign countries will be limited to those that hold a AAA or AA+ sovereign credit rating from all three major credit rating agencies, and to a maximum of £15m per country for those rated AAA and £10 million for those rated AA+ per country. Banks that are domiciled in one country but are owned in another country will need to meet the rating criteria of and will count against the limit for both countries. There is no aggregate limit on investments in the UK.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

IFRS9 Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 122% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. At 31st March 2020, £12K of loss allowances related to treasury investments and deemed not material. (2018/19 £5k).

In furtherance of the Council's service objectives, it has lent money to the various companies as set out in the table below. The Council manages the credit risk inherent in its loans in line with its published Investment Strategy, and IFRS9 loss allowances have been calculated by reference to the possibility of default in next 12 months using an interest rate margin approach. No loans were written off to the Surplus or Deficit on the Provision of Services in 2019/20.

| | Aequus Developm't Limited | Aequus Construction Limited | Aequus Working Capital | Other Loans | Totals |
|--|---------------------------------|-----------------------------------|------------------------------|-------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Loans Brought Forward | 3,058 | 7,955 | 450 | 521 | 11,985 |
| New Loan Issued (*) | 982 | 4,880 | 250 | - | 6,112 |
| Repayments | (39) | (1,655) | (165) | (357) | (2,216) |
| Loans Balance at 31st March 2020 | 4,001 | 11,180 | 535 | 165 | 15,881 |
| IFRS 9 Loan Impairments at 31st March 2020 | (13) | (146) | (13) | (3) | (175) |

(*) The Aequus Working Capital loans is funded as revenue, the balance of £5.862m being capital expenditure loans

NOTES TO MAIN FINANCIAL STATEMENTS

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Trade Debtors | 15,713 | 13,635 |
| Total debtors at 31st March including trade debtors | 34,620 | 31,937 |

The historical experience of default for deposits is based on a simple tri-agency average of historic default rates over the past 12 months from Fitch, Moody's and Standard & Poor's rating agencies.

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

The Authority does not generally allow credit for customers, such that the balance of £15.7m outstanding at 31st March 2020 is all past its due date for payment.

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

| | 2019/20 £'000's | 2018/19 £'000's |
|------------------------|--------------------|--------------------|
| Less than three months | 11,574 | 9,969 |
| Three to six months | 398 | 402 |
| Six months to one year | 696 | 770 |
| More than one year | 3,045 | 2,494 |
| | <u>15,713</u> | <u>13,635</u> |

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

| | Amount at 31 March 2020 | | Amount at 31 March 2019 | |
|--|----------------------------|-------------|----------------------------|-------------|
| | £'000's | % | £'000's | % |
| Loans & Receivables (Cash on Deposit) by Country Analysis | | | | |
| UK Debt Management Office | 1,000 | 1.8% | - | 0.0% |
| UK Local Authorities | 10,023 | 17.6% | - | 0.0% |
| UK - Other Financial Institutions | 36,105 | 63.4% | 29,799 | 74.8% |
| Australia | - | 0.0% | 5,019 | 12.6% |
| Singapore | 5,014 | 8.8% | 5,021 | 12.6% |
| Sweden | 301 | 0.5% | - | 0.0% |
| Pooled funds not subject to credit risk | 4,504 | 7.9% | | |
| Total | <u>56,947</u> | <u>100%</u> | <u>39,839</u> | <u>100%</u> |

Liquidity and Refinancing Risk

As the Council has ready access to borrowing from both the money market and the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The 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 2019 £'000 | 31 March 2020 £'000 |
|------------------------------|---------------------------|---------------------------|
| Borrowing due for repayment: | | |
| Under 1 year * | 30,453 | 20,450 |
| Between 1 and 2 years | | 5,000 |
| Between 2 and 5 years | | 5,000 |
| Between 5 and 10 years | | 10,000 |
| Between 10 and 15 years | 15,000 | 20,300 |
| Between 15 and 20 years | 20,300 | 5,000 |
| Between 20 and 25 years | 84,276 | 91,330 |
| Between 35 and 40 years | 0 | 9,548 |
| Between 25 and 30 years | 9,777 | 5,000 |
| Between 40 and 45 years | 25,000 | 20,000 |
| Between 45 and 50 years | 41,772 | 41,241 |
| | <u>226,578</u> | <u>232,869</u> |

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

The Council does hold £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 2020, 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 | 230 |
| Impact on Income and Expenditure Statement | 230 |
| 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) | (37) |
| 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) | (35,622) |

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

Price Risk

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £5m. A 5% fall in commercial property prices at 31st March 2020 would result in a £0.217m charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

Foreign Exchange Risk

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

17 ASSETS HELD FOR SALE

| | Current | | Non-Current | |
|---|-----------|--------------|-------------|----------|
| | 2019/20 | 2018/19 | 2019/20 | 2018/19 |
| | £'000 | £'000 | £'000 | £'000 |
| Balance outstanding at start of year | 1,725 | 800 | - | - |
| Assets newly classified as held for sale: | | 1,691 | - | - |
| <i>Property, Plant & Equipment</i> | 61 | | - | - |
| Additions | 68 | | - | - |
| Revaluation gains/(losses) | (7) | (39) | - | - |
| Assets declassified as held for sale: | | | - | - |
| <i>Property, Plant & Equipment</i> | (590) | | - | - |
| Assets sold | (1,159) | (727) | - | - |
| Balance outstanding at year end | 98 | 1,725 | - | - |

18 INVENTORIES

| | Balance | Purchases | Recognised | Written off | Balance |
|--------------------------|---------------|------------|------------------|-------------|-----------------|
| | 31 March 2019 | | as expense | Balances | 31st March 2020 |
| | £'000 | £'000 | in year £'000 | £'000 | £'000 |
| Consumable Stores | 498 | 141 | (24) | | 615 |
| Total Inventories | 498 | 141 | (24) | - | 615 |

NOTES TO MAIN FINANCIAL STATEMENTS

19 DEBTORS

| | 2019/20 | 2018/19 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Amounts falling due in one year: | | |
| Central Government bodies | 2,226 | 2,125 |
| Other local authorities | 4,290 | 5,649 |
| NHS bodies | 1,856 | 1,554 |
| Other entities and individuals (Trade Debtors) | 15,713 | 13,635 |
| Other entities and individuals (Non-Trade Debtors) | 6,963 | 6,228 |
| Prepayments | 3,572 | 2,746 |
| Total - Current Assets | 34,620 | 31,937 |
| Amounts falling after one year: | £'000 | £'000 |
| Other entities and individuals | 16,994 | 13,298 |
| Total - Long Term Assets | 16,994 | 13,298 |

20 CASH AND CASH EQUIVALENTS

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

| | 2019/20 | 2018/19 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Cash held by the Authority | 81 | 106 |
| Bank current accounts | 25 | 586 |
| Short-term deposits | 27,313 | 24,790 |
| Total cash and cash equivalents | 27,419 | 25,482 |

21 CREDITORS

| | 2019/20 | 2018/19 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Central government bodies | 915 | 1,966 |
| Other local authorities | 3,537 | 3,370 |
| NHS bodies | 792 | 469 |
| Other entities and individuals (Trade Creditors) | 19,513 | 19,460 |
| Other entities and individuals (Non-Trade Creditors) | 17,910 | 18,382 |
| Income Received in Advance | 1,342 | 2,473 |
| Pensions Fund | 2,403 | 3,469 |
| | 46,412 | 49,589 |

22 PROVISIONS FOR LIABILITIES

| Provisions comprise: | 31 March 2019 | New Provisions | Utilised in Year | Written Back | 31 March 2020 |
|-----------------------------------|------------------|-------------------|---------------------|-----------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Provision for Child Care Costs | 11 | | | | 11 |
| Children's Services Provision | 32 | | | | 32 |
| Social Services Pension Provision | 327 | | | | 327 |
| Planning Provision | 74 | | | | 74 |
| NNDR Appeals Provision | 8,593 | 3,182 | (55) | | 11,720 |
| Land Charge Fee Provision | 50 | | | | 50 |
| | 9,087 | 3,182 | (55) | - | 12,214 |

- * 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 2019/20.

| Unearmarked Reserves | 31 March 2019 £'000 | transfers to £'000 | transfers from £'000 | 31 March 2020 £'000 |
|---|---------------------------|--------------------------|----------------------------|---------------------------|
| General Fund Balances unearmarked | 12,318 | 13,005 | (12,656) | 12,667 |
| Earmarked Reserves | 31 March 2019 £'000 | transfers to £'000 | transfers from £'000 | 31 March 2020 £'000 |
| LMS Schools Balances | 388 | 197 | | 585 |
| Corporate Earmarked Reserves | 29,944 | 12,127 | (5,046) | 37,025 |
| Service Specific Reserves | 2,708 | 267 | (206) | 2,769 |
| General Service Earmarked Reserves | 3,528 | 1,572 | (678) | 4,422 |
| | 36,568 | 14,163 | (5,930) | 44,801 |
| Total General Fund Balances and Reserves | 48,886 | 27,168 | (18,586) | 57,468 |
| Other Usable Reserves | | | | |
| Capital Receipts Reserve | 3,474 | 3,203 | (1,680) | 4,997 |
| Capital Grants Unapplied Reserve | 222 | 24,895 | (25,103) | 14 |
| Total Usable Reserves | 52,582 | 55,266 | (45,369) | 62,479 |

LMS Schools balances will be used by individual schools

| Corporate Earmarked Reserves | 31 March 2019 £'000 | transfers to £'000 | transfers from £'000 | 31 March 2020 £'000 |
|--|---------------------------|--------------------------|----------------------------|---------------------------|
| Insurance Fund | 1,864 | 144 | (213) | 1,795 |
| Capital Financing Reserve | 7,611 | 1,145 | (421) | 8,335 |
| Revenue Funding of Capital | 285 | 245 | (24) | 506 |
| Financial Planning & Smoothing Reserve | 6,437 | | (152) | 6,285 |
| Revenue Budget Contingency Reserve | 1,848 | 4,113 | (483) | 5,478 |
| Invest To Save Reserve | 1,256 | | (557) | 699 |
| Revenue Grants Unapplied | 1,221 | 4,932 | (504) | 5,649 |
| Transformation Investment Reserve | 2,149 | 45 | (875) | 1,319 |
| Restructuring & Severance Reserve | 2,183 | | | 2,183 |
| Dedicated Schools Grant Reserve * | - | | (1,250) | (1,250) |
| Business Rates Reserve | 2,602 | 966 | | 3,568 |
| Other | 2,488 | 537 | (567) | 2,458 |
| | 29,944 | 12,127 | (5,046) | 37,025 |

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

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

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

The Financial Planning & Smoothing reserve will be used to smooth the timing effects of delivery of the savings required through the organisational change programme.

The Revenue Budget Contingency reserve is used to fund unforeseen revenue costs not containable within the annual revenue budget and related risks.

The Invest To Save Reserve is used to fund the upfront costs of specific projects that have robust and credible plans to deliver future income or savings.

The Revenue Grants Unapplied Reserve is used to fund future costs where the revenue grant is received without any conditions, in advance of Service spend. The transfers to this reserve during 2019/20 includes the Tranche 1 Covid-19 Support grant of £4.644m that was received on 27th March 2020.

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

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

* The Dedicated Schools Grant (DSG) Reserve holds the balance of DSG to be carried forward for use in future years. Based on the separate report of DSG deployment in accordance with the requirements of the Accounts and Audit Regulations 2015, as amended (Regulation 7 (4)), the 2019/20 DSG overspend has resulted in a negative reserve, for recovery against future years' DSG.

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 2019 £'000 | transfers to £'000 | transfers from £'000 | 31 March 2020 £'000 |
|--|---------------------------|--------------------------|----------------------------|---------------------------|
| General Service Earmarked Reserves | | | | |
| Information Technology Reserve | 533 | | | 533 |
| Finance VAT Advice Reserve | 453 | | (45) | 408 |
| Leisure Reserves | 497 | | | 497 |
| Waste Reprovision Reserve | 772 | 192 | | 964 |
| Public Transport Reserve | 150 | | (150) | - |
| Combe Down Stone Mines Interpretation Centre Reserve | 156 | | (11) | 145 |
| Care & Health Reserve | 400 | 1,305 | | 1,705 |
| SEN Children's Services Reserve | 462 | | (462) | - |
| Other Service Reserves | 105 | 75 | (10) | 170 |
| | <u>3,528</u> | <u>1,572</u> | <u>(678)</u> | <u>4,422</u> |

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

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

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

24 UNUSABLE RESERVES

| | 2019/20 £'000 | 2018/19 £'000 |
|--|------------------|------------------|
| Revaluation Reserve | 150,336 | 125,599 |
| Capital Adjustment Account | 263,586 | 274,264 |
| Deferred Capital Receipts Reserve | 407 | 414 |
| Financial Instruments Adjustment Account | (5,832) | (6,002) |
| Pooled Fund Adjustment Account | (545) | - |
| Accumulated Absences Account | (655) | (794) |
| Pensions Reserve | (326,153) | (314,663) |
| Collection Fund Adjustment Account | 2,610 | 1,758 |
| Total Unusable Reserves | <u>83,754</u> | <u>80,576</u> |

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.

| | 2019/20 £'000 | 2018/19 £'000 |
|---|------------------|------------------|
| Balance at 1 April | 125,599 | 119,199 |
| Adjustment to opening balance | | |
| Upwards revaluation of assets | 43,600 | 29,510 |
| Downwards revaluation of assets not charged to the Surplus/Deficit on the Provision of Services | (13,573) | (17,095) |
| Impairment losses not charged to the Surplus/Deficit on the Provision of Services | - | - |
| Transfer of depreciation on re-valued assets | (2,585) | (2,325) |
| Written Back on asset disposal and transfer | (2,704) | (3,690) |
| Impairment of fixed assets - transfer | | |
| Balance at 31 March | <u>150,336</u> | <u>125,599</u> |

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.

| | 2019/20 £'000 | 2019/20 £'000 | 2018/19 £'000 |
|---|------------------|------------------|------------------|
| Balance at 1 April | | 274,264 | 310,632 |
| Adjustment to opening balance | | | |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement: | | | |
| Charges for depreciation and impairment of non-current assets | (23,718) | | (21,067) |
| Revaluation losses on Property, Plant & Equipment | (3,483) | | (4,792) |
| Amortisation of intangible assets | (264) | | (296) |
| Impairment allowance for capital expenditure loans | (44) | | (118) |
| Revenue expenditure funded from capital under statute | (8,681) | | (11,349) |
| Grant funding of revenue expenditure funded from capital under statute | 5,634 | | 4,336 |
| | | (30,556) | (33,286) |
| Adjusting amounts written out of the Revaluation Reserve | | | |
| Transfer of depreciation on re-valued assets | | 2,585 | 2,325 |
| Transfer of revaluation reserve balance on asset disposal | | 2,704 | 3,690 |
| Net written out amount of the cost of non-current assets consumed in the year | | (25,267) | (27,271) |
| Capital financing applied in the year: | | | |
| Use of capital receipts reserve to finance new capital expenditure | 1,631 | | 4,025 |
| Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing | 24,633 | | 20,541 |
| Capital expenditure financed from revenue | 24 | | 134 |
| Minimum Revenue Provision | 6,145 | | 5,267 |
| | | 32,433 | 29,967 |
| Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement | | (9,024) | (30,482) |
| Deferred liability - Repayment of Avon Loan Debt | | 474 | 494 |
| Carrying value of fixed assets disposed of | | (8,944) | (9,076) |
| Other movements | | (350) | 1 |
| Balance at 31 March | | 263,586 | 274,264 |

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.

| | 2019/20 £'000 | 2019/20 £'000 | 2018/19 £'000 |
|--|------------------|------------------|------------------|
| Balance at 1 April | | (6,002) | (6,171) |
| Premiums incurred in year and charged to the Comprehensive Income & Expenditure Statement | | | |
| Proportions of Premiums incurred to be charged against General Fund Balance in accordance with statutory requirements | 170 | | 169 |
| Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements. | | 170 | 169 |
| Balance at 31 March | | (5,832) | (6,002) |

NOTES TO MAIN FINANCIAL STATEMENTS

Pooled Fund Adjustment Account

The Pooled Fund Adjustment Account fulfils a statutory requirement to maintain an account to hold changes in the fair value of pooled investment funds, such that the changes do not impact on the revenue account.

| | 2019/20 £'000 | 2018/19 £'000 |
|--|------------------|------------------|
| Balance at 1 April | - | - |
| Amount by which the change in fair value of pooled funds charged to the Comprehensive Income & Expenditure Statement is different from that calculated for the year in accordance with statutory requirements. | (545) | - |
| Balance at 31 March | (545) | - |

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.

| | 2019/20 £'000 | 2018/19 £'000 |
|--|------------------|------------------|
| Balance at 1 April | (314,663) | (275,301) |
| Remeasurements of the net defined benefit liability / (asset) | 2,253 | (28,798) |
| 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 | (30,571) | (28,569) |
| Business Combinations | - | - |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 16,828 | 18,004 |
| Balance at 31 March | (326,153) | (314,663) |

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.

| | 2019/20 £'000 | 2018/19 £'000 |
|--|------------------|------------------|
| Balance at 1 April | 414 | 422 |
| 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 | (7) | (8) |
| Balance at 31 March | 407 | 414 |

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.

| | 2019/20 £'000 | 2018/19 £'000 |
|--|------------------|------------------|
| Balance at 1 April | 1,758 | (1,839) |
| Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements | 852 | 3,597 |
| Balance at 31 March | 2,610 | 1,758 |

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.

| | 2019/20 £'000 | 2019/20 £'000 | 2018/19 £'000 |
|---|------------------|------------------|------------------|
| Balance at 1 April | | (794) | (743) |
| Settlement or cancellation of accrual made at the end of the preceding year | 794 | | 743 |
| Amounts accrued at the end of the current year | (655) | | (794) |
| 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 | | 139 | (51) |
| Balance at 31 March | | (655) | (794) |

NOTES TO MAIN FINANCIAL STATEMENTS

25 CASH FLOW STATEMENT

| Note A to the cash flow statement | 2019/20 | 2018/19 |
|--|-----------------|-----------------|
| | £'000 | £'000 |
| Net Surplus or (Deficit) on the Provision of Services | (19,205) | (46,763) |
| <u>Adjust net surplus or deficit on the provision of services for non cash movements</u> | | |
| Depreciation | 23,718 | 21,067 |
| Impairment and downward valuations | 3,527 | 4,793 |
| Amortisation | 264 | 296 |
| Impairment allowance on service loans | 48 | 128 |
| Adjustment for internal interest charged | 24 | 22 |
| Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss a/c | 545 | - |
| Adjustments for effective interest rates | (5) | (5) |
| Increase/Decrease in Interest Creditors | 27 | 426 |
| Increase/Decrease in Creditors | (11,824) | (6,804) |
| Increase/Decrease in Interest and Dividend Debtors | (68) | 1,457 |
| Increase/Decrease in Debtors | (3,655) | 7,142 |
| Increase/Decrease in Inventories | (117) | (58) |
| Pension Liability | 18,567 | 11,487 |
| Pension Fund Gains on Past Service Costs | | 4,114 |
| Contributions to/(from) Provisions | 3,127 | 2,094 |
| Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets] | 8,945 | 9,076 |
| Movement in investment property values | 9,024 | 30,482 |
| Other movements | | |
| Total adjustments on the provision of services for non cash movements | 52,147 | 85,717 |
| <u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u> | | |
| Capital Grants credited to surplus or deficit on the provision of services | (30,059) | (23,725) |
| Net adjustment from the sale of short and long term investments | - | - |
| Proceeds from the sale of property plant and equipment, investment property and intangible assets | (3,147) | (4,721) |
| Total adjustments on the provision of services that are investing or financing activities | (33,206) | (28,446) |
| Net Cash Flows from Operating Activities | (264) | 10,508 |

| Note B to the Cash Flow Statement - Operating Activities (Interest) | 2019/20 | 2018/19 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Operating activities within the cash flow statement include the following cash flows relating to interest | | |
| Ordinary interest received | 771 | 375 |
| Other adjustments for differences between Effective Interest Rates and actual interest receivable-Long Term L | - | - |
| Opening Debtor | 124 | 30 |
| Closing Debtor | (192) | (124) |
| Interest Received | 703 | 281 |
| Interest charge for year | (7,746) | (6,819) |
| Adjustment for difference between effective interest rates and actual interest payable | (5) | (5) |
| Adjustment for impairment loss on service loans | 48 | 128 |
| Adjustment for internal interest charged to balance sheet funds | 24 | 22 |
| Opening Creditor | (65) | - |
| Closing Creditor | 91 | 426 |
| Interest Paid | (7,653) | (6,248) |

NOTES TO MAIN FINANCIAL STATEMENTS

| Note C to the Cash Flow Statement - Cash Flows from Investing Activities | 2019/20 | 2018/19 |
|---|----------------|-----------------|
| | £'000 | £'000 |
| Property, Plant and Equipment Purchased | (46,847) | (38,138) |
| Purchase of Investment Properties | (742) | (31,452) |
| Other Capital Payments | (596) | - |
| Opening Capital Creditors | (5,921) | (5,154) |
| Closing Capital Creditors | 4,679 | 5,921 |
| Purchase of Property, Plant and Equipment, investment property and intangible assets | (49,427) | (68,823) |
| Purchase of short term investments | (60,000) | (35,000) |
| Long term loans granted | | |
| Proceeds from the sale of property plant and equipment, investment property and intangible assets | 3,154 | 4,728 |
| Proceeds / (Purchase) from short term investments | 45,000 | 20,000 |
| Proceeds from long term investments | - | - |
| Other capital cash receipts | 61,236 | 27,534 |
| Capital Grants Received / (Repaid) | (4,048) | (5,970) |
| Other Receipts / (Payments) from Investing Activities | 57,188 | 21,564 |
| Total Cash Flows from Investing Activities | (4,085) | (57,531) |
| Note D to the Cash Flow Statement - Cash Flows from Financing Activities | 2019/20 | 2018/19 |
| | £'000 | £'000 |
| Cash receipts of long term borrowing | 20,000 | 55,000 |
| Billing Authorities - Council Tax and NNDR adjustments | 465 | 694 |
| Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account | - | - |
| Other receipts from Financing Activities | - | - |
| Repayment of Short-Term and Long-Term Borrowing | (14,180) | (21,834) |
| Payments for the reduction of a finance lease liability | - | - |
| Total Cash Flows from Financing Activities | 6,285 | 33,860 |
| Note E - Makeup of Cash and Cash Equivalents | 2019/20 | 2018/19 |
| | £'000 | £'000 |
| Cash and Bank Balances | 106 | 692 |
| Cash Investments - regarded as cash equivalents | 27,313 | 24,790 |
| Bank Overdraft | - | - |
| | 27,419 | 25,482 |

NOTES TO MAIN FINANCIAL STATEMENTS

26 EXPENDITURE & INCOME ANALYSED BY NATURE

| | 2019/20 £'000 | 2018/19 £'000 |
|--|------------------|------------------|
| Expenditure | | |
| Employee expenses | 101,361 | 99,917 |
| Other service expenses | 225,128 | 244,069 |
| Depreciation amortisation & impairment | 27,465 | 26,155 |
| Loss on disposal of non-current assets | 5,893 | 5,299 |
| Net Loss on Trading Operations | - | 354 |
| Decrease in Investment Estate Fair Value | 9,024 | 30,482 |
| Interest payments (Inc. Net Interest on Net Defined Benefit Liability) | 15,039 | 13,509 |
| Precepts and levies | 7,076 | 6,761 |
| | 390,986 | 426,546 |
| Income | | |
| Fees and charges and other service income (including Contributions) | (85,698) | (101,151) |
| Income from Council Tax & Business Rates | (118,665) | (118,227) |
| Surplus from Trading Operations | (42) | - |
| Income from Investment Estate | (18,615) | (17,704) |
| Government Grants & Contributions | (147,989) | (142,326) |
| Interest & Investment Income | (771) | (375) |
| | (371,780) | (379,783) |
| Deficit on provision of services | 19,205 | 46,763 |

26a SEGMENT REPORTING

| | 2019/20 £'000 | 2018/19 £'000 Restated |
|---|------------------|------------------------------|
| Depreciation amortisation & impairment | | |
| Leader | 66 | 50 |
| Resources | 3,962 | 2,894 |
| Adult Services | 3,194 | 1,733 |
| Children's Services | 1,418 | 3,266 |
| Climate Emergency & Neighbourhood Services | 1,503 | 1,923 |
| Housing, Planning & Economic Development | (45) | 86 |
| Community Services | 2,304 | 394 |
| Transport Services | 15,063 | 15,809 |
| Total | 27,465 | 26,155 |
| Revenues from external customers / Contributions | | |
| Leader | (528) | 4 |
| Resources | (6,248) | (3,672) |
| Adult Services | (27,241) | (41,345) |
| Children's Services | (6,317) | (7,136) |
| Climate Emergency & Neighbourhood Services | (2,554) | (2,658) |
| Housing, Planning & Economic Development | (3,943) | (8,871) |
| Community Services | (24,791) | (23,983) |
| Transport Services | (14,076) | (13,490) |
| Total | (85,698) | (101,151) |

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.

| | 2019/20 | 2019/20 | Deficit/ | 2018/19 |
|------------------------------|----------------|--------------|-------------|------------|
| | Income | Expenditure | (Surplus) | |
| | £'000 | £'000 | £'000 | £'000 |
| School and Other Catering | 2 | 4 | 6 | 404 |
| Cleaning Services | (50) | 36 | (14) | (7) |
| Fleet Management | (196) | 246 | 50 | (76) |
| Passenger Transport Services | (52) | 277 | 225 | 265 |
| Trade Refuse Collection | (844) | 790 | (54) | (137) |
| Print Services | 7 | 24 | 31 | 90 |
| Bath Museum Shops | (2,337) | 2,051 | (286) | (185) |
| Surplus for Year | (3,470) | 3,428 | (42) | 354 |

28 POOLED FUNDING

Under the Section 75 Pooled Funding Arrangement where the Council is lead commissioner and responsible for making contract payments, the Council and CCG have adopted a Net Accounting Policy resulting in costs and income attributable to CCG funded

Adult Learning Difficulties

| | 2019/20 | 2018/19 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Gross Funding | | |
| Bath & North East Somerset Council | 22,386 | 21,731 |
| NHS Bath & North East Somerset Clinical Commissioning Group | 6,827 | 6,638 |
| Other Funding | 853 | - |
| Income from Client Contributions | 1,423 | 2,765 |
| Total Funding | 31,489 | 31,134 |
| Total Expenditure | 32,108 | 31,038 |
| Net (Underspend) / Overspend | 619 | (96) |
| Overspend Recharged | | |
| Bath & North East Somerset Council | 474 | - |
| NHS Bath & North East Somerset Clinical Commissioning Group | 145 | - |

Community Equipment

| | 2019/20 | 2018/19 |
|---|------------|------------|
| | £'000 | £'000 |
| Gross Funding | | |
| Bath & North East Somerset Council | 203 | 203 |
| Bath & North East Somerset Council - Additional Grant Funding | 44 | - |
| NHS Bath & North East Somerset Clinical Commissioning Group | 473 | 473 |
| Income from Client Contributions | - | 93 |
| Total Funding | 720 | 769 |
| Total Expenditure | 720 | 769 |
| Net (Underspend) / Overspend | 0 | 0 |

NOTES TO MAIN FINANCIAL STATEMENTS

Better Care Fund

| | 2019/20 £'000 | 2018/19 £'000 |
|---|------------------|------------------|
| Gross Funding | | |
| Bath & North East Somerset Council | 7,340 | 32,050 |
| Bath & North East Somerset Council - Community Services Contract | 26,549 | - |
| NHS Bath & North East Somerset Clinical Commissioning Group | 12,617 | 37,994 |
| NHS Bath & North East Somerset Clinical Commissioning Group - Community Services Contract | 26,160 | - |
| Total Funding | 72,666 | 70,044 |
| Spend on Better Care Fund schemes | 13,565 | 70,044 |
| Spend on Community Services Contract | 59,101 | |
| Total Expenditure | 72,666 | 70,044 |

Children and Young People with Multiple and Complex Needs

| | 2019/20 £'000 | 2018/19 £'000 |
|---|------------------|------------------|
| Gross Funding | | |
| Bath & North East Somerset Council | 2,514 | 2,486 |
| NHS Bath & North East Somerset Clinical Commissioning Group | 392 | 392 |
| Total Funding | 2,906 | 2,878 |
| Total Expenditure | 5,968 | 3,078 |
| Net (Underspend) / Overspend | 3,062 | 200 |
| Overspend Recharged | | |
| Bath & North East Somerset Council | 2,644 | 173 |
| Bath & North East Somerset Clinical Commissioning Group | 418 | 27 |

Mental Health

| | 2019/20 £'000 | 2018/19 £'000 |
|---|------------------|------------------|
| Gross Funding | | |
| Bath & North East Somerset Council | - | 3,078 |
| NHS Bath & North East Somerset Clinical Commissioning Group | - | 2,983 |
| Total Funding | - | 6,061 |
| Total Expenditure | - | 6,226 |
| Net (Underspend) / Overspend | - | 165 |
| Overspend Recharged | | |
| Bath & North East Somerset Council | - | (172) |
| NHS Bath & North East Somerset Clinical Commissioning Group | - | 337 |

NOTES TO MAIN FINANCIAL STATEMENTS

29 MEMBERS' ALLOWANCES

The total cost of Members Allowances for 2019/20 including employers national insurance, pensions contributions and expenses was £793,341 (£860,460 in 2018/19).

