

# North Somerset Council Financial Report

2014 - 2015





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# Explanatory Foreword



## **What is in the Financial Report?**

The Council publishes an annual Financial Report, incorporating the statement of accounts for the previous financial year (in this case 1 April 2014 to 31 March 2015), information about the governance of the Council and also details of the major influences on the Council's finances which affect how it spends its money both now and in the future.

Some areas included within the report are detailed and technical in nature however the aim of this summary is to explain the financial process and make it more accessible for all readers.

In recent years the Council has faced both economic and service pressures although it continues to be recognised for sound financial management and providing good value services. We remain committed to continuous improvement in all areas of our organisation and to drive forwards best practice and value for money for the services we deliver across North Somerset.

Updates on the Council's finances are provided throughout the year in the free magazine North Somerset Life ([www.n-somerset.gov.uk/nsl](http://www.n-somerset.gov.uk/nsl)). If you have any questions or would like more information please call our Financial Management Team on 01934 634619.

## **The small print**

The format of the Accounts follows best practice as defined in the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code") and incorporates the requirements of International Financial Reporting Standards.

The 2014/15 Code introduced new guidance in respect of accounting for local authority schools. This has required the Council to make changes to the previously published 2013/14 accounts, known as "retrospective restatement". Where these changes have been made, this is indicated with the word 'restated'. Full details of the changes are in Note 27, page 59.

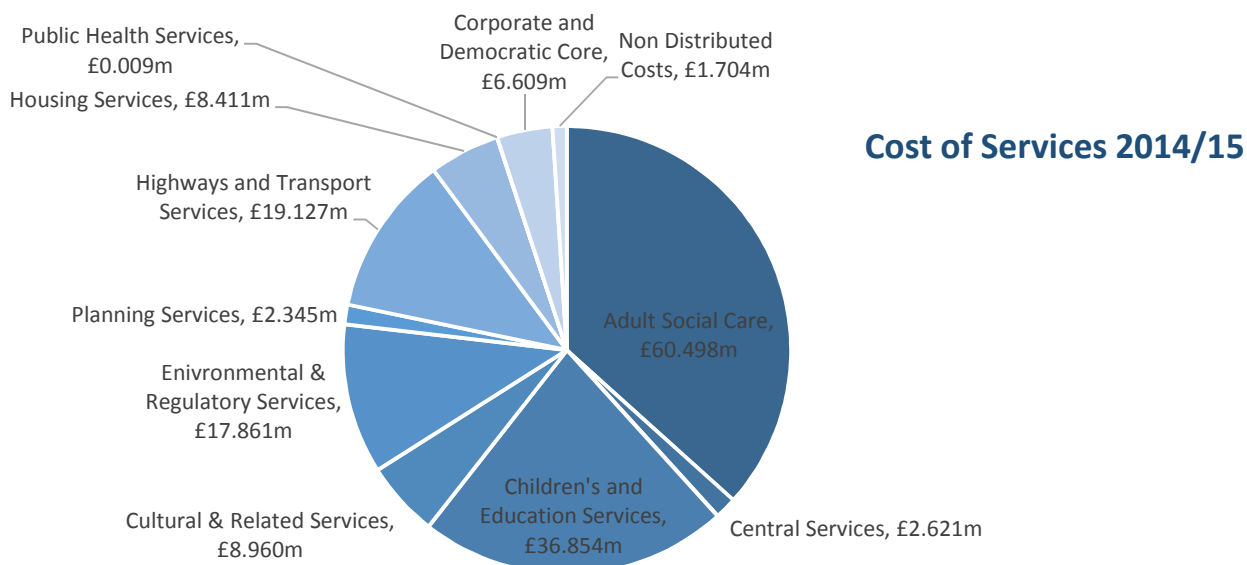
## **What do the main financial statements tell me?**

### **Comprehensive Income and Expenditure Statement (page 27)**

This Statement shows the cost of providing Council services during the year, adjusted to reflect required accounting transactions such as depreciation and impairment, in accordance with proper accounting practice.

The gross cost of providing these services in 2014/15 was over £421m, the Council received £256m of income meaning that the net cost of providing services in the year was £164.999m. The chart below shows a breakdown of which services this net cost relates to.

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The Council incurred £20.695m of other costs not associated with specific service areas, including items such as capital financing and interest payments, and in addition received £192.927m of income through local taxation and un-ringfenced government grants and capital contributions resulting in an operating surplus of £7.233m for the year.

The Comprehensive Income and Expenditure Statement also includes other accounting adjustments such as the movements in pension fund liabilities and the revaluations of non-current assets. The final position shows that the total cost of Council business in 2014/15 was £43.606m more than its income.

The most significant reason for the net cost is the movement in the re-measurement of pension fund assets and liabilities by the Actuary, which resulted in a deficit of £48.522m being charged at the year-end. Pension fund assets and liabilities are reviewed annually by Fund's actuary meaning that fluctuations can occur should any of their estimates and assumptions change during the year. A formal revaluation of the Fund is carried out every three years and this valuation is used to determine the Council's level of required contributions into the Fund, the next revaluation is due in March 2016.

Further detail on pensions are provided within Notes 28 and 29, starting on page 63.

## Balance Sheet (page 35)

The Balance Sheet is fundamental to understanding the financial position. It's a snapshot of the Council's business and finances and includes the following components.

- Assets – things which have a monetary value
- Liabilities – money owed by the Council.

The net assets (that is the assets less the liabilities) are matched by the Council's reserves.

The Balance Sheet shows that the value of long-term assets, which are those assets and investments that are not intended to be realised or turned into cash within one year, have increased by £23.850m compared to the previous year. The majority of this increase relates to an increase in long-term investments held by the Council at the end of the year.



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The value of current assets, which are those assets the Council has access to within one year, exceeds the value of current liabilities such as creditors by £33.119m and remains a healthy position.

The value of the Council's long-term liabilities, which are those sums due to be paid by the Council in future years, have increased by £58.802m compared to the previous year. This is a significant increase and has clearly impacted on the Council's overall financial position. The majority of this increase does not directly relate to any business decisions or activities of Council Members or officers in the past year, it largely relates to the level of the Council's pension liabilities referred to above.

## Cash Flow Statement (page 83)

The Council has a business turnover of approximately £421m. The timing of when we receive money in and pay money out is hugely complicated due to the numerous funding streams and complexities around payment for the multiple services that we deliver and contract for. The Cash Flow Statement shows how the Council generates and uses cash and cash equivalents during the year, cash equivalents being assets that are readily convertible into cash.

It covers the Council's investment and financing activities and also amounts held in bank current accounts.

The Statement shows that at the end of March 2015 the Council had cash and cash equivalent balances of £1.186m, which is a decrease of £5.745m compared to the balances held at the start of the financial year.

## Collection Fund (page 87)

The Collection Fund shows the collecting of council tax and business rate income and also the relevant distributions back to the major precepting bodies.

The precepting bodies for council tax are the Council, Avon and Somerset Police and Avon Fire and Rescue Service. The precepting bodies for business rates are the Council, Central Government and Avon Fire and Rescue Service.

Each year the Council calculates the surplus or deficit on the Collection Fund and this is also distributed proportionately between the relevant precepting bodies.

At the end of the year the Fund has a surplus balance in respect of **council tax** of £0.612m and a surplus in respect of **business rates** of £1.269m.

These sums are broadly in line with forecast projections made in February 2015, the Council's share of which were subsequently incorporated into the budget for 2015/16.

## Monitoring the budget

Whilst the Comprehensive Income and Expenditure Statement provides the statutory requirement for inclusion within its formal Accounts, the Council also records and reports on the operational revenue budget which is funded by local taxation and government grant and which excludes the accounting adjustments.

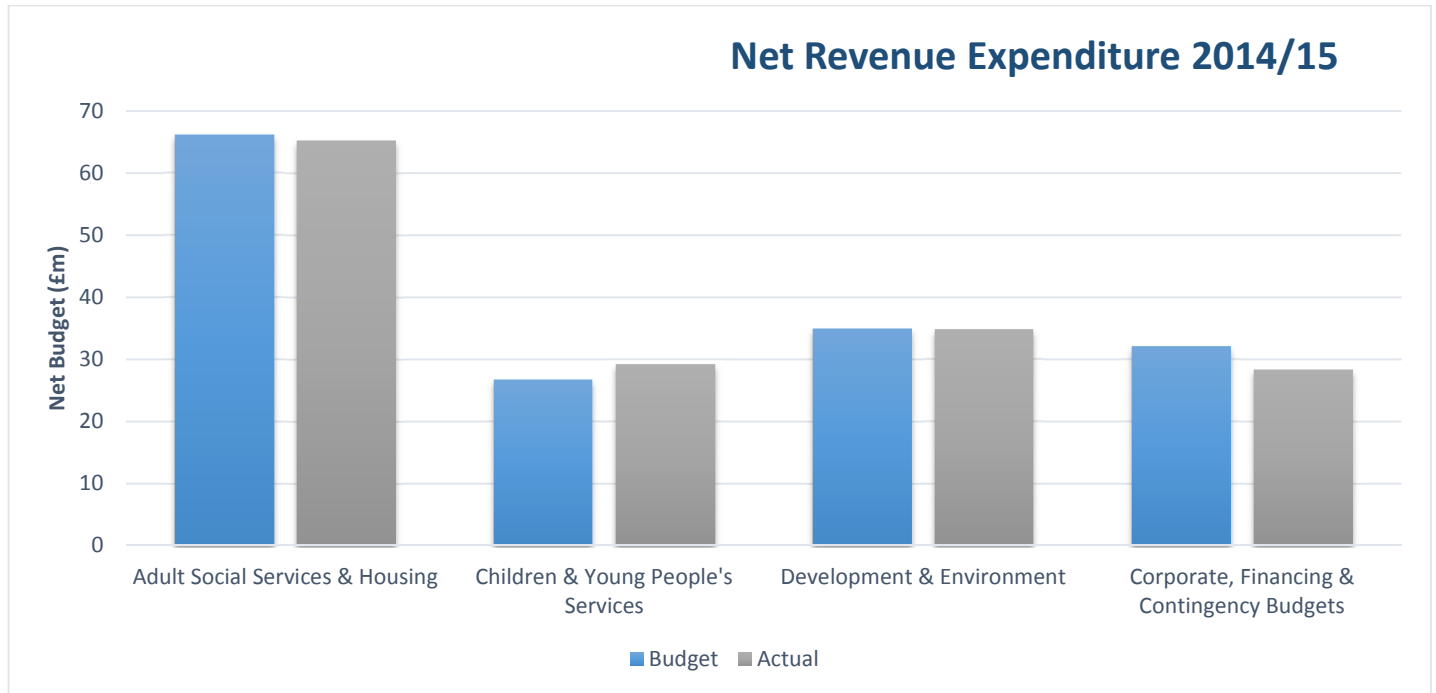
In accordance with good governance all aspects of the budget are monitored throughout the financial year, with reports being considered by the Council's Executive on a frequent basis. These reports can be found on the Council's website.

Overall, the Council's net budget for the 2014/15 financial year totalled £159.808m – this is made up of the cost of providing services less fees, charges and specific grants. At the end of the year the Council was underspent against its total revenue budget by £2.235m.