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 | 1,188 | - | 1,188 |
| APPLEYARD | R | 25,485 | - | 25,485 |
| BALL | TM | 24,961 | - | 24,961 |
| BARRETT | CV | 816 | 21 | 836 |
| BEATH | CE | 816 | - | 816 |
| BECKER | J | 816 | - | 816 |
| BEVAN | SF | 9,443 | 208 | 9,651 |
| BLACKBURN | C | 8,201 | - | 8,201 |
| BORN | A | 7,385 | - | 7,385 |
| BROMLEY | S | 7,385 | 55 | 7,440 |
| BULL | JA | 1,591 | - | 1,591 |
| BUTTERS | TN | 16,581 | - | 16,581 |
| CLARKE | AK | 816 | - | 816 |
| CLARKE | V | 7,385 | 262 | 7,647 |
| COCHRANE | M | 1,045 | - | 1,045 |
| CRAIG | S | 8,201 | - | 8,201 |
| CROSSLEY | PN | 24,961 | - | 24,961 |
| CURRAN | G | 7,385 | - | 7,385 |
| DANDO | C | 11,484 | - | 11,484 |
| DAREY | F | 816 | - | 816 |
| DAVID | J | 7,385 | 261 | 7,646 |
| DAVIES | M | 816 | - | 816 |
| DAVIES | T | 9,106 | - | 9,106 |
| DAVIS | S | 10,163 | - | 10,163 |
| DEACON | DE | 8,201 | 18 | 8,219 |
| DIXON | E | 816 | - | 816 |
| DUGUID | P | 9,106 | - | 9,106 |
| ELLIOTT | M | 7,385 | - | 7,385 |
| EVANS | M | 8,201 | 111 | 8,312 |
| FURSE | AJ | 10,281 | - | 10,281 |
| GERRISH | CD | 3,817 | 3 | 3,820 |
| GILCHRIST | IA | 816 | - | 816 |
| GLADWYN | E | 816 | - | 816 |
| GOODMAN | R | 3,817 | 131 | 3,947 |
| GUY | K | 24,146 | - | 24,146 |
| HAEBERLING | F | 1,548 | - | 1,548 |
| HALE | AD | 8,201 | 54 | 8,254 |
| HARDMAN | EJ | 8,201 | 225 | 8,426 |
| HEDGES | SP | 8,279 | - | 8,279 |
| HIRST | J | 7,385 | - | 7,385 |
| HODGE | L | 7,385 | - | 7,385 |
| HORSTMANN | D | 816 | - | 816 |
| HOUNSELL | D | 7,385 | 231 | 7,617 |
| HUGHES | S | 7,385 | - | 7,385 |
| JACKSON | EM | 16,735 | 81 | 16,816 |
| JEFFRIES | S | 816 | - | 816 |
| JOHNSON | G | 7,385 | - | 7,385 |
| KEW | LJ | 1,308 | 151 | 1,460 |
| KUMAR | Y | 7,385 | 116 | 7,501 |
| LONGSTAFF | M | 816 | - | 816 |
| MACFIE | H | 7,385 | - | 7,385 |
| MACRAE | BJ | 816 | - | 816 |
| MALLOY | R | 7,385 | - | 7,385 |
| MAY | P | 14,155 | 762 | 14,916 |
| McCABE | M | 19,698 | - | 19,698 |
| McGALL | S | 12,008 | 358 | 12,366 |
| MILLAR | A | 1,591 | - | 1,591 |
| MOORE | S | 7,385 | - | 7,385 |
| MOSS | R | 13,212 | 524 | 13,736 |
| MYERS | P | 19,737 | - | 19,737 |
| NORTON | M | 816 | - | 816 |

cont...

NOTES TO MAIN FINANCIAL STATEMENTS

cont...

| | | Basic & Special Allowance | Expenses | Total |
|--------------|----|---------------------------------|---------------|----------------|
| | | £ | £ | £ |
| O'BRIEN | B | 8,724 | 8 | 8,732 |
| O'DOHERTY | M | 9,921 | - | 9,921 |
| ORGAN | BS | 816 | - | 816 |
| PANKHANIA | B | 7,385 | 265 | 7,650 |
| PATTERSON | L | 816 | - | 816 |
| PLAYER | J | 8,201 | - | 8,201 |
| PRITCHARD | VL | 17,712 | 1,589 | 19,300 |
| RAYMENT | J | 795 | - | 795 |
| RICHARDSON | EA | 816 | - | 816 |
| RIGBY | A | 15,014 | - | 15,014 |
| ROBERTS | CM | 816 | - | 816 |
| ROBERTS | N | 816 | - | 816 |
| ROMERO | UM | 38,737 | 18 | 38,755 |
| ROPER | M | 7,385 | - | 7,385 |
| SAMUEL | R | 24,961 | - | 24,961 |
| SANDRY | WA | 1,591 | - | 1,591 |
| SHEARN | B | 10,669 | 55 | 10,723 |
| SHELFORD | M | 3,817 | - | 3,817 |
| SIMMONS | B | 8,201 | - | 8,201 |
| SINGLETON | A | 7,385 | 516 | 7,902 |
| TURNER | P | 816 | - | 816 |
| VEAL | M | 816 | - | 816 |
| VEALE | DJ | 1,308 | 56 | 1,365 |
| WAIT | A | 7,385 | 188 | 7,573 |
| WALKER | K | 17,454 | 558 | 18,012 |
| WARD | G | 816 | - | 816 |
| WARREN | E | 15,765 | 543 | 16,308 |
| WARREN | T | 5,593 | 102 | 5,694 |
| WARRINGTON | K | 10,871 | 122 | 10,994 |
| WATT | C | 8,201 | - | 8,201 |
| WILLS | R | 7,385 | - | 7,385 |
| WOOD | D | 15,765 | 2,659 | 18,424 |
| WRIGHT | J | 15,765 | 132 | 15,897 |
| Total | | 749,368 | 10,381 | 759,749 |

NOTES TO MAIN FINANCIAL STATEMENTS

30 SENIOR OFFICER REMUNERATION

The following posts meet the CIPFA definition of Senior Officers for the purpose of this note.

| Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2020 | | | | | |
|--|-------------------------------|----------|---|-----------------------------------|----------------|
| Post Holder | Salary | Expenses | Benefits in Kind e.g. Relocation, Subscriptions | Employer Pension Contrib'ns | Total |
| | £ | £ | £ | £ | £ |
| Chief Executive - Ashley Ayre (to 30/09/2019) | 79,597 | | | 18,466 | 98,063 |
| Chief Executive - William Godfrey (from 07/10/2019) | 71,129 | | | 16,501 | 87,630 |
| Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2020 | | | | | |
| Post Holder | Salary (incl. Honorary) | Expenses | Benefits in Kind e.g. Relocation, Subscriptions | Employer Pension Contrib'ns | Total |
| | £ | £ | £ | £ | £ |
| Corporate Director | 127,356 | | | 27,630 | 154,986 |
| Corporate Director | 127,356 | | | 29,546 | 156,902 |
| Director of Public Health | 126,310 | 904 | | 18,163 | 145,377 |
| Head of Legal & Democratic Services | 93,597 | | | 21,714 | 115,311 |
| Interim Director of Finance (to 08/03/2020) | 81,795 | 119 | | 18,719 | 100,633 |
| Director of Finance (from 01/03/2020) | 8,287 | | | 1,922 | 10,209 |
| Director of HR & Organisatn'l Develop't (from 01/09/2019) | 39,812 | | | 11,773 | 51,585 |
| Interim Director of HR & Org. Develop't (from 04/11/2019) | 35,830 | | | 7,524 | 43,354 |

| Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2019 | | | | | | |
|--|-------------------------------|----------|---|---------------------------------------|-----------------------------------|----------------|
| Post Holder | Salary | Expenses | Benefits in Kind e.g. Relocation, Subscriptions | Compensation for Loss of Office | Employer Pension Contrib'ns | Total |
| | £ | £ | £ | £ | £ | £ |
| Chief Executive - Ashley Ayre | 156,075 | | | | 35,897 | 191,972 |
| Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2019 | | | | | | |
| Post Holder | Salary (incl. Honorary) | Expenses | Benefits in Kind e.g. Relocation, Subscriptions | Compensation for Loss of Office | Employer Pension Contrib'ns | Total |
| | £ | £ | £ | £ | £ | £ |
| Corporate Director | 116,601 | | | | 26,818 | 143,419 |
| Corporate Director (from 01/05/2018) | 114,455 | | | | 26,324 | 140,779 |
| Strategic Director - Resources (to 15/05/2018) | 16,446 | 217 | | 19,531 | 14,641 | 50,835 |
| Strategic Director - Place (to 18/05/2018) | 16,124 | | | 14,085 | 3,708 | 33,917 |
| Director of Public Health | 124,468 | 92 | - | | 17,898 | 142,458 |
| Head of Legal & Democratic Services | 91,764 | | - | | 21,105 | 112,869 |
| Interim Director of Finance | 84,323 | 389 | 563 | | 19,394 | 104,669 |
| Director Integrated Health & Care Commissioning | 103,233 | | | | 23,743 | 126,976 |
| Commercial Director (from 01/07/2018) | 87,864 | | 5 | | 20,208 | 108,077 |
| Operations Director | 107,022 | 897 | | | 24,615 | 132,534 |

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 | 2019/20 | | 2019/20 | 2018/19 | | 2018/19 |
|---------------------|-----------|------------|------------|-----------|------------|------------|
| | Teachers | Others | Total | Teachers | Others | Total |
| £50,000 - £54,999 | 10 | 33 | 43 | 8 | 30 | 38 |
| £55,000 - £59,999 | 3 | 24 | 27 | 6 | 28 | 34 |
| £60,000 - £64,999 | 2 | 7 | 9 | 5 | 7 | 12 |
| £65,000 - £69,999 | 6 | 5 | 11 | 1 | 5 | 6 |
| £70,000 - £74,999 | 1 | 3 | 4 | - | 2 | 2 |
| £75,000 - £79,999 | - | 3 | 3 | - | 9 | 9 |
| £80,000 - £84,999 | 1 | 13 | 14 | - | 10 | 10 |
| £85,000 - £89,999 | - | 1 | 1 | - | 5 | 5 |
| £90,000 - £94,999 | - | 4 | 4 | - | 4 | 4 |
| £95,000 - £99,999 | - | 8 | 8 | - | 4 | 4 |
| £100,000 - £104,999 | - | - | - | - | 3 | 3 |
| £105,000 - £109,999 | - | - | - | - | 1 | 1 |
| £110,000 - £114,999 | - | - | - | - | 2 | 2 |
| £115,000 - £119,999 | - | 1 | 1 | - | 1 | 1 |
| £120,000 - £124,999 | - | - | - | - | 2 | 2 |
| £125,000 - £129,999 | - | 2 | 2 | - | - | - |
| £130,000 - £134,999 | - | - | - | - | - | - |
| £135,000 - £139,999 | - | - | - | - | 1 | 1 |
| £140,000 - £144,999 | - | - | - | - | - | - |
| £145,000 - £149,999 | - | - | - | - | - | - |
| £150,000 - £154,999 | - | 1 | 1 | - | - | - |
| £155,000 - £159,999 | - | - | - | - | 1 | 1 |
| £160,000 - £164,999 | - | - | - | - | - | - |
| £165,000 - £169,999 | - | 1 | 1 | - | - | - |
| £170,000 - £174,999 | - | - | - | - | 1 | 1 |
| £175,000 - £179,999 | - | - | - | - | - | - |
| | 23 | 106 | 129 | 20 | 116 | 136 |

The above totals include 5 staff who would not have been included in the note if it were not for one-off severance payments (28 staff in 2018/19). This included 0 in the Teacher category (0 in 2018/19) and 5 in the Others category (28 in 2018/19).

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 2019/20, incurring liabilities of £1.032m (£3.137m in 2018/19). This amount recognises the on-going impact of the financial challenge across the Council as it seeks to deliver the savings required to balance its budget. Any Exit Packages over £100,000 are agreed by the Council's Restructure Implementation Committee.

The number of exit packages, split between compulsory redundancies and other departures, and the total cost per band, are set out below:

| Exit Package Cost Band (incl. Special Payments) | 2019/20 | | 2019/20 | 2018/19 | | 2018/19 |
|---|--------------|-------------|------------------|--------------|-------------|------------------|
| | Number of | Number of | Total | Number of | Number of | Total |
| | Compulsory | Other Exits | Cost | Compulsory | Other Exits | Cost |
| | Redundancies | Agreed | £ | Redundancies | Agreed | £ |
| £0 - £20,000 | 7 | 22 | 181,239 | 41 | 55 | 590,158 |
| £20,001 - £40,000 | 2 | 7 | 239,602 | 10 | 7 | 471,654 |
| £40,001 - £60,000 | - | - | 0 | 3 | 5 | 395,262 |
| £60,001 - £80,000 | - | 1 | 73,009 | 1 | 3 | 287,939 |
| £80,001 - £100,000 | - | - | 0 | - | 3 | 269,936 |
| £100,001 - £150,000 | 2 | - | 239,648 | 2 | 2 | 473,281 |
| £150,001 - £200,000 | - | - | 0 | - | 2 | 346,505 |
| £200,001 - £250,000 | - | - | 0 | - | - | 0 |
| £250,001 - £300,000 | - | 1 | 298,083 | - | - | 0 |
| £300,001 - £350,000 | - | - | 0 | - | 1 | 302,735 |
| | 11 | 31 | 1,031,581 | 57 | 78 | 3,137,470 |

NOTES TO MAIN FINANCIAL STATEMENTS

33 EXTERNAL AUDIT COSTS

| | | |
|---|--------------------------------|------------------|
| The Council has incurred the following fees payable to its auditors, Grant Thornton UK LLP | 2019/20 £'000 | 2018/19 £'000 |
| Fees payable with regard to external audit services | 119 | 95 |
| Fees payable for the certification of grant claims and returns | 36 | 29 |
| Fees payable for other services during the year | - | 5 |
| | 155 | 129 |

34 DEDICATED SCHOOLS GRANT

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

Details of the deployment of DSG receivable for 2019/20 are as follows:

| | 2019/20 Central Expenditure £'000 | 2019/20 Individual Schools Budget £'000 | 2019/20 Total £'000 | 2018/19 Total £'000 |
|--|--|---|-------------------------------|-------------------------------|
| Final DSG for before Academy recoupment | | | 140,744 | 135,598 |
| Academy figure recouped | | | 93,685 | 84,652 |
| Total DSG after Academy recoupment | | | 47,059 | 50,946 |
| <i>plus</i> Brought forward from previous year | | | - | 20 |
| <i>less</i> Carry forward into future year agreed in advance | | | | |
| Final budget distribution | 29,930 | 17,129 | 47,059 | 50,966 |
| <i>less</i> Actual central expenditure | 31,576 | | 31,576 | 32,614 |
| <i>less</i> Actual ISB deployed to schools | - | 16,733 | 16,733 | 20,575 |
| <i>plus</i> Local Authority contribution for year | - | | - | 2,223 |
| Carry forward | (1,646) | 396 | (1,250) | - |

35 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

| | 2019/20 £'000 | 2018/19 £'000 |
|---|------------------|------------------|
| Credited to Taxation and Non Specific Grant Income | | |
| Council Tax Income | 95,953 | 90,045 |
| Contribution from the Non-Domestic Rate Pool / Non-Domestic Rate Income | 22,712 | 28,182 |
| Department of Education | 1,068 | 1,067 |
| Department of Transport | 2,675 | 2,888 |
| Department of Health & Social Care | 47 | 323 |
| West of England Combined Authority | 14,574 | 13,056 |
| Other | 2,005 | 34 |
| Third party contributions | 188 | 473 |
| Section 106 Developer / CIL Contributions | 4,077 | 2,349 |
| | 143,298 | 138,417 |

NOTES TO MAIN FINANCIAL STATEMENTS

Credited to Services

| | | |
|---|---------------|---------------|
| Education Funding Agency (incl. Universal Infant Free School Meals) | 1,158 | 1,602 |
| Pupil Premium Grant | 1,377 | 1,732 |
| Mandatory rent allowances | 31,362 | 34,047 |
| Public Health Grant | 8,694 | 8,930 |
| Department of Health & Social Care | 383 | 216 |
| Department for Education | 2,994 | 2,141 |
| Department of Transport | 329 | 314 |
| West of England Combined Authority | 1,281 | 1,670 |
| Ministry of Housing, Communities & Local Government (MHCLG) | 22,998 | 14,230 |
| New Homes Bonus Grant | 5,139 | 4,790 |
| Other | 5,074 | 4,861 |
| Third party contributions | 11 | 149 |
| Section 106 Developer / CIL Contributions | 1,088 | 726 |
| | 81,888 | 75,408 |

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

| | 2019/20 | 2018/19 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Grants Receipts In Advance (Capital Grants & Contributions) | | |
| Section 106 Developer & 3rd Party Contributions | 6,011 | 3,327 |
| Various Capital Grants | 20,755 | 7,802 |
| Total | 26,766 | 11,129 |
| Grants Receipts In Advance (Revenue Grants) | | |
| Various Service Grants | 9,544 | 3,554 |
| Total | 9,544 | 3,554 |

Long-Term Liabilities

| | 2019/20 | 2018/19 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Grants Receipts In Advance (Capital Grants & Contributions) | | |
| Section 106 Developer & 3rd Party Contributions | 13,147 | 17,959 |
| Various Capital Grants | 16,304 | 12,509 |
| Total | 29,451 | 30,468 |

NOTES TO MAIN FINANCIAL STATEMENTS

36 RELATED PARTIES

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

There are no material outstanding balances between the Council and the Related Parties disclosed below.

Central Government

Central UK Government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the Grants Note 35.

Pension Fund

Details of Contributions to the Avon Pension Fund are shown in note 41. As administering body to the Fund, the Council charged the fund for the direct costs of £2,108,771 (£1,934,497 2018/19) and support services costs of £517,662 (£527,427 2018/19). Five B&NES Councillors are voting members on the Pensions Committee.

Visit Bath

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 took 100% control of the company in 2017/18. 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 commenced trading on the same day. The purpose of ADL is to develop, deliver, own and manage existing property as well as carry out new development on a case by case basis.

Aequus Construction Ltd (ACL)

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

Members & Officers

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

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

Eleven Members are Parish / Town Councillors

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

The Council made payments of £285,661 (£1,441,176 in 2018/19) to voluntary bodies and organisations where members have an interest (either due to a Council nomination or in an independent capacity).

| | 2019/20 |
|--|-----------------------|
| | £ |
| Bath & North East Somerset Carers Centre | 58,852 |
| Bath Royal Literary & Scientific Association | 1,915 |
| Great Spas of Europe | 23,919 |
| Keynsham & District Dial-A-Ride | 111,778 |
| Radstock Museum Society | 1,015 |
| Sarah Ann Trust | 31 |
| South West Councils | 27,532 |
| SWAN Advisory Network | 60,619 |
| | <u>285,661</u> |

Clinical Commissioning Group

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

Adoption West

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

Youth Connect South West

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

NOTES TO MAIN FINANCIAL STATEMENTS

37 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

| Capital expenditure on fixed assets was as follows: | 2019/20 | 2018/19 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Bath Quays: North South & Bridge | 10,067 | 6,230 |
| Bath Western Riverside | 9,051 | 1,105 |
| Highways, Transport, Road Safety & Bridge Strengthening | 7,154 | 12,191 |
| Keynsham Leisure Centre Modernisation | 4,481 | 5,105 |
| School Improvements | 3,924 | 3,036 |
| Archway Centre | 1,677 | 34 |
| Capitalised Buildings Maintenance | 1,614 | 1,705 |
| Waste Project | 1,369 | 4,155 |
| Clean Air Zone | 1,262 | - |
| Commercial Estate Investment | 789 | 31,106 |
| Children's Centres | 533 | 391 |
| Keynsham Redevelopment Project | 405 | 213 |
| Sydney Gardens | 295 | 177 |
| Housing Delivery Schemes | 269 | 275 |
| Bath Quays Flood Mitigation | 29 | 423 |
| Saw Close Development Works | 8 | 244 |
| Other | 5,621 | 3,200 |
| | 48,548 | 69,590 |

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

| Capital Expenditure was categorised as follows: | 2019/20 | 2018/19 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Property, plant and equipment | 28,306 | 23,403 |
| Investment properties | 742 | 31,452 |
| Intangible assets | 595 | 3 |
| Heritage Assets | - | - |
| Assets under construction | 18,837 | 14,732 |
| Non Current Assets held for sale | 68 | - |
| Capital Loans | 5,862 | 7,104 |
| Revenue expenditure funded from capital under statute (*) | 8,681 | 11,349 |
| Total expenditure | 63,091 | 88,043 |

* This includes £1.261m of transformation and severance costs funded under the Government's flexible use of capital receipts scheme (£3.453m in 2018/19). These costs will contribute to ongoing revenue savings in line with the Council's approved Efficiency Strategy.

| Sources of finance: | 2019/20 | 2018/19 |
|----------------------------|----------------|----------------|
| | £'000 | £'000 |
| Capital Receipts | 1,680 | 4,159 |
| Grants | 24,904 | 21,181 |
| Borrowing | 31,120 | 58,872 |
| 3rd Party Contributions | 199 | 622 |
| S.106 / CIL contributions | 5,164 | 3,075 |
| Revenue | 24 | 134 |
| Total financing | 63,091 | 88,043 |

NOTES TO MAIN FINANCIAL STATEMENTS

Capital Financing Requirement

| | 2019/20 £'000 | 2018/19 £'000 |
|--|------------------|------------------|
| Opening Capital Financing Requirement | 300,712 | 247,107 |
| Capital Investment | 63,091 | 88,043 |
| Other Adjustments to CFR (including revenue reversion of prior years spend) | (314) | |
| Sources of Finance: | | |
| Capital Receipts | (3,381) | (4,159) |
| Government grants & other contributions | (30,267) | (24,878) |
| Sums set aside from revenue (including MRP) | (6,169) | (5,401) |
| Closing Capital Financing Requirement | <u>323,672</u> | <u>300,712</u> |
| Increase in underlying need to borrow unsupported by Government financial assistance | 30,806 | 58,872 |
| Repayments received in respect of Capital Expenditure Loans | (1,701) | (134) |
| Less minimum revenue provision repayment | (6,145) | (5,267) |
| Increase / (decrease) in Capital Financing Requirement | <u>22,960</u> | <u>53,471</u> |

38 LEASES

Authority as Lessee

Finance Leases

The Authority has acquired a number of buildings and vehicles, plant and equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

| | 2019/20 £'000 | 2018/19 £'000 |
|-----------------------------|------------------|------------------|
| Other Land & Buildings | 4,159 | 3,869 |
| Vehicles, Plant & Equipment | - | - |
| | <u>4,159</u> | <u>3,869</u> |

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

Operating Leases

The Council uses vehicles and other equipment financed under the terms of various operating leases. The lease rentals paid in 2019/20 were £1,519K (£1,236K in 2018/19).

The future payments required under these leases are £3,516K comprising the following elements:

| | 2019/20 £'000 | 2018/19 £'000 |
|---|------------------|------------------|
| Not later than one year | 852 | 274 |
| Later than one year and not later than five years | 1,434 | 1,125 |
| Later than five years | 1,230 | 1,640 |
| | <u>3,516</u> | <u>3,038</u> |

The Council continues to hold no Property Leases as operating leases as per 2018/2019.

NOTES TO MAIN FINANCIAL STATEMENTS

Authority as Lessor

Finance Leases

The Authority has leased out a number of commercial properties on finance leases in 2019/20, the capital receipts from these total £1.697m (2018/19 3.072m.)

Operating Leases

The Authority leases out a large number of investment properties.

Rental income receivable from operating property leases on investment properties totalled £19.580m (£19.931m in 2018/19).

The net book value of these properties is £310.762m (£319.322m in 2018/19).

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

| | 2019/20 | 2018/19 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Not later than one year | 16,489 | 18,176 |
| Later than one year and not later than five years | 51,313 | 57,615 |
| Later than five years | 139,581 | 203,428 |
| | <u>207,383</u> | <u>279,219</u> |

Rental income receivable from Property Plant and Equipment leases totalled £1,227K in 2019/20 (£1,166K in 2018/19).

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:

| | 2019/20 | 2018/19 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Not later than one year | 712 | 683 |
| Later than one year and not later than five years | 1,703 | 1,466 |
| Later than five years | 2,408 | 2,472 |
| | <u>4,823</u> | <u>4,621</u> |

39 EXCEPTIONAL ITEMS

There were no exceptional items in 2019/20.

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 2019/20 the Council paid £1.978m to Teachers' Pensions in respect of teachers' retirement benefits, representing an average of 20.6% of pensionable pay. The figures for 2018/19 were £1.840m and 16.5%. 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

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.

2018/19 & 2019/20 Up-Front Payment of Local Government Pension Scheme Deficit Contributions

In 2017/18, the Council made an up-front payment of the LGPS deficit contributions for the three years 2017/18 - 2019/20 totalling £14.837m (net of academy conversions). 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 (net of academy conversions) rather than the normal approach of monthly payments in arrears over the three year period was £1.034m, reducing total payments from £15.871m to £14.837m. 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 2017/18 (net of academy conversions) was £14.837m, and the actuary calculated the Equivalent Discounted annual Lump Sums Certified across the 3 years as follows:
£4.975m relating to 2017/18,
£4.947m relating to 2018/19, and
£4.915m relating to 2019/20.

The Pension Liability as at 31st March 2018 was reduced by the total £14.837m payment, and the full amount was reflected in the actuarial valuation as at 31st March 2018. The £4.975m relating to 2017/18 was charged to the General Fund in the 2017/18 Statement of Accounts, the £4.947m was charged in 2018/19, and the £4.915m charged in 2019/20 via the Movement In Reserves Statement, along with the small refund adjustments relating to academy conversions.

The result of this is that the Pensions Liability and the Pensions Reserve self-balance as at 31st March 2020, by when the full £14.837m upfront 3 year payment having been charged to the General Fund over the three years.

Transactions relating to post-employment benefits

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

NOTES TO MAIN FINANCIAL STATEMENTS

| | Local Government Pension Scheme | | Unfunded Liabilities (Teachers) Discretionary Benefits | |
|---|---------------------------------|---------------|--|---------------|
| | 2019/20 | 2018/19 | 2019/20 | 2018/19 |
| Comprehensive Income and Expenditure Statement | £'000 | £'000 | £'000 | £'000 |
| <i>Cost of Services:</i> | | | | |
| Current Service Costs | 19,128 | 17,635 | - | - |
| Past Service Cost | 2,420 | - | - | - |
| Settlement and Curtailment (Gain) / Loss | 1,399 | 3,973 | - | - |
| Administration Expenses | 331 | 270 | - | - |
| <i>Financing and Investment Income & Expenditure:</i> | | | | |
| Net Interest Expense | 6,769 | 6,124 | 524 | 567 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 30,047 | 28,002 | 524 | 567 |
| <i>Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement</i> | | | | |
| Remeasurement of the net defined benefit liability: | | | | |
| Return on plan assets (excluding the amount included in the net interest expenses) | - | - | - | - |
| Experience (gains) and losses | 1,878 | - | (234) | - |
| Actuarial (gains) and losses arising on changes in demographic assumptions | (36,033) | - | (994) | 966 |
| Actuarial (gains) and losses arising on changes in financial assumptions | (18,636) | 42,447 | (425) | - |
| Total Remeasurements | (52,791) | 42,447 | (1,653) | 966 |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | (22,744) | 70,449 | (1,129) | 1,533 |
| Movement in Reserves Statement | | | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | 30,047 | 28,002 | 524 | 567 |
| Actual amount charged against General Fund Balance for pensions in the year: | | | | |
| Employers' contributions payable to scheme | 10,504 | 11,461 | - | - |
| add upfront deficit payment recognised in year (paid 2017/18) | 4,824 | 5,037 | - | - |
| | 3,983 | 3,816 | - | - |
| Retirement benefits payable to pensioners | | | 19,940 | 22,569 |

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 | |
| | 2019/20 | 2018/19 | 2019/20 | 2018/19 |
| | £'000 | £'000 | £'000 | £'000 |
| Present value of defined benefit obligation | 844,609 | 875,027 | 19,940 | 22,569 |
| Fair value of plan assets | (538,396) | (587,757) | - | - |
| Net liability arising from defined benefits obligation | 306,213 | 287,270 | 19,940 | 22,569 |

Reconciliation of present value of the scheme liabilities:

| | Funded Liabilities | | Unfunded Liabilities | |
|--|---------------------------------|-----------------|-----------------------------------|----------------|
| | Local Government Pension Scheme | | (Teachers) Discretionary Benefits | |
| | 2019/20 | 2018/19 | 2019/20 | 2018/19 |
| | £'000 | £'000 | £'000 | £'000 |
| Opening Balance at 1 April | 875,027 | 813,854 | 22,569 | 22,542 |
| Current service cost | 19,128 | 17,635 | - | - |
| Interest cost | 20,745 | 20,808 | 524 | 567 |
| Contributions from scheme participants | 3,754 | 3,871 | - | - |
| Actuarial gains and losses | (52,791) | 42,447 | (1,653) | 966 |
| Benefits paid | (25,073) | (26,587) | (1,500) | (1,506) |
| Business Combinations | - | - | - | - |
| Past service costs | 3,819 | 6,868 | - | - |
| Past service gain | - | (3,869) | - | - |
| Closing Balance at 31 March | 844,609 | 875,027 | 19,940 | 22,569 |

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

| | Local Government Pension Scheme | |
|--|---------------------------------|-----------------|
| | 2019/20 | 2018/19 |
| | £'000 | £'000 |
| Opening Fair Value of scheme assets at 1 April | 587,757 | 570,957 |
| Interest on Plan Assets | 13,976 | 14,684 |
| Remeasurement Gain (Loss) | (52,191) | 14,615 |
| Administration Expenses | (331) | (270) |
| Business Combinations | - | - |
| Settlements | - | (974) |
| Contributions from employer | 10,504 | 11,461 |
| Contributions from employees into the scheme | 3,754 | 3,871 |
| Benefits paid | (25,073) | (26,587) |
| Closing Balance at 31 March | 538,396 | 587,757 |

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 £37.006m (2018/19 £29.299m).