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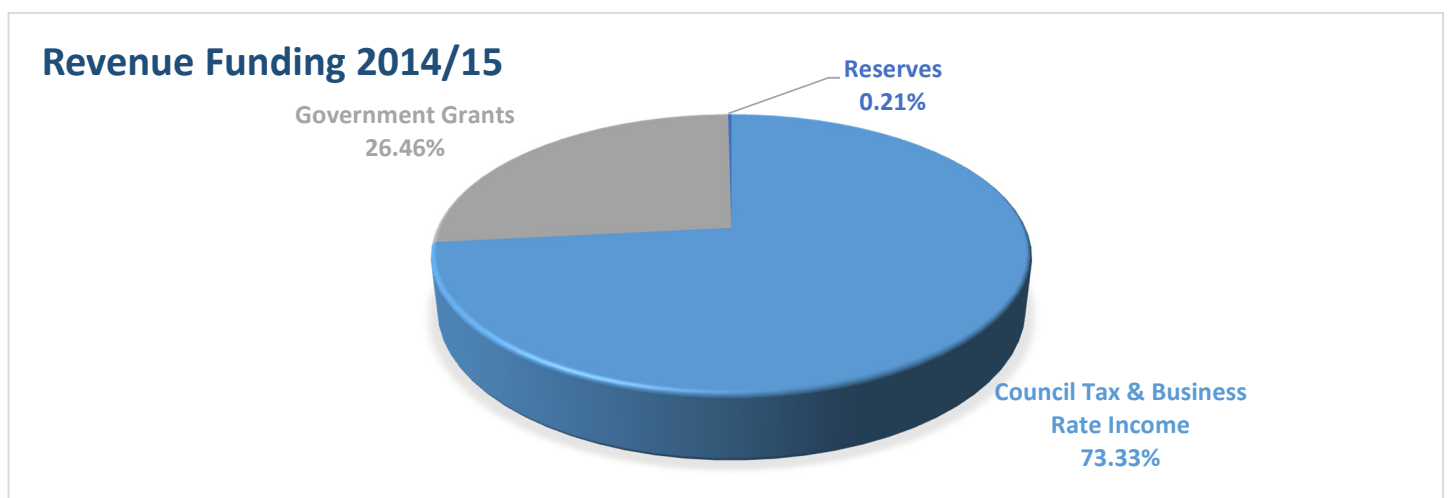


The table below shows the main service blocks which form part of the revenue budget, together with the out-turn position for each area. It can be seen that the Council faced cost pressures within the budgets for Children and Young People, largely as a result of a higher reliance on agency and temporary staff and also increased numbers of children looked after compared to the budgetary provision for the year. Although additional resources have been allocated to this service area within the 2015/16 revenue budget, the area will continue to be closely monitored as a key risk as other actions or measures may be required.



## Where does the money come from?

The Council's net budget is funded from two main sources, local tax collection and government grants. Total income for the year was £159.438m, which is £0.370m less than budgeted.





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The combined underspend against the revenue budget (i.e. £2.235m) and the short-fall in financing resources (i.e. £0.370m) in the previous year was £1.865m. The Council agreed to set-aside £1.837m of this sum in earmarked reserves for spending on future projects, leaving £0.028m to be transferred in to the General Fund to meet future day-to-day spending.

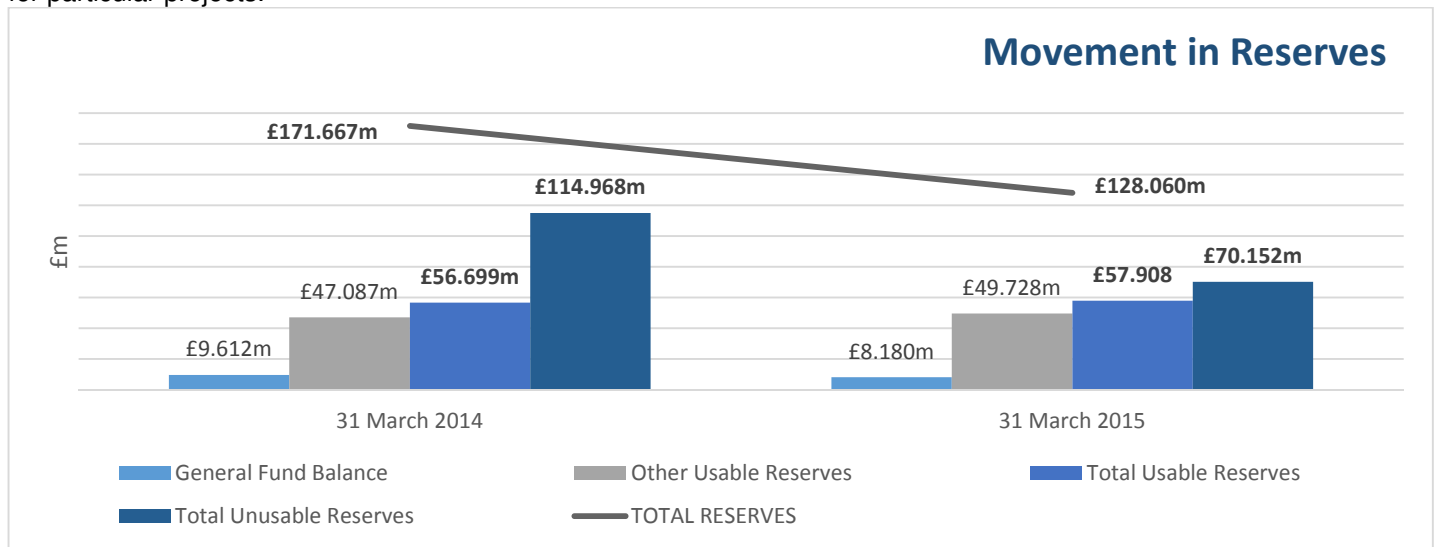
## Movement in Reserves Statement (page 13)

This Statement shows the total reserves held by the council at the end of the reporting period and also provides details of how the balances have changed since the end of the previous financial year. Reserves, which are often described as the Council's 'net worth', show the value of all of the council's assets minus any outstanding liabilities and are grouped into two main categories.

- Usable reserves - what monies the council can spend.
- Unusable reserves - technical accounting adjustments and funds that would only be available if assets were sold and liabilities fully discharged.

The (Surplus) / Deficit on the Provision of Services line shows the cost of providing council services for the year. For more details see the Comprehensive Income and Expenditure Statement on page 27.

The Net Increase / Decrease before Transfers to Earmarked Reserves shows how much of that cost that will be funded by Taxpayers and charged to the General Fund. Some of this may be offset by transfers to or from other reserves set aside for particular projects.



The total reserves held by the Council at the end of the year was £128.060m, which is a net reduction of £43.607m compared to the amount of reserves held at the end of the previous year. However, the most significant movements during this period relate to changes in 'unusable' reserves, these being the technical adjustment accounts operated by the Council rather than cash monies available to spend. Further details are provided in Note 3, starting on page 21.

The movement in the Council's usable reserves, i.e. the monies which it sets-aside and can spend on services in the future, was much lower. The chart shows that these have increased by £1.208m during the year to £57.908m. Further details are provided in Note 2, starting on page 17.

## Capital Expenditure and Financing

Capital expenditure is amounts paid to acquire or improve assets such as land or buildings, vehicles, equipment and roads which are expected to have a life or benefit of more than one year. During the year the Council spent over £46m on capital

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projects across all of its service areas including £28.932m on schemes delivered by Development and Environment and £10.390m on schools and educational facilities.

The total expenditure included the continuation of significant investment in the highways network in the form of the Local Transport Plan as well as highways improvements and major transport projects such as the South Bristol Link.

Capital expenditure is funded by receipts from the sale of assets, special reserves, grants and contributions or borrowing. At the end of the year the Council financed £35.292m of its total capital expenditure using resources associated with grants and contributions, £4.356m from capital receipts and reserves, £1.770m from direct revenue financing, £0.038m from leasing and £4.963m from borrowing.

As at 31 March 2015 the Council's long-term borrowing to finance capital expenditure increased by £7.560m to £119.049m. All of the new borrowing taken during the year was arranged with the Public Works Loan Board which offers preferential rates to local authorities.

## **Pension assets and liabilities**

The deficit recorded within the accounts relating to all pension funds is £222.546m as at 31 March 2015, which is a net increase of £52.195m from the opening balance deficit of £170.351m. This significant movement primarily relates to re-measurements within the Avon Pension Fund of over £48m which occurred during the year. Further details on pensions are provided within Notes 28 and 29, starting on page 63.

## **Overall situation and financial outlook**

Despite the Council's exemplary track record of delivering a balanced budget over the last few years, austerity within Local Government is set to remain for the foreseeable future. Having delivered over £61m of financial savings from 2010 to 2015, driving further efficiencies from the organisation becomes more and more challenging.

In February 2015 we set a three year Medium Term (Revenue) Financial Plan, (MTFP), which requires us to deliver £15m of further savings in 2015/16 to balance the books. At this stage, we still need to bring forward more proposals amounting to £4.9m to balance revenue budgets for 2016/17 and 2017/18.

To meet this challenging agenda we will continue to focus on major change within the organisation. Our transformation programme will modernise the way in which we work with a strong drive on the 'one council' approach, supported by flexible efficient technology, to enable us to deliver process and asset savings whilst improving outcomes for our residents.

Delivering a sustainable local income stream is fundamental to our future financial management strategy. Reliance on central government grant has reduced significantly in recent years and it is anticipated that by 2017/18, 89% of our revenue funding will be made up by the local income streams of Council Tax, New Homes Bonus and Business Rates.

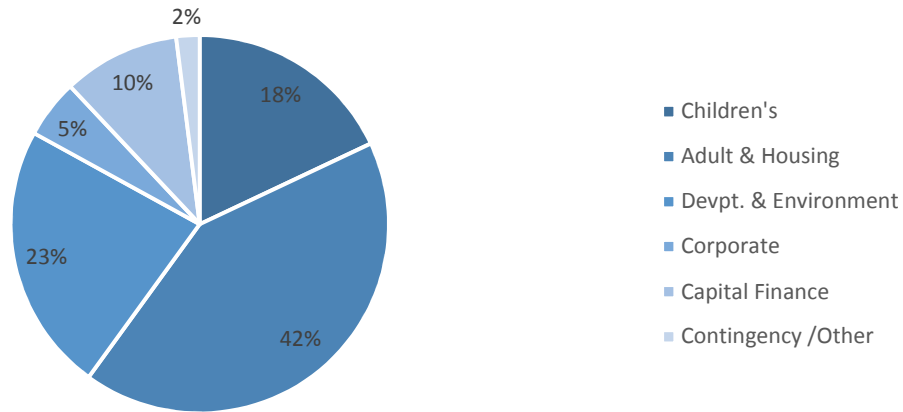
Focus on the MTFP to date has mainly been on revenue. For 2016/17 and beyond we will drive closer Integration of medium to long term capital investment across North Somerset alongside revenue budget setting. Investing and growing the area in a structured way will deliver greater inward business migration and housing delivery which, in turn, will attract on-going revenue.

Working in partnership across the West of England remains a key theme of our change agenda. Positive working relationships with Bath & North East Somerset, South Gloucestershire and Bristol will deliver major benefit through the City Region Deal process with significant infrastructure and large scale economic development projects across the wider region. We will continue to explore further opportunities for pragmatic partnership arrangements, building on the success of the recent delivery of internal audit, strategic procurement and payroll partnership delivery.

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### 2015/16 Net Revenue Budget



In terms of managing our costs, greater focus will be placed on managing our growth projections for the service led demand pressures of adult and children social care. As can be seen above, 60% of our entire net revenue budget is spent across adults and children.

Finance will work in close partnership with service management to develop greater intelligence and understanding of forecasted future year social care costs ensuring that there is a viable, affordable business model in place which matches anticipated demand with available resources. Integration of social care and health delivery, with associated pooled budget arrangements, will also receive a greater focus to ensure that value for money is delivered across public sector organisations through delivering joined up community based services.

North Somerset Council has a strong financial management track record and reasonable financial balances in place to address the challenging times ahead. However, we continue to live within an uncertain financial climate with annual resource setting and risks of reactive, in-year budget cuts. For example the recent, (June 2015), announcement of a 7% reduction in Public Health grant funding (a real term cut of circa £0.550m for North Somerset). Maintaining a professional, fully integrated financial business model over a rolling three to five year period will be essential to ensure that we continue to prioritise resources, drive value for money and continue to provide excellent front line services to our residents.

**Malcolm Coe**  
**Head of Finance and Property**  
**June 2015**



# Statement of Responsibilities



## North Somerset Council's Responsibilities

North Somerset 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. In this Authority, that officer is the Head of Finance and Property.
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- approve the Statement of Accounts.

## The Head of Finance and Property's Responsibilities

The Head of Finance and Property is responsible for the preparation of the Council's Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code") which requires the Council to certify a 'true and fair view' of the financial position of the authority and its income and expenditure for the year ended 31 March 2015.

In preparing this Statement of Accounts, the Head of Finance and Property has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

The Head of Finance and Property has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps to prevent and detect fraud and other irregularities.

## CERTIFICATE

I hereby certify that the following Statement of Accounts gives a true and fair view of the financial position of North Somerset Council as at 31 March 2015 and hereby authorise the issue of the accounts.

**Malcolm Coe CPFA**  
Head of Finance and Property  
29 September 2015

**Cllr Charles Cave**  
Chairman of the Council  
29 September 2015





# Movement in Reserves Statement



	Note	Usable Reserves								Unusable Reserves			TOTAL RESERVES £000	
		General Fund Balance £000	LMS School Balances £000	Dedicated Schools Grant £000	Other Schools Balances £000	Earmarked Revenue Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Revaluation Balances £000	Adjustment Accounts £000		Total Unusable Reserves £000
<b>Balance at 31 March 2014 - Restated</b>		(9,612)	(4,972)	(1,080)	(842)	(31,245)	(1,278)	(5,315)	(2,355)	(56,699)	(120,332)	5,364	(114,968)	(171,667)
<b>Movements in Reserves 2014/15</b>														
(Surplus) / deficit on Provision of Services		(7,233)	0	0	0	0	0	0	0	(7,233)	0	0	0	(7,233)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	0	2,317	48,522	50,839	50,839
<b>Total Comprehensive Income and Expenditure</b>	<i>CIES</i>	<b>(7,233)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(7,233)</b>	<b>2,317</b>	<b>48,522</b>	<b>50,839</b>	<b>43,606</b>
Adjustments between accounting basis & funding basis under regulations	1	8,302	0	0	0	0	0	(2,237)	(43)	6,022	5,963	(11,986)	(6,023)	(1)
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>		<b>1,069</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,237)</b>	<b>(43)</b>	<b>(1,211)</b>	<b>8,280</b>	<b>36,536</b>	<b>44,816</b>	<b>43,605</b>
Transfers (to) / from Earmarked Reserves		363	(690)	892	(81)	283	(765)	0	0	2	0	0	0	2
<b>(Increase) / Decrease in 2014/15</b>		<b>1,432</b>	<b>(690)</b>	<b>892</b>	<b>(81)</b>	<b>283</b>	<b>(765)</b>	<b>(2,237)</b>	<b>(43)</b>	<b>(1,209)</b>	<b>8,280</b>	<b>36,536</b>	<b>44,816</b>	<b>43,607</b>
<b>Balance at 31 March 2015 - carried forward</b>	2 / 3	<b>(8,180)</b>	<b>(5,662)</b>	<b>(188)</b>	<b>(923)</b>	<b>(30,962)</b>	<b>(2,043)</b>	<b>(7,552)</b>	<b>(2,398)</b>	<b>(57,908)</b>	<b>(112,052)</b>	<b>41,900</b>	<b>(70,152)</b>	<b>(128,060)</b>

# Movement in Reserves Statement



	Note	Usable Reserves									Unusable Reserves			TOTAL RESERVES £000
		General Fund Balance £000	LMS School Balances £000	Dedicated Schools Grant £000	Other Schools Balances £000	Earmarked Revenue Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Revaluation Balances £000	Adjustment Accounts £000	Total Unusable Reserves £000	
<b>Balance at 31 March 2013 - Restated</b>		(8,683)	(4,782)	(1,111)	(915)	(26,324)	(549)	(2,511)	(1,459)	(46,334)	(128,579)	54,396	(74,183)	(120,517)
<b>Movements in Reserves 2013/14</b>														
(Surplus) / deficit on Provision of Services		(1,506)	0	0	0	0	0	0	0	(1,506)	0	0	0	(1,506)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	0	(444)	(49,201)	(49,645)	(49,645)
<b>Total Comprehensive Income and Expenditure</b>	<i>CIES</i>	<b>(1,506)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,506)</b>	<b>(444)</b>	<b>(49,201)</b>	<b>(49,645)</b>	<b>(51,151)</b>
Adjustments between accounting basis & funding basis under regulations	1	(5,160)	0	0	0	0	0	(2,804)	(896)	(8,860)	8,691	169	8,860	0
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>		<b>(6,666)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,804)</b>	<b>(896)</b>	<b>(10,366)</b>	<b>8,247</b>	<b>(49,032)</b>	<b>(40,785)</b>	<b>(51,151)</b>
Transfers (to) / from Earmarked Reserves		5,737	(190)	31	73	(4,921)	(729)	0	0	1	0	0	0	1
<b>(Increase) / Decrease in 2013/14</b>		<b>(929)</b>	<b>(190)</b>	<b>31</b>	<b>73</b>	<b>(4,921)</b>	<b>(729)</b>	<b>(2,804)</b>	<b>(896)</b>	<b>(10,365)</b>	<b>8,247</b>	<b>(49,032)</b>	<b>(40,785)</b>	<b>(51,150)</b>
<b>Balance at 31 March 2014</b>	2 / 3	<b>(9,612)</b>	<b>(4,972)</b>	<b>(1,080)</b>	<b>(842)</b>	<b>(31,245)</b>	<b>(1,278)</b>	<b>(5,315)</b>	<b>(2,355)</b>	<b>(56,699)</b>	<b>(120,332)</b>	<b>5,364</b>	<b>(114,968)</b>	<b>(171,667)</b>

The figures shown above have been restated in respect of a change in accounting policy regarding accounting for Schools. Details of the restatement can be found in Note 27, starting on page 59.

# Notes to the Movement in Reserves Statement



## 1. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments made in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2014/2015 ADJUSTMENTS	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(21,007)	0	0	21,007
Revaluation losses on Property, Plant and Equipment	(6,604)	0	0	6,604
Movements in the fair value of Investment Properties	(398)	0	0	398
Capital grants and contributions applied	34,491	0	0	(34,491)
Revenue expenditure funded from capital under statute	(2,827)	0	0	2,827
Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(9,567)	0	0	9,567
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for repayment of debt	7,787	0	0	(7,787)
Capital expenditure charged against General Fund Balances	2,944	0	0	(2,944)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	672	0	(672)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	629	(629)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5,572	(5,572)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	3,353	0	(3,353)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(15)	15	0	0
Transfer from Deferred Capital Receipts Reserve on receipt of cash	0	(20)	0	20
Other Adjustments				
Write down of long term debtor on receipt of loan principal	0	(13)	0	13
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	31	0	0	(31)
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(18,841)	0	0	18,841
Employer's pension contributions and direct payments to pensioners payable in the year	15,168	0	0	(15,168)
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amount by which Collection Fund income debited to the Comprehensive Income and Expenditure Statement is different from Collection Fund income calculated for the year in accordance with statutory requirement	888	0	0	(888)
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	8	0	0	(8)
<b>TOTAL ADJUSTMENTS</b>	<b>8,302</b>	<b>(2,237)</b>	<b>(43)</b>	<b>(6,022)</b>

# Notes to the Movement in Reserves Statement



2013/2014 ADJUSTMENTS - Restated	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(22,220)	0	0	22,220
Revaluation losses on Property, Plant and Equipment	(4,021)	0	0	4,021
Movements in the fair value of Investment Properties	1,083	0	0	(1,083)
Capital grants and contributions applied	25,557	0	0	(25,557)
Revenue expenditure funded from capital under statute	(2,805)	0	0	2,805
Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(14,319)	0	0	14,319
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for repayment of debt	7,912	0	0	(7,912)
Capital expenditure charged against General Fund Balances	4,159	0	0	(4,159)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	919	0	(919)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	23	(23)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6,345	(6,345)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	3,300	0	(3,300)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(22)	22	0	0
Transfer from Deferred Capital Receipts Reserve on receipt of cash	0	(30)	0	30
Other Adjustments				
Write down of long term debtor on receipt of loan principal	0	(55)	0	55
Write down of long term borrowing on mortgage repayment	0	304	0	(304)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	31	0	0	(31)
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(20,425)	0	0	20,425
Employer's pension contributions and direct payments to pensioners payable in the year	13,496	0	0	(13,496)
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amount by which Collection Fund income debited to the Comprehensive Income and Expenditure Statement is different from Collection Fund income calculated for the year in accordance with statutory requirement	(696)	0	0	696
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(154)	0	0	154
<b>TOTAL ADJUSTMENTS</b>	<b>(5,160)</b>	<b>(2,804)</b>	<b>(896)</b>	<b>8,860</b>

# Notes to the Movement in Reserves Statement



## 2. Usable Reserves

### 2.1 Summary of Usable Reserves

The Council's usable reserves are those that can be applied to fund expenditure or reduce local taxation, along with other ring-fenced reserves.

	Balance 1 April 2014 Restated £000	Net Movement in Year £000	Balance 31 March 2015 £000	Further Details
General Fund Balance	(9,612)	1,432	<b>(8,180)</b>	
School Balances				
- LMS Schools	(4,972)	(690)	<b>(5,662)</b>	
- Dedicated Schools Grant	(1,080)	892	<b>(188)</b>	Note 24
- Other Schools Balances	(842)	(81)	<b>(923)</b>	
	<b>(16,506)</b>	<b>1,553</b>	<b>(14,953)</b>	
<u>Earmarked Reserves</u>				
- Earmarked Reserves - Revenue	(25,211)	561	<b>(24,650)</b>	
- Earmarked Deposits & Contributions	(6,034)	(278)	<b>(6,312)</b>	
	<b>(31,245)</b>	<b>283</b>	<b>(30,962)</b>	
- Earmarked Reserves - Capital	(1,278)	(765)	<b>(2,043)</b>	
	<b>(32,523)</b>	<b>(482)</b>	<b>(33,005)</b>	Note 2.2
<u>Usable Capital Financing Reserves</u>				
- Capital Receipts Reserve	(5,315)	(2,237)	<b>(7,552)</b>	Note 2.3
- Capital Grants Unapplied	(2,355)	(43)	<b>(2,398)</b>	Note 2.4
	<b>(7,670)</b>	<b>(2,280)</b>	<b>(9,950)</b>	
<b>Total Usable Balances &amp; Reserves</b>	<b>(56,699)</b>	<b>(1,209)</b>	<b>(57,908)</b>	

### 2.2 Earmarked Reserves

Earmarked Revenue Reserves result from events which have allowed funds to be set aside, surpluses generated from trading undertakings, or decisions causing anticipated expenditure to have been delayed, postponed or cancelled.

For each Reserve established the Council identifies

- the reason / purpose of the reserve
- how and when the reserve can be used
- procedures for the management and control of the reserve
- a process and timescale for review to ensure continuing relevance and adequacy.

The Council also holds Earmarked Capital Reserves. They have been established on the same basis as the revenue reserves described above, but have been created specifically for future investment on capital schemes and projects. However, a degree of flexibility is retained in their treatment depending on prevailing budget conditions.