Scheme History

| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Present value of liabilities: | | | | | | |
| Local Government Pension Scheme | (683,245) | (664,807) | (809,137) | (813,854) | (875,027) | (844,609) |
| Discretionary Benefits | (24,383) | (22,793) | (23,976) | (22,542) | (22,569) | (19,940) |
| Fair value of assets in the Local Government Pension Scheme | 481,219 | 464,682 | 535,285 | 570,957 | 587,757 | 538,396 |
| Surplus/(deficit) in the scheme: | | | | | | |
| Local Government Pension Scheme | (202,026) | (200,125) | (273,852) | (242,897) | (287,270) | (306,213) |
| Discretionary Benefits | (24,383) | (22,793) | (23,976) | (22,542) | (22,569) | (19,940) |
| Long Term Liability in Balance Sheet | (226,409) | (222,918) | (297,828) | (265,439) | (309,839) | (326,153) |

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 £326m has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- > the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary
- > finance is only required to be raised to cover teachers' pensions when the pensions are actually paid.

Employer contributions to the Pension Fund in 2020/21 are estimated to be £17.8m. 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 2019, which showed a shortfall of assets against liabilities of £0.28 billion as at that date, equivalent to a funding level of 94%. The fund's employers are paying additional contributions over a period of up to 13 years in order to meet the shortfall. The next triennial valuation will be as at 31st March 2022.

The weighted average duration of the Authority's defined benefit obligation is 16 years, measured on the actuarial assumptions used for IAS19 purposes.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both scheme liabilities have been assessed by an independent firm of actuaries Mercer Ltd, estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31 March 2020.

The principal assumptions used by the actuary have been:

| | Avon Pension Fund | | Discretionary Benefits (Teachers) Scheme | |
|---|-------------------|---------|---|---------|
| | 2019/20 | 2018/19 | 2019/20 | 2018/19 |
| Mortality assumptions : | | | | |
| Longevity for current pensioners: | at 65 | | at 75 | |
| Men | 23.2 | 23.7 | 14.3 | 14.7 |
| Women | 25.3 | 26.2 | 16.1 | 16.7 |
| Longevity for future pensioners: | | | | |
| Men | 24.7 | 26.3 | | |
| Women | 27.3 | 29.0 | | |
| Rate of inflation | 2.1% | 2.2% | 2.1% | 2.3% |
| Rate of increase in salaries | 3.6% | 3.7% | | |
| Rate of increase in pensions | 2.2% | 2.3% | 2.2% | 2.4% |
| Rate for discounting scheme liabilities | 2.4% | 2.4% | 2.4% | 2.4% |

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 | Decrease in Assumption |
|---|---------------------------|---------------------------|
| | £'000 | £'000 |
| Longevity (increase or decrease in 1 year) | 22,864 | (22,864) |
| Rate of Inflation (increase or decrease by 0.1%) | 13,241 | (13,241) |
| Rate of increase in salaries (increase or decrease by 0.1%) | 1,295 | (1,295) |
| Rate of discounting scheme liabilities (increase or decrease by 0.1%) | (13,037) | 13,037 |

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 2020 | | Assets at 31 March 2019 | |
|-------------------------|----------------------------|-------------|----------------------------|-------------|
| | £'000 | % | £'000 | % |
| Equity investments | 234,499 | 43.6% | 237,452 | 40.4% |
| Government Bonds | 30,150 | 5.6% | 71,119 | 12.1% |
| Other Bonds | 48,726 | 9.1% | 68,768 | 11.7% |
| UK Property Funds | 27,997 | 5.2% | 29,976 | 5.1% |
| Overseas Property Funds | 25,305 | 4.7% | 27,037 | 4.6% |
| Alternatives | 159,874 | 29.7% | 143,413 | 24.4% |
| Cash Accounts | 11,845 | 2.2% | 9,992 | 1.7% |
| Total | 538,396 | 100% | 587,757 | 100% |

Impact of COVID-19

In respect of the pooled UK property funds held in the UK Property and Secured Income portfolios (valued at £229.2m), the independent valuers consider that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value and as a result have reported the values on the basis of "Material Valuation Uncertainty" as per VPGA 10 of the RICS Red Book-Global Standards. Consequently, for these assets, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

History of experience gains and losses

Actuarial losses identified as movements on the Pensions Reserve in 2019/20 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2020.

| | 2019/20 | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
|--|-----------------|---------------|----------------|---------------|-----------------|---------------|
| Difference between the expected and actual return on scheme assets: | | | | | | |
| amount (£'000) | (52,191) | 14,615 | (3,304) | 64,055 | (20,621) | 39,638 |
| percentage | 9.7 | 2.5 | 0.6 | 12.0 | 4.4 | 8.2 |
| Experience gains and losses on liabilities | | | | | | |
| amount (£'000) | 1,878 | - | - | - | - | - |
| percentage | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | (50,313) | 14,615 | (3,304) | 64,055 | (20,621) | 39,638 |
| Cumulative gains / losses recognised | 41,373 | 91,686 | 77,071 | 80,375 | 16,320 | 36,941 |

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 2020 apportioned to this Council is £11.38m (£11.85m in 2018/19). 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 2019 | Principal Repaid | 31 March 2020 |
|--|------------------|---------------------|------------------|
| | £000 | £000 | £000 |
| Ex- Avon loan debt principal repayment | 11,852 | (474) | 11,378 |

NOTES TO MAIN FINANCIAL STATEMENTS

43 MINIMUM REVENUE PROVISION (MRP)

Minimum Revenue Provision - Provision for Repayment of External Debt

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

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

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

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

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

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

Using the various elements outlined in this MRP Policy the Council will calculate a gross amount that it considers prudently necessary to fund previously incurred borrowing in respect of capital expenditure. It will then decide how much of this to fund from capital receipts with the residual amount being the Council's MRP for the year.

The net amount charged to revenue in compliance with the statutory requirement to set aside a Minimum Revenue Provision for the repayment of external debt is £6.145m calculated as follows:

| | 2019/20 | 2018/19 |
|---|--------------|--------------|
| | £000 | £000 |
| Provision for capital expenditure incurred before 1st April 2008 | 564 | 553 |
| Provision based on estimated useful life of new assets since 2008 | 5,581 | 4,714 |
| Total Minimum Revenue Provision (MRP) | 6,145 | 5,267 |

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:

| | 2019/20 Exp. £'s | 2019/20 Income £'s | 2019/20 Assets £'s | 2019/20 Liabilities £'s |
|------------------|------------------------|--------------------------|--------------------------|-------------------------------|
| Alice Park Trust | 87,819 | (88,754) | 157,277 * | |
| Total | 87,819 | (88,754) | 157,277 | 0 |

* Includes external investments valued at £18,097

| | 2018/19 Exp. £'s | 2018/19 Income £'s | 2018/19 Assets £'s | 2018/19 Liabilities £'s |
|------------------|------------------------|--------------------------|--------------------------|-------------------------------|
| Alice Park Trust | 37,996 | (39,128) | 156,342 * | |
| Total | 37,996 | (39,128) | 156,342 | 0 |

* Includes external investments valued at £18,341

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:

| | 2019/20 Exp. £'s | 2019/20 Income £'s | 2019/20 Assets £'s | 2019/20 Liabilities £'s |
|-----------------------------|------------------------|--------------------------|--------------------------|-------------------------------|
| Educational Funds | | (286) | 47,518 | |
| Graves/memorial maintenance | | (79) | 12,655 | |
| Twinning Fund | | (165) | 26,430 | |
| Bequests | | (227) | 36,212 | |
| Total | 0 | (757) | 122,815 | 0 |

| | 2018/19 Exp. £'s | 2018/19 Income £'s | 2018/19 Assets £'s | 2018/19 Liabilities £'s |
|-----------------------------|------------------------|--------------------------|--------------------------|-------------------------------|
| Educational Funds | 300 | (602) | 47,232 | |
| Graves/memorial maintenance | | (84) | 12,576 | |
| Twinning Fund | | (174) | 26,265 | |
| Bequests | | (239) | 35,985 | |
| Total | 300 | (1,099) | 122,058 | 0 |

NOTES TO MAIN FINANCIAL STATEMENTS

45 CONTROLLED COMPANIES

Visit Bath

The Council set up the above as a company to provide tourism information and marketing services, in partnership with the private sector. The company is limited by guarantee. The Council took 100% control of the company in 2017/18. The Directors have day to day control over the management of the company.

The Company's un-audited accounts to 31st March 2020 show a turnover of £2,198,934, a net loss of £110,514 and net current liabilities of £274,799 (turnover of £2,444,087, a net loss of £45,299 and net current liabilities of £83,533 in 2018/19). The turnover and assets / Liabilities held by this company are not considered significant enough to be included in Group Accounts.

A copy of the accounts can be obtained from Visit Bath 9-10 Bath Street Bath BA1 1SN

Aequus Developments Ltd (ADL)

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

The Company's draft un-audited accounts to 31st March 2020 show a turnover of £558,018, a net profit of £211,815, net current liabilities of £238,427 and net non-current assets of £8,088. (Turnover of £239,256, a net profit of £390,814, net current liabilities of £83,882 and net non-current assets of £579,948 in 2018/19). These figures include outstanding loans made to the company by the Council of £4,235,907 (£3,308,251 2018/19).

Aequus Construction Ltd (ACL)

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

The Company's draft un-audited accounts to 31st March 2020 show a turnover of £192,209, a net profit of £823,901, net current assets of £11,720,262 and net non-current liabilities of £11,408,638 (a turnover of £192,209, a net loss of £373,445 net current assets of £7,523,245 and net non-current liabilities of £8,035,522 in 2018/19). These figures include outstanding loans made to the company by the Council of £11,479,876 (£8,154,876 in 2018/19).

A copy of the ADL & ACL accounts can be obtained from Aequus Developments Ltd, 20 Old Bond Street, Bath, BA1 1BP

The turnover and assets held by Aequus Developments Ltd (ADL) and Aequus Construction Ltd. (ACL) is considered significant enough to produce Group Accounts, and have therefore been consolidated with the accounts of Bath & North East Somerset Council in the group accounts section of the Statement of Accounts.

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.

B&NES is the accountable body for the Joint Spatial Plan. The expenditures are incurred by B&NES, acting as an intermediary on behalf of the 4 Unitary Authorities. The authorities remain primary local contributors and each provide equal shares of funding. Each Authority's accounts will reflect its own contribution towards expenditure.

B&NES is the grant recipient for funding from West of England Combined Authority WECA for feasibility studies on the Joint Transport Strategy Schemes. The grant is to be utilised for feasibility studies pertaining to the three unitary authorities - Bath & North East Somerset Council, Bristol City Council and South Gloucestershire Council. The grant is received by B&NES and the expenses are incurred by B&NES on behalf of 3 unitary authorities. Each unitary authority 's accounts will reflect its own share of expenses and a corresponding grant income.

The table below reflects the revenue expenditure incurred by Bath and North East Somerset on behalf of the West of England Authorities in 2019/20:

West of England Pooled Revenue Expenditure 2019-20

| Expenditure | £'000 | Acting As |
|-------------------------------|------------|-----------|
| Joint Spatial Plan | 480 | |
| Feasibility Studies | 99 | |
| Total Expenditure | 579 | |
| Funding | | |
| Local Authority Contributions | 510 | Agent |
| WECA Grant | 69 | Agent |
| Total Income | 579 | |

NOTES TO MAIN FINANCIAL STATEMENTS

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.

Valuations are carried out by the museums curator and where necessary supplemented with advice is sought from an external source.

Bath Record Office

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

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

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

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

Fashion Museum

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

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

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

The museum's acquisition objectives break down into three areas: to fill the gaps in the collection of fashionable dress; to build on strengths in the collection and to ensure that the collection is up to date.

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

NOTES TO MAIN FINANCIAL STATEMENTS

Victoria Art Gallery

The Victoria Art Gallery's collections of fine and decorative art date from the 16th century to the present day. To a significant extent they tell the story of art in the city of Bath and the surrounding area. Most of the 15,350 items in the collection were acquired by way of gift and bequest. Valuations are carried out the museums curator, and where necessary supplemented with advice is sought from an external source.

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

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

Library Service

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

The collection is divided into 4 categories:

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

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

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

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

The latest valuations were carried out in 2018/19 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 2019/20 Code requires that authorities present expenditure and income on services on the bases of its reportable segments. These reportable segments are based on the Authority's reporting structure. The Authority's reportable segments are the Cabinet Portfolios, and following a change to the Cabinet structure during 2019/20, the Portfolios of responsibility are structured differently to those included in the 2018/19 Statement of Accounts. This note shows how the net expenditure and income has been restated.

| | As originally reported in the CIES 2018/19 £'000 | Adjustments between Cabinet Portfolio structure £'000 | As Restated 2018/19 £'000 |
|--|--|--|---------------------------------|
| NET EXPENDITURE | | | |
| Cabinet Portfolio | | | |
| Leader | 2,294 | (1,885) | 409 |
| Finance & Efficiency | 11,377 | (11,377) | - |
| Adult Care, Health & Wellbeing | 62,525 | (62,525) | - |
| Children & Young People | 34,664 | (34,664) | - |
| Development & Neighbourhoods | 21,198 | (21,198) | - |
| Economic & Community Regeneration | (6,587) | 6,587 | - |
| Transformation & Customer Services | 6,266 | (6,266) | - |
| Transport & Environment | 14,989 | (14,989) | - |
| Resources | - | 16,138 | 16,138 |
| Adult Services | - | 62,538 | 62,538 |
| Children's Services | - | 34,505 | 34,505 |
| Climate Emergency & Neighbour'h'd Serv. | - | 15,785 | 15,785 |
| Housing, Planning & Economic Development | - | 1,127 | 1,127 |
| Community Services | - | 801 | 801 |
| Transport Services | - | 15,423 | 15,423 |
| Cost of Services | 146,726 | - | 146,726 |
| GROSS EXPENDITURE | | | |
| Cabinet Portfolio | | | |
| Leader | 2,520 | (1,782) | 738 |
| Finance & Efficiency | 63,421 | (63,421) | - |
| Adult Care, Health & Wellbeing | 117,575 | (117,575) | - |
| Children & Young People | 98,745 | (98,745) | - |
| Development & Neighbourhoods | 33,337 | (33,337) | - |
| Economic & Community Regeneration | 15,645 | (15,645) | - |
| Transformation & Customer Services | 8,800 | (8,800) | - |
| Transport & Environment | 29,489 | (29,489) | - |
| Resources | - | 69,498 | 69,498 |
| Adult Services | - | 117,575 | 117,575 |
| Children's Services | - | 98,586 | 98,586 |
| Climate Emergency & Neighbour'h'd Serv. | - | 18,479 | 18,479 |
| Housing, Planning & Economic Development | - | 8,797 | 8,797 |
| Community Services | - | 25,040 | 25,040 |
| Transport Services | - | 30,819 | 30,819 |
| Cost of Services | 369,532 | - | 369,532 |
| GROSS INCOME | | | |
| Cabinet Portfolio | | | |
| Leader | (226) | (103) | (329) |
| Finance & Efficiency | (52,044) | 52,044 | - |
| Adult Care, Health & Wellbeing | (55,050) | 55,050 | - |
| Children & Young People | (64,081) | 64,081 | - |
| Development & Neighbourhoods | (12,139) | 12,139 | - |
| Economic & Community Regeneration | (22,232) | 22,232 | - |
| Transformation & Customer Services | (2,534) | 2,534 | - |
| Transport & Environment | (14,500) | 14,500 | - |
| Resources | - | (53,360) | (53,360) |
| Adult Services | - | (55,037) | (55,037) |
| Children's Services | - | (64,081) | (64,081) |
| Climate Emergency & Neighbour'h'd Serv. | - | (2,694) | (2,694) |
| Housing, Planning & Economic Development | - | (7,670) | (7,670) |
| Community Services | - | (24,239) | (24,239) |
| Transport Services | - | (15,396) | (15,396) |
| Cost of Services | (222,806) | - | (222,806) |

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 2019 | (29,086) | (1,222) | 0 | 0 |
| Receipts into the Pool in-year: | | | | |
| - Growth sums payable by Councils to BRP in-year | (26,671) | (592) | 336 | 0 |
| Distributions out of the Pool in-year: | | | | |
| - Tier 1 no worse off | 9,548 | 213 | 0 | (213) |
| - BRP Management Fee | 37 | 9 | 0 | 0 |
| - EDF Management Fee | 69 | 17 | 0 | 0 |
| - Tier 2 EDF funding | 2,362 | 38 | 0 | (216) |
| - Tier 3 Demographic and service pressures | 2,710 | 59 | 0 | (350) |
| Funds held by the BRP at 31 March 2019 | (41,031) | (1,478) | | |
| Analysed between: | | | | |
| Uncommitted cash (Tier 2 incl. Contingency) | (38,182) | (1,374) | 303 | n/a |
| Committed cash not yet allocated | (2,849) | (104) | (47) | n/a |
| | (41,031) | (1,478) | | |
| Expenditure / (Revenue) recognised | | | 592 | (779) |

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

The Council's share of this committed and uncommitted cash balance held by the BRP (£1.478m) 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 £2.362m on behalf of the EDF in 2019/20.

The council itself has recognised revenue income of £779,000 (2018/19: (£696,000)) from the BRP and expenditure of £592,000 (2018/19: £714,000) to the BRP for the year.

COLLECTION FUND 2019/20

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 | 2019/20 £'000 | 2018/19 £'000 |
|--|----------|------------------|------------------|------------------|
| INCOME | | | | |
| Council Tax | 2 | (115,046) | | (107,524) |
| Income collectable from business ratepayers | 3 | (70,440) | | (70,228) |
| | | | (185,485) | (177,752) |
| EXPENDITURE | | | | |
| Council Tax - Precepts and demands | | | | |
| Bath & North East Somerset | | 94,763 | | 89,242 |
| Avon & Somerset Police | 1 | 14,307 | | 12,471 |
| Avon Fire | 1 | 4,827 | | 4,591 |
| | | | 113,897 | 106,304 |
| National Non-Domestic Rates (NNDR) | | | | |
| Central share payment to Government | | - | | - |
| Local share payment to Bath & North East Somerset | | 61,527 | | 61,879 |
| Local share payment to WECA | | 3,273 | | 3,291 |
| Local share payment to Avon Fire Authority | | 655 | | 658 |
| Transfer of City Deal Growth Disregard to General Fund | 6 | 556 | | 654 |
| Transfer of Renewable Energy Growth Disregard to General Fund | | 25 | | 29 |
| Cost of Collection Allowance | | 265 | | 261 |
| | | | 66,300 | 66,772 |
| Impairments of debts | 4 | | | |
| Write off of uncollectable amounts | | | 301 | 553 |
| Increases / (decreases) in allowance for impairment | | | | |
| Provision for NNDR Appeals | 5 | | 3,381 | 2,630 |
| Contributions | | | | |
| Contribution towards previous year's estimated Collection Fund Surplus/(Deficit) | | | 558 | (2,678) |
| | | | 184,438 | 173,582 |
| (Surplus)/Deficit for the Year | | | (1,047) | (4,170) |
| (Surplus)/Deficit Brought Forward as at 1 April | | | (1,633) | 2,538 |
| (Surplus)/Deficit as at 31 March | 7 | | (2,680) | (1,633) |
| Council Tax Surplus / (Deficit) to be refunded to Police & Fire Authorities | | | 236 | 133 |
| NNDR Surplus / (Deficit) to be refunded / charged to Government, WECA & Fire Authority | | | 77 | 49 |
| Bath & North East Somerset (Surplus)/Deficit | | | (2,367) | (1,451) |

NOTES TO THE COLLECTION FUND

1 The Collection Fund

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

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

| | Precept | Surplus / (Deficit) | Precept | Surplus / (Deficit) |
|--------------------------------------|----------------|--------------------------------|---------|---------------------|
| | 2019/20 | 2019/20 | 2018/19 | 2018/19 |
| | £'000 | £'000 | £'000 | £'000 |
| The Avon & Somerset Police Authority | 14,307 | 100 | 12,471 | (6) |
| The Avon Fire Authority | 4,827 | 37 | 4,591 | (2) |

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 65,687.52 (64,346.64 for 2018/19). This amount of Council Tax for a Band D property £1733.93 (£1,652.06 - 2018/19) is multiplied by the proportion specified for the particular band to give an individual amount due.

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

| | Discounted Properties | Ratio to Band D | Band D Equivalents |
|--|--------------------------|--------------------|-----------------------|
| Band A - Disabled Relief | 9 | 5/9 | 5 |
| Band A | 6,492 | 6/9 | 4,328 |
| Band B | 16,446 | 7/9 | 12,792 |
| Band C | 17,505 | 8/9 | 15,560 |
| Band D | 12,263 | 9/9 | 12,263 |
| Band E | 8,813 | 11/9 | 10,771 |
| Band F | 5,080 | 13/9 | 7,337 |
| Band G | 4,422 | 15/9 | 7,370 |
| Band H | 368 | 18/9 | 737 |
| | | | 71,163 |
| Overall Adjustment for Council Tax Support and Technical Changes | | | <u>(5,475)</u> |
| Council Tax Base | | | <u>65,688</u> |

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 2019/20 is receivable from the following sources:-

| | 2019/20 | 2018/19 |
|---|-------------------------|------------------|
| | £'000 | £'000 |
| Billed to Council Tax payers | (115,012) | (107,487) |
| Localism Act Discounts funded from General Fund | - | (2) |
| DWP Benefits funded from General Fund | (6) | (4) |
| Foster Carers Locally Defined Discount funded from General Fund | (11) | (11) |
| Care Leavers Locally Defined Discount funded from General Fund | (17) | (20) |
| | <u>(115,046)</u> | <u>(107,524)</u> |

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 2019/20 were 49.1 pence for qualifying small businesses and 50.4 pence for all other businesses, subject to transitional arrangements. The NNDR income after reliefs of £70.440 million for 2019/20 (£70.228 million in 2018/19) resulted from a total rateable value at 31 March 2020 of £186.236 million (2018/19: £184.235 million).

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

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

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

The closing surplus on the business rates retention scheme in 2019/20 is £1.276m (£0.809m surplus in 2018/19). The surplus is to be allocated to the Council (94%), WECA (5%) and Fire Authority (1%) based on the proportional shares agreed under the 100% retention pilot.

4 Council Tax and NNDR - Provision for Bad Debts

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

| | 2019/20 £'000 | 2018/19 £'000 |
|---|------------------|------------------|
| Council Tax | | |
| Balance at 1 April | 629 | 624 |
| Write-offs during the year | 1,065 | (257) |
| Contributions to provisions during the year | (282) | 262 |
| Net Increase/(Decrease) in Provision | 783 | 5 |
| Balance at 31 March | <u>1,412</u> | <u>629</u> |
| NNDR | | |
| Balance at 1 April | 462 | 407 |
| Write-offs during the year | (306) | (236) |
| Contributions to provisions during the year | 584 | 291 |
| Net Increase/(Decrease) in Provision | 278 | 55 |
| Balance at 31 March | <u>740</u> | <u>462</u> |
| Total | | |
| Balance at 1 April | 1,091 | 1,031 |
| Write-offs during the year | 759 | (493) |
| Contributions to provisions during the year | 302 | 553 |
| Net Increase/(Decrease) in Provision | 1,061 | 60 |
| Balance at 31 March | <u>2,152</u> | <u>1,091</u> |

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 2019.

| | 2019/20 £'000 | 2018/19 £'000 |
|---|------------------|------------------|
| Balance at 1 April | 9,140 | 6,946 |
| Cost of Appeals settled during the year | (55) | (436) |
| Contributions to provisions during the year | 3,381 | 2,630 |
| Net Increase/(Decrease) in Provision | 3,326 | 2,194 |
| Balance at 31 March | <u>12,466</u> | <u>9,140</u> |

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

NOTES TO THE COLLECTION FUND

6 City Deal Growth Disregard

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

7 Balance of Fund & Distribution

As at 31 March 2020, the balance on the Collection Fund stood at an overall surplus of £2.680m.

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:

| | Council Tax | NDR | Total |
|---|--------------------|----------------|----------------|
| | £'000 | £'000 | £'000 |
| Central Government | - | (0) | (0) |
| Bath & North East Somerset | (1,168) | (1,199) | (2,367) |
| West of England Combined Authority (WECA) | - | (64) | (64) |
| Avon & Somerset Police | (177) | - | (177) |
| Avon Fire Authority | (59) | (13) | (72) |
| | (1,404) | (1,276) | (2,680) |

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

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

NARRATIVE REPORT

Introduction

In common with many other local authorities, the BANES has created separate companies with its partners to further the goals of the Council. The use of separate companies means that the Council's single entity financial statements on their own do not fully reflect the assets and liabilities or income and expenditure associated with all of its activities. The Group Accounts more fully reflect the overall financial picture of the Council's activities.

This section presents the statutory financial statements for BANES Council Group (the Group) for the period from 1 April 2019 to 31 March 2020. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the Group Accounts is to provide the reader with an overall view of the material economic activities of the Council.

These Group Accounts have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies of its subsidiaries are aligned with the policies of the Council where transactions are material. Details of policies which related solely to the subsidiary, which cover elements of business the Council as a single entity does not cover, have been added to the group accounts.

This narrative report provides a summary of the Group's financial position and details of material items that have impacted on the accounts during the year.

The pages which follow contain the Group's Financial Statements for the year ended 31 March 2020, with comparative figures for the previous financial year.

Consolidation of subsidiaries

Inclusion Within The Group Accounts

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

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

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

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

The Council has two material subsidiary companies which are both 100% owned, these are:

Aequus Developments Limited (ADL) &

Aequus Construction Limited (ACL)

ACL is a 100% owned subsidiary of ADL but as ADL is 100% owned by the council, both are treated as separate companies 100% owned by the council.

More detail regarding each of these organisations can be found in note G3.

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

Although this is the fourth year of operations for ADL in previous years the amounts related to both subsidiaries were deemed as immaterial in light of the local council's figures. As such this is the first year for which Group accounts consolidating these entities have been produced. In previous years ADL and ACL will have formed parts of the council accounts as debtors reflecting the loans made to the companies. They were also disclosed as related parties.

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

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

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2019/20

This statement shows the income and expenditure recognised by the Group during the reporting period.