# Notes to the Movement in Reserves Statement



	Balance 1 April 2014 £000	Transfers between Reserves £000	Transfers Out £000	Transfers In £000	Balance 31 March 2015 £000
<b>Earmarked Revenue Reserves</b>					
<u>Corporate Reserves</u>					
Insurance Reserves	(3,523)	0	41	(363)	<b>(3,845)</b>
Strategic Investment Reserve	(1,500)	(100)	0	0	<b>(1,600)</b>
ICT Transformation Programme Reserve	(1,480)	0	950	0	<b>(530)</b>
Wider Transformation Programme Reserve	0	(973)	802	(2,500)	<b>(2,671)</b>
Severance Reserve	0	0	0	(2,000)	<b>(2,000)</b>
Other Corporate Reserves	(2,479)	(1,792)	2,000	(371)	<b>(2,642)</b>
<u>Directorate Reserves</u>					
People & Comm - Adult Social Services & Housing	(6,258)	2,250	1,333	(228)	<b>(2,903)</b>
People & Comm - Children, Young People & Schools	(1,131)	0	667	(482)	<b>(946)</b>
People & Comm - Public Health	(532)	0	9	0	<b>(523)</b>
People & Comm - Housing Property Funds	(541)	0	10	(89)	<b>(620)</b>
Development & Environment	(4,718)	500	1,939	(1,739)	<b>(4,018)</b>
Corporate Services	(3,049)	115	1,021	(439)	<b>(2,352)</b>
<u>Earmarked Deposits and Contributions</u>	(6,034)	0	1,088	(1,366)	<b>(6,312)</b>
	<b>(31,245)</b>	<b>0</b>	<b>9,860</b>	<b>(9,577)</b>	<b>(30,962)</b>
<b>Earmarked Capital Reserves</b>					
General Capital Reserves	(1,144)	0	50	(889)	<b>(1,983)</b>
Earmarked Capital Reserves	(134)	0	94	(20)	<b>(60)</b>
	<b>(1,278)</b>	<b>0</b>	<b>144</b>	<b>(909)</b>	<b>(2,043)</b>
<b>Total Earmarked Reserves</b>	<b>(32,523)</b>	<b>0</b>	<b>10,004</b>	<b>(10,486)</b>	<b>(33,005)</b>

The purpose of each of the above reserves is as follows:

Reserve	Purpose
Insurance Reserves	Resources set-aside to fund uninsured risks and losses; movements in claim values; as well as claims which may have occurred but have not yet been reported.
Strategic Investment Reserve	Resources identified to fund potential investment in key areas which could stimulate, enhance or yield future economic and financial benefit for the area.
ICT Transformation Programme Reserve	To fund the one-off implementation costs associated with the ICT Strategy approved by Council in February 2014.
Wider Transformation Programme Reserve	Resources set-aside to fund the one-off investment costs of the Transformation Programme which will improve service delivery and also realise financial benefits in future years.
Severance Reserve	To fund severance costs anticipated in future years.



# Notes to the Movement in Reserves Statement



<b>Reserve</b>	<b>Purpose</b>
Other Corporate Reserves	Includes funds set-aside for other corporate priorities and risks, such as the City-Region Deal Smoothing Reserve; Economic and Employment Board programme and the Capacity Fund for Transformation Reserve.
People & Communities – Adult Social Services & Housing Reserves	Includes monies set-aside from S256 Agreement and Winter Pressures funding. Funding set aside to cover specific risk areas such as: S117 claims, Ordinary Residents and Care in the Community. Funding also set aside to realise service improvements such as; ICT connecting care and integration programmes.
People & Communities – Children & Young Peoples' Services Reserves	Reserves primarily for service transformation and one-off projects such as Troubled Families which is grant funded.
People & Communities – Public Health Reserve	Resources to fund specific costs associated with statutory public health functions.
People & Communities – Housing Property Funds-	Monies held in sinking funds to be used for repairs at leasehold properties.
Development and Environment	Funds set aside to finance specific Council investment in service provision to benefit the community such as Highways and Community Reassurance programmes. Monies received from unconditional grants such as; LSFT Public Transport, Lead Local Flood and Damaged Road grants. Monies also set-aside for planned future costs including major planning appeals, strategic projects and transformational works. Also to cover service related financial risks.
Corporate Services – Including Partnership Funds	Includes funds set aside to finance community development projects as well as asset management condition and transfer programmes in future years. Partnership funds are those held under the Council's role as an accountable body.
General Capital Reserve	A general reserve available to finance approved capital expenditure.
Earmarked Capital Reserve	A number of specific capital reserves earmarked for use in delivery of approved capital investment projects.
Earmarked Deposits and Contributions	Monies held by the Council to fund future costs arising from development activity.

# Notes to the Movement in Reserves Statement



## 2.3 Capital Receipts Reserve

	2013/14 £000	2014/15 £000
Balance brought forward - 1 April	(2,511)	(5,315)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal of non current assets to the Comprehensive Income and Expenditure Statement	(6,345)	(5,572)
Use of Capital Receipts to finance new capital expenditure	3,300	3,353
Financing payment to the Government Housing Capital Receipts Pool	22	15
Transfer from Deferred Capital Receipts Reserve	(30)	(20)
Transfer to the Capital Adjustment Account to finance repayment of long-term debt	304	0
Transfer from the Capital Adjustment Account to reflect write down of long term debtor	(55)	(13)
<b>Balance carried forward - 31 March</b>	<b>(5,315)</b>	<b>(7,552)</b>

## 2.4 Capital Grants Unapplied

	2013/14 £000	2014/15 £000
Balance brought forward - 1 April	(1,459)	(2,355)
Transfer to Capital Adjustment Account to finance capital spend	23	629
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(919)	(672)
<b>Balance carried forward - 31 March</b>	<b>(2,355)</b>	<b>(2,398)</b>

# Notes to the Movement in Reserves Statement



## 3. Unusable Reserves

### 3.1 Summary of Unusable Reserves

	Balance 1 April 2014 Restated £000	Net Movement in Year £000	<b>Balance 31 March 2015 £000</b>	Further Details
<u>Revaluation Balances</u>				
Revaluation Reserve	(120,332)	8,280	<b>(112,052)</b>	Note 3.2
<u>Adjustment Accounts</u>				
Capital Adjustment Account	(167,707)	(14,752)	<b>(182,459)</b>	Note 3.3
Financial Instruments Adjustment Account	593	(32)	<b>561</b>	Note 3.4
Collection Fund Adjustment Account	(191)	(888)	<b>(1,079)</b>	Note 3.5
Pensions Reserve	170,351	52,195	<b>222,546</b>	Note 3.6
Accumulated Absences Account	2,514	(8)	<b>2,506</b>	Note 3.7
Deferred Capital Receipts Reserve	(196)	21	<b>(175)</b>	Note 3.8
	<b>5,364</b>	<b>36,536</b>	<b>41,900</b>	
<b>Total Unusable Reserves</b>	<b>(114,968)</b>	<b>44,816</b>	<b>(70,152)</b>	

# Notes to the Movement in Reserves Statement



## 3.2 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued 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 the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2013/14 Restated £000	2014/15 £000
Balance brought forward - 1 April	(128,579)	(120,332)
Upward revaluation of assets	(12,497)	(14,385)
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	12,053	16,702
Surplus / deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(444)	2,317
Difference between fair value depreciation and historical cost depreciation	3,711	2,953
Accumulated gains on assets sold or scrapped	4,980	3,010
Amount written off to the Capital Adjustment Account	8,691	5,963
<b>Balance carried forward - 31 March</b>	<b>(120,332)</b>	<b>(112,052)</b>

## 3.3 Capital Adjustment Account

The balance on the Account represents 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 amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction or enhancement.

The Account contains accumulated gains and losses on Investment Property and gains recognised on donated assets that have yet to be consumed by the Authority; revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007 (the date the Revaluation Reserve was created) are also contained in the Account.

# Notes to the Movement in Reserves Statement



	2013/14 Restated £000	2014/15 £000
Balance brought forward - 1 April	(160,097)	(167,707)
<u>Reversal of items relating to capital expenditure debited or credit to the Comprehensive Income and Expenditure Statement</u>		
Charges for depreciation of non-current assets	15,737	15,199
Charges for impairment of non-current assets	6,483	5,808
Revaluation losses on Property, Plant and Equipment	4,021	6,604
Revenue expenditure funded from capital under statute	2,805	2,827
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	14,319	9,567
	<u>43,365</u>	<u>40,005</u>
<u>Adjusting amounts written out of the Revaluation Reserve</u>		
Amounts written out on disposal or sale of non-current assets	(4,980)	(3,010)
Historical cost depreciation adjustment	(3,711)	(2,953)
	<u>(8,691)</u>	<u>(5,963)</u>
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<u>34,674</u>	<u>34,042</u>
<u>Adjusting Amounts relating to the Capital Receipts Reserve</u>		
Write down of long term debtor	55	13
Repayment of long term debt	(304)	0
	<u>(249)</u>	<u>13</u>
<u>Capital financing applied in the year</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(3,300)	(3,353)
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(24,185)	(34,491)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,372)	(629)
Statutory provision for the financing of capital investment charged against the General Fund Balance	(7,912)	(7,787)
Capital expenditure charged against the General Fund Balance	(4,183)	(2,945)
	<u>(40,952)</u>	<u>(49,205)</u>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,083)	398
<b>Balance carried forward - 31 March</b>	<u>(167,707)</u>	<u>(182,459)</u>

A credit balance on the Account shows that capital finance has been set aside at a faster rate than non-current assets have been consumed, and the Council has a nominal surplus when comparing financing to consumption of resources.

A debit balance on the Account shows that non-current assets have been consumed in advance of their being financed, and the Council has a nominal deficit when comparing financing to consumption of resources.

# Notes to the Movement in Reserves Statement



## 3.4 Financial Instruments Adjustment Account

This 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. In previous years the Council incurred costs when it prematurely repaid some of its long-term borrowing, this account shows that these costs are being charged back to the annual revenue budget.

	2013/14 £000	2014/15 £000
Balance brought forward - 1 April	624	593
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(31)	(32)
<b>Balance carried forward - 31 March</b>	<b>593</b>	<b>561</b>

## 3.5 Collection Fund Adjustment Account

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

	2013/14 £000	2014/15 £000
Balance brought forward - 1 April	(887)	(191)
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements		
- Council Tax	(219)	593
- Business Rates	920	(1,541)
- Business Rates : Disregarded Amount	(5)	60
<b>Balance carried forward - 31 March</b>	<b>(191)</b>	<b>(1,079)</b>

## 3.6 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 Council 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.



# Notes to the Movement in Reserves Statement



However, statutory arrangements require benefits earned to be financed as the Council 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 Council 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

	2013/14 £000	2014/15 £000
Balance brought forward - 1 April	212,623	170,351
Return on plan assets	(2,536)	(33,327)
Remeasurements of the net defined benefit liability / (asset)	(46,665)	81,849
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	20,425	18,841
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,496)	(15,168)
<b>Balance carried forward - 31 March</b>	<b>170,351</b>	<b>222,546</b>

The amounts shown above bring together adjustments for both the Local Government Pension Scheme (Note 29.2, page 65) and Unfunded Teachers' Discretionary Benefits (Note 29.3, page 71) as follows:

	2014/15	
	Local Government Pension Scheme £000	Teachers' Discretionary Benefits £000
Balance brought forward - 1 April	144,857	25,494
Return on plan assets	(33,327)	0
Remeasurements of the net defined benefit liability		
- Experience (gains) / losses	0	0
- (Gains) / Losses on financial assumptions	79,789	2,060
- (Gains) / Losses on demographic assumptions	0	0
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	17,784	1,057
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,343)	(1,825)
<b>Balance carried forward - 31 March</b>	<b>195,760</b>	<b>26,786</b>

# Notes to the Movement in Reserves Statement



## 3.7 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing from 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.