Activities of the subsidiaries have been added as a separate line item in the expenditure on services section. Subsidiary figures also feed in to the Financing and Investment Income and Expenditure and Taxation and Non-Specific Grant income line items.

| Notes | 2018/19 | 2018/19 | 2018/19 | | 2019/20 | 2019/20 | 2019/20 |
|-------|-----------------------|-----------------------|---------------------|--|-----------------------|-----------------------|---------------------|
| | Gross Exp £'000 | Gross Inc £'000 | Net Exp £'000 | | Gross Exp £'000 | Gross Inc £'000 | Net Exp £'000 |
| | | | | Expenditure on Services | | | |
| | 738 | (329) | 409 | Leader | 663 | (528) | 135 |
| | 69,405 | (53,104) | 16,301 | Resources | 68,687 | (57,328) | 11,359 |
| | 117,575 | (55,037) | 62,538 | Adult Services | 106,301 | (41,253) | 65,048 |
| | 98,586 | (64,081) | 34,505 | Children's Services | 93,597 | (60,931) | 32,666 |
| | 18,479 | (2,694) | 15,785 | Climate Emergency & Neighbourhood Serv. | 19,328 | (2,568) | 16,760 |
| | 8,797 | (7,670) | 1,127 | Housing, Planning & Economic Developm't | 9,371 | (5,651) | 3,720 |
| | 25,040 | (24,239) | 801 | Community Services | 24,466 | (25,116) | (650) |
| | 30,819 | (15,396) | 15,423 | Transport Services | 30,159 | (15,085) | 15,074 |
| | 505 | (748) | (242) | Activities of Subsidiaries | 4,190 | (5,363) | (1,173) |
| | 369,944 | (223,297) | 146,647 | Cost of Services - continuing Operations | 356,762 | (213,823) | 142,939 |
| | | | 12,060 | Other Operating Expenditure | | | 12,969 |
| | | | 26,449 | Financing and Investment Income & Expenditure | | | 5,333 |
| | | (138,411) | | Taxation and Non-Specific Grant Income | | | (143,071) |
| | | | 46,746 | (Surplus) or Deficit on Provision of Services | | | 18,170 |
| | | (29,510) | | (Surplus) or Deficit on Upward Revaluation of Non-current Assets | | | (43,656) |
| | | | 17,095 | (Surplus) or Deficit on Downward Revaluation of Non-current Assets | | | 13,573 |
| | | | 28,798 | Remeasurement of the net defined benefit liability | | | (1,259) |
| | | | 16,383 | Other Comprehensive Income & Expenditure | | | (31,342) |
| | | | 63,129 | Total Comprehensive Income & Expenditure | | | (13,172) |

GROUP MOVEMENT IN RESERVES STATEMENT 2019/20

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

| Current Year | Total General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority Reserves £'000 | Authority's share of reserves of subsidiaries £'000 | Total Group Reserves £'000 |
|---|---|---|---|--|--|---|--|---|
| Balance at 31 March 2019 | 48,886 | 3,474 | 222 | 52,582 | 80,576 | 133,158 | (16) | 133,142 |
| Movements During 2019/20: | | | | | | | | |
| Total Comprehensive Income & Expenditure | (19,011) | | | (19,011) | 32,280 | 13,269 | (97) | 13,172 |
| Adjustments between group accounts and authority accounts | (194) | | | (194) | | (194) | 194 | - |
| Net Increase/ Decrease before transfers | (19,205) | - | - | (19,205) | 32,280 | 13,075 | 98 | 13,172 |
| Adjustments between accounting basis and funding basis under statutory provisions | 27,786 | 1,523 | (208) | 29,101 | (29,101) | - | | - |
| Increase / (Decrease) during year | 8,581 | 1,523 | (208) | 9,896 | 3,179 | 13,075 | 98 | 13,172 |
| Transfers to / (from) earmarked reserves | | | | - | | | | |
| Balance at 31 March 2020 | 57,468 | 4,997 | 14 | 62,479 | 83,754 | 146,233 | 81 | 146,314 |
| Comparative Year | | | | | | | | |
| Balance at 31 March 2018 | 45,960 | 2,770 | 1,375 | 50,105 | 146,199 | 196,304 | (34) | 196,270 |
| Movements During 2018/19: | | | | | | | | |
| Total Comprehensive Income & Expenditure | (46,926) | | | (46,926) | (16,383) | (63,309) | 181 | (63,129) |
| Adjustments between group accounts and authority accounts | 163 | | | 163 | | 163 | (163) | (0) |
| Net Increase/ Decrease before transfers | (46,763) | - | - | (46,763) | (16,383) | (63,146) | 17 | (63,129) |
| Adjustments between accounting basis and funding basis under statutory provisions | 49,690 | 704 | (1,153) | 49,241 | (49,241) | - | | - |
| Increase / (Decrease) during year | 2,927 | 704 | (1,153) | 2,478 | (65,624) | (63,146) | 17 | (63,129) |
| Transfers to / (from) earmarked reserves | | | | - | | | | |
| Balance at 31 March 2019 | 48,886 | 3,474 | 222 | 52,582 | 80,576 | 133,158 | (16) | 133,142 |

GROUP BALANCE SHEET as at 31 MARCH 2020

The Group Balance Sheet summarises the financial position of the Council and its two subsidiaries as a whole. It shows the value of group assets and liabilities at the end of the financial year.

| Notes | 31 March 2019 £'000 | | 31 March 2020 £'000 |
|-----------|---------------------------|--------------------------------------|---------------------------|
| | 200,896 | Property, Plant & Equipment: | |
| | 917 | Land & Buildings | 227,185 |
| | 100,463 | Community Assets | 1,337 |
| | 18,493 | Infrastructure | 93,504 |
| | 22,193 | Vehicles, Plant & Equipment | 19,061 |
| | 2,378 | Assets under Construction | 40,000 |
| | 34,096 | Surplus assets | 2,138 |
| | 323,226 | Heritage Assets | 38,997 |
| | 497 | Investment Property | 316,078 |
| G5 | 1,922 | Intangible Assets | 823 |
| | 99 | Long Term Debtors | 1,336 |
| | <u>705,180</u> | Deferred tax asset | <u>69</u> |
| | | Long Term Assets | 740,527 |
| | 15,054 | Short Term Investments | 29,634 |
| G4 | 8,512 | Inventories | 11,763 |
| G5 | 31,891 | Short Term Debtors | 34,268 |
| | 25,708 | Cash and Cash Equivalents | 29,179 |
| | <u>1,725</u> | Assets Held for Sale | <u>98</u> |
| | 82,889 | Current Assets | 104,941 |
| | (10,065) | Short Term Borrowing | - |
| | (50,343) | Short Term Creditors | (47,396) |
| | (3,554) | Grants Receipts In Advance - Revenue | (9,544) |
| | <u>(11,129)</u> | Grants Receipts In Advance - Capital | <u>(26,766)</u> |
| | (75,091) | Current Liabilities | (83,706) |
| | (9,087) | Long Term Creditors | (144) |
| | (218,488) | Provisions | (12,214) |
| | (103) | Long Term Borrowing | (234,867) |
| | (321,691) | Deferred tax liability | (2) |
| | <u>(30,468)</u> | Other Long Term Liabilities | (338,770) |
| | (579,837) | Grants Receipts In Advance - Capital | <u>(29,451)</u> |
| | | Long Term Liabilities | (615,449) |
| | <u>133,141</u> | Net Assets | <u>146,314</u> |
| | 52,565 | Usable reserves | 62,560 |
| | 80,576 | Unusable Reserves | 83,754 |
| | <u>133,141</u> | Total Reserves | <u>146,314</u> |

GROUP CASH FLOW STATEMENT

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

| 2018/19 | | 2019/20 |
|-----------------|--|-----------------|
| £'000 | | £'000 |
| (46,746) | Net surplus or (deficit) on the provision of services | (18,170) |
| | Adjustment to surplus or deficit on the provision of services | |
| 79,908 | for non cash movements | 49,521 |
| <u>(28,446)</u> | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | <u>(33,206)</u> |
| 4,716 | Operating Activities | (1,855) |
| (58,831) | Investing Activities | (5,182) |
| 40,836 | Financing Activities | 10,506 |
| <u>(13,279)</u> | Net Increase/(decrease) in cash equivalents | <u>3,471</u> |
| | | |
| 38,987 | Cash & cash equivalents at the beginning of the reporting period | 25,708 |
| 25,708 | Cash & cash equivalents at the end of the reporting period | 29,179 |

NOTES TO GROUP FINANCIAL STATEMENTS

G1 Accounting policies

The Group Financial Statements summarise the Council's and its Group's transactions for the 2019/20 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 supported by International Financial Reporting Standards (IFRS).

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

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

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

1.1 Inventories

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

1.2 Taxation

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

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

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

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

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

1.3 Assets recognised from costs to fulfil a contract

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

NOTES TO GROUP FINANCIAL STATEMENTS

G2 Bodies not consolidated

The following have not been consolidated in to the Group Accounts

| Entity | Reason |
|------------|-----------------------|
| Visit Bath | Immaterial subsidiary |

Visit Bath

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

G3 Bodies Consolidated

The Council has consolidated two of its Subsidiaries into its Group Accounts, these are Aequus Developments Ltd (ADL) & Aequus Construction

Aequus Developments Ltd (ADL)

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

The draft accounts for the year to 31 March 2020 for ADL have been summarised below, with comparator figures for the previous reporting period.

| Aequus Developments Ltd (ADL) | Year ended 31 March 2019 £000 | Year ended 31 March 2020 £000 |
|-------------------------------|----------------------------------|----------------------------------|
| Profit for the year | 391 | 212 |
| Other Comprehensive Income | | (938) |
| Total Comprehensive Income | 391 | (726) |
| Net assets | 496 | (230) |

Aequus Construction Ltd (ACL)

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

The draft accounts for the year to 31 March 2020 for ACL have been summarised below, with comparator figures for the previous reporting period.

| Aequus Construction Ltd (ACL) | Year ended 31 March 2019 £000 | Year ended 31 March 2020 £000 |
|-------------------------------|----------------------------------|----------------------------------|
| Profit for the year | (373) | 824 |
| Other Comprehensive Income | | |
| Total Comprehensive Income | (373) | 824 |
| Net assets | (512) | 312 |

G4 Inventories

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|-------------------|------------------|
| 498 | Consumable stores | 615 |
| 8,014 | Work in progress | 11,232 |
| <u>8,512</u> | | <u>11,847</u> |

G5 Debtors

| 2018/19 £'000 | Amounts falling due in one year: | 2019/20 £'000 |
|------------------|--|------------------|
| 2,220 | Central Government bodies | 2,268 |
| 5,649 | Other local authorities | 4,290 |
| 1,554 | NHS bodies | 1,856 |
| 13,446 | Other entities and individuals (Trade Debtors) | 15,307 |
| 6,235 | Other entities and individuals (Non-Trade Debtors) | 6,963 |
| 2,787 | Prepayments | 3,584 |
| <u>31,891</u> | Total - Current Assets | <u>34,268</u> |
| £'000 | Amounts falling after one year: | £'000 |
| 1,922 | Other entities and individuals | 1,336 |
| <u>1,922</u> | Total - Long Term Assets | <u>1,336</u> |

PENSION FUND ACCOUNTS 2019/20

Fund Account

For the Year Ended 31 March 2020

| | Notes | 2019/20 £'000 | 2018/19 £'000 |
|--|-------|------------------|------------------|
| Dealing with members, employers and others directly involved in the fund | | | |
| Contributions Receivable | 4 | (161,648) | (153,929) |
| Transfers In | | (20,452) | (9,035) |
| | | (182,100) | (162,964) |
| Benefits Payable | 5 | 181,242 | 171,863 |
| Payments to and on account of Leavers | 6 | 12,818 | 9,722 |
| | | 194,060 | 181,585 |
| Net (additions) / withdrawals from dealings with member | | 11,960 | 18,621 |
| Management Expenses | 7 | 31,102 | 22,858 |
| Net (additions)/withdrawals including fund management expenses | | 43,062 | 41,479 |
| Returns on Investments | | | |
| Investment Income | 8 | (32,568) | (37,012) |
| Profits and losses on disposal of investments and change in value of investments | 9 | 335,511 | (221,369) |
| Net Returns on Investments | | 302,943 | (258,381) |
| Net (Increase) in the net assets available for benefits during the year | | 346,005 | (216,902) |
| Opening Net Assets of the Fund | | 4,817,827 | 4,600,925 |
| Closing Net Assets of the Fund | | 4,471,822 | 4,817,827 |

Net Assets Statement at 31 March 2020

| | Notes | 31 March 2020 £'000 | % | 31 March 2019 £'000 | % |
|--|-------|---------------------------|--------------|---------------------------|-------------|
| INVESTMENT ASSETS | | | | | |
| Equities | | 147,306 | 3.3 | 554,790 | 11.5 |
| Property Pooled Investment vehicles | | 424,153 | 9.5 | 428,751 | 8.9 |
| Non Property Pooled Investment Vehicles | | 3,778,471 | 84.5 | 3,718,768 | 77.1 |
| Cash Deposits | | 143,135 | 3.2 | 105,377 | 2.2 |
| Other Investment balances | | 3,249 | 0.1 | 3,486 | 0.1 |
| Derivative Contracts (Foreign Exchange hedge) | | - | - | 7,984 | 0.2 |
| Derivative Contracts: FTSE Futures | | 1,078 | 0.0 | 349 | 0.0 |
| Long Term Investments | | 427 | 0.0 | 395 | 0.0 |
| INVESTMENT LIABILITIES | | | | | |
| Derivative Contracts (Foreign Exchange hedge) | | (30,367) | (0.7) | - | - |
| Other Investment balances | | (413) | (0.0) | (147) | (0.0) |
| TOTAL NET INVESTMENT ASSETS | 10 | 4,467,039 | | 4,819,753 | |
| Long Term Debtors | 12a | 212 | - | 70 | |
| Net Current Assets | | | | | |
| Current Assets | 12 | 14,206 | 0.3 | 13,079 | 0.3 |
| Current Liabilities | 12 | (9,635) | (0.2) | (15,075) | (0.3) |
| Net assets of the scheme available to fund benefits at the period end | | 4,471,822 | 100.0 | 4,817,827 | 99.9 |

Analysis of Non Property Pooled Investment Vehicles

| | | |
|---|------------------|------------------|
| Diversified Growth Funds | 605,666 | 597,717 |
| Infrastructure | 358,444 | 342,723 |
| Liability Driven Investments | 287,601 | 580,817 |
| Multi Asset Credit | 291,660 | 410,444 |
| Derivative Contract: OTC Equity index Options | 118,816 | (12,585) |
| Hedge Funds | 257,966 | 232,127 |
| Secured Income | 51,514 | 16,695 |
| Equity | 1,692,261 | 1,464,662 |
| Bonds | 114,543 | 86,168 |
| | 3,778,471 | 3,718,768 |

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2020. The actuarial present value of these liabilities is disclosed in note 15.

Notes to Accounts - Year Ended 31 March 2020

1 INTRODUCTION & STATEMENT OF ACCOUNTING POLICIES

1.1 Description of Fund

The Fund is administered by Bath & North East Somerset Council under arrangements made following the abolition of the former Avon County Council on 31 March 1996.

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

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

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

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

Introduction to the Statement of Accounts

- 1.2 This statement comprises the Statement of Accounts for the Avon Pension Fund (the Fund). The accounts cover the financial year from 1 April 2019 to 31 March 2020.
- 1.3 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting ('Code of Practice') in the United Kingdom 2019/20 based on International Financial Reporting Standards as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis, except for certain transfer values as described at 'Statement of Accounting Policies' – item 1.21. They do not take account of liabilities to pay pensions and other benefits in the future.

Impact of COVID-19 Pandemic

- 1.4 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 came into force on 30 April 2020. The Regulations extend the publication date for local authority audited accounts to 30 November 2020. The public inspection period will start on 1 September 2020. These regulations apply only in relation to annual accounts relating to the 2019/20 financial year.
- 1.5 These regulations were provided in order for authorities to have additional time to complete the audit of their accounts for 2019/20, given the likely impact of the COVID19 virus on availability of local authority staff and auditors to complete the audit process within current deadlines.
- 1.6 Staff have been working from home during the year end process and audit. The Fund has focussed on delivering the service digitally to members and employers, the payment of pensions within deadlines, monitoring cashflow including the receipt of contributions from employers, monitoring the impact on the investment strategy and communicating with members to reassure them about their pension benefits.

1.7 Actuarial Valuations

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

- 1.8 At the 2019 valuation the average deficit recovery period for the Fund overall was set at 13 years.
- 1.9 The 2019 actuarial valuation was carried out using the projected unit actuarial method. The main assumptions used to set employers' contributions, are set out in the table below:

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

- 1.10 The 2019 triennial valuation was completed during 2019/20 using market prices and membership data as at 31 March 2019. The 2019 valuation set the employer contribution rates for future service and deficit recovery payments (expressed as a monetary amount payable annually) with effect from 1 April 2020. The discount rate used in the 2019 valuation is based on CPI plus a real investment return of 1.75% p.a. for past service (the secondary contribution rate) and CPI plus 2.25% p.a. for future service (the primary contribution rate). The discount rate for the lower risk investment strategy was 2.6% p.a..
- 1.11 The Actuary has estimated that the funding level has fallen over the year to 84% based on the 2019 valuation financial assumptions.
- 1.12 The 2019 valuation outcome does not include an allowance for McCloud. However at the overall Fund level the impact was estimated to increase past service liabilities by £35m and to increase the Primary Contribution Rate by 0.5% of pensionable pay per annum. Individual employers were informed of the impact on their costs as part of the valuation exercise, with the option to include the estimated costs in contributions paid from 1 April 2020. Once the remediation for the Local Government Pension Scheme is known, employer contributions will be adjusted in line with guidance from the Scheme Advisory Board for those employers who have opted not to pay estimated costs from 1 April 2020. For those that have included an allowance in their contributions no adjustment will be made until the next valuation. The estimated costs of the remedy is included in the IAS26 disclosure.

PENSION FUND ACCOUNTS 2019/20

- 1.13 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.
- 1.14 The Fund's Funding Strategy Statement can be found on the Fund's website www.avonpensionfund.org.uk (search Funding Strategy Statement) and is summarised within the Fund's Annual Report. The purpose of the Funding Strategy Statement is to set out a clear and transparent funding strategy that will identify how each employer's pension liabilities are to be met going forward.
- 1.15 In March 2020 there was significant volatility in investment markets as a result of the COVID-19 pandemic. The long term impact is not yet known but there could be far-reaching consequences in terms of funding and risk. The funding position and employer covenants will be closely monitored as the situation evolves. The Fund's risk management strategy will mitigate some of the impact of lower asset prices if they persist into 2020/21. Given the current uncertainty, employer contributions will not be revisited but kept under review so the potential implications are assessed and any actions can be effectively managed.

Investment Strategy Statement

- 1.16 The Fund's Investment Strategy Statement (ISS) as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 can be found on the Fund's website www.avonpensionfund.org.uk (search Investment Strategy Statement) and is summarised within the Fund's Annual Report. The ISS is updated following strategic reviews.
- 1.17 The Fund's assets are currently managed externally by investment managers appointed and monitored by the Fund. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require funds to pool their investments assets from 1 April 2018. As a consequence the Fund is a member of Brunel Pension Partnership, a pool of 10 LGPS funds, which has established an FCA regulated company, Brunel Pension Partnership Limited (Brunel), to manage the assets of the pool. Each LGPS fund in the pool is a shareholder owning an equal share of the company. Since July 2018 the Fund's assets have gradually transitioned to Brunel. Once assets have transferred, Brunel is responsible for appointing and monitoring managers and other investment related operational aspects of the Fund. The Investment Strategy Statement will be updated during this transition to reflect the changing responsibilities.
- 1.18 The Fund has implemented three investment strategies to manage specific risks within the asset portfolio. These strategies are held within a Qualified Investment Fund (QIF) managed by Blackrock.
- (i) A Liability Driven Investment strategy provides a hedge against changes in the value of the pension liabilities within the asset portfolio. This strategy consists of bonds and derivatives such as gilt repurchase agreements and interest and inflation swaps, structured to achieve the desired hedge profile.
 - (ii) Additionally within the QIF is a strategy to lock in the gains in equity markets ahead of the 2019 actuarial valuation. Using Over The Counter (OTC) equity index option contracts this strategy protects the Fund's developed markets equity assets from a fall in global markets into 2020.
 - (iii) A Low Risk Investment Strategy has been implemented where the assets (mainly corporate bonds) better match the liability profile of the

Statement of Accounting Policies

Basis of Preparation

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

Investments

- 1.20 Investments are shown in the accounts at fair value, which has been determined as follows:
- i) Quoted Securities have been valued at 31 March 2020 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. Some UK property funds have been valued at mid price as opposed to bid price with unaudited valuations used as the latest available for the accounting date. 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 their 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 2020. The basis of valuation is explained further in note 24.
 - 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 2020.
 - 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) Over the Counter (OTC) Equity Index options are included in the Net Asset Statement at their fair market value, which is the unrealised profit or loss at the current value 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
 - vii) Overseas properties are valued as at 31 March 2020 using unaudited values to take account of the market conditions prevailing at 31 March 2020.
 - viii) 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.
 - ix) The only Long Term Investment is shares in Brunel Pension Partnership Ltd. Its fair value is based on the value of equity in Brunel Pension Partnership Ltd accounts.
 - x) Acquisition costs of investments (e.g. stamp duty and commissions) are treated as part of the investment cost.
 - xi) 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.
 - xii) 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.

PENSION FUND ACCOUNTS 2019/20

Contributions

- 1.21 Contributions represent those amounts receivable from the employing bodies in respect of their own and their pensionable employees' contributions. Employers' contributions are determined by the Actuary on the basis of triennial valuations of the Fund's assets and liabilities and take into account the Funding Strategy Statement set by the administering authority. The rates applying in 2019/20 relate to the 2016 valuation and the 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 (as amended). The employee contribution rates range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. The contribution rates arising from the 2019 valuation are effective from 1 April 2020.
- 1.22 Normal contributions both from members and the employer are accounted for on an accruals basis in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Benefits, Refunds of Contributions and Cash Transfer Values

- 1.23 From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is up-rated annually in line with the Consumer Prices Index.
- 1.24 Benefits payable and refunds of contributions have been brought into the accounts as they fall due.
- 1.25 Cash Transfer Values are those sums paid to or received from other pension schemes and relate to previous periods of pensionable employment. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Accruals are only made when it is certain that a transfer is to take place.
- 1.26 Charges for splitting pensions on divorce are either invoiced to members or, on request, paid out of future benefits. In the case of payment from future benefits the charge against benefits and income to the Fund are both made in the current year. The charges are index linked to pension's increases to ensure that the Fund receives the full value.

Investment Income

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

Investment Management & Administration

- 1.28 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 permit Bath & North East Somerset Council to charge administration costs to the Fund. A proportion of relevant Council costs has been charged to the Fund on the basis of time spent on Pension Fund business.
- 1.29 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

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

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

1.31 The Statement of Accounts contains estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty actual results could be materially different from the assumptions and estimates. Estimates are used in the valuation of unquoted investments and in the actuarial valuation for the purposes of IAS 26 (note 15) in which the actuarial calculation of the liability is subject to the professional judgement of the Scheme Actuary. The Fund's investments are stated at fair value. The subjectivity of the inputs used in making an assessment of fair value is explained in note 24.

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|--|--|
| Market Value of investments | The Fund's investments are revalued on a monthly basis using quoted prices in active markets or by reference to markets which are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs with the exception of the Hedge Funds (£257.9m), Property (£406.6m), Infrastructure (£358.4m) and Secure Income (£69.1m). | For every 1% increase in Market Value the value of the Fund will increase by £45m with a decrease having the opposite effect. |
| | The Hedge Fund, Infrastructure and Property Limited Partnerships are not publicly listed and as such there is a degree of estimation involved in their valuation. Due to the COVID-19 pandemic there is a risk that these valuations have an increased level of uncertainty. There is a wide range of possible outcomes mainly due to the high degree of uncertainty about the ultimate impact of the pandemic on the underlying assets. | If the valuations of the Property Limited Partnerships and Secured Income and Infrastructure assets turn out to be lower than estimated, then the value of the Fund's investments will have been overstated. A further 5-10% fall in the valuations included in the accounts for these portfolios would result in a reduction of between £31m and £62m in total Fund assets. |
| | As the Hedge Fund valuation metrics are derived primarily from financial instruments and assumptions they provide a valid estimation as at the reported date. The managers of the Property Limited Partnerships and Infrastructure assets have included an estimated impact of COVID-19 in the valuations as at 31 March 2020. | The value of the UK Property funds is £229.2m. Having taken advice from the fund manager of the UK Property Portfolio, the indicative effect of COVID-19 pandemic on these valuations could result in a reduction of 10-15% in the reported value which is between £23m and £34m. |
| Actuarial present value of promised retirement benefits (Note 15) | For the pooled UK property funds held in the UK Property and Secured Income portfolios (valued at £229.2m), the independent valuers consider that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value and as a result have reported the values on the basis of "Material Valuation Uncertainty" as per VPGA 10 of the RICS Red Book-Global Standards. Consequently, for these assets, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. | |
| | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercer, a firm of consulting actuaries, is engaged to provide the authority with expert advice about the assumptions to be applied. | The effects on the actuarial present value of promised retirement benefits (the Fund's liabilities) of changes in individual assumptions can be measured. For instance, based on the 2019 actuarial valuation results: <ul style="list-style-type: none"> • a 0.25% per annum reduction in the real investment return assumption would increase deficit by £219m (to £503m) • a 0.25% per annum increase in the assumed pensionable salary growth would increase the deficit by £16m (to £300m) • a 0.25% per annum increase in the long term improvement rate in life expectancy would increase the deficit by £34m (to £318m) • a 25% fall in asset value would increase the deficit by £1,205m (to £1,489m) |

Events After the Balance Sheet Date

1.32 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.

COVID-19

The COVID-19 global pandemic has caused significant uncertainty with regard to national economic conditions and this is likely to impact on employer income streams in future years. This will need to be taken into account for employer's contributions to the fund. It is anticipated that the future value of investments may be exposed to increased market volatility as a result of COVID-19 and this may impact on the value of the fund in the short to medium term; however it is not possible to reliably estimate the financial impact of this on the position and performance of the fund in future periods.

The Pension Fund Accounts include more specific detail regarding the impact of COVID-19 in the accompanying disclosure notes concerning Actuarial valuations and Accounting Assumptions.

Financial Instruments

1.33 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.

Critical Judgements in Applying Accounting Policies

1.34 The net pension fund liability is recalculated every three years by the Scheme Actuary. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the Actuary and have been summarised in Note 1.9 above.

These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

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

PENSION FUND ACCOUNTS 2019/20

2 MEMBERSHIP

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

| | 31 March 2020 | 31 March 2019 |
|--|-----------------------|------------------|
| Employed Members | 38,064 | 36,894 |
| Pensioners | 33,602 | 32,137 |
| Members entitled to Deferred Benefits | 42,508 | 42,114 |
| Undecided Leavers | 7,538 | 6,968 |
| TOTAL | <u>121,712</u> | <u>118,113</u> |

A further estimated 818 (738 in 2018/19) ex-members whose membership was for up to 2 years before 1 April 2014 or up to 3 months after that date are due refunds of contributions. Retrospective reporting has unearthed a further 144 outstanding cases from the commencement of this project in 2011/12. 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

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

4 CONTRIBUTIONS RECEIVABLE

Contributions receivable are analysed below:-

| | 2019/20 £'000 | 2018/19 £'000 |
|--|-----------------------|------------------|
| Employers' normal contributions | | |
| Scheduled Bodies | 83,909 | 78,070 |
| Administering Authority | 8,538 | 8,569 |
| Admission Bodies | 7,829 | 7,832 |
| | <u>100,276</u> | <u>94,471</u> |
| Employers' deficit Funding | | |
| Scheduled Bodies | 16,498 | 14,593 |
| Administering Authority | - | (180) |
| Admission Bodies | 699 | 637 |
| | <u>17,197</u> | <u>15,050</u> |
| Total Employer's normal & deficit funding | <u>117,473</u> | <u>109,521</u> |
| Employers' contributions - Augmentation | | |
| Scheduled Bodies | 1,318 | 1,950 |
| Administering Authority | 950 | 2,230 |
| Admission Bodies | 319 | 308 |
| | <u>2,587</u> | <u>4,488</u> |
| Members' normal contributions | | |
| Scheduled Bodies | 34,623 | 32,892 |
| Administering Authority | 3,704 | 3,754 |
| Admission Bodies | 2,719 | 2,720 |
| | <u>41,046</u> | <u>39,366</u> |
| Members' contributions toward additional benefits | | |
| Scheduled Bodies | 450 | 429 |
| Administering Authority | 56 | 82 |
| Admission Bodies | 36 | 43 |
| | <u>542</u> | <u>554</u> |
| Total | <u>161,648</u> | <u>153,929</u> |

The increase in Employers' contributions between 2018/19 and 2019/20 is due to the effect of phased/stepped contributions. In 2018/19 Unitary councils received £1,109k in deficit rebates relating to payments for Academies who transferred in 2018/19 (£180k of which related to the Administering Authority). There were no such payments in 2019/20

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

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

PENSION FUND ACCOUNTS 2019/20

5 BENEFITS PAYABLE

Analysis of Gross Benefits Payable by Type:-

| | 2019/20 £'000 | 2018/19 £'000 |
|--|------------------|------------------|
| Retirement Pensions | 149,862 | 142,405 |
| Commutation of Pensions and Lump Sum Retirement Benefits | 27,527 | 25,802 |
| Lump Sum Death Benefits | 3,853 | 3,656 |
| | <u>181,242</u> | <u>171,863</u> |

Analysis of Gross Benefits Payable by Employing Body:-

| | 2019/20 £'000 | 2018/19 £'000 |
|--------------------------------|------------------|------------------|
| Scheduled & Designating Bodies | 148,027 | 140,228 |
| Administering Authority | 18,338 | 18,312 |
| Admission Bodies | 14,877 | 13,323 |
| | <u>181,242</u> | <u>171,863</u> |

6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

Leavers

| | 2019/20 £'000 | 2018/19 £'000 |
|--|------------------|------------------|
| Refunds to members leaving service | 1,148 | 866 |
| Individual Cash Transfer Values to other schemes | 11,670 | 8,856 |
| Group Transfers | 0 | 0 |
| | <u>12,818</u> | <u>9,722</u> |

PENSION FUND ACCOUNTS 2019/20

7 MANAGEMENT EXPENSES

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

| | 2019/20 | 2018/19 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Administrative Costs | 2,408 | 2,177 |
| Investment Management Expenses | 26,943 | 19,304 |
| Oversight & Governance Costs | 1,752 | 1,377 |
| | <u>31,103</u> | <u>22,858</u> |
| Further Analysis of Management Expenses:- | | |
| Administrative Costs | | |
| Management Costs | 1,555 | 1,450 |
| Administration and Processing | 568 | 420 |
| Service from Administrating Body | 490 | 497 |
| Fees and Income | (205) | (190) |
| | <u>2,408</u> | <u>2,177</u> |
| Investment Management Expenses | | |
| Fund Manager Base Fees | 20,295 | 20,470 |
| Fund Manager Performance Fees | 3,586 | (3,330) |
| Investment Transaction Costs | 199 | 969 |
| Investment Transition Costs | 2,825 | 947 |
| Global custody | 37 | 248 |
| | <u>26,942</u> | <u>19,304</u> |
| Oversight & Governance Costs | | |
| Management costs | 609 | 535 |
| Specialist advice and Governance | 1,349 | 1,068 |
| Actuarial recharges | (244) | (266) |
| Audit Fees | 32 | 40 |
| Audit Related Services | 6 | |
| | <u>1,752</u> | <u>1,377</u> |
| | <u>31,102</u> | <u>22,858</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.

The performance fees relate mainly to pooled funds and they are estimated from the information available. Fund manager performance fees paid in 19/20 represent a reduction in the provision of £7.123m offset by performance fees realised of £10.709m

Investment transition costs for each year include the costs of transitioning assets to the portfolios managed by Brunel.

Included within management fees is £1.437m (£0.998m in 18/19) paid to Brunel Pension Partnership for core investment services.

Transaction costs include the costs of transitioning assets to the portfolios managed by Brunel.

Management costs in Oversight & Governance Costs include investments, actuarial and accounting staff costs. Specialist Advice and Governance includes £0.384m of costs relating to the triennial valuation. Audit fees include; £0.022m external audit fee as set out in the Audit Plan (2018/19 £0.022m), £0.008m internal audit charge (2018/19 £0.008m) and additional audit fees of £0.004m less a rebate of fees from the PLSA of £0.002m. The audit related service of £0.006m is for an additional external fee relating to information provided to the actuary regarding individual employers' IAS19 disclosures not accounted for in 2018/19.

PENSION FUND ACCOUNTS 2019/20

8 INVESTMENT INCOME

| | 2019/20 £'000 | 2018/19 £'000 |
|--|------------------|------------------|
| Dividends from equities | 13,020 | 18,954 |
| Income from pooled Property Investments | 14,810 | 13,017 |
| Income from other pooled investment vehicles | 3,977 | 3,977 |
| Interest on cash deposits | 556 | 912 |
| Other - stock lending | 205 | 152 |
| TOTAL | 32,568 | 37,012 |

The Fund has an arrangement with its custodian (State Street Trust and Bank) 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. 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 2020 was £24.1m (31 March 2019 £15.6m), comprising of equities and sovereign debt. This was secured by collateral worth £26.0m 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 | Purchases | Sales | Change in | Value at |
|---------------------------------------|------------------|------------------|--------------------|------------------|------------------|
| | 31/03/19 | at Cost | Proceeds | Market | 31/03/20 |
| | £'000 | £'000 | £'000 | Value | £'000 |
| Equities | 554,790 | 106,998 | (501,191) | (5,292) | 155,305 |
| Long Term Investments | 395 | | | 32 | 427 |
| Pooled Investments- | | | | | |
| - Property | 428,752 | 31,992 | (25,133) | (11,458) | 424,153 |
| - Non Property | 3,718,767 | 1,221,116 | (868,805) | (292,607) | 3,778,471 |
| Derivatives | 8,333 | 77,735 | (58,459) | (56,898) | (29,289) |
| Sub Total | 4,711,037 | 1,437,841 | (1,453,588) | (366,223) | 4,329,067 |
| Cash Deposits | 105,377 | 291,448 | (282,435) | 28,745 | 143,135 |
| Net Purchases & Sales | | 1,729,289 | (1,736,023) | (14,733) | |
| Investment Debtors & Creditors | 3,339 | | | (503) | 2,836 |
| Total Investment Assets | 4,819,753 | | | | 4,475,038 |
| Long Term Debtors | 70 | | | 142 | 212 |
| Current Assets | (1,996) | | | 6,567 | 4,571 |
| Less Net Revenue of Fund | | | | 10,494 | |
| Total Net Assets | 4,817,827 | | | (335,511) | 4,479,821 |

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.

Liability Driven Investments and Equity Options. Elsewhere in the Statement of Accounts Liability Driven Investments and Equity Options have been shown separately for greater transparency. In the above table they are treated as all other pooled investment vehicles. They are both included as Non Property Pooled Investments.

The Net Revenue of Fund figure in the above table includes the investment transaction costs as specified below. These are the costs that it has been possible to identify. Additional costs will have been absorbed within pooled investments. The Net Revenue of Fund equals the Net Withdrawals / additions including fund management expenses (£43.062m) plus Investment income (£-32.568m) as shown in the Fund account.

PENSION FUND ACCOUNTS 2019/20

Change in Total Net Assets 2018/19

| Change in Market Value of Investments | Value at | Purchases | Sales | RESTATED | Value at |
|---------------------------------------|------------------|------------------|--------------------|----------------|------------------|
| | 31/03/18 | at Cost | Proceeds | Change in | 31/03/19 |
| | £'000 | £'000 | £'000 | Market | £'000 |
| | | | | Value | |
| | | | | £'000 | |
| Equities | 1,075,449 | 321,072 | (855,828) | 14,097 | 554,790 |
| Long Term Investments | 840 | | | (445) | 395 |
| Pooled Investments- | | | | | |
| - Property | 410,899 | 202,717 | (196,868) | 12,004 | 428,752 |
| - Non Property | 2,907,105 | 1,914,192 | (1,330,941) | 228,411 | 3,718,767 |
| Derivatives | 13,243 | 89,542 | (42,438) | (52,014) | 8,333 |
| Sub Total | 4,407,536 | 2,527,523 | (2,426,075) | 202,053 | 4,711,037 |
| Cash Deposits | 204,037 | 295,606 | (387,589) | (6,677) | 105,377 |
| Net Purchases & Sales | | 2,823,129 | (2,813,664) | 9,465 | |
| Investment Debtors & Creditors | (3,266) | | | 6,605 | 3,339 |
| Total Investment Assets | 4,608,307 | | | | 4,819,753 |
| Long Term Debtors | | | | 70 | 70 |
| Current Assets | (7,382) | | | 5,386 | (1,996) |
| Less Net Revenue of Fund | | | | 4,467 | |
| Total Net Assets | 4,600,925 | | | 221,369 | 4,817,827 |

The Net Revenue of Fund figures in the above tables include the investment transaction costs as specified below. These are the costs that it has been possible to identify. Additional costs will have been absorbed within pooled investments.

10 INVESTMENT ASSETS

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

| | 31 March | | Restated | |
|---|-----------|------------------|-----------|------------------|
| | 2020 | 31 March | 2019 | 31 March |
| | £'000 | £'000 | £'000 | £'000 |
| UK Equities | | | | |
| Quoted | 144,274 | | 190,348 | |
| Pooled Investments | 154,503 | | 194,418 | |
| FTSE Futures | 1,078 | 299,855 | 349 | 385,115 |
| Overseas Equities | | | | |
| Quoted | 3,032 | | 364,442 | |
| Pooled Investments | 1,537,758 | | 1,270,243 | |
| Equity Index Options | 118,816 | 1,659,606 | (12,585) | 1,622,100 |
| UK Bonds | | | | |
| Quoted | | - | | - |
| Sterling Bonds (excluding Gilts) | | | | |
| Pooled Investments | 113,513 | 113,513 | 86,168 | 86,168 |
| Non Sterling Bonds | | | | |
| Pooled Investments | 1,030 | 1,030 | - | - |
| Diversified Growth Funds | | | | |
| Overseas Pooled Investments | 605,666 | 605,666 | 597,717 | 597,717 |
| Infrastructure | | | | |
| Overseas Pooled Investments | 358,444 | 358,444 | 342,723 | 342,723 |
| Liability Driven Investment | | | | |
| UK Pooled Investments | 287,601 | 287,601 | 580,817 | 580,817 |
| Multi Asset Credit | | | | |
| Overseas Pooled Investments | 291,660 | 291,660 | 410,444 | 410,444 |
| Hedge Funds | | | | |
| Overseas Pooled Investments | 257,966 | 257,966 | 232,127 | 232,127 |
| Property | | | | |
| UK Pooled Investments | 211,634 | | 227,565 | |
| Overseas Pooled Investments | 194,926 | 406,560 | 201,187 | 428,752 |
| Secured Income | | | | |
| UK Pooled Investments | 69,107 | 69,107 | 16,695 | 16,695 |
| Long Term Investments | | | | |
| Brunel Share Capital | 427 | 427 | 395 | 395 |
| Cash Deposits | | | | |
| Sterling | 137,351 | | 68,871 | |
| Foreign Currencies | 5,784 | 143,135 | 36,506 | 105,377 |
| Investment Debtors/Creditors | | | | |
| Investment Income | 2,848 | | 3,486 | |
| Sales of Investments | 401 | | - | |
| Foreign Exchange Hedge | (30,367) | | 7,984 | |
| Purchases of Investments | (413) | (27,531) | (147) | 11,323 |
| TOTAL INVESTMENT ASSETS | | 4,467,039 | | 4,819,753 |

PENSION FUND ACCOUNTS 2019/20

The Overseas Pooled Investments above are global mandates. Although they are predominantly Overseas assets they may include some UK assets.

The Liability Driven Investments pooled vehicle is structured to provide a hedge against changes in the value of the pension liabilities. The structure invests in Index linked gilts and derivatives to provide the desired hedge against the liabilities. At 31 March 2020 the net value of these assets was £287,601m (£580,817m as at 31 March 2019).

OTC Equity Index Options are used to protect the equity assets from a fall in equity markets. At 31 March 2020 the unrealised gain on this strategy was £118.8m.

Both strategies are held within the same pooled vehicle, a Qualified Investment Fund (QIF) managed by Blackrock on a bespoke basis for the Fund; the QIF had a value of £937m at March 2020.

The COVID-19 pandemic negatively affected investment markets especially equity, credit and less liquid assets as at 31 March 2020. The equity option strategy protected the Fund from some of the fall in equity assets which account for approximately 41% of total assets.

Investments in secured income include long property funds and pooled infrastructure funds. Where the accounts require analysis on a pooled or non property basis secured is split between property and non property secured income. The Secured Income portfolio value of £69.1M differs to that in Net Asset Statement (NAS) analysis of non property funds (£51.5M) because it holds both property and non- property funds whilst in the NAS the assets are split by category of fund i.e. property or non- property rather than asset type. The NAS also shows pooled property £424.2m whilst Note 10 shows £406.5m - the difference between the two relates to property funds held in the Secured Income portfolio

DERIVATIVES ANALYSIS

Open Forward Currency Contracts

| Settlement | Currency Bought | | Currency Sold | | Asset Value £'000 | Liability Value £'000 |
|--|--------------------|-----------|--------------------|-----------|----------------------|--------------------------|
| | Local Value 000 | | Local Value 000 | | | |
| Up to one month | EUR | 65,340 | GBP | 57,585 | 263 | - |
| Up to one month | JPY | 1,487,400 | GBP | 11,077 | 43 | - |
| Up to one month | USD | 102,425 | GBP | 81,344 | 1,212 | - |
| Up to one month | GBP | 11,059 | JPY | 1,487,400 | 498 | - |
| Up to one month | GBP | 58,346 | EUR | 65,340 | - | (61) |
| Up to one month | GBP | 79,427 | USD | 102,425 | - | (3,129) |
| One to six months | EUR | 38,376 | GBP | 32,922 | 1,101 | - |
| One to six months | JPY | 290,800 | GBP | 2,105 | 74 | - |
| One to six months | USD | 117,086 | GBP | 88,679 | 5,597 | - |
| One to six months | GBP | 249,895 | EUR | 291,041 | - | (8,293) |
| One to six months | GBP | 52,787 | JPY | 7,426,800 | - | (2,862) |
| One to six months | GBP | 403,014 | USD | 511,741 | - | (9,031) |
| Six to twelve months | GBP | 45,112 | EUR | 50,533 | 175 | - |
| Six to twelve months | GBP | 10,698 | JPY | 1,427,200 | - | (22) |
| Six to twelve months | GBP | 500,324 | USD | 647,560 | - | (20,684) |
| Six to twelve months | USD | 95,043 | GBP | 71,722 | 4,753 | - |
| Total | | | | | 13,715 | (44,082) |
| Net forward currency contracts at 31st March 2020 | | | | | | (30,367) |
| Open forward currency contracts at 31 March 2019 | | | | | 10,472 | (2,488) |
| Net forward currency contracts at 31st March 2019 | | | | | | 7,984 |

Equity Options

| | Original Notional (GBP) £'000's | Notional at 31 March £'000's | Gain/(Loss) at 31 March £'000's |
|--|------------------------------------|---------------------------------|------------------------------------|
| S&P 500 Index Options | 253,810 | 215,834 | 16,567 |
| Nikkei 225 Index Options | 477,008 | 398,977 | 26,855 |
| FTSE 100 Index Options | 955,271 | 848,426 | 43,646 |
| EuroStoxx50 Index Options | 177,230 | 159,045 | 7,059 |
| MSCI EM Index Options | 293,729 | 231,667 | 24,689 |
| Total | 2,157,048 | 1,853,949 | 118,816 |
| Equity Options at 31 March 2019 | - | - | (13,230)* |

* BlackRock held a small amount of cash in this fund for immediate collateral requirements which was added to the total value. For March 2019 the cash balance was £643,752.

Exchange Traded Derivatives held at 31 March 2020:-

| Contract Type | Expiration | Book Cost £'000 | Unrealised Gain £'000 |
|---------------------|------------|--------------------|--------------------------|
| FTSE equity futures | June 2020 | 21,109 | 1,078 |

Exchange Traded Derivatives held at 31 March 2019:-

| | | | |
|---------------------|-----------|--------|-----|
| FTSE equity futures | June 2019 | 21,297 | 350 |
|---------------------|-----------|--------|-----|

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.

OTC Equity Index Options are used to protect the developed equity assets from a fall in equity markets.

PENSION FUND ACCOUNTS 2019/20

Investment Assets by Manager

The proportion of the market value of investment assets managed by each external manager and in house Treasury Management at the end of the financial year was:-

| | 31 March 2020 | | 31 March 2019 | |
|--|------------------|--------------|------------------|--------------|
| | £'000 | % | £'000 | % |
| Investments managed by Brunel Pension Partnership: | | | | |
| BlackRock | 937,195 | 21.0 | - | - |
| LGIM Low Carbon Global Equities | 497,508 | 11.1 | 520,926 | 10.8 |
| Brunel Infrastructure | 24,312 | 0.5 | 11,152 | 0.2 |
| Brunel Secured Income Portfolio | 69,107 | 1.5 | 16,695 | 0.3 |
| Brunel UK Equity Portfolio | 149,873 | 3.4 | 187,270 | 3.9 |
| Brunel Emerging Market Equity | 196,232 | 4.4 | - | - |
| Brunel Global High Alpha Equity | 377,707 | 8.5 | - | - |
| | 2,251,934 | 50.4 | 736,043 | 15.3 |
| Investments managed outside Brunel Pension Partnership: | | | | |
| Blackrock | 40,434 | 0.9 | 1,166,378 | 24.2 |
| Record | (8,174) | (0.2) | 29,631 | 0.6 |
| Jupiter Asset Management | 173,740 | 3.9 | 205,588 | 4.3 |
| Genesis Investment Management | - | - | 117,600 | 2.4 |
| Partners Group | 231,705 | 5.2 | 228,326 | 4.7 |
| Loomis (Natixis) | 291,661 | 6.5 | 410,444 | 8.5 |
| Pyrford International | 213,642 | 4.8 | 218,582 | 4.5 |
| TT International | 310 | 0.0 | 305 | 0.0 |
| IFM Investors | 334,132 | 7.5 | 331,571 | 6.9 |
| Ruffer | 392,024 | 8.8 | 379,136 | 7.9 |
| Unigestion (UK) Ltd | - | - | 110,931 | 2.3 |
| Schroder Investment Management | 228,380 | 5.1 | 630,378 | 13.1 |
| JP Morgan | 257,967 | 5.8 | 232,127 | 4.8 |
| General Cash | 23,192 | 0.5 | 14,409 | 0.3 |
| Long Term Investment | 427 | 0.0 | 395 | 0.0 |
| Treasury Management | 35,665 | 0.8 | 7,909 | 0.2 |
| | 2,215,105 | 49.6 | 4,083,710 | 84.7 |
| TOTAL INVESTMENT ASSETS | 4,467,039 | 100.0 | 4,819,753 | 100.0 |

During 2019/20, the assets managed by Genesis Investment Management and Unigestion (UK) Ltd (both Emerging Market Equities) and Schroder Investment Management (Global Equities) transitioned to the Brunel asset pool. Brunel has appointed Blackrock as the manager for Risk Management Strategies and therefore the Liability Driven Investing, Equity Protection and Lower Risk Corporate Bond strategies are all now managed under the pooling arrangements. In addition, commitments to Renewable Infrastructure and Secured Income were invested via Brunel portfolios.

11 SINGLE INVESTMENTS OVER 5% OF THE FUND

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

| Investments | March 2020 | Asset | March 2019 | % of Net Asset |
|--------------------------------------|------------|--------|------------|----------------|
| | £'000 | | £'000 | |
| Blackrock Liability SOL Mutual Fund | 937,195 | 20.96% | 1,008,422 | 20.93% |
| LGIM Low Carbon Global Equity | 497,508 | 11.13% | 520,926 | 10.81% |
| CF Ruffer Absolute Return Fund | 392,024 | 8.77% | 379,136 | 7.87% |
| Brunel Global High Alpha Equity Fund | 377,707 | 8.45% | - | 0.00% |
| IMF Global Infrastructure (UK) | 334,132 | 7.47% | 331,571 | 6.88% |
| NATIXIS Investment Solutions | 291,661 | 6.52% | 410,444 | 8.52% |
| APF Absolute Return Strategies | 257,967 | 5.77% | - | 0.00% |

PENSION FUND ACCOUNTS 2019/20

12 CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2020.

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

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|--------------------------------------|---------------------------|---------------------------|
| CURRENT ASSETS | | |
| Contributions Receivable | | |
| - Employers | 8,723 | 7,981 |
| - Members | 3,340 | 3,128 |
| Transfer Values Receivable | - | - |
| Discretionary Early Retirement Costs | 537 | 129 |
| Other Debtors | 1,606 | 1,841 |
| | <u>14,206</u> | <u>13,079</u> |
| CURRENT LIABILITIES | | |
| Management Fees | (1,389) | (1,647) |
| Provision for Performance Fees | (3,795) | (10,918) |
| Transfer Values Payable | - | - |
| Lump Sum Retirement Benefits | (2,254) | (1,203) |
| Other Creditors | (2,197) | (1,307) |
| | <u>(9,635)</u> | <u>(15,075)</u> |
| NET CURRENT ASSETS | <u>4,571</u> | <u>(1,996)</u> |

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

12a LONG TERM DEBTORS

Provision has been made in the accounts for long term debtors known to be outstanding at 31 March 2020.

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|--|---------------------------|---------------------------|
| Reimbursement of lifetime tax allowances | 212 | 70 |
| | <u>212</u> | <u>70</u> |

The Lifetime tax allowance was introduced in 2016. It limits the amount of pension that can be paid without an extra charge. Responsibility for payment rests with the pensioner. Avon Pension Fund offer to pay the tax upfront and are reimbursed from pension deductions over time. This creates a long term debtor in the accounts.

13 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2020. (31 March 2019 = NIL)

14 EVENTS AFTER THE BALANCE SHEET DATE

Non-adjusting event - COVID -19 pandemic

The outbreak of COVID-19 has impacted global economies and financial markets. In many countries measures to contain the virus, including social distancing, travel bans, quarantines and closure of non-essential services have triggered a slump in consumer demand and a sharp slowdown in global economic activity. Global stock markets have experienced increased volatility and weakness. Government and central banks have responded with monetary and fiscal stimulus to stabilise economic conditions.

It is difficult to quantify the eventual outcome on the investment assets given the unknown nature of this shock. In addition to how the pandemic itself will play out, material factors that will determine the outcome include the length and depth of the economic shock, the pace of economic recovery and the permanence or not of changes in corporate, government and consumer behaviour as a result.

The asset portfolio is well diversified and this will mitigate against reductions in valuations. There will be a wide dispersion of the impact even within asset classes as some assets such as telecommunication and related infrastructure providers may have seen uplifts to their valuations whereas others such as transport infrastructure will have seen negative impacts due to the demand shock.

The Fund has determined that these events are non-adjusting subsequent events. Accordingly the financial position as at 31 March 2020 has not been adjusted to reflect their impact. It is not possible at this stage to reliably estimate the duration or severity of the situation and therefore the impact on the performance of the Fund for future periods.

PENSION FUND ACCOUNTS 2019/20

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 2020 (the 31 March 2019 assumptions are included for comparison):

| | 31st March 2020 | 31st March 2019 |
|--|-----------------|-----------------|
| Rate of return on investments (discount rate) | 2.4% per annum | 2.4% per annum |
| Rate of CPI Inflation / CARE benefit revaluation | 2.1% per annum | 2.2% per annum |
| Rate of pay increases* | 3.6% per annum | 3.7% per annum |
| Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation | 2.2% per annum | 2.3% per annum |

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

The demographic assumptions are the same as those used for funding purposes, with the 31 March 2020 assumptions being updated to reflect the assumptions adopted for the 2019 actuarial valuation. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

Corporate bond yields were similar at the start and end of year resulting in the same discount rate of 2.4% p.a. being used for IAS 26 purposes at the year-end as for last year. The expected long-term rate of CPI inflation decreased during the year, from 2.2% p.a. to 2.1%, which served to decrease the liabilities slightly over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £7,102 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£172 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£114 million (this includes any increase in liabilities arising as a result of early retirements/augmentations and the potential impact of GMP Indexation – see comments below). There was also a decrease in liabilities of £277million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, and the incorporation of the 31 March 2019 actuarial valuation results into the IAS26 figures).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £7,111 million.

GMP Indexation

At present, the public service schemes are required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards, which would give rise to a further cost to the LGPS and its employers. If the Fund were required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021, then this would increase the Fund liabilities by about £22 million on IAS26 assumptions, and we have included this amount within the final IAS26 liability figure above.

PENSION FUND ACCOUNTS 2019/20

16 TRANSFERS IN

During the year ending 31 March 2020 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.

| | 2019/20 £'000 | 2018/19 £'000 |
|------------------------------------|------------------|------------------|
| Benefits Paid and Recharged | <u>5,845</u> | <u>5,882</u> |

The Fund also administers £24.3m pension payments on behalf of the Fire Service and the Teachers' pension schemes. (£25.6m in 2018/19, including a large number of Retirement Lump Sum payments). These are not funded by the Fund and are recharged in full. They are not included in the Fund Account. The Fire Service and Teachers' employers also pay for the cost of providing this service.

18 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested in insurance policies with Utmost Life & Pensions or Aviva, the Fund's nominated AVC providers. Additional Voluntary Contributions received from employees and paid to Utmost Life & Pensions during 2019/20 were £55 (2018/19 Equitable Life- £55). Additional Voluntary Contributions received from employees and paid to Aviva during 2019/20 were £434,272 (2018/19 - £375,694).

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

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---|---------------------------|---------------------------|
| <u>Utmost Life & Pensions (Equitable Life in 2018/19)</u> | | |
| With Profits Retirement Benefits | - | 315 |
| Unit Linked Retirement Benefits | 678 | 317 |
| Building Society Benefits | - | - |
| | <u>678</u> | <u>632</u> |
| Death in Service Benefit | <u>53</u> | <u>53</u> |
| <u>Aviva</u> | | |
| With Profits Retirement Benefits | 73 | 79 |
| Unit Linked Retirement Benefits | 3,438 | 3,763 |
| Cash Fund | 455 | 378 |
| | <u>3,966</u> | <u>4,220</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.

PENSION FUND ACCOUNTS 2019/20

19 RELATED PARTIES

Committee Member Related:-

In 2019/20 £39,331 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£38,250 in 2018/19). Six 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 2019/2020. (Seven voting members and one non-voting member in 2018/2019, including three B&NES Councillor Members)

Independent Member Related:-

Three Independent Members were paid allowances of £16,075, £14,480 and £7,585 respectively during the year for their work in relation to the Pension Fund Committee and the Investment Panel. Two Members were paid in respect of the full year and one was paid in respect of part of the year. They are entitled to claim reasonable expenses which are included in the above allowances. The Independent Members are not eligible to join the Local Government Pension Scheme.

Employer Related:-

During the year 2019/20 the Fund paid B&NES Council £426,662 for administrative services (£436,428 in 2018/19). Various Employers paid the fund a total of £223,831 for pension related services including pension's payroll and compiling data for submission to the actuary (£191,825 in 2018/19).

Pension Board Related:-

The Pension Board came in to operation in July 2015. In 2019/20 £7,574 was charged to the Fund in respect of Allowances and expenses paid to the Members of the Pension Board (£7,842 in 2018/19). Four members of the Pension Board were members of the Local Government Pension Scheme during the financial year 2019/2020. (Five members in 2018/2019).

Officer and Manager related:-

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

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

Brunel Pension Partnership Limited

Brunel Pensions Partnership Limited (BPP Ltd. Company number 10429110) was formed on the 14th October 2016 and will oversee the investment of pension fund assets for Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire Funds.

Each of the 10 local authorities, including Bath & North East Somerset Council own 10% of BPP Ltd. In 2019/20 the Pension Fund paid BPP £1,436,784 (2018/19 £998,932).

As part of our investment in BPP Ltd. we provided regulatory capital. This will be subject to regular review by the regulator that could result in additional calls for capital.

20 KEY MANAGEMENT REMUNERATION

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

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|--|---------------------------|---------------------------|
| Proportion of salary Recharged to Avon Pension Fund | 50 | 47 |
| Proportion of employers contributions recharged to Avon Pension Fund | 12 | 12 |
| | 62 | 59 |

21 OUTSTANDING COMMITMENTS

As at the 31 March 2020 the Fund had outstanding commitments relating to investments in Property, Infrastructure and Secure Income funds that will be drawn down in tranches by the Investment Managers totalling £428.6m (31 March 2019 £333.3m). The increase is due to the new commitments made in the year to Secured Income and Renewable Infrastructure.

PENSION FUND ACCOUNTS 2019/20

22 FINANCIAL INSTRUMENTS

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

| 2019/20 | Fair Value through Profit and Loss £'000 | Loans & receivables £'000 | Financial liabilities at amortised cost £'000 |
|-------------------------------------|---|---------------------------------|--|
| Financial Assets | | | |
| Equities | 147,305 | | |
| Long Term Investments | 427 | | |
| Pooled Investments (Non-Property) | 3,389,639 | | |
| Liability Driven Pooled investments | 287,601 | | |
| Pooled Property Investments | 406,559 | | |
| Derivative Contracts Futures | 1,078 | | |
| Derivative Contracts Equity Options | 118,816 | | |
| Cash | | 143,123 | |
| Other investment balances | 2,848 | | |
| Debtors | | 14,418 | |
| Total Financial Assets | 4,354,273 | 157,541 | - |
| Financial Liabilities | | | |
| Other investment balances | | | |
| Derivative Contracts FX Hedge | (30,367) | | |
| Creditors | | | (9,635) |
| Total Financial Liabilities | (30,367) | - | (9,635) |
| Total Net Assets | 4,323,906 | 157,541 | (9,635) |
| 2018/19 | | | |
| | Fair Value through Profit and Loss £'000 | Loans & receivables £'000 | Financial liabilities at amortised cost £'000 |
| Financial Assets | | | |
| Equities | 554,790 | | |
| Long Term Investments | 395 | | |
| Pooled Investments (Non-Property) | 3,150,535 | | |
| Liability Driven Pooled investments | 580,817 | | |
| Pooled Property Investments | 428,752 | | |
| Derivative Contracts FX Hedge | 7,984 | | |
| Derivative contracts Futures | 349 | | |
| Cash | | 105,230 | |
| Other investment balances | 3,486 | | |
| Debtors | | 13,149 | |
| Total Financial Assets | 4,727,108 | 118,379 | - |
| Financial Liabilities | | | |
| Other investment balances | | | |
| Derivative Contracts Equity Options | (12,585) | | |
| Creditors | | | (15,075) |
| Total Financial Liabilities | (12,585) | - | (15,075) |
| Total Net Assets | 4,714,523 | 118,379 | (15,075) |

As all investments are disclosed at fair value, carrying value and fair value are therefore the same.