	2013/14 £000	2014/15 £000
Balance brought forward - 1 April	2,360	2,514
Settlement or cancellation of accrual made at the end of the preceding year	(2,360)	(2,514)
Amounts accrued at the end of the current year	2,514	2,506
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	154	(8)
<b>Balance carried forward - 31 March</b>	<b>2,514</b>	<b>2,506</b>

## 3.8 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent 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.

	2013/14 £000	2014/15 £000
Balance at 1 April	(226)	(196)
Transfer to the Capital Receipts Reserve upon receipt of cash	30	21
<b>Balance carried forward - 31 March</b>	<b>(196)</b>	<b>(175)</b>

# Comprehensive Income and Expenditure Statement



2013/14 - Restated				Note	2014/2015		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
83,646	(25,943)	57,703	Adult Social Care		87,247	(26,749)	60,498
2,975	(2,023)	952	Central Services to the Public		5,456	(2,835)	2,621
161,199	(120,844)	40,355	Children's and Education Services		166,883	(130,029)	36,854
13,740	(3,232)	10,508	Cultural and Related Services		11,818	(2,858)	8,960
25,607	(8,940)	16,667	Environmental and Regulatory Services		24,381	(6,520)	17,861
4,825	(2,350)	2,475	Planning Services		5,233	(2,888)	2,345
25,283	(7,493)	17,790	Highways and Transport Services		27,449	(8,322)	19,127
77,499	(69,313)	8,186	Housing Services		75,598	(67,187)	8,411
7,224	(7,704)	(480)	Public Health Services		7,783	(7,774)	9
6,187	(1,059)	5,128	Corporate and Democratic Core		7,836	(1,227)	6,609
939	0	939	Non Distributed Costs		1,774	(70)	1,704
<b>409,124</b>	<b>(248,901)</b>	<b>160,223</b>	<b>Cost of Services</b>	4	<b>421,458</b>	<b>(256,459)</b>	<b>164,999</b>
12,201	0	12,201	Other operating expenditure	5	8,419	0	8,419
14,533	(2,660)	11,873	Financing and investment income and expenditure	6	13,856	(1,580)	12,276
0	(185,803)	(185,803)	Taxation and non-specific grant income	7	0	(192,927)	(192,927)
<b>435,858</b>	<b>(437,364)</b>	<b>(1,506)</b>	<b>(Surplus) / Deficit on Provision of Services</b>		<b>443,733</b>	<b>(450,966)</b>	<b>(7,233)</b>
		(444)	(Surplus) / deficit on revaluation of non-current assets	3.2			2,317
		(49,201)	Remeasurements of net defined benefit liability	29			48,522
		<b>(49,645)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>50,839</b>
		<b>(51,151)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>43,606</b>

The 2013/14 comparative figures shown above have been restated in respect of a change in accounting policy regarding Accounting for Schools. Details of the restatement can be found in Note 27, pages 59-63.

# Notes to the Comprehensive Income and Expenditure Statement



## 4. Segment Reporting

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

- no charges are made in relation to capital expenditure; depreciation, revaluation and impairment losses are charged to services in the Comprehensive Income and Expenditure Statement
- the cost of retirement benefits is based on cash flows – i.e. payment of employer's pensions contributions rather than the current service cost of benefits accrued in the year
- not all overheads and support services are fully recharged during the year for management reporting purposes.

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as shown on the following pages.

### 4.1 Directorate Analysis

	2014/2015						TOTAL £000
	Children and Young People £000	Dedicated Schools Budget £000	Adult Social Care and Housing £000	Development and Environment £000	Corporate Services £000	Non-Service Revenue £000	
Employee Expenses	19,242	70,301	14,220	12,934	11,019	(212)	<b>127,504</b>
Other Service Expenses	18,524	44,048	68,511	34,273	28,223	24,462	<b>218,041</b>
Transfer Payments	5	0	5,223	0	65,144	100	<b>70,472</b>
Support Services	4,661	6,656	3,032	5,841	16,822	541	<b>37,553</b>
Total Expenditure	<b>42,432</b>	<b>121,005</b>	<b>90,986</b>	<b>53,048</b>	<b>121,208</b>	<b>24,891</b>	<b>453,570</b>
Fees, Charges & Other Service Income	(7,732)	(14,567)	(16,959)	(14,224)	(36,643)	(3,497)	<b>(93,622)</b>
Government Grants & Capital Contributions	(3,842)	(103,929)	(324)	(717)	(74,187)	0	<b>(182,999)</b>
Other Grants & Contributions	(1,633)	(2,509)	(8,474)	(3,320)	(935)	(128)	<b>(16,999)</b>
Total Income	<b>(13,207)</b>	<b>(121,005)</b>	<b>(25,757)</b>	<b>(18,261)</b>	<b>(111,765)</b>	<b>(3,625)</b>	<b>(293,620)</b>
<b>Net Expenditure 2014/2015</b>	<b>29,225</b>	<b>0</b>	<b>65,229</b>	<b>34,787</b>	<b>9,443</b>	<b>21,266</b>	<b>159,950</b>

# Notes to the Comprehensive Income and Expenditure Statement



	2013/2014						
	Children and Young People £000	Dedicated Schools Budget £000	Adult Social Care and Housing £000	Development and Environment £000	Corporate Services £000	Non-Service Revenue £000	TOTAL £000
Employee Expenses	17,078	68,276	13,693	12,753	10,564	(102)	<b>122,262</b>
Other Service Expenses	20,044	41,842	75,352	32,984	28,143	27,863	<b>226,228</b>
Transfer Payments	0	0	138	0	65,896	0	<b>66,034</b>
Support Services	4,093	4,180	2,494	4,498	15,663	466	<b>31,394</b>
<b>Total Expenditure</b>	<b>41,215</b>	<b>114,298</b>	<b>91,677</b>	<b>50,235</b>	<b>120,266</b>	<b>28,227</b>	<b>445,918</b>
Fees, Charges & Other Service Income	(7,070)	(12,767)	(14,413)	(12,284)	(35,349)	(4,770)	<b>(86,653)</b>
Government Grants & Capital Contributions	(4,047)	(98,538)	(764)	(486)	(74,771)	0	<b>(178,606)</b>
Other Grants & Contributions	(1,405)	(2,993)	(11,266)	(2,721)	(824)	(8)	<b>(19,217)</b>
<b>Total Income</b>	<b>(12,522)</b>	<b>(114,298)</b>	<b>(26,443)</b>	<b>(15,491)</b>	<b>(110,944)</b>	<b>(4,778)</b>	<b>(284,476)</b>
<b>Net Expenditure 2013/2014</b>	<b>28,693</b>	<b>0</b>	<b>65,234</b>	<b>34,744</b>	<b>9,322</b>	<b>23,449</b>	<b>161,442</b>

## 4.2 Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

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

	2013/14 Restated £000	2014/15 £000
Net Expenditure in the Directorate Analysis	161,442	<b>159,950</b>
Net expenditure of services and support services not included in the analysis	(31,218)	<b>(41,892)</b>
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	25,014	<b>14,237</b>
Amounts included in the analysis and not included in the Comprehensive Income and Expenditure Statement	4,985	<b>32,704</b>
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>160,223</b>	<b>164,999</b>

## 4.3 Reconciliation to Subjective Analysis

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

# Notes to the Comprehensive Income and Expenditure Statement



2014/2015								
	Directorate Analysis £000	Services not in Analysis £000	Amounts not reported to management £000	Amounts not in CI&ES £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	TOTAL £000
Employee Expenses	127,504	0	(3,784)	0	(6,062)	117,658	0	117,658
Other Service Expenses	218,041	(5,531)	2,140	(27,411)	(26,329)	160,910	0	160,910
Transfer Payments	70,472	0	0	0	0	70,472	0	70,472
Support Services Recharges	37,553	3	12,542	(297)	(4,995)	44,806	0	44,806
Depreciation, amortisation and impairment	0	0	27,612	0	0	27,612	0	27,612
Interest Payments	0	0	0	0	0	0	6,213	6,213
Net interest cost on Net Defined Benefit Liability	0	0	0	0	0	0	7,245	7,245
Movement in Fair Value of Investment Property	0	0	0	0	0	0	398	398
Precepts and Levies	0	0	0	0	0	0	4,409	4,409
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	15	15
Gain / loss on Disposal of Non-Current Assets	0	0	0	0	0	0	3,995	3,995
<b>Total Expenditure</b>	<b>453,570</b>	<b>(5,528)</b>	<b>38,510</b>	<b>(27,708)</b>	<b>(37,386)</b>	<b>421,458</b>	<b>22,275</b>	<b>443,733</b>
Fees, Charges & Other Service Income	(93,622)	0	(13,128)	15,803	37,386	(53,561)	0	(53,561)
Government Grants & Capital Contributions	(182,999)	(36,364)	0	35,098	0	(184,265)	(33,564)	(217,829)
Other Grants & Contributions	(16,999)	0	(11,145)	9,511	0	(18,633)	0	(18,633)
Interest & Investment Income	0	0	0	0	0	0	(1,580)	(1,580)
Income from Council Tax & Business Rates	0	0	0	0	0	0	(117,345)	(117,345)
Non Specific Government Grants	0	0	0	0	0	0	(42,018)	(42,018)
<b>Total Income</b>	<b>(293,620)</b>	<b>(36,364)</b>	<b>(24,273)</b>	<b>60,412</b>	<b>37,386</b>	<b>(256,459)</b>	<b>(194,507)</b>	<b>(450,966)</b>
<b>Surplus / Deficit on the Provision of Services</b>	<b>159,950</b>	<b>(41,892)</b>	<b>14,237</b>	<b>32,704</b>	<b>0</b>	<b>164,999</b>	<b>(172,232)</b>	<b>(7,233)</b>



# Notes to the Comprehensive Income and Expenditure Statement



	2013/2014 Restated							
	Directorate Analysis £000	Services not in Analysis £000	Amounts not reported to management £000	Amounts not in CI&ES £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	TOTAL £000
Employee Expenses	122,262	0	(1,760)	0	(6,150)	114,352	0	114,352
Other Service Expenses	226,228	(7,110)	2,109	(30,652)	(19,475)	171,100	0	171,100
Transfer Payments	66,034	0	0	0	0	66,034	0	66,034
Support Services Recharges	31,394	3	0	0	0	31,397	0	31,397
Depreciation, amortisation and impairment	0	0	26,241	0	0	26,241	0	26,241
Interest Payments	0	0	0	0	0	0	5,823	5,823
Net interest cost on Net Defined Benefit Liability	0	0	0	0	0	0	8,710	8,710
Precepts and Levies	0	0	0	0	0	0	4,206	4,206
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	22	22
Gain / loss on Disposal of Non-Current Assets	0	0	0	0	0	0	7,973	7,973
<b>Total Expenditure</b>	<b>445,918</b>	<b>(7,107)</b>	<b>26,590</b>	<b>(30,652)</b>	<b>(25,625)</b>	<b>409,124</b>	<b>26,734</b>	<b>435,858</b>
Fees, Charges & Other Service Income	(86,653)	(5)	846	10,051	25,625	(50,136)	0	(50,136)
Government Grants & Capital Contributions	(178,606)	(24,106)	(661)	25,586	0	(177,787)	(25,104)	(202,891)
Other Grants & Contributions	(19,217)	0	(1,761)	0	0	(20,978)	0	(20,978)
Interest & Investment Income	0	0	0	0	0	0	(1,577)	(1,577)
Movement in Fair Value of Investment Property	0	0	0	0	0	0	(1,083)	(1,083)
Income from Council Tax & Business Rates	0	0	0	0	0	0	(113,816)	(113,816)
Non Specific Government Grants	0	0	0	0	0	0	(46,883)	(46,883)
<b>Total Income</b>	<b>(284,476)</b>	<b>(24,111)</b>	<b>(1,576)</b>	<b>35,637</b>	<b>25,625</b>	<b>(248,901)</b>	<b>(188,463)</b>	<b>(437,364)</b>
<b>Surplus / Deficit on the Provision of Services</b>	<b>161,442</b>	<b>(31,218)</b>	<b>25,014</b>	<b>4,985</b>	<b>0</b>	<b>160,223</b>	<b>(161,729)</b>	<b>(1,506)</b>



# Notes to the Comprehensive Income and Expenditure Statement



## 5. Other Operating Expenditure

	2013/14 Restated £000	2014/15 £000
Parish Council Precepts	3,963	4,152
Other Precepts and Levies	243	257
Payments to the Government Housing Capital Receipts Pool (Gains) / losses on the disposal of non-current assets	22 7,973	15 3,995
<b>Total</b>	<b>12,201</b>	<b>8,419</b>

## 6. Financing and Investment Income and Expenditure

	2013/14 £000	2014/15 £000
Interest payable and similar charges	5,823	6,143
Net interest on net defined benefit pension liability & administration expense	8,710	7,245
Interest receivable and similar income	(1,544)	(1,580)
Income and expenditure in relation to Investment Properties and changes in their fair value	(1,083)	398
Other financing & investment income and expenditure	(33)	70
<b>Total</b>	<b>11,873</b>	<b>12,276</b>

## 7. Taxation and Non Specific Grant Income

	2013/14 £000	2014/15 £000
<u>Income from Taxation</u>		
Council Tax income	(86,358)	(89,536)
Non-domestic rates	(27,458)	(27,809)
	(113,816)	(117,345)
<u>Non-specific Government Grants &amp; Capital Contributions</u>		
Non-ringfenced government grants	(46,883)	(42,018)
Capital grants and contributions	(25,104)	(33,564)
	(71,987)	(75,582)
<b>Total</b>	<b>(185,803)</b>	<b>(192,927)</b>

# Notes to the Comprehensive Income and Expenditure Statement



The total for un-ringfenced government grants is comprised of:

	2013/14 £000	2014/15 £000
Revenue Support Grant	(41,735)	<b>(34,634)</b>
Local Services Support Grant (see below for further details)	(483)	<b>(293)</b>
Council Tax Freeze Grant	0	<b>(942)</b>
New Homes Bonus Grant	(3,244)	<b>(4,167)</b>
Business Rates Tariff / Top-up	(307)	<b>(313)</b>
Small Business Rate Relief Grant	(894)	<b>(1,017)</b>
Business Rates Adjustment Grant	0	<b>(295)</b>
Other Section 31 Grant	(220)	<b>(357)</b>
<b>Total</b>	<b>(46,883)</b>	<b>(42,018)</b>

## 8. Overheads and Support Services

The direct cost of the Council's overheads and support costs recharged to service accounts in the year are shown in the table below. These include capital accounting adjustments e.g. depreciation and impairment, which can have a significant impact in areas such as Central Office Accommodation. Financial Services includes the cost of the Council's contract with Agilisys Ltd for the provision of support services including Information Technology, Contact Centres, Exchequer Services, etc.

	2013/14 £000	2014/15 £000
Financial Services	12,880	<b>14,595</b>
Legal Services	1,236	<b>1,155</b>
Personnel Services	1,128	<b>1,081</b>
Corporate Administration	925	<b>547</b>
Property Related Services	2,218	<b>2,365</b>
Internal Insurance Premiums	1,699	<b>1,428</b>
Central Expenses (postages, photocopiers, telephones, etc.)	919	<b>1,016</b>
Recruitment & Retention	93	<b>96</b>
Central Office Accommodation	1,445	<b>7,002</b>
<b>Total Support Service Recharges</b>	<b>22,543</b>	<b>29,285</b>



# Balance Sheet



Restated				31 March
1 April	31 March		Note	2015
2013	2014			£000
£000	£000			£000
		Property, Plant and Equipment	9	
332,616	315,711	Other Land and Buildings		304,878
69,204	81,801	Infrastructure Assets		99,669
3,339	3,361	Community Assets		3,301
12,866	10,491	Vehicles, Plant, Furniture and Equipment		9,328
1,276	1,474	Assets Under Construction		0
288	288	Heritage Assets		288
10,212	11,295	Investment Property	10	11,005
0	0	Intangible Assets		500
4,096	6,999	Long Term Investments	30.1	26,271
1,318	1,332	Long Term Debtors	30.1	1,360
<b>435,215</b>	<b>432,752</b>	<b>Long Term Assets</b>		<b>456,600</b>
0	6,931	Cash and Cash Equivalents	CFS	1,921
62,941	60,623	Short Term Investments	30.1	56,317
2,803	1,468	Assets Held for Sale	11	566
31	28	Inventories		67
26,646	25,670	Short Term Debtors	12	32,851
<b>92,421</b>	<b>94,720</b>	<b>Current Assets</b>		<b>91,722</b>
(3,045)	0	Cash and Cash Equivalents (Bank Overdraft)	CFS	(735)
(2,589)	(2,726)	Short Term Borrowing	30.1	(5,806)
(37,389)	(35,595)	Short Term Creditors	13	(36,447)
(1,699)	(3,521)	Provisions	14	(3,097)
(13,953)	(11,106)	Capital Grants Receipts in Advance	23	(12,518)
<b>(58,675)</b>	<b>(52,948)</b>	<b>Current Liabilities</b>		<b>(58,603)</b>
(2,317)	(2,235)	Provisions	14	(1,896)
(114,007)	(111,489)	Long Term Borrowing	30.1	(119,049)
(16,983)	(16,304)	Long-Term Liabilities - Ex Avon Debt	16	(15,652)
(212,622)	(170,351)	Pension Liabilities	29.1	(222,546)
(2,515)	(2,478)	Other Long Term Liabilities	32.1	(2,516)
<b>(348,444)</b>	<b>(302,857)</b>	<b>Long Term Liabilities</b>		<b>(361,659)</b>
<b>120,517</b>	<b>171,667</b>	<b>Net Assets</b>		<b>128,060</b>
(46,334)	(56,699)	Usable Reserves	2.1	(57,908)
(74,183)	(114,968)	Unusable Reserves	3.1	(70,152)
<b>(120,517)</b>	<b>(171,667)</b>	<b>Total Reserves</b>		<b>(128,060)</b>

The 2013/14 comparative figures shown above have been restated in respect of a change in accounting policy regarding Accounting for Schools. Details of the restatement can be found in Note 27, pages 59-63.

# Notes to the Balance Sheet



## 9. Property, Plant and Equipment

<b>Movements in 2014/2015</b>	Land & Buildings £000	Infrastructure Assets £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	<b>TOTAL £000</b>
<b>Cost or Valuation</b>						
At 1 April 2014 - Restated	346,160	122,811	4,106	26,937	1,474	<b>501,488</b>
Additions	12,484	21,846	30	1,253	7,335	<b>42,948</b>
Revaluations - Revaluation Reserve	(12,529)	0	(82)	0	0	<b>(12,611)</b>
Revaluations - CI&ES	(6,569)	0	(5)	0	0	<b>(6,574)</b>
Derecognition - Disposals	(9,138)	0	0	(48)	0	<b>(9,186)</b>
Reclassified (to) / from Held for Sale and/or Investment Property	(238)	0	0	0	0	<b>(238)</b>
Other movements in cost or valuation	4,536	4,273	0	0	(8,809)	<b>0</b>
<b>At 31 March 2015</b>	<b>334,706</b>	<b>148,930</b>	<b>4,049</b>	<b>28,142</b>	<b>0</b>	<b>515,827</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
At 1 April 2014 - Restated	(30,449)	(41,010)	(745)	(16,446)	0	<b>(88,650)</b>
Depreciation for the year	(9,914)	(2,862)	(16)	(2,405)	(2)	<b>(15,199)</b>
Depreciation written out - Revaluation Reserve	10,490	0	42	0	0	<b>10,532</b>
Impairment (Losses) / Reversals - Revaluation Reserve	(194)	0	0	0	0	<b>(194)</b>
Impairment (Losses) / Reversals - CI&ES	(286)	(5,389)	(31)	0	0	<b>(5,706)</b>
Derecognition - Disposals	528	0	0	38	0	<b>566</b>
Other movements in depreciation & impairment	(3)	0	2	(1)	2	<b>0</b>
<b>At 31 March 2015</b>	<b>(29,828)</b>	<b>(49,261)</b>	<b>(748)</b>	<b>(18,814)</b>	<b>0</b>	<b>(98,651)</b>
<b>Net Book Value at 1 April 2014 - Restated</b>	<b>315,711</b>	<b>81,801</b>	<b>3,361</b>	<b>10,491</b>	<b>1,474</b>	<b>412,838</b>
<b>Net Book Value at 31 March 2015 - Current Value</b>	<b>304,878</b>	<b>99,669</b>	<b>3,301</b>	<b>9,328</b>	<b>0</b>	<b>417,176</b>
<b>Net Book Value at 31 March 2015 - Historic Cost Value</b>	<b>194,055</b>	<b>99,669</b>	<b>2,968</b>	<b>9,328</b>	<b>0</b>	<b>306,020</b>

# Notes to the Balance Sheet



<b>Movements in 2013/2014 - Restated</b>	Land & Buildings £000	Infrastructure Assets £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	<b>TOTAL £000</b>
<b>Cost or Valuation</b>						
At 1 April 2013	367,357	101,641	4,063	26,607	1,276	<b>500,944</b>
Additions	10,620	21,170	0	330	198	<b>32,318</b>
Revaluations - Revaluation Reserve	(13,775)	0	38	0	0	<b>(13,737)</b>
Revaluations - CI&ES	(3,984)	0	0	0	0	<b>(3,984)</b>
Derecognition - disposals	(13,489)	0	0	0	0	<b>(13,489)</b>
Reclassified (to) / from Held for Sale	(564)	0	0	0	0	<b>(564)</b>
Other movements in cost or valuation	(5)	0	5	0	0	<b>0</b>
<b>At 31 March 2014</b>	<b>346,160</b>	<b>122,811</b>	<b>4,106</b>	<b>26,937</b>	<b>1,474</b>	<b>501,488</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
At 1 April 2013	(34,741)	(32,437)	(724)	(13,741)	0	<b>(81,643)</b>
Depreciation for the year	(10,715)	(2,292)	(26)	(2,705)	0	<b>(15,738)</b>
Depreciation written out - Revaluation Reserve	14,235	0	5	0	0	<b>14,240</b>
Impairment (Losses) / Reversals - Revaluation Reserve	(58)	0	0	0	0	<b>(58)</b>
Impairment (Losses) / Reversals - CI&ES	(202)	(6,281)	0	0	0	<b>(6,483)</b>
Derecognition - disposals	1,032	0	0	0	0	<b>1,032</b>
<b>At 31 March 2014</b>	<b>(30,449)</b>	<b>(41,010)</b>	<b>(745)</b>	<b>(16,446)</b>	<b>0</b>	<b>(88,650)</b>
<b>Net Book Value at 1 April 2013</b>	<b>332,616</b>	<b>69,204</b>	<b>3,339</b>	<b>12,866</b>	<b>1,276</b>	<b>419,301</b>
<b>Net Book Value at 31 March 2014 - Current Value</b>	<b>315,711</b>	<b>81,801</b>	<b>3,361</b>	<b>10,491</b>	<b>1,474</b>	<b>412,838</b>
<b>Net Book Value at 31 March 2014 - Historic Cost Value</b>	<b>197,211</b>	<b>81,801</b>	<b>2,973</b>	<b>10,490</b>	<b>1,474</b>	<b>293,949</b>



# Notes to the Balance Sheet



## 9.2 Depreciation

Depreciation has been charged in year to the following services:

	2013/14 Restated £000	2014/15 £000
Development and Environment	5,214	5,812
People and Communities:		
- Children & Young People's Services	9,026	8,094
- Adult Social Services	232	193
- Housing General Fund	42	30
Corporate Services	1,223	1,070
<b>Total Depreciation</b>	<b>15,737</b>	<b>15,199</b>

## 9.3 Capital Commitments

At 31 March 2015, the Council had entered into a number of contracts for the construction or enhancement of Plant, Property and Equipment in 2015/16 and future years, the most significant of which is shown below. Similar commitments as at 31 March 2014 totalled £3.006 million.