Net gains and losses on Financial Instruments

| | 31st March 2020 £'000 | 31st March 2019 £'000 |
|---|-----------------------------|-----------------------------|
| Financial assets | | |
| Fair value through profit & loss | 32 | 254,512 |
| Amortised Cost - realised gains on derecognition of assets | | |
| Amortised cost - unrealised gains | 30,712 | 19,316 |
| Financial Liabilities | | |
| Fair value through profit & loss | (366,255) | (52,459) |
| Amortised Cost - realised losses on derecognition of assets | | |
| Amortised cost - unrealised losses | | |
| | (335,511) | 221,369 |

23 FINANCIAL RISK MANAGEMENT DISCLOSURE

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

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

Responsibility for the fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the pension fund. Policies are reviewed regularly to reflect changes in activity and in market conditions.

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.

As the Fund's assets transition to Brunel Pension Partnership (Brunel) over the next few years, the current roster of external managers will reduce as Brunel takes over responsibility for managing the portfolios. At 31 March 2020, Brunel manage £2,252m of assets on behalf of the Fund which includes the Risk Management Strategies managed by BlackRock who have appointed by Brunel to manage the individual Risk Management Strategies of the Clients. The majority of the Fund's equity assets are now managed by Brunel, along with the funds committed to Secured Income and Renewable Infrastructure.

The Fund's investments are held by State Street Bank and Trust who acts as custodian on behalf of the Fund.

Because the Fund adopts a long term investment strategy, the high level risks described below will not normally alter significantly during any one year unless there are significant strategic or tactical changes to the portfolio. The risk management process identifies and mitigates the risks arising from the Fund's investment strategy and policies which are reviewed regularly to reflect changes in market conditions. The COVID-19 pandemic is an example of a more extreme 'Black Swan' event that causes significant falls in asset prices and is not fully captured in the following analysis which assesses risk over longer time frames, normally three years or longer. Such events demonstrate the importance of diversification within the Fund by asset class and underlying manager. Although Brunel is the investment manager for a number of asset classes, it appoints a number of underlying managers to each portfolio so the manager diversification is greater under Brunel than it was before pooling.

(a) Market Risk

Market risk is the risk of loss from fluctuations in market prices, interest rates, credit spreads and currencies. The Fund is exposed through its 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 e.g. COVID-19 type shocks and geopolitical trade tensions and will affect the assets held by the Fund in different ways.

All investments present a risk of loss of capital. By diversifying its investments across asset classes, geography and industry sectors, investment mandate guidelines and 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's largest allocation is to equities and therefore the fluctuation in equity prices is the largest market risk within the portfolio. The maturity profile of the Fund and strong underlying covenant underpins the allocation to equities which are expected to deliver higher returns over the long term.

The Fund has an equity hedging strategy in place to protect from a significant fall in equity values. The strategy was implemented to protect the improvement in the funding level since the 2016 valuation which was primarily driven by the rise in equity values. The strategy was renewed following the 2019 valuation and equity index options have been used to protect the downside and to cap the upside above a fully funded position based on the current funding plan.

As Brexit is yet to be implemented it could still impact asset values if the eventual 'exit' differs from that assumed by markets. The main conduit is via the value of sterling which has weakened significantly since the referendum. However, the positioning of the Fund's investment strategy means that the potential impact of unfavourable market events on the Fund's assets will be moderated. Given a significant part of the Fund's overall investment strategy (over 60%) is invested in non-UK assets, the expected risk associated with Brexit should be limited. The investment strategy is globally diversified from a currency, country of risk, sector and issuer perspective and this would be expected to reduce volatility in the event of an adverse outcome. Moreover, non-sterling currency exposure from the developed global equities, hedge fund and global property portfolios is hedged back to sterling (partially in the case of equities) in order to reduce the impact from currency volatility that may result.

The medium to long term impact of COVID-19 pandemic on markets and investment opportunities is difficult to ascertain at this stage. The immediate volatility experienced during March 2020 has abated somewhat but the path out of the crisis and longer term impact remains uncertain. In particular, potential structural changes in global trade and globalisation, higher levels of indebtedness and the need for the costs to be covered possibly through higher taxes could all impact the future value of assets. In addition there may be permanent behavioural changes such as more working from home, changes in consumption patterns that could impact business models across numerous sectors. The analysis below uses longer term historic data more representative of 'normal' market conditions to provide an indication of the portfolio's sensitivity to market prices.

As the global economy transitions to a low carbon economy there is a risk to asset values as business models adapt or become obsolete and new opportunities arise. The Fund has a strategy to minimise its exposure to carbon intensive assets through allocations to low carbon and more sustainable assets. In addition it is investing in renewable infrastructure projects that will power the new economy. The analysis below does not take account of the potential impact of climate change on asset prices.

PENSION FUND ACCOUNTS 2019/20

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 2020. This analysis assumes all other variables including interest rates and foreign currency exchange rates remain the same.

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

The equity hedge does not affect the expected volatility of the equity assets. The hedging strategy caps the upside for the developed market equity assets to around 9.4% plus dividends (which represent another c. 2.7% upside potential). The emerging market assets are capped at 13% plus dividends (which represent another c.5.5% upside potential). Capping upside at these levels protects the equity assets if markets fall by more than 10% from the market level when the strategy was implemented. It is worth noting that the strategy was implemented during an exceptional level of market volatility and so the absolute levels at which the protection is triggered / falls away is very different across each tranche of the strategy. The unrealised gain/loss on the equity index options has been added to the Global Equities value in the table below.

The analysis for the year ending 31 March 2020:

| Asset Type | Value | % Change | Value on Increase | Value on Decrease |
|--------------------------------|------------------|-------------|-------------------|-------------------|
| | £'000 | | £'000 | £'000 |
| UK Equities | 299,855 | 14.3% | 342,734 | 256,975 |
| Global Equities | 1,463,374 | 12.1% | 1,640,442 | 1,286,306 |
| Emerging Market Equities | 196,232 | 16.0% | 227,629 | 164,835 |
| UK Bonds | 114,543 | 8.9% | 124,737 | 104,349 |
| Liability Driven | 287,601 | 10.6% | 318,087 | 257,115 |
| Diversified Growth Funds | 605,666 | 7.4% | 650,485 | 560,847 |
| Multi Asset Credit | 291,661 | 7.3% | 312,952 | 270,369 |
| Property | 406,559 | 1.8% | 413,878 | 399,241 |
| Fund of Hedge Funds | 257,967 | 5.4% | 271,897 | 244,036 |
| Infrastructure | 358,444 | 15.9% | 415,436 | 301,451 |
| Secured Income | 69,107 | 1.1% | 69,867 | 68,347 |
| Long Term Investment | 427 | 15.0% | 491 | 363 |
| Cash & Equivalents | 115,594 | 0.1% | 115,710 | 115,478 |
| Total Investment Assets | 4,467,029 | 8.0% | 4,904,344 | 4,029,713 |

The analysis for the year ending 31 March 2019 is shown below:

| Asset Type | Value | % Change | Value on Increase | Value on Decrease |
|--------------------------------|------------------|----------|-------------------|-------------------|
| | £'000 | | £'000 | £'000 |
| UK Equities | 385,116 | 9.4% | 421,317 | 348,915 |
| Global Equities | 1,393,569 | 10.2% | 1,535,713 | 1,251,425 |
| Emerging Market Equities | 228,531 | 16.0% | 265,096 | 191,966 |
| UK Bonds | 86,168 | 5.3% | 90,735 | 81,601 |
| Liability Driven Investments | 580,817 | 12.6% | 654,000 | 507,634 |
| Diversified Growth Funds | 597,717 | 5.3% | 629,396 | 566,038 |
| Multi Asset Credit | 410,444 | 2.8% | 421,937 | 398,952 |
| Property | 428,751 | 2.1% | 437,755 | 419,747 |
| Fund of Hedge Funds | 232,127 | 3.8% | 240,948 | 223,306 |
| Infrastructure | 342,723 | 12.3% | 384,878 | 300,568 |
| Secured Income | 16,695 | 1.5% | 16,946 | 16,445 |
| Long Term Investment | 395 | 15.0% | 454 | 336 |
| Cash & Equivalents | 116,700 | 0.1% | 116,817 | 116,583 |
| Total Investment Assets | 4,819,753 | | 5,215,990 | 4,423,516 |

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 ("bonds").

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

| | 31st March 2020 | 31st March 2019 |
|---------------------------|--------------------|--------------------|
| | £'000 | £'000 |
| Cash and Cash Equivalents | 115,604 | 116,700 |
| Bonds | 402,144 | 666,984 |
| Total | 517,748 | 783,684 |

PENSION FUND ACCOUNTS 2019/20

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 bonds as at 31 March 2020 of a 100 basis point (1%) change in interest rates. The analysis assumes that all other variables including foreign currency exchange rates remain constant.

The Fund has implemented a strategy to better match or hedge its liabilities with bond assets (called "Liability Driven Investment"). The primary 'matching' instruments used in this strategy include physical instruments such as fixed interest and index-linked Government bonds (financed through "repurchase" agreements) and derivative instruments such as interest-rate and inflation swaps.

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

| | Change in net assets | | |
|---------------------------|----------------------|-----------------|---------------|
| | Value | +100 bps | -100 bps |
| | £'000 | £'000 | £'000 |
| Cash and Cash Equivalents | 115,604 | - | - |
| Bonds | 402,144 | (74,409) | 74,409 |
| Total | 517,748 | (74,409) | 74,409 |

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 2019 is shown below:

| | Change in net assets | | |
|---------------------------|----------------------|------------------|----------------|
| | Value | +100 bps | -100 bps |
| | £'000 | £'000 | £'000 |
| Cash and Cash Equivalents | 116,700 | - | - |
| Bonds | 666,984 | (136,811) | 136,811 |
| Total | 783,684 | (136,811) | 136,811 |

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 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. In 2019/20 the Fund's investment in IFM's pooled Infrastructure Fund was switched from US dollar to sterling denominated units eliminating the need to be hedged.

Currency risk by asset class:

| Currency Exposure - Asset Type | Asset value as at 31st | Asset value as at 31st March |
|--------------------------------|------------------------|------------------------------|
| | March 2020 | 2019 |
| | £'000 | £'000 |
| Global Equities | 1,463,374 | 1,393,569 |
| Global Property | 194,926 | 201,187 |
| Fund of Hedge Funds | 257,967 | 232,127 |
| Infrastructure | - | 342,723 |

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 2020. The analysis reflects the Fund's passive hedging policy of a 50% hedge ratio on the global equity assets, and a 100% hedge ratio on the global property and hedge fund assets. Therefore there is no currency exposure on the assets that are 100% hedged.

A strengthening / weakening of Sterling against the various currencies by one standard deviation (expressed as a percentage) at 31 March 2020 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 | % Change | Value on Increase | Value on Decrease |
|-------------------|-----------|----------|-------------------|-------------------|
| | £'000 | | £'000 | £'000 |
| Overseas Equities | 1,463,374 | 4.05% | 1,522,579 | 1,404,168 |

The same analysis for the year ending 31 March 2019 is shown below:

Currency Risk by Asset Type:

| Asset Type | Value (£) | % Change | Value on Increase | Value on Decrease |
|-------------------|-----------|----------|-------------------|-------------------|
| | £'000 | | £'000 | £'000 |
| Overseas Equities | 1,393,569 | 4.65% | 1,458,330 | 1,328,808 |

(b) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument or transaction will fail to meet an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The entire Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties including brokers, custodian and investment managers minimises credit risk that may occur though the failure to settle transactions in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. Credit risk on exchange-traded derivative contracts is minimised by the various insurance policies held by exchanges to cover defaulting counterparties. Over-the-counter (OTC) derivative contracts are bilateral agreements where the Fund faces the credit risk of the financial counterparty directly. This is the case for forward currency contracts where a line of credit is extended to the Fund in place of a collateral posting agreement (as is the case for exchange-traded contracts). The hierarchy and replacement of an OTC contract on default of one of the counterparties is detailed in the ISDA, which is a market standard legal document governing derivative contracts.

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

The derivative instruments held within the QIF are fully collateralised on a daily basis with cash and/or gilts. Management of collateral is delegated to the manager who has access to a pool of eligible collateral (gilts, cash and equities). Daily collateralisation mitigates credit risk to a large extent as in the event a counterparty defaults sufficient assets are held to re-establish any lost position at the prevailing market rate.

The Fund's bond portfolios have significant credit risk through their underlying investments. This risk is managed through diversification across sovereign and corporate entities, credit quality and maturity of bonds. The market prices of bonds incorporate an assessment of credit quality in their valuation which reflects the probability of default (the yield of a bond will include a premium that will compensate for the risk of default).

The fund is subject to credit risk within its general debtors although none of these would represent a material risk to the fund. General debtors were £1.6m for 19/20 (£1.8m for 18/19)

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 2020 was £58.8m. This was held with the following institutions:

| | 31st March 2020 | | 31st March 2019 | |
|--|-----------------|------------------|-----------------|------------------|
| | Rating | Balance £'000 | Rating | Balance £'000 |
| Custodian's Liquidity Fund | | | | |
| State Street Global Services | AAA | 23,193 | AAA | 7,735 |
| Money Market Funds | | | | |
| Goldman Sachs Global Treasury Fund | AAA | 7,800 | AAA | 30 |
| Aberdeen Liquidity Fund | AAA | 9,950 | AAA | 810 |
| Federated Investors | AAA | 9,780 | AAA | 9,780 |
| State Street Global Advisors | AAA | 950 | AAA | 90 |
| Bank | | | | |
| Handelsbanken | AA | 1,410 | AA | 3,250 |
| Bank of Scotland Corporate Deposit Account | A+ | 90 | A+ | 90 |
| State Street Bank and Trust Co | AA+ | 3,629 | | - |
| NatWest Special Interest Bearing Account | A+ | 1,960 | A+ | 340 |
| NatWest | A+ | 30 | A+ | 8 |

A securities lending programme is managed by the Fund's custodian State Street Bank and Trust 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. Further details of collateral arrangements for stock lending are included in Note 8.

(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. In addition the Fund invests in a range of Exchange Traded Funds that provide a similar liquidity profile to cash so that capital calls from the private market portfolios can be managed efficiently. The main liabilities of the Fund are the benefits payable as they fall due over a long period and the investment strategy reflects the long term nature of these liabilities. As a result the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes such as property, infrastructure and fund of hedge funds which are subject to longer redemption periods and cannot be considered as liquid as the other investments. As at 31 March 2020 the value of the illiquid assets was £1,093m, or 24.5% of the total Fund assets (31 March 2019: £1,021m which represented 21.2% of the total Fund assets).

PENSION FUND ACCOUNTS 2019/20

24 FAIR VALUE HIERARCHY

Fair value is the value at which the investments could be realised within a reasonable timeframe. The Fund measures fair values using the following fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. Transfers between levels are recognised in the year in which they occur. There were no transfers between levels in 19/20 or 18/19. The hierarchy has the following levels:

- Level 1 – Asset and liabilities where the fair value is derived from unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Assets and liabilities where quoted market prices are not available but uses inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. For example where an instrument is traded in a market that is not considered to be active, or where valuation techniques based significantly on observable market data are used to determine fair value.
- Level 3 – assets and liabilities where at least one unobservable input used to measure fair value could have a significant effect on the valuation and the Fund's holding in these pooled funds is not immediately realisable at the net asset value.

Fair Value Hierarchy

The basis of the valuation of each class of investment asset is set out below. The COVID-19 pandemic has increased the level of uncertainty of asset values based on forward looking estimates. For example, the future rental income for property assets or usage volumes in infrastructure is uncertain and could affect the value of the asset.

| Description of Asset | Fair Value Hierarchy | Basis of Valuation | Observable and unobservable inputs | Key sensitivities affecting the valuations provided |
|--|----------------------|--|---|--|
| Market quoted investments | Level 1 | Published closing bid price ruling at year end. | Not required. | Not required. |
| Exchange traded futures and forward currency contracts | Level 1 | Published exchange prices at the year end. | Not required. | Not required. |
| Pooled equity, credit, bond funds | Level 2 | Closing bid price where bid and offer prices are published; closing single price where single price published. | NAV based pricing set on a forward looking basis. | Not required. |
| Diversified Growth Funds and Multi Asset Funds | Level 2 | Closing bid price where bid and offer prices are published; closing single price where single price published. | NAV based pricing set on a forward looking basis. | Not required. |
| Pooled property funds | Level 2 | Closing bid price where bid and offer prices are published; closing single price where single price published. | NAV based pricing set on a forward looking basis using transactional data and cash flow forecasts. | Refer to note 1.31 "Estimation Uncertainty" regarding the specific impact of COVID-19 on valuations |
| Over the counter Equity Index Options | Level 2 | Valued using formula reflecting quoted market and index prices | Inputs to the formula are market prices of quoted securities and derivatives; time value of the contract. | Not required. |
| Secured Income | Level 3 | Closing bid price where bid and offer prices are published; closing single price where single price published. | NAV based pricing set on a forward looking basis using transactional data and cash flow forecasts. | Valuations can be affected by material events between the date of the financial accounts provided and the pension fund's own reporting |
| Hedge Funds | Level 3 | Closing bid price where bid and offer prices are published; closing single price where single price published. | NAV based pricing set on a forward looking basis. | Valuations can be affected by material events between the date of the financial accounts provided and the pension fund's own reporting date, by changes to expected cash flows and by any differences between the audited and unaudited accounts. |
| Limited Partnerships and closed ended funds | Level 3 | Valued using a number of different market and income valuation methods as well as comparable market transactions prices. | Market transactions; market outlook; cash flow projections; last financings; multiple projections. | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows and any differences between audited and unaudited accounts. |
| Infrastructure funds | Level 3 | Infrastructure investments are valued at the end of each quarter by independent valuation firms. The valuation method is employed for each asset at the discretion of the appointed independent valuer but must fall within the standards prescribed by the relevant accounting bodies as appropriate. | Infrastructure investments are typically valued on a discounted cash flow approach, utilising cash flow forecasts. Valuations are cross-checked with public market information and recent transactions. | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, significant increases and decreases in the discount rate and any differences between audited and unaudited accounts. |
| Long Term Investments - Equities | Level 3 | Brunel Share Capital is valued at the Equity value as stated in Brunel Pension Partnership Statement of Accounts | Earnings and revenue multiples; discount for lack of marketability; control premium | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows and any differences between audited and unaudited accounts. |

PENSION FUND ACCOUNTS 2019/20

The following sets out the Fund's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31 March 2020.

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------|----------------|------------------|----------------|------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Equities - Quoted | 187,555 | 1,770,828 | | 1,958,383 |
| Bonds - Quoted | | 114,543 | | 114,543 |
| Pooled Investments:- | | | | |
| Liability Driven Investments | | 287,601 | | 287,601 |
| Fund of Hedge Funds | | - | 257,967 | 257,967 |
| Diversified Growth Funds | | 605,666 | | 605,666 |
| Multi Asset Credit | | 291,661 | | 291,661 |
| Property | | 211,633 | 194,926 | 406,559 |
| Infrastructure | | | 358,444 | 358,444 |
| Secured Income | | | 69,107 | 69,107 |
| Long Term Investment | | | 427 | 427 |
| Cash | 143,135 | | | 143,135 |
| Derivatives: Forward FX | (30,367) | | | (30,367) |
| Derivatives: Futures | 1,078 | | | 1,078 |
| Investment Debtors/Creditors | 2,836 | | | 2,836 |
| | 304,236 | 3,281,932 | 880,871 | 4,467,039 |

The fair value hierarchy as at 31 March 2019 was:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------|----------------|------------------|----------------|------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Equities - Quoted | 626,394 | 1,380,472 | | 2,006,866 |
| Bonds - Quoted | - | 86,168 | | 86,168 |
| Pooled Investments:- | | | | |
| Liability Driven Investments | - | 580,817 | | 580,817 |
| Fund of Hedge Funds | - | | 232,127 | 232,127 |
| Diversified Growth Funds | - | 597,717 | | 597,717 |
| Multi Asset Credit | - | 410,444 | | 410,444 |
| Property | - | 227,565 | 201,187 | 428,751 |
| Infrastructure | - | - | 342,723 | 342,723 |
| Secured Income | - | - | 16,695 | 16,695 |
| Long Term Investment | - | - | 395 | 395 |
| Cash | 105,377 | | | 105,377 |
| Derivatives: Forward FX | 7,984 | | | 7,984 |
| Derivatives: Futures | 350 | | | 350 |
| Investment Debtors/Creditors | 3,339 | | | 3,339 |
| | 743,444 | 3,283,182 | 793,127 | 4,819,753 |

There has been no re-classification of assets between levels of the hierarchy between 31 March 2019 and 31 March 2020.

Level 2 assets were sold during the year to fund the investment in Secured Income and Renewable Energy Infrastructure assets.

Reconciliation of Fair Value measurements within Level 3

| Level 3 | Market Value 01 April 2019 | 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 2020 |
|---------------------------------|----------------------------|-----------------------|---|---|---------------------------|-------------------------|----------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Property | 201,187 | - | 13,073 | (20,877) | (15,811) | 17,354 | 194,926 |
| Fund of Hedge Funds | 232,127 | - | - | - | 25,840 | - | 257,967 |
| Infrastructure | 342,723 | - | 22,149 | (9,362) | (128,372) | 131,306 | 358,444 |
| Secure Income | 16,695 | - | 52,689 | - | (277) | - | 69,107 |
| Long Term Investment - Equities | 395 | - | - | - | 32 | - | 427 |
| | 793,127 | - | 87,911 | (30,239) | (118,588) | 148,660 | 880,871 |

PENSION FUND ACCOUNTS 2019/20

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 2019. The impact from COVID-19 pandemic is reflected in an increase in the sensitivity for core property from 10% to 15%. This assessment does not allow for any specific impact from Brexit on investment assets. The assets valued at Level 3 have a bias to non-UK assets with the exception of Secured Income and the Long Term Investment and therefore any potential impact should be moderated; however it is possible that in the short term Brexit may cause greater variance in values than indicated in the table.

| | Assessed valuation range +/- | Value at 31 March 2020 | Value on increase | Value on decrease |
|----------------------|------------------------------------|---------------------------|----------------------|----------------------|
| | | £'000 | £'000 | £'000 |
| Property | 15% | 194,926 | 224,165 | 165,687 |
| Fund of Hedge Funds | 10% | 257,967 | 283,763 | 232,170 |
| Infrastructure | 15% | 358,444 | 412,211 | 304,677 |
| Secure Income | 10% | 69,107 | 76,018 | 62,196 |
| Long Term Investment | 15% | 427 | 491 | 363 |
| Total | | 880,871 | 996,647 | 765,094 |

The same analysis for 31 March 2019:

| | Assessed valuation range +/- | Value at 31 March 2019 | Value on increase | Value on decrease |
|---------------------------------|------------------------------------|---------------------------|----------------------|----------------------|
| | | £'000 | £'000 | £'000 |
| Property | 10% | 201,187 | 221,304 | 181,067 |
| Fund of Hedge Funds | 10% | 232,127 | 255,341 | 208,914 |
| Infrastructure | 15% | 342,723 | 394,131 | 291,315 |
| Secured Income | 10% | 16,695 | 18,365 | 15,026 |
| Long Term Investment - Equities | 15% | 395 | 454 | 336 |
| Total | | 793,127 | 889,595 | 696,658 |

25 EMPLOYING BODIES

As at 31 March 2020 the following employing bodies had contributing scheme members in the Avon Pension Fund:

Principal Councils and Service Providers

Avon Fire & Rescue Service
Bath & North East Somerset Council
Bristol City Council

North Somerset Council
South Gloucestershire Council
West of England Combined Authority

Further & Higher Education Establishments

Bath 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

Academies and Schools

Abbeywood Community School
Abbot Alphege Academy
All Saints East Clevedon C of E Primary School
Ashcombe Primary School
Ashton Park School
Ashton Vale Primary School
Aspire Academy
Avanti Gardens School
Backwell C of E Junior School
Backwell School
Badock's Wood E-ACT Academy
Bannerman Road Community Academy
Barton Hill Academy
Bathampton Primary School
Batheaston Church School
Bathford Church School
Bathwick St Mary Church School
Becket Primary School
Bedminster Down School
Beechen Cliff School
Begbrook Primary Academy
Birdwell Primary School
Bishop Sutton Primary School
Blagdon Primary School
Blaise High School
Bournville Primary 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 Academy
Cabot Learning Federation
Callicroft Primary School
Cameley CEVC Primary School
Castle Batch Primary School
Castle Primary School
Chandag Infant School
Chandag Junior School
Charborough Road Primary School
Charfield Primary School
Charlton Wood Primary Academy
Cheddar Grove Primary School
Chew Magna Primary School
Chew Stoke Church School
Chew Valley School
Christ Church C of E Primary School (Bristol)
Christ Church C of E Primary School (WSM)
Churchill Academy
City Academy
Clevedon School
Clutton Primary School
Colston's Girls' School
Combe Down C of E Primary School
Compass Point South Street Primary School
Cotham Gardens Primary School
Cotham School
Court de Wyck Church School
Crockerne C of E Primary School
CST Trinity Academy
Culverhill School
Digitech Studio School
Diocese of Bristol Academy Trust
Downend School
Dundry C of E Primary School
East Harptree Primary School
Easton C of E Academy

Elmlea Infant School
Elmlea Junior School
Endeavour Academy Trust
Evergreen Primary Academy
Fairfield High School
Fairlawn Primary School
Farmborough Church Primary School
Farrington Gurney C of E Primary School
Federation of Hannah More Infant School
Filton Avenue Primary School
Filton Hill Primary School
Fishponds Church of England Academy
Flax Bourton Primary School
Fonthill Primary School
Fosse Way School
Four Acres Academy
Freshford Church School
Frome Vale Academy
Gatehouse Green Learning Trust
Gatehouse Green Learning Trust (Central Functions)
Gordano School
Greenfield E-ACT Primary Academy
Grove Junior School
Hanham Woods Academy
Hans Price Academy
Hareclive E-ACT Academy
Hayesfield Girls School
Haywood Village Academy
Headley Park Primary School
Henbury Court Primary Academy
Henleaze Junior School
Heron's Moor Academy
High Down Infant School
High Down Junior School
High Littleton C of E Primary School
Hotwells Primary School
Hutton C of E Primary School
IKB Academy
Ilminster Avenue E-ACT Academy
Kings Oak Academy
Kingshill Church School
Knowle DGE Academy
Lansdown Park Academy
Little Mead Primary Academy
Locking Primary School
Longvernal Primary School
Luckwell Primary School
Lyde Green Primary School
Mangotsfield School
Marksbury C of E Primary School
Marlwood School
Mary Elton Primary School
May Park Primary School
Mead Vale Community Primary School
Meadowbrook Primary School
Mendip Green Primary School
Merchants' Academy
Midsomer Norton Primary School
Midsomer Norton Schools Partnership
Milton Park Primary School
Minerva Primary Academy
Moorlands Infant School
Moorlands Junior School
Mulberry Park Educate Together Primary
Nailsea School
New Siblands School
Northleaze C of E Primary School
Notton House Academy
Oasis Academy Bank Leaze