The significant commitments are as follows:

	Period of Investment	Commitment £000
South Bristol Link - D&B Contract	2014 - 2017	14,817
South Bristol Link - Network Rail	2014 - 2017	4,474

## 9.4 Effects of Changes in Estimates

As part of their ongoing role the Council's property specialists continue to review the asset portfolio in order to consider the impacts of the valuation indices and cost factors relevant to the local area and compare these to the carrying values of assets held within the Asset Register.

The results of this work, together with revaluations undertaken as part of the rolling revaluation programme have been reflected in the movements disclosed (see Note 9.5 below). In using professionally qualified staff, both employed in-house and also contracted, the Council considers that the opportunity for material error relating to assets valuations is minimal.

# Notes to the Balance Sheet



## 9.5 Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum at least every five years. This process also allows for any significant operational or accounting changes to be reflected within current valuations.

Similarly, assets recorded within the Investment Property and Held for Sale categories are subject to a revaluation review on an annual basis to ensure that their carrying values are reflective of the latest market value conditions.

All valuations are arranged by the Council's Property Estates and Regeneration Manager A.R.I.C.S. The basis for valuation is set out in the Accounting Policies (see Note A1, xiv on page 98). In 2014/15 the Council's in-house team appointed professionally qualified staff from the District Valuation Office, with experience relevant to the location and categories of assets held, to undertake the majority of the revaluations required as part of the rolling revaluation programme.

The table below reflects the Current Value of the assets valued in each of the five years, together with those assets carried at Historical Cost.

As can be seen, the majority of the council's Land & Buildings assets are held at carrying value, with a small proportion held at Historical cost as they are either new asset purchases or newly built assets transferred in from the Assets Under Construction category. These assets will be incorporated into the annual rolling revaluation programme but for 2014/15 have been reviewed by the professional valuation staff to ensure that the asset values are not materially mis-stated, and will not be subject to material impairment when revalued.

	Land & Buildings £000	Infrastructure Assets £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	<b>Total Property, Plant &amp; Equip.</b> £000	Investment Properties £000	Heritage Assets £000	Intangible Assets £000
Valued at Historical Cost	1,778	99,669	1,666	9,328	0	<b>112,441</b>	0	0	500
Valued at Current Value in year									
2014/15	160,112	0	976	0	0	<b>161,088</b>	11,005	0	0
2013/14	117,401	0	129	0	0	<b>117,530</b>	0	0	0
2012/13	4,682	0	0	0	0	<b>4,682</b>	0	0	0
2011/12	11,830	0	0	0	0	<b>11,830</b>	0	288	0
2010/11	4,212	0	0	0	0	<b>4,212</b>	0	0	0
2009/10 or prior	4,863	0	530	0	0	<b>5,393</b>	0	0	0
<b>Total</b>	<b>304,878</b>	<b>99,669</b>	<b>3,301</b>	<b>9,328</b>	<b>0</b>	<b>417,176</b>	<b>11,005</b>	<b>288</b>	<b>500</b>

As can be seen over 50%, or £160m of the Council's Land and Building assets were revalued during the year, and this included asset groups such as car parks, public conveniences, libraries and entertainment centres as well as offices and voluntary aided and controlled schools amongst others.

In the previous financial year Land and Building assets totalling £117m were revalued which included the Council's community schools, meaning that the Council has revalued a significant proportion of its Land and Building assets in the past two years.

# Notes to the Balance Sheet



Revaluing these assets within a relatively recent period of time provides for a current valuation and reduces the risk of material mis-statement across the asset portfolio.

Other assets included within the 2014/15 revaluation programme included the annual reviews for the investment property and assets held for sale categories.

Some of the assets revalued during the year increased in value as a result of the revaluation programme, and the increase in these non-current assets resulted in £14.385m being credited to the Revaluation Reserve. However a proportion of other assets revalued decreased in value resulting in a net revaluation loss of £6.604m being charged to the Comprehensive Income and Expenditure Statement and a further £16.508m being charged against balances held in the Revaluation Reserve along with impairment losses incurred of £0.194m, the total charged to the Revaluation Reserve being £16.702m.

## 9.6 Disposal of Non-Current Assets

### Academy Schools

On 1 January 2015, Yeo Moor and Tickenham primary schools transferred from the Council's control to Academy status. The impact of this change in status is that the school assets, originally valued at £5.581m and £0.820m respectively at the start of the financial year were written out of the accounts and reflected as a disposal. All such asset disposals are reflected at nil consideration resulting in a loss being charged to the Council's Comprehensive Income and Expenditure Statement.

# Notes to the Balance Sheet



## 10. Investment Properties

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

Rental income from investment property received in the year was £0.548m (2013/14 - £0.679m). There are no direct operating expenses arising from these properties.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council 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:

	2013/14 £000	2014/15 £000
Balance at 1 April	10,212	11,295
Net gains / losses from fair value adjustments	1,083	(398)
Transfers from Property, Plant & Equipment	0	108
<b>Balance at 31 March</b>	<b>11,295</b>	<b>11,005</b>

Investment Properties are revalued as part of the Council's asset revaluation programme as described in Note 9.5, page 39.

## 11. Assets Held For Sale

	Current Assets	
	2013/14 £000	2014/15 £000
Balance at 1 April	2,803	1,468
Assets newly classified as held for sale - Property Plant and Equipment	564	130
Revaluation gains / losses	(37)	(83)
Assets sold	(1,862)	(948)
<b>Balance at 31 March</b>	<b>1,468</b>	<b>567</b>

# Notes to the Balance Sheet



## 12. Debtors

	2013/14 £000	2014/15 £000
Central Government Bodies	5,911	9,473
Other Local Authorities	2,341	3,423
NHS Bodies	371	1,818
Public Corporations and Trading Funds	0	2
Academies	159	295
Other Entities and Individuals	11,666	12,700
<b>Total Short Term Debtors</b>	<b>20,448</b>	<b>27,711</b>
Prepayments	5,222	5,140
<b>Total Short Term Debtors and Prepayments</b>	<b>25,670</b>	<b>32,851</b>

## 13. Creditors

	2013/14 Restated £000	2014/15 £000
Central Government Bodies	(4,156)	(5,956)
Other Local Authorities	(2,875)	(2,466)
NHS Bodies	(2,191)	(147)
Public Corporations and Trading Funds	(42)	(13)
Other Entities and Individuals	(26,260)	(27,812)
<b>Total Short Term Creditors</b>	<b>(35,524)</b>	<b>(36,394)</b>
Finance lease obligations due within 12 months	(71)	(53)
<b>Total Short Term Creditors including finance lease obligations</b>	<b>(35,595)</b>	<b>(36,447)</b>

# Notes to the Balance Sheet



## 14. Provisions

This heading reflects monies held where the Council has an obligation which is likely to lead to a payment but the exact amount and timing of the payment is unknown.

	Balance 1st April 2014 £000	Additional Provisions Made £000	Amounts Used & Reversed £000	Balance 31st March 2015 £000
Insurance Provisions				
- General Fund	(2,659)	(925)	1,379	(2,205)
- Sheltered Leasehold	(26)	(14)	0	(40)
- Ex Avon	(40)	0	0	(40)
NNDR Revaluation Provisions	(376)	0	113	(263)
NNDR Appeals Provision	(1,819)	0	74	(1,745)
Carbon Reduction Scheme Provision	(241)	0	241	0
MMI Provision	(189)	(127)	0	(316)
Land Charges Provision	(141)	(72)	0	(213)
IT Data Capture & Projects	(16)	0	16	0
Planning Appeals Provision	(81)	0	2	(79)
Homelessness Review	(1)	0	0	(1)
Employment Tribunal Provision	(127)	0	43	(84)
S117 Legal Costs Provision	(40)	0	33	(7)
<b>Total Provisions</b>	<b>(5,756)</b>	<b>(1,138)</b>	<b>1,901</b>	<b>(4,993)</b>
<b>Expected future timing of associated outflows of economic benefit:</b>				
Less than 1 year	(3,521)			(3,097)
Over 1 year, less than 5 years	(1,969)		(1,636)	
Over 5 years	(266)		(260)	(1,896)
	<b>(5,756)</b>			<b>(4,993)</b>

### Provisions over £0.150m

### Description

Insurance Provisions	Provisions set-aside to finance the estimated costs of reported insurance claims
NNDR Revaluation Provision	To finance the costs associated with the delivery of past NNDR Revaluations
NNDR Appeals Provision	To finance the costs of appeals which have been lodged with the Valuation Office
Carbon Reduction Scheme Provision	To finance Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions
MMI Provision	To finance the liabilities arising from the run-off of known claims made against Municipal Mutual Insurance (MMI), the former insurer for both Woodspring DC and Avon CC



# Notes to the Balance Sheet



The most significant provision relates to insurance claims. These claims have been reported to the Council and financially assessed by either the Council's in-house team, or by the specialist claims handlers who estimate a reserve, or future financial cost, based upon the individual case facts and current industry sector guidelines. The provision above reflects the current value of all claims reserves, with no additional costs during the year arising from the increased passage of time or changes in the discount rate as these costs will be financed from the insurance reserve.

Provision has also been made within the accounts for NNDR appeals which have been lodged with the Valuation Office, but which have not yet been settled, and which in all probability may well result in a payment from the Council to the appellant. In order to quantify such a provision a number of factors relating to previously settled appeals and potential future categories of appeals were assessed and the appeals provision for 2014/15 was based upon the statistical averages of such successful appeals and also rateable values lost on those successful appeals, together with an allowance for known potential future claims.

## 15. Insurance Provisions and Reserves

The insurance provisions and reserves balance stood at £6.049m as at 31 March 2015. Identified outstanding potential commitments at this date stand at approximately £2.205m and are reflected in the insurance provisions shown in Note 14 above. However, as always with insurance claims, they can take time to materialise and therefore the Council has set-aside reserves totalling £3.845m (Note 2.2, page18) to meet any further potential claims yet to be reported.

The Council insures its general portfolio of properties for most of the major perils although it bears the cost of the first £100,000 of each claim via an excess, the Council's liability and motor insurances are also subject to an excess per claim, these being £50,000 and £500 respectively.

The Council's insurance arrangements do include a measure of financial risk mitigation through the use of stop-losses which effectively cap the Council's financial exposure for each insurance year. The stop-loss levels during 2014/15 for both the property and liability policies were £300,000 and £1,230,000 respectively.

The major areas of risk not covered either by external insurance policies or the internal insurance fund are as follows:

- Spontaneous combustion
- Asbestosis
- Accidental damage unless specifically referred to on the "All Risks" cover
- Theft or damage to property in the open
- Infrastructure (roads, bridges, street furniture, sea defences etc).

Any costs arising from such risks are charged to the relevant accounts of the Council.

# Notes to the Balance Sheet



## 16. Ex-Avon County Council Debt (Long-Term Liabilities)

Following Local Government Reorganisation in 1996, the responsibility for administering Avon County Council's outstanding debt was transferred to Bristol City Council. All the unitary authorities in the ex-Avon area make annual contributions equivalent to principal and interest towards the long-term debts.

It should be noted that the North Somerset Council share of the former Avon County debt figures shown below, are incorporated within the Council's Long-Term Liabilities on the Balance Sheet.