PENSION FUND ACCOUNTS 2019/20

| | |
|--|---|
| Oasis Academy Brightstowe | St Stephen's Primary Church School |
| Oasis Academy Brislington | St Teresa's Catholic Primary School |
| Oasis Academy Connaught | St Ursula's E-ACT Primary Academy |
| Oasis Academy John Williams | Stanton Drew Primary School |
| Oasis Academy Long Cross | Stoke Bishop C of E Primary School |
| Oasis Academy Marksbury Road | Stoke Lodge Primary School |
| Oasis Academy New Oak | Stoke Park Primary School |
| Oldfield Park Infant School | Summerhill Academy |
| Oldfield Park Junior School | Swainswick Church School |
| Oldfield School | The Bath Studio School |
| Oldmixon Primary School | The Castle School |
| Olympus Academy Trust | The Dolphin School |
| Orchard School Bristol | The Kingfisher School |
| Parklands Educate Together Primary | The Meadows Primary School |
| Parson Street Primary School | Three Ways School |
| Patchway Community School | Tickenham C of E Primary School |
| Peasedown St John Primary School | Trinity Anglican Methodist Primary School |
| Pensford Primary School | Trinity Church School |
| Perry Court E-ACT Academy | Trust in Learning (Academies) (Central Functions) |
| Portishead Primary School | Tyndale Primary School |
| Priory Community School | Ubley Primary School |
| Ralph Allen School | Venturers' Academy |
| Redfield Educate Together Primary Academy | Venturers' Trust (Central Functions) |
| Roundhill Primary School | Victoria Park Primary School |
| Salford C of E Primary School | Walliscote Primary School |
| Severn Beach Primary School | Wallscourt Farm Academy |
| SGS Pegasus School | Wansdyke Primary School |
| Shoscombe Church School | Waycroft Academy |
| Sir Bernard Lovell Academy | Wellsway School |
| Somerdale Educate Together Primary Academy | Welton Primary School |
| St Andrew's Church School | West Leigh Infant School |
| St Anne's C of E VA Primary School | West Town Lane Academy |
| St Bede's Catholic College | Westbury Park Primary School |
| St Georges Church School | Westbury-on-Trym C of E Academy |
| St John The Evangelist Church School | Westfield Primary School |
| St John's C of E Primary School (Keynsham) | Weston All Saints C of E Primary School |
| St John's C of E Primary School (MSN) | Wicklea Academy |
| St Julian's C of E Primary School | Widcombe C of E Junior School |
| St Katherine's School | Widcombe Infant School |
| St Mark's Ecumenical Anglican/Methodist Primary School | Windwhistle Primary School |
| St Martin's C of E Primary School | Winford C of E Primary School |
| St Martin's Garden Primary School | Winterbourne International Academy |
| St Mary Redcliffe C of E Primary School | Winterstoke Hundred Academy |
| St Mary's C of E VA Primary School | Woodlands Academy |
| St Matthias Academy | Woodlands Primary School |
| St Michael's C of E Junior Church School | Worle Community School |
| St Nicholas Chantry C of E VC Primary School | Worle Village Primary School |
| St Nicholas of Tolentine Catholic School | Wraxall C of E Voluntary Aided Primary School |
| St Patrick's Catholic Primary School | Writhlington School |
| St Peter's C of E Primary School | Yate Academy |
| St Philip's C of E Primary School | Yatton C of E Junior School |
| St Saviours Infant Church School | Yatton VC Infant School |
| St Saviours Junior Church School | Yeo Moor Primary School |

Designating Bodies

| | |
|--|---|
| Almondsbury Parish Council | Patchway Town Council |
| Aequus Developments Limited | Paulton Parish Council |
| Backwell Parish Council | Peasedown St John Parish Council |
| Bradley Stoke Town Council | Pill & Easton in Gordano Parish Council |
| Bristol Waste Company | Portishead Town Council |
| Charter Trustees of the City of Bath | Radstock Town Council |
| Clevedon Town Council | Saltford Parish Council |
| Congresbury Parish Council | Sodbury Parish Council |
| Destination Bristol | Stoke Gifford Parish Council |
| Dodington Parish Council | Stoke Lodge & the Common Parish Council |
| Downend and Bromley Heath Parish Council | Thornbury Town Council |
| Emersons Green Town Council | Visit Bath Ltd |
| Filton Town Council | Wellsway MAT Trading Company Limited |
| Frampton Cotterell Parish Council | Westerleigh Parish Council |
| Hanham Abbots Parish Council | Westfield Parish Council |
| Hanham Parish Council | Weston Super Mare Town Council |
| Keynsham Town Council | Whitchurch Parish Council |
| Midsomer Norton Town Council | Winterbourne Parish Council |
| Nailsea Town Council | Yate Town Council |
| Oldland Parish Council | Yatton Parish Council |

PENSION FUND ACCOUNTS 2019/20

Community Admission Bodies

Adoption West
Alliance Homes
Ashley House Hostel
Bristol Music Trust
Clifton Suspension Bridge Trust
Disability Equality Forum
Learning Partnership West Ltd
Merlin Housing Society Ltd (New staff since 2007)
Merlin Housing Society Ltd (SG)

Sirona Care & Health CIC (2017)
Southwest Grid for Learning Trust
The Care Quality Commission
The Holburne Museum
The Park Community Trust Ltd
University of Bath
Vision North Somerset CIO
West of England Sport Trust (WESPORT)
Writhlington Trust

Transferee Admission Bodies

ABM Catering Ltd - SGC Schools
Active Community Engagement Limited (Bristol City Council)
Adapt Cleaning - NSC Campus Cleaning (North Somerset Council)
Agilisys Limited (North Somerset Council)
Agilisys Limited 2015 (North Somerset Council)
Alliance in Partnership (Westbury-on-Trym C of E Academy)
Alliance Living Care Limited (North Somerset Council)
Aspens Services Ltd - Bishop Sutton & Stanton Drew Schools (Lighthouse Schools Partnership)
Aspens Services Ltd - Castle Primary School (Bath and North East Somerset Council)
Aspens Services Ltd - Cherry Garden Primary School (South Gloucestershire Council)
Aspens Services Ltd - Culverhill School (South Gloucestershire Council)
Aspens Services Ltd - Lighthouse Schools Partnership
Aspens Services Ltd - Mangotsfield School (Castle School Educational Trust)
Aspens Services Ltd - New Horizons Learning Centre (South Gloucestershire Council)

Aspens Services Ltd - PFI (Bristol City Council)
Aspens Services Ltd - Redland Green Academy (Gatehouse Green Learning Trust)
Aspens Services Ltd - Staple Hill Primary School (South Gloucestershire Council)
Aspens Services Ltd - The Tynings School (South Gloucestershire Council)
Aspens Services Ltd (Cathedral Schools Trust)

Aspens Services Ltd (Venturers Trust)
Aspens Services Ltd - Beacons Rise Primary School (South Gloucestershire Council)
Aspens Services Ltd - Begbrook Primary Academy (Cabot Learning Federation)
Aspens Services Ltd - Blackhorse Primary School (South Gloucestershire Council)
Aspens Services Ltd - Castle School (Castle School Education Trust)
Aspens Services Ltd - Charfield School (Castle School Education Trust)
Aspens Services Ltd - Downend School (Castle School Education Trust)
Aspens Services Ltd - Frampton Cotterell School (South Gloucestershire Council)
Aspens Services Ltd - Frome Vale Academy (Cabot Learning Federation)
Aspens Services Ltd - Hanham Abbots Junior School (South Gloucestershire Council)
Aspens Services Ltd - Hanham Wood Academy (Cabot Learning Federation)
Aspens Services Ltd - King's Oak Academy (Cabot Learning Federation)
Aspens Services Ltd - Longwell Green Primary School (South Gloucestershire Council)
Aspens Services Ltd - Marlwood School (Castle School Education Trust)
Aspens Services Ltd - Minerva Academy (Cabot Learning Federation)
Aspens Services Ltd - Summerhill Academy (Cabot Learning Federation)
Aspens Services Ltd - Warmley Park School (Bristol City Council)
Ategi limited (South Gloucestershire Council)
BAM Construction UK Limited (Bristol City Council)
Bespoke Cleaning Services Limited - (Olympus Academy Trust)

Bespoke Cleaning Services Limited (Castle School Education Trust)
Bespoke Cleaning Services Limited (South Gloucestershire & Stroud College)
Braybourne Facilities Services Limited (Bristol City Council)
Caterlink (Bristol City Council)
Churchill Contract Services Ltd - Cabot Learning Federation
Churchill Contract Services Ltd - Westhaven School (North Somerset Council)
Churchill Contract Services Ltd (Wellsway MAT)
Churchill Contract Services Ltd - Golden Valley Primary School (North Somerset Council)
Circadian Trust (South Gloucestershire Council)
Compass Contract Services (UK) Ltd - Ashton Park School (Bristol City Council)
Compass Contract Services (UK) Ltd - Bristol Cathedral School (Bristol Cathedral Schools Trust)

Compass Contract Services (UK) Ltd - Luckwell Primary School (Bristol City Council)
Compass Contract Services (UK) Ltd (Bristol City Council)
Compass Contract Services (UK) Ltd (Cathedral Schools Trust)
Compass Contract Services (UK) Ltd (Diocese of Bristol Academies Trust)
Compass Contract Services (UK) Ltd (Palladian Academy Trust)
Compass Contract Services (UK) Ltd (St Bede's Academy)
Compass Contract Services (UK) Ltd (St Patrick's Catholic Primary School)

Compass Contract Services (UK) Ltd (St Teresa's Catholic Primary School)
Compass Contract Services (UK) Ltd (Westbury Park Primary School)

Creative Youth Network (South Gloucestershire Council)

Direct Cleaning Services (South West) Limited (Bath and North East Somerset Council)
Dolce Ltd - Mangotsfield School (Castle School Education Trust)

Edwards and Ward Ltd - Courtney Primary School (South Gloucestershire Council)

Edwards and Ward Ltd - Paulton Infant School (Bath and North East Somerset Council)
Edwards and Ward Ltd - St Keyna Primary School (Bath and North East Somerset Council)
Edwards and Ward Ltd - St Mark's C of E Secondary School (Bath and North East Somerset Council)

Edwards and Ward Ltd (Bath & Wells MAT)

Edwards and Ward Ltd (Chew Stoke Church School)
Edwards and Ward Ltd (Henleaze Academy)
Future Cleaning Services Limited - Ashton Park School (Gatehouse Green Learning Trust)

Future Stars Club Limited (Bath & Wells MAT)

Glen Cleaning Company Limited (Lighthouse Schools Partnership)

Glen Cleaning Company Ltd (Bristol City Council)

Greenwich Leisure Ltd (Bath and North East Somerset Council)

Greenwich Leisure Ltd (North Somerset Council)

Learning Partnership West (Yate Town Council)

Learning Partnership West (South Gloucestershire Council)

Lex Leisure C.I.C. (Bristol City Council)

Liberata UK Ltd (North Somerset Council)

Mentoring Plus (Bath and North East Somerset Council)

Nobilis Care West Ltd (North Somerset Council)

Notaro Homecare Limited (North Somerset Council)

PH Sports Ltd - St Peter's Cof E Primary School (Lighthouse Schools Partnership)

Prestige Cleaning & Maintenance Limited (Circadian Trust)

Relyon Cleaning Services - Cotham Gardens Primary School
Ridge Crest Cleaning Ltd (Bristol City Council)
Shaw Healthcare - The Granary (North Somerset Council)
Sita Holdings UK Ltd
Skanska Rashleigh Weatherfoil Ltd (Bristol City Council)

SLM Community Leisure Trust (Bristol City Council)
SLM Fitness & Health Ltd (Bristol City Council)
Southern Brooks (South Gloucestershire Council)
Taylor Shaw (Olympus Academy Trust)
Taylor Shaw Limited (City of Bristol College)

The Brandon Trust (North Somerset Council)
Trowbridge Office Cleaning Services Ltd (Learn@MAT)

Virgin Care Services Limited (Bath & North East Somerset Council)
Weston Support Services Ltd (Extend Learning Academies Network)

Youth Connect (Bath & North East Somerset Council)

Virgin Care Services Limited

ANNUAL GOVERNANCE STATEMENT 2019/20

1. SCOPE OF RESPONSIBILITY

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

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

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

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

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

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

1.5 The governance framework described in this Statement has been in place at the Council for the year ended 31 March 2020, and up to the date of the approval of the statement of accounts.

2. THE PURPOSE OF A GOVERNANCE FRAMEWORK AND LOCAL CODE

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



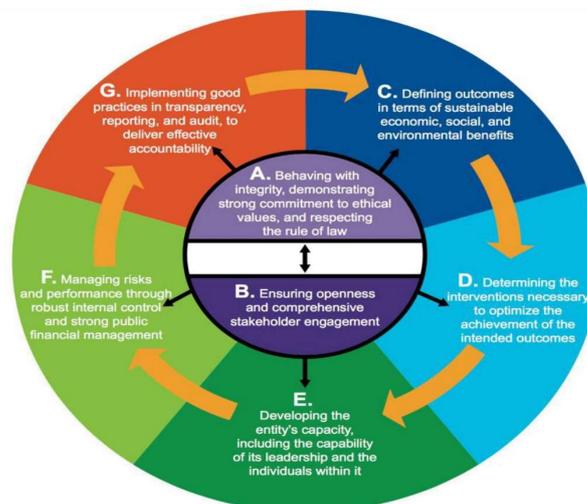
The Council's Local Code of Corporate Governance aims to ensure that in conducting its business the Council:

- operates in a lawful, open, inclusive and honest manner
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage and control risk
- secures continuous improvements in the way it operates.

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

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

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



Source: CIPFA/SOLACE

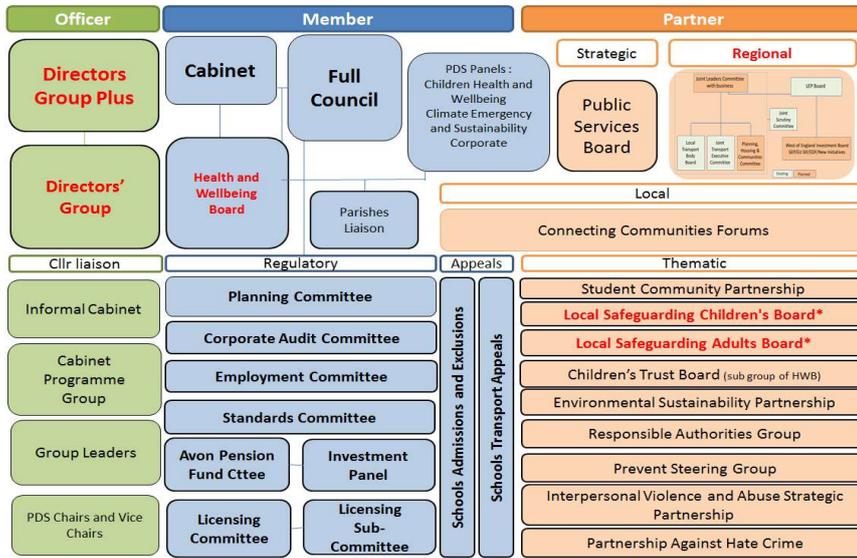
The governance framework and a Code has continued to be in place at Bath & North East Somerset Council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

ANNUAL GOVERNANCE STATEMENT 2019/20

3. KEY ELEMENTS OF OUR CODE OF CORPORATE GOVERNANCE

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

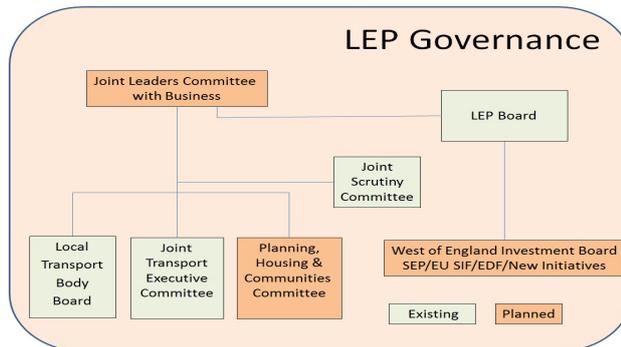
The diagram records the Council's governance structure for formal member meetings, key partnership bodies and key internal officer groups. It should be noted that the two Officer Groups – Directors Group and Directors Group Plus were replaced during the financial year by Strategic Leadership Team and Corporate Management Team.



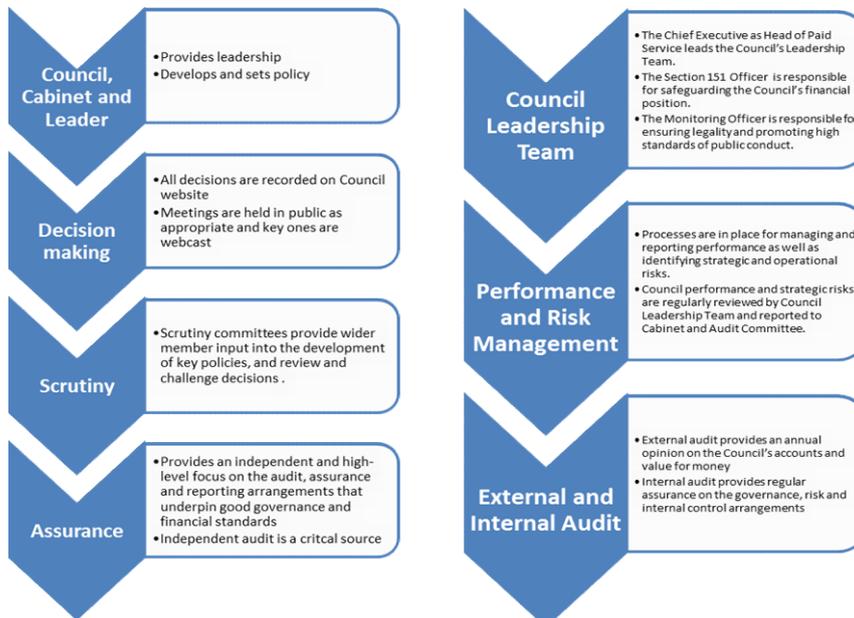
*new statutory powers, TBA

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

The Partner – Regional structure - contained in the above structure diagram is recorded below:



The wider elements of the framework of our governance arrangements at the Council during 2019/20 were:



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Appointment of New Chief Executive

At the Special Council Meeting on 5th September 2019, Will Godfrey was formally appointed to the position of Council Chief Executive with a start date of 7th October 2019. The meeting also formally designated him as Head of Paid Service (under section 4 of the Local Government & Housing Act 1989) and Returning Officer for all elections and Electoral Registration Officer with effect from his start date.

Group Structure

The Council has established a Shareholder Group which is to advise the Shareholder in the exercise of their responsibility for the Council's functions as corporate shareholder of a company or group of companies (i.e. ADL and ACL). A revised protocol was agreed by Council in November 2019 and in summary the Shareholder Group has a number of important functions –

1. To monitor the performance of a company in relation to its Business Plan and, in particular, the company's performance in respect of:
 - (a) Financial Matters
 - (b) Objectives of the company as set out in the company's Objects, Business Case or Business Plan.The Council through its Shareholder Group (or any specific sub-group) will
2. Evaluate and monitor the financial and other returns on investment (be that shareholding, loans or direct investment); and risks and opportunities including those arising from joint ventures or new opportunities.
3. Consider matters reserved to the Council for shareholder approval, such as:
 - (a) Varying Articles of Association
 - (b) Varying ownership and structure
 - (c) Variations to shares (number of; rights; etc.)
 - (d) Entering contracts that: (i) have a material effect on BaNES Council business (including other companies within the group) (ii) are outside of the business plan or do not relate to the business Printed on recycled paper (iii) are significant in relation to the size of the business, the business plan, etc.
 - (e) Material legal proceedings outside of ordinary business
 - (f) Adopting and amending business plans each year and strategic plans (3 years)
 - (g) Appointment, removal and the remuneration of directors (members of the company board)
 - (h) Selection of the chair of the board
 - (i) Appointment of auditors
 - (j) Issue of dividends and as more part

Shareholder Group Relationship with other Governance Arrangements

The Shareholder Group as it considers appropriate in accordance with its functions described above, may:

1. Report and make formal recommendations to the Cabinet;
2. Make reports to and consult PDSP (including full Council) subject to the opportunity for Cabinet to first comment on reports or
3. Make reports to and consult the Audit Committee, in relation to that Committee's particular functions.

How the Council has fulfilled the principles of good governance

Review of the Council's Code of Governance

As above, the Council's Code of Corporate Governance is made up of the arrangements that the Council has in place to deliver the requirements of each principle of the Framework. The Code is not a document, it is the sum-total of all these systems and processes, culture and values and structures by which the Council is directed and controlled.

In preparing this Annual Governance Statement the Council has:

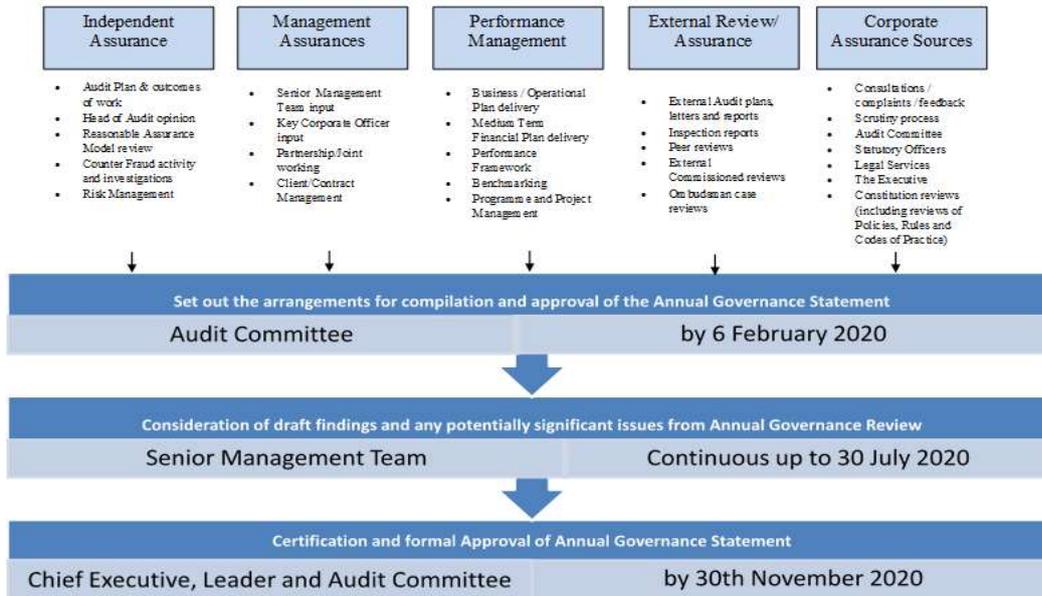
- reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance;
- thereby assessed the effectiveness of the Council's Local Code of Corporate Governance.
- Taken into consideration the findings of external inspection agencies and the Chief Audit Executive's formal opinion on the internal control framework.

The remainder of this document sets out some key aspects of how the Council's has complied with the principles set out in the Framework during 2019/20 however it is not intended to be exhaustive.

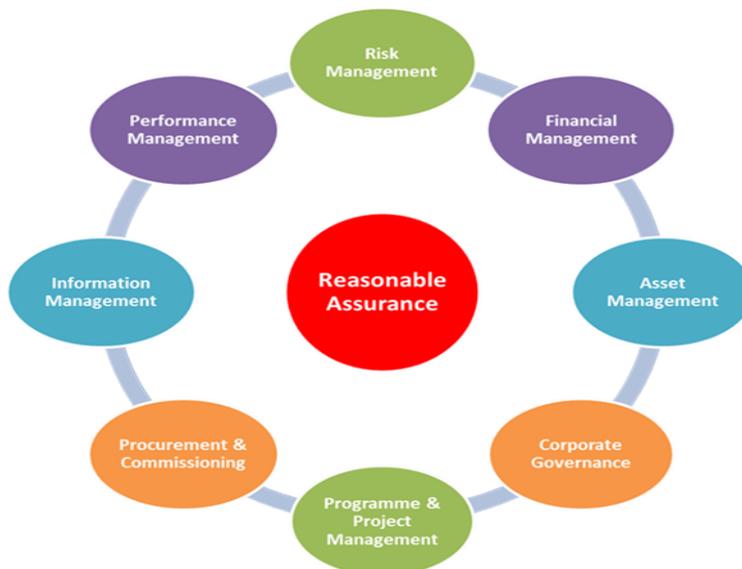
ANNUAL GOVERNANCE STATEMENT 2019/20

4. REVIEW OF GOVERNANCE FRAMEWORK

Throughout the year the Council will review the effectiveness of its governance framework. The methodology is recorded below.



A key component of the review is using the adopted 'Reasonable Assurance Model' to assess the level of Assurance in place over eight themes.



Each Theme has a set of questions and the answers to these questions help assess the level of assurance and the level of risk for each theme. The Reasonable Assurance Model informs the Internal Audit Annual Plan and also enables an assessment of compliance with the seven principles of good governance as recorded in the Council's Local Code of Corporate Governance.

This Local Code was adopted by the Council at its meeting of 10th May 2018 and a copy of the Code is accessible through the Council's website at:

<http://www.bathnes.gov.uk/content/bathnes-local-code-corporate-governance>

An explanation – but not exhaustive list - is now provided on how the authority has complied with its Local Code – the seven principles of good governance.

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5. PRINCIPLES OF OUR GOVERNANCE FRAMEWORK

i. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

Behaving with integrity

Bath & North East Somerset Council has both a Members Code of Conduct and an Employees Code of Conduct which the respective individuals are required to adhere to in their respective roles. The Members Code is recorded within the Council's Constitution (Part 6). The Employees Code of Conduct is accessible through the Council's intranet (HR + Payroll / HR Policies) and updates were planned during 2019/20 into 2020/21.

All members of the Council are obliged to sign an "acceptance of office" and following election to office they have a full induction and training programme, including the Members Code of Conduct. Dependent on the roles allocated to members additional tailored training is provided. The Council's Monitoring Officer is overall responsible for member induction and support services for elected members. Part 4 of the Constitution records the 'Procedural Rules' of the Council.

Officers sign contracts of employment and are required to complete a probationary period of employment as standard. All relevant HR policies are in place and made available from the Council Information Service (intranet). These include a formal disciplinary procedure, a Whistleblowing Policy, Information Governance Policies, Counter Fraud Strategy bringing together the Council's Anti-Fraud and Corruption Policy, Anti-Bribery Policy and Money Laundering Policy under one umbrella. We maintain electronic registers of interests and gifts & hospitality for staff. Members are required to declare interests and this and the Councillors attendance record and declarations at meetings are recorded against their individual Councillors page accessible through the Council's internet webpages.

Demonstrating strong commitment to ethical values

Bath & North East Somerset Council maintain a Standards Committee which under the Constitution (Part 5) records the Committee's Terms of Reference. The Terms of Reference includes:

- Promote and maintain high standards of conduct by Councillors; Parish Councillors; co-opted members and church and parent governor representatives;
- Oversee the effectiveness of the Council's Constitutional arrangements from an ethical perspective and make recommendations to the Council on any desirable or necessary changes.

The Committee is scheduled to meet every two months (if required) and reports to Council at least annually. The last annual report was submitted to the 10th October 2019 Council Meeting. It recorded that the 12 members (5 B&NES Councillors, 3 Parish Councillors and 3 independents) and Independent Person met on five occasions between July 2018 and July 2019 to fulfil its role and responsibilities. Membership of the Committee changed in May 2019 based on Council elections. At each meeting the Committee monitored its Work Plan and noted the current position of complaints using the Complaints Tracker. A single complaint was heard by the Committee during the period reported. The Committee also reviewed the "Local Government Ethical Standards" (a review by the Committee on Standards in Public Life) and it noted that the Council was already complying with best practice however an advice note for Councillors on bullying and harassment was agreed to be recommended to Council. The Committee also considered the Annual Report on Commission for Local Administration in England (Local Government and Social Care Ombudsman) Complaints; updated the Council's Policy for Gifts & Hospitality for Councillors; agreed a Protocol between the Council and Avon & Somerset Constabulary; produced the Annual Report of the Standards Committee; reviewed the Council's Code of Conduct and agreed the Councillor role profiles.

The Code of Conduct for Members and Co-opted Members makes specific reference to the need to adhere to seven principles of public life (the Nolan principles).

All formal meetings of the Council (i.e. Committees) require declarations of interest from Members of those Committees as a standing item and meetings are minuted / recorded. There is also a member complaint policy which is overseen and administered by the Council's Monitoring Officer.

Respecting the rule of law

The Council's Constitution sets out the legal requirements around Council business including decision making. Guidance is available on both the Council's Information Service (Intranet) and public accessible website (Internet) to guide Officers in ensuring that Decisions are taken by the appropriate committee, Member or Officer under the Scheme of Delegation (Part 3 of the Constitution). The Constitution is reviewed by a Constitution Working Group and amendments are reported to Full Council to ensure it remains fit for purpose and is legally compliant.

All reports requiring decision must be cleared by the Council's S151 and Monitoring Officers. The adopted report template requires the author to record 'Statutory considerations and basis for the proposal' and this section should contain details of any relevant considerations regarding equalities, crime & disorder, sustainability, natural environment, planning, human rights, children, public health & inequalities. It should also specify the legal power or duty that authorises the decision to be made. Specific Report Writing guidance is available to Officers to provide clarification of actions required.

All Council contracts must comply with the Council's Contract Standing Orders and guidance from specialist procurement and legal Officers is available in order to comply with legal requirements e.g. EU Procurement regulations.

Additional guidance is available to Members and Officers to ensure compliance with other legislation including:

- Proceeds of Crime Act 2002 (e.g. Anti-Money Laundering Policy 2019)
- Bribery Act 2010 (e.g. Anti-Bribery Policy 2019)

The Council also considers Motions submitted by political groups / Councillors e.g. 15th Sept 2016 motion against modern slavery linked to the Modern Slavery Act 2015.

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ii. Ensuring openness and comprehensive stakeholder engagement

Openness and engaging with individual citizens and service users effectively

The Constitution outlines the Citizens rights to access information (Part 2 – Article 3 Citizens and the Council) in addition Part 4 – Procedural Rules record the access to information procedure rules (Part 4B). It details: rights to attend meetings; notice of meetings being held; access to agendas and reports; provision of agenda and report copies; access to meeting minutes; and rules around the exclusion of access by the public to meetings.

Key decisions are all recorded and accessible to the public and the templates for decisions require officers to provide all necessary and pertinent information to make an informed decision. The Cabinet forward plan of business is published in advance in accordance with access to information requirements.

To help ensure decision making rules are followed an intranet page provides officers with information about the stages to be followed for single member, Cabinet, Officer and urgent decisions.

The Council's website contains information about services and provides easy access key links such as 'Cabinet Decisions'.

We monitor compliance with the Department for Communities and Local Government Transparency Code and the Transparency page on the internet provides the links to access business operations and outcomes (such as payments to suppliers / expenditure over £500) as required by the Code.

We are very open with our communications and digital communication channels are used including a library of webcasts e.g. Council and Cabinet meetings. The Council and its services use Social Media such as Twitter, Facebook, and Instagram. A weekly e-connect newsletter is accessible and in addition to digital communications the Council produces a quarterly residents magazine called 'Together'. Staff also receive a weekly communications e-mail.

Engaging Comprehensively with Institutional Stakeholders

Our strategic partnership landscape has changed significantly with CCG integration, development of the West of England Combined Authority and an Area Forum structure established to help engage with local communities. There are 6 Area Forums and these are made up of Bath & North East Somerset elected members, parish councils, local groups and residents. The Forums set their own priorities based on an understanding of local needs.

The Parish Charter provides a framework between the Council and the 51 parishes across the area for working together. We have a common purpose to promote the wellbeing of B&NES, and we serve the same residents. The Council consults with parishes on matters which affect their area and residents.

The Council has consultation webpages which records current, future and closed consultations plus a consultation results section. Some of the key consultation / engagement work carried out over the last year include:

- Entry Hill Golf Course
- Milsom Street Feedback

Partnership working with our health and West of England partners is of critical importance in both service delivery and in shared financial efficiencies. NHS England has challenged the health and care system to develop a Sustainability and Transformation Plan (STP) and the Council has been fully engaged in the STP development process. The Clinical Commissioning Group (CCG) and B&NES Council are joining their commissioning functions and continuing to pool budgets. The Health & Wellbeing Board is responsible for preparing a Joint Health and Wellbeing Strategy and reviewing and reporting on health and social care commissioning. The Council and CCG are represented on the Board.

Following the transfer of functions to the West of England Combined Authority (WECA) on 1st February 2017 the Authority represents Bath and North East Somerset Council, Bristol City Council and South Gloucestershire Council. A Joint Committee, Overview & Scrutiny Committee and an Audit Committee assist in the good governance of the Combined Authority.

iii. Defining outcomes in terms of sustainable, economic, social and environmental benefits

Defining outcomes

At the 25th February 2020 Council Meeting, Bath & North East Somerset Council adopted the Corporate Strategy 2020-24 and the Corporate Delivery Programme. The framework of the new Strategy has a single overriding purpose – to improve people's lives.

Against each of the three recorded principles, there are key commitments and linked to the commitments examples of how progress will be measured.

The Council Corporate Strategy Framework recognises "Managing our Money" through the Medium-Term Financial Strategy and there is much more emphasis on 'Performance Management and Review'. The importance of excellence in resource management and sound governance is fundamental to achieving its purpose and the stated commitments.

Sustainable economic, social and environmental benefits

The Capital Programme 2019/20 to 2023/24 includes investments that provide economic, social and environmental benefits including: Bath Quays development; Bath Western Riverside development, Highways maintenance; Leisure Centre refurbishment and modernisation; and schools works.

The Council's wholly owned property investment company, Aqueus Development Ltd (ADL) and its subsidiary company ACL, develop, deliver, own and manage property as well as delivering new development. The Council also maintains Bath Tourism Plus (BTP) as a company limited by guarantee and its objective is to promote the area as a destination at home and abroad to benefit the local economy.

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iv. Determining the interventions necessary to optimize the achievement of the intended outcomes

Determining interventions

As stated earlier in the Statement the Council's decision-making processes are set by its Constitution and citizens and service users are consulted where appropriate prior to decisions being taken.

The decision-making process requires objective and rigorous analysis of options and associated risks. A Risk Management Strategy and Toolkit has been adopted and this provides guidance on the assessment of risks related to recommended actions / decisions.

The Monitoring and S151 Officers are consulted on all decision-making reports and they are able to provide their professional opinion on the matter being reported and actions / decisions to be taken.

Planning interventions

The Council's Forward Plans set out clearly the forthcoming business that will be taken to the relevant decision-making committees and by key officers and members. This includes dates of Cabinet meetings and anticipated dates for Single Member Decisions. The Council conforms to all legislation and best practice in publishing such plans in advance of meetings etc.

Optimising achievement of intended outcomes

The Medium-Term Financial Strategy (MTFS) outlines how the Council's budget will be delivered over the medium to long-term. The MTFS for B&NES spans two years with a further three added to show the likely longer-term picture.

Linked to the MTFS and the annual budget process the Council's S151 Officer is required to make a statutory statement (Section 25 of the Local Government Act 2003) on the robustness of estimates and adequacy of reserves for the budget year and Financial Plan. The Directors review and completion of Robustness Statements and other financial management processes including the provision of qualified and experienced financial staff to support service areas.

The 5 year period Capital Programme includes a number of economic projects including Bath Quays designed to increase opportunity and prosperity.

v. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Developing the entity's capacity

The financial challenge and the on-going need to seek budgetary savings are having a direct effect of the Council's ability to maintain and develop its capacity. Service areas including libraries and youth are proactively looking for volunteers to help with non-statutory service provision.

Developing the capability of the entity's leadership and other individuals

Following the May 2019 elections, a full member induction programme was provided to allow all members but particularly new ones to understand how the Council works and the key services it provides. In addition to this specific induction training members are provided training specifically related to their roles and responsibilities.

For Council managers 'Leading and Managing Together' sessions are held periodically to provide a networking and communication forum.

The Council has developed a 'Performance Development Conversation' process with guidance and templates with the objective of improving communication and the performance of staff. It is linked to the Council's Values and Behaviours.

vi. Managing risks and performance through robust internal control and strong public financial management

Managing Risk

The Council has adopted a Risk Management Strategy and Toolkit which was endorsed by the Bath & North East Somerset Council's Cabinet Member, the Council's Chief Executive and the Corporate Audit Committee (7th February 2019). The Strategy document records key activities and frequency and the toolkit provides detailed guidance on risk management processes.

The Council continues to raise awareness of the importance of good risk management and embed the adopted processes. Directors give on-going assurance to the Chief Executive regarding the management of risks within their area of service delivery. Risk management objectives are monitored through the Corporate Audit Committee in line with its terms of reference to evaluate the effectiveness of the risk management strategy and framework.

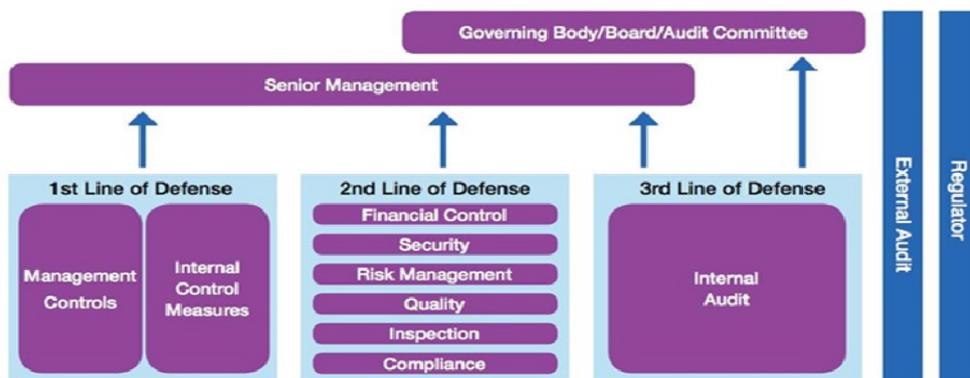
Managing Performance

Performance Management has been overhauled and is aligned with the Corporate Strategy 2020-24 and the Corporate Delivery Programme, Quarterly performance information and business intelligence is now being recorded and fed back to Senior Management to enable clear oversight, accountability and action.

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Robust Internal Control

The Council's system of internal controls is managed and monitored through the 3 lines of defence and the External Auditor and other Inspectors.



The review and monitoring of internal controls by Internal Audit and other 'independent' inspectors are subject to risk assessment to ensure that resources are focussed on reviewing the controls associated with higher risk areas.

The Corporate Audit Committee Terms of Reference includes approving the Internal Audit Plan within the budget agreed by the Council and to monitor its delivery and effectiveness (including the implementation of audit recommendations). It has been agreed that in addition to receiving internal audit plan update reports which includes recording the assurance level allocated to all 'final' version internal audit reports, a more detailed explanation of findings (weaknesses and recommendations) and management response is provided to the Committee on any reports assessed as Assurance Levels 1 (Poor) or 2 (Weak). The opinion linked to Assurance Level 2 is 'The systems of internal controls are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the risk exposure.'

The Council's Financial Regulations require Members and staff to inform the Chief Finance Officer and / or the 'Chief Audit Executive' immediately of any suspected financial irregularity. This enables the Internal Audit function to investigate all reported cases promptly to ensure the integrity of the system of internal control and to deal with the particular issues related to the matter reported.

Managing Data

Bath and North East Somerset Council supports the objectives of increasing openness, accountability and transparency in the public sector.

Since the introduction of the Freedom of Information Act in January 2005, the Council has been committed to a proactive approach regarding access to information.

On the 25th of May 2018, Parliament enacted the Data Protection Act 2018 which is built on the European General Data Protection Regulations (GDPR).

The Council is responsible for a wide range of local functions that affect the everyday lives of residents. Information held by the Council is therefore of great relevance and interest to the public. A list of the information regularly made available by the Council to the public can be found in the Council's Publication Scheme.

Members of the public can submit a subject access request or a Freedom of Information request through the public website (submission of an electronic form) or by writing to the Council.

Members and staff can access guidance and training through the Council's Information Service. There is a comprehensive framework of Information Governance Policy that includes: Data Protection, Acceptable Use, Information Security, Information Sharing, and Security Incident Management Policy.

Information Sharing Agreements with public sector partners to ensure the effective and efficient secure sharing of information. When data is processed by a private sector body contracts include the relevant data protection, confidentiality and FOI clauses.

Strong public financial management

The role of Chief Financial Officer (S151 Officer) was carried out by Donna Parham to the beginning of March 2020 when the position was then taken over by Andy Rothery. A meeting of Full Council on 16th December 2019 appointed the new Director of Finance and S151 Officer, based on a recommendation from the Restructuring Implementation Committee.

Both Officers confirmed that the principles outlined in the CIPFA Statement on the Role of the Chief Financial Officer (s151 Officer) in Local Government have been compiled with in performing their duties. They were members of Directors Group Plus which were replaced by Strategic Leadership Team and Corporate Management Team following changes to the management structure made by the Council's new Chief Executive. Membership of these groups ensures the Director of Finance can develop and implement strategic objectives and influence material business decisions. The Director of Finance is a CIPFA qualified accountant and the Finance Service has suitably qualified and experienced personnel in all senior positions.

All decision papers for Committees, Cabinet member or Officer delegated decisions require S151 financial sign-off before the decision can be taken.

Financial updates are regularly reported to Cabinet and the Corporate Policy Development and Scrutiny Panel and this includes budget monitoring and outturn reports.

The latest version of the Council Financial Regulations and Budget Scheme was approved on the 13th September 2018.

The Council's Statement of Accounts 2018/19 were presented to the 30th July 2019 meeting of Corporate Audit Committee and approved. The Council's external auditor reported to the same meeting to provide an opinion on the Council's Financial Statements and a Value for Money conclusion. The minutes of the meeting recorded that the external auditor was satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Budget and Council Tax 2020/21 and Financial Outlook Report was taken to Council on the 25th February 2020 by the Director of Finance. The Budget Report is a formal report and is part of a continuum of professional advice and detailed work carried out with Directors, Senior Managers and their teams and Members. It takes into account the forecast out-turn for 2019/20 and estimates for 2020/21. Director's produce Robustness Statements outlining savings and delivery risks which are incorporated into a corporate wide assessment. The review of reserves resulted in the proposal to increase un-earmarked reserves. The Chief Financial Officer concluded that the estimates for 2020/21 were robust and the budget was lawful.

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Vii Implementing good practices in transparency, reporting and audit, to deliver accountability

Implementing good practice in transparency

Transparency is a key condition and driver for the delivery of Council services. As a publicly funded organisation, we have a duty to our residents to be transparent about our business operations and outcomes and we have a transparency webpage.

Committee meetings and reports are easily accessible through the Council's website.

Implementing good practices in reporting

Reporting is required to assist the Council's decision-making process. The constitution requires decisions to be taken by an appropriate committee, Cabinet Member or officer and requires 'sign-off' by the Council's S151 and Monitoring Officers.

Officers write reports to assist understanding of the matter / issues and provide clarity what is being asked of the recipient of the report including recommended actions.

The annual governance review which has been carried out to produce this statement requires a robust methodology to be followed to enable a statement to be published within the statutory statement of accounts.

Assurance and effective accountability

The Corporate Audit Committee through its terms of reference monitors the implementation of both internal and external audit recommendations.

The Council has contracted with Virgin Care to provide community health and care services for children, young people and adults. A governance framework has been devised to monitor the Community Services Provision Contract and the related Service Development Improvement Plan (SDIP):

- 1) Community Services Steering Group - report to the Joint Commissioning Committee (Executive Group) and to the Health & Wellbeing Board.
- 2) Contract, Quality and Performance Meeting Group (CQPM) - provide a strategic/senior officer lead and a direct linkage to the Community Services Steering Group.
- 3) Financial Information Group - monitor the financial position and any budgetary issues.
- 4) The Transformation Group - produce a SDIP Performance Dashboard and report to CQPM on any delivery issues which need attention.

PROCESSES FOR MAINTENANCE AND REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The process for the Annual Governance Statement is a continuous process and Senior officers and Members consider emerging issues during the course of the year. This means that controls issues and risks can be addressed more quickly.

Publication of this Annual Governance Statement is the culmination of this work. The council's Chief Executive Officer signs the Statement as a summary of the effectiveness of the council's governance framework

OTHER CONTRIBUTORY REVIEW / ASSURANCE MECHANISMS

In evaluating the effectiveness of the council's governance, information is available from a wide range of sources. These include the Internal Audit Service, the Information Governance Group, the External Auditors, inspectorates such as the Care Quality Commission and directorates themselves.

Audit West in conjunction with Statutory Officers reviews the effectiveness of the governance framework during the year and the draft Annual Governance Statement. The Statement is signed by the Chief Executive and Leader of Council and formally reviewed by the Audit Committee as part of the Financial Statements.

Key risks have been kept under review during the year and will continue to form an ongoing focus for successful delivery of the Council's plans. Work to manage risk in 2019/20 has included –

- Meeting the Financial Challenge & Delivery of Savings
- Tackling the Climate Emergency and planning to meet future challenges
- Preparing for and meeting significant emergencies and business interruptions
- Supporting and stimulating Economic Growth and Regeneration through its economic plan
- Working across the West of England region to stimulate housing needs, skills and employment
- Managing and Investing in the key infrastructure and assets of the area and wider sub-region
- Safeguarding Children and Vulnerable Adults
- Delivering joined up commissioning of social care through the (Improved) Better Care Fund
- Supporting Council Services through an increase in its digital approach and effective use of IT
- Managing increased cyber security risks and protection of personal data

Chief Audit Executive - Internal Audit Opinion

In forming an opinion on the internal control framework, I have considered the work of the Audit & Assurance function as well as consideration of the wider governance framework, other assurances we can place reliance on and performance of the Council.

It is my opinion that up to March 2020 the Council's internal control framework and systems to manage risk had not altered significantly from the previous year.

- Reasonable assurance could be provided over the council's systems of internal control, helping to ensure corporate priorities can be achieved;
- Agreed policies, Financial Regulations and Contract Standing Orders were broadly being complied with;
- Managers throughout the council were aware of the importance of maintaining adequate and effective governance arrangements;
- Appropriate arrangements were operated to deter and detect fraud and investigations did not identify any systemic failures;
- There were no fundamental system failures or control breakdowns to business- critical functions;

There has been continuing pressure on council budgets and services and the Covid19 outbreak and the resulting lockdown will have an unprecedented impact on the Council's finances and its ways of working. A robust Internal Audit service will continue to be a vital component of the Council's governance systems providing the third and final line of defence in relation to the internal control framework.

Jeff Wring
Service Director – One West (Chief Audit Executive)

ANNUAL GOVERNANCE STATEMENT 2019/20

CONCLUSION & CERTIFICATION

As laid out in the statement the Council's governance arrangements have been reviewed and considered in line with the CIPFA/SOLACE code of practice. To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2019/20. Significant governance issues identified through the Annual Governance Review are recorded in Section 6b.

We propose to take actions to address the issues raised with the objective of enhancing the Council's governance arrangements. The issues and related actions will be monitored as part of the annual governance review process.

SIGNED BY:

DINE ROMERO

LEADER OF THE COUNCIL

WILL GODFREY

CHIEF EXECUTIVE

DATE: 26th November 2020

ANNUAL GOVERNANCE STATEMENT 2019/20

6 a) SIGNIFICANT GOVERNANCE ISSUES 2018/19

| Summary of Significant Issue for 2018/19 | Commentary & Mitigating actions for 2019/20 | Update Position at end of 2019/20 |
|--|---|---|
| <p>Financial Challenge</p> <p>The financial challenge to the Council continued to be severe, with public sector austerity and a range of economic challenges likely to last well beyond 2020.</p> <p>The Council had responded positively with over £70M of savings being delivered, however at least £12M of additional savings were still needed over 2019/20. Council was actively planning to meet this challenge with new savings initiatives for current and future years.</p> <p>Despite this the Council's financial sustainability was challenged and its outturn position for 2018/19 resulted in an overall overspend of almost £1M - overspends of £2.7M in Children's Services and £0.8M in Transport and Environment and reduced income of £0.9M from the Commercial Estate (worse position than 2017/18).</p> <p>Whilst again no significant governance failures had occurred, the Council acknowledge that the level of grant</p> <p>Whilst again no significant governance failures had occurred, the Council acknowledge that the level of grant reductions from central government was a significant issue and represent the most significant set of challenges it had faced in being able to continue to deliver excellent services to the whole community.</p> <p>Nationally the pressures in Social Care and Children's Services started to be recognised and some temporary funding provided. However, this does not close the gap and increased health and social care integration and service transformation continue to be necessary.</p> <p>This puts additional strain on being able to meet the challenge not just in Social Care and Children's Services but across all services and entails making difficult choices. We therefore need robust governance and sensible plans to enable services to deliver against these challenges.</p> | <p>As with previous years the Council set out many of its plans to deliver services into the future against the backdrop of significant financial reductions. Overseeing delivery against this agenda is a key role for the Cabinet and Senior Management and they will continue to be proactive in working to ensure that significant risks to the organisation are appropriately mitigated & controlled.</p> <p>For 2019/20 the total budget gap before savings is £8.9m, this is comprised of budget pressures brought forward from 2018/19, reviewed savings plans, budgets updated for inflation and demographics, the loss of Revenue Support Grant in 2019/20 but partially offset by business rates, tax base growth and other budget changes.</p> <p>The assessment of the plans to close the gap outlines a requirement for up to £1.5m of funds from the Financial Planning Reserve to smooth the delivery of savings in 2019/20 as they cannot all be delivered by the 1st April. It will also require a Revenue Budget Contingency sum of £2.0m to reflect the assessed level of risk associated with the scale of savings and further unknown pressures and demographics in 2019/20.</p> <p>In addition to this putting forward a balanced budget for 2019/20 continues to be dependent on the flexible use</p> <p>In addition to this putting forward a balanced budget for 2019/20 continues to be dependent on the flexible use of capital receipts to fund redundancies and once-off costs such as transformation to deliver the savings required.</p> <p>In high risk areas such as Adult Social Care and Children's Services the Government announced further grant distribution including £0.73m in 2019/20, for winter pressures grant funding to be pooled through the Better Care Fund. A further one-off grant of £1.247m was announced that can be utilised for pressures within Adult Social Care or Children's Services and will be used to fund Care placement pressures in 2019/20.</p> <p>The Better Care Fund ensures the integration of health and social care and to agree an integrated spending plan. Extra funding for adult social care was announced in the 2017 national budget with local allocations of one-off funding of £1.028m in 2019/20 and this funding is pre-committed to protect current Social Care spending levels.</p> <p>Many of the previous year's action also remain in place to control costs and continuing the stringent cost control mechanisms on staff costs, goods, works and services at an operational level whilst using the Corporate Plan and Medium Term Financial Plan to help focus services at a strategic level will remain a key role for Senior Management.</p> | <p>The Council's financial performance was reviewed, assessed and challenged by the Senior Management team on a monthly basis, together with the key risks and assumptions that were included within the medium-term financial plan.</p> <p>This resulted in a series of significant savings initiatives as outlined and at the end of the financial year revenue out-turn was recorded as £0.35m underspend (before carry-forward requests of £0.23m).</p> |

ANNUAL GOVERNANCE STATEMENT 2019/20

6 b). SIGNIFICANT GOVERNANCE ISSUES 2019/20

| Issue in 2019/20 | Commentary & Mitigating actions for 2020/21 |
|--|---|
| <p>Coronavirus Pandemic (Covid19)</p> <p>The Council has worked tirelessly to respond to this public health emergency since declaring a major incident on 23rd March. It has been supporting the community including vulnerable residents and local businesses whilst maintaining critical services from refuse collection to child-protection. Throughout we have been following Public Health England advice and guidance.</p> <p>The Coronavirus Act 2020 received Royal Assent on 25th March 2020 and this resulted in new, modified or suspended local government powers and duties. The provisions within the Act are time limited for two years.</p> <p>The lock down which commenced in March 2020, requiring residents to 'stay at home' impacted the provision of Council Services and the Council's democratic business.</p> <p>The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 provided guidance around the provision of online meetings and allowed decisions to be made that way. Under Article 15.4 (b) of the Council's Constitution, the Monitoring Officer processed a decision on 28th April 2020 to adopt the Virtual Meetings Procedure Rules (VMPPR). In addition, the Monitoring Officer amended the public speaking scheme in time for the 6th May 2020 Planning Committee.</p> <p>In addition to changes to the impact on Council democratic business Covid19 has:</p> <ul style="list-style-type: none"> • Significantly Impacted on service delivery – Major Services have closed, reduced or had to be provided in a different way with staff primarily working from home; • Created new areas of activity – emergency assistance e.g. PPE supply management, distribution of small business grants. • Resulted in significant funding and cash flow challenges <p>The most significant organisational implication of the lockdown is the impact on the Council's finances and in particular its sources of income. The Council is heavily reliant on commercial income obtained through Heritage Services, Car Parking and its Commercial Estate along with potential cashflow implications linked to the payment of Council Tax and NNDR.</p> <p>All of these issues have amounted to a significant and unprecedented situation facing the Council its Community and whilst this situation started in 2019/20 most of the impacts have occurred in the following financial year. It is however important these are noted for transparency as they are directly affecting current Council activity.</p> | <p>As at the time of writing this statement the Pandemic is still ongoing and its impacts are likely to be felt for many years and this commentary and set of actions is simply a position statement at a point in time as the situation remains extremely fluid on a whole range of issues.</p> <p>Since the start of the crisis the Council has responded extensively to meet the demands placed on it from the Pandemic. These have been extensively described in its report to Cabinet on 29th May and 2nd July in terms of how the Council is meeting the health crisis and keeping services running.</p> <p>Importantly it has moved beyond incident response to recovery mode and set up two key workstreams to bring its organisation and the wider community back to a new sense of normality and enable positive change and opportunity –</p> <p>Renewal Board –</p> <p>Its focus will be on adapting our approach to mitigate the impacts of the pandemic by</p> <ul style="list-style-type: none"> - Supporting Communities - Supporting Businesses & the Economy - Maintaining Council Services <p>This will consist of three main workstreams –</p> <ul style="list-style-type: none"> - Reopening & Renewing - Resilient Communities - Renewal Vision <p>Recovery Board –</p> <p>Its focus will be on delivering a future focussed organisation by</p> <ul style="list-style-type: none"> - Providing strategic leadership for all aspects of the Council's recovery; - Develop a new vision for how Council buildings and technology will support services post Covid-19; - Making the most of our workforce and available technology; - Ensuring Council services are future focussed, working at optimal efficiency and re-built on principles of good governance. <p>This work will consist of a number of interlinked workstreams, including –</p> <ul style="list-style-type: none"> - In-Year Financial Recovery - Resource Planning & Allocation - Preparing for the Future – Workplace & Workforce - Future Focussed Redesign - Effective Corporate Governance <p>Both of these activities have high level boards overseen by the Chief Executive and meet on a very regular basis. They will continue to work on their key activities throughout the rest of the year and final outcomes reported through to Cabinet.</p> |

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

The Council is required to:

- * Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Council has made the Director of Finance responsible for financial administration.
- * Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- * Approve the statement of accounts for the year.

Director of Finance responsibilities:

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing this Statement of Accounts, the Director of Finance has:

- * Selected suitable accounting policies and then applied them consistently
- * Made judgements which were reasonable and prudent
- * Complied with the local authority Code of Practice

The Director of Finance has also:

- * Kept proper and up to date accounting records.
- * Taken reasonable steps for the prevention and detection of fraud and other irregularities

Statement of the Director of Finance

I hereby certify that this statement of accounts presents a true and fair view of the financial position of the Council at the accounting date and the income and expenditure for the year ended 31 March 2020.

SIGNED:

Director of Finance (s.151 Officer)

DATE: 26th November 2020

Andy Rothery

Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee on 26th November 2020.

SIGNED:

Chair, Corporate Audit Committee

DATE: 26th November 2020

Councillor Mark Elliott

The Statement of Accounts were authorised for issue on 26th November 2020.

GLOSSARY OF TERMS

Accounting Policies

Rules and practices adopted by the Council that dictate how transactions and events are shown or costed.

Accruals

Income and expenditure are recognised as they are earned or incurred not as money is received or paid.

Actuary

An independent professional who advises on the position on the Pension Fund.

Actuarial Valuation

The Actuary reviews the assets and liabilities of the pension fund every three years.

Appropriation

The assignment of revenue for a specific purpose.

Balance Sheet

Statement of recorded assets and liabilities and other balances at the end of the accounting period.

Capital Charges

A charge made to service revenue accounts, for depreciation to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Expenditure on new fixed assets such as land and buildings or on enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

Capital Receipts

Income received from the disposal of land, buildings and other capital assets.

Collection Fund

A fund operated by the billing authority into which all receipts of Council tax and National Non-Domestic Rates (NNDR) are paid.

Contingent Liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or a present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Council Tax

A tax on domestic properties introduced 1st April 1993 to replace the community charge.

Creditors

Amounts owed by the Council for goods and services received on or before 31st March.

Debtors

Amounts owed to the Council for goods and services provided on or before 31st March.

Deferred Charges

Items for which expenditure is charged to capital, but there is no tangible asset.

Depreciation

The loss in value of an asset due to age, wear and tear, deterioration and obsolescence.

Earmarked Reserves

Amounts set aside for a specific purpose or a particular service or type of expenditure.

Fixed Assets

Tangible assets that result in benefits to the local authority and the services it provides for more than a year.

GLOSSARY OF TERMS

General Fund

The account that summarises the revenue costs of providing services that are met by the Council's demand on the Collection Fund, specific government grants and other income.

Gross Expenditure

Total expenditure before deducting income.

Infrastructure Assets

Fixed assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of assets.

Minimum Revenue Provision

The minimum amount the Council must charge to its revenue account to provide for repayment of debt.

National Non-Domestic Rates (NDR)

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

Net Expenditure

Gross expenditure less income.

Operating Lease

A lease under which the asset is not the property of the lessee.

Outturn

Actual income and expenditure for the financial year.

Precept

The charge made by one authority to another to finance its net expenditure.

Provision

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

Rateable Value

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

Reserves

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

Revenue Expenditure

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

Revenue Support Grant (RSG)

The main grant paid by central government to a local authority towards the cost of all its services.
The regular day-to-day running costs incurred in providing services.

Statement of Recommended Practice (SORP)

Recommendations on accounting practices issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) with which the Council must comply.

Support Services

Activities of a professional, technical and administrative nature, which are not local authority services in their own right, but support the front line service.

Trading Accounts

The profit and loss account of any trading organisation that needs to be disclosed separately in the Council's account.