	2013/14 £000	2014/15 £000
Total Avon CC Debt Outstanding	84,544	<b>81,162</b>
<u>North Somerset Share of LGR Debt Outstanding</u>	15,919	<b>15,282</b>
Total Interest Paid in Year	798	<b>776</b>
Avon Debt Repayments - Minimum Revenue Provision	663	<b>637</b>
<u>NSC Share of Converted Debt Rescheduling Costs</u>	385	<b>370</b>
Interest Paid in Year	19	<b>19</b>
Avon Debt Restructuring Repayments - Minimum Revenue Provision	16	<b>15</b>
<u>NSC Share of Other Debt Rescheduling Costs Outstanding</u>		
Interest Paid in Year	33	<b>32</b>
Premiums & Discounts in Year	14	<b>14</b>
Share of Post 1996 Probation Advances	2	<b>2</b>
<b><u>Total for both LGR and Debt Restructuring</u></b>		
North Somerset Debt Outstanding	16,304	<b>15,652</b>
Interest Paid in Year	850	<b>827</b>
Premiums & Discounts in Year	14	<b>14</b>
Debt Repayments - Minimum Revenue Provision	679	<b>652</b>
Post 1996 Probation Advances	2	<b>2</b>

# Additional Disclosures – Understanding the Accounts



## 17. Events After the Reporting Period

The Statement of Accounts was authorised for issue by the Head of Finance and Property on 29 September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statement and notes have been adjusted in all material respects to reflect the impact of this information.

## 18. Contingent Liabilities and Contingent Assets

### 18.1 Contingent Liabilities

Each Director has to produce an Annual Assurance Statement for their Directorate and within these Statements, they are required to identify whether there is any potential litigation or claims that may affect the financial statements. There are 3 significant risks to the financial statements.

#### National Non Domestic Rating Appeals

As at the 31st March 2015 there were 5,960 properties on the Council's NNDR Rating List which have rateable values ranging from approximately £50 to over £4m. The Rating List gives the Council a possible obligation, as any one of these properties could potentially lodge an appeal with the Valuation Office against their liability, which could then result in a payment from the council to the appellant should it be found to be successful.

The Council has made a provision for the cost of ongoing appeals made to the Valuation Office (see Note 14, page 43). However, it has not been possible to reliably measure the obligation for future appeals, as there are no reliable statistics on when such appeals may be made, how many appeals will be successful, the rateable value of the appealed property or the value of payments that will be made to successful appellants.

Therefore, whilst the Council acknowledges a possible obligation regarding NNDR appeals against the Rating List, it has not put a value on this obligation as there are too many un-measurable variables.

#### Municipal Mutual Insurance Ltd. (MMI)

The directors of MMI "triggered" MMI's Scheme of Arrangement under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006) on 13 November 2012. From that date, Ernst & Young LLP became responsible for the management of the MMI's business, affairs and assets in accordance with the scheme.

The scheme provides that following the occurrence of a trigger event, a levy may be imposed on all those scheme creditors which, since the record date, have been paid an amount or amounts in respect of established scheme liabilities which, together with the amount of elective defence costs paid by MMI on its behalf, exceed £50,000 in aggregate.

The Council's accounts currently include a provision of £0.130m in respect of the Levy for the former Woodspring District Council for which total exposure of £0.526m had been identified, and also a further £0.186m in respect of the Council's share of the former Avon County Council for which exposure of £0.707m has been identified. However notwithstanding these provisions, the Council clearly still has financial exposure of sums in excess the values provided for, leaving a contingent liability for the difference.

#### Youth Services

A challenge was previously made in the Court of Appeal against the Council's proposals to cut funding of youth services. The Council successfully defended the action at an initial hearing although this outcome was subsequently appealed. Although the courts found in the Council's favour the Supreme Court has granted leave, in the judicial review proceedings brought by Aaron Hunt, for the Court of Appeal decision not to grant relief to be appealed to the Supreme Court. The Supreme Court heard the arguments in respect of the costs of proceedings at the end of April 2015 and are due to deliver their decision shortly. At present the Council has met its own costs and the claimant's costs have been met from legal aid

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# Additional Disclosures – Understanding the Accounts



funding. If the Supreme Court decides to award costs in favour of the claimant the Council may have to meet its own further costs and the claimant's costs of the proceedings to date. Whilst the full extent of these are not known at present they could amount to £0.200m.

## **18.2 Contingent Assets**

There are no contingent assets to disclose at the Balance Sheet date.

# Additional Disclosures – Key Notes for Stakeholders



## 19. Members' Allowances

The Council is required by the Accounts and Audit Regulations to disclose annually the amounts paid to each elected councillor (Member) under its scheme of Members' Allowances. There are two types of allowance:

- Basic Allowance – payable to all Councillors.
- Special Responsibility Allowance – payable to certain Councillors to reflect significant additional responsibilities.

The total of allowances paid to Members is as follows. For full details of individual Members' payments, please see the Council's data share website <http://data.n-somerset.gov.uk/>.

	2013/14 £	2014/15 £
Basic Allowances	488,229	<b>492,852</b>
Special Responsibility Allowances	206,064	<b>194,549</b>
Employers National Insurance	32,711	<b>29,059</b>
Travel Expenses & Subsistence	28,125	<b>24,590</b>
	<b>755,129</b>	<b>741,050</b>

## 20. Officer Remuneration

### 20.1 Senior Officer Remuneration

The remuneration paid to the Council's senior employees is detailed below. A senior employee is an employee whose salary is more than £150,000 per year, or one whose salary is at least £50,000 and who is:

- the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989.
- any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

At North Somerset Council the disclosures relate to the Chief Executive Officer and those officers that form the Council's Corporate Management Team, plus the Director of Public Health in accordance with the Accounts and Audit (England) Regulations 2011. No bonuses or benefits in kind were paid to Senior Officers in the year.



# Additional Disclosures – Key Notes for Stakeholders



Post	2014/2015				
	Salary (incl. fees & allowances) £	Compensation for Loss of Employment £	Total Remuneration excl. pension contributions £	Pension Contributions £	Total Remuneration incl. pension contributions £
Chief Executive	145,500	0	145,500	33,171	178,671
Director of People & Communities	120,932	0	120,932	27,557	148,489
Director of Development & Environment	105,404	0	105,404	24,009	129,413
Director of Public Health <sup>1</sup>	73,430	0	73,430	10,145	83,575
Head of Performance Improvement & HR	82,527	0	82,527	18,857	101,384
Head of Legal & Democratic Services	75,369	0	75,369	17,222	92,591
Head of Financial Management <sup>2</sup>	48,800	0	48,800	11,091	59,891
Strategic Policy Development Manager <sup>3</sup>	47,264	0	47,264	7,201	54,465
	<b>699,226</b>	<b>0</b>	<b>699,226</b>	<b>149,253</b>	<b>848,479</b>

1. The post holder left on 15 February 2015; the annualised salary for this post was £83,942 per annum.

2. The post holder left on 23 November 2014. A new post of Head of Finance & Property was created - the incumbent did not take up office until 1 April 2015; the annualised salary for this post is £93,116 per annum.\*

3. This post holder left on 30 September 2014; the post has been deleted.

\*During the recruitment process to appoint a Head of Finance & Property, the Council entered an interim arrangement to fulfil the responsibility for the administration of the Council's financial affairs pursuant to Section 151 of the Local Government Act 1972.

Post	2013/2014				
	Salary (incl. fees & allowances) £	Compensation for Loss of Employment £	Total Remuneration excl. pension contributions £	Pension Contributions £	Total Remuneration incl. pension contributions £
Chief Executive A <sup>1</sup>	91,315	0	91,315	18,583	109,898
Chief Executive B <sup>1</sup>	59,208	0	59,208	12,049	71,257
Director of Adult Social Services & Housing <sup>2</sup>	29,875	53,100	82,975	6,080	89,055
Director of Children & Young Peoples Services <sup>3</sup>	27,914	0	27,914	5,680	33,594
Director of People & Communities <sup>3</sup>	84,857	0	84,857	17,269	102,126
Director of Development & Environment	104,904	0	104,904	21,348	126,252
Director of Public Health <sup>4</sup>	82,296	0	82,296	11,483	93,779
Head of Performance Improvement & HR	82,117	0	82,117	16,711	98,828
Head of Legal & Democratic Services	74,994	0	74,994	15,261	90,255
Head of Financial Management	74,994	0	74,994	15,261	90,255
Strategic Policy Development Manager	63,027	0	63,027	12,826	75,853
	<b>775,501</b>	<b>53,100</b>	<b>828,601</b>	<b>152,551</b>	<b>981,152</b>

1. Chief Executive A retired 17 November 2013; new Chief Executive B took up office 4 November 2013

2. Employment terminated on 14 July 2013 in connection with organisational restructure

3. Post of Director of Children & Young Peoples Services deleted as at 30 June 2013; new post of Director of People & Communities with effect from 1 July 2013

4. Director of Public Health - new post following the transfer of Public Health services under the Health and Social Care Act 2012



# Additional Disclosures – Key Notes for Stakeholders



## 20.2 Other Remuneration

The Council's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are shown in the table below. The numbers below cover all Council activities, including the employment of teachers within schools and include those senior officers detailed above.

Remuneration Band	No. of Employees		Remuneration Band	No. of Employees	
	2013/14	2014/15		2013/14	2014/15
£50,000 - £54,999	54	60	£100,000 - £104,999	1	0
£55,000 - £59,999	22	35	£105,000 - £109,999	0	1
£60,000 - £64,999	21	20	£110,000 - £114,999	1	0
£65,000 - £69,999	19	16	£120,000 - £124,999	0	1
£70,000 - £74,999	8	5	£145,000 - £149,999	1	1
£75,000 - £79,999	2	6			
£80,000 - £84,999	3	3			
£85,000 - £89,999	1	1			

## 21. Termination Benefits

### 21.1 Redundancy and compensation

An amount of £0.317m (2013/14 – £0.277m) has been reflected within the Comprehensive Income and Expenditure Statement in respect of severance payments during the year. All payments are within the limits permitted by statute and the superannuation and compensation regulations, applicable at the time of the payment.

### 21.2 Pension Strain

During 2014/15, a sum of £0.255m (2013/14 – £0.055m) was charged to services in the Comprehensive Income and Expenditure Statement in respect of pension strain costs, and at the year-end, the balance shown in Creditors in the Balance Sheet for these transactions was £0.221m. Any additional contributions (strain contributions and augmentation contributions) that are due to be paid in the year by the Council under any agreement with the pension fund are recognised immediately as an expense.

	2013/14		2014/15	
	No. of Packages	£000	No. of Packages	£000
<b>Charged and Accrued for within the Comprehensive Income &amp; Expenditure Statement</b>				
- Severance Payments		277		317
- Pension Strain Costs		55		255
	21	<u>332</u>	20	<u>572</u>

# Additional Disclosures – Key Notes for Stakeholders



## 21.3 Exit Packages

The total cost of £0.572m (2013/14 - £0.332m) shown above reflects the value of the exit packages which have been agreed, accrued and provided for and charged to the Council's Comprehensive Income and Expenditure Statement for the current year.

The total number and value of the exit packages, grouped into bands of £20,000 up to £100,000 and bands of £50,000 thereafter, are as follows:

	2013/14		2014/15	
	No. of Packages	£000	No. of Packages	£000
Up to £20,000	18	177	22	72
£20,001 to £40,000	1	26	4	106
£40,001 to £60,000	1	53	1	55
£60,001 to £80,000	1	76	0	0
£80,001 to £100,000	0	0	1	90
£100,001 to £150,000	0	0	2	249
	21	<u>332</u>	30	<u>572</u>

## 22. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, including the value of assets acquired under finance leases, 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically that has yet to be financed.

The net movement in the Capital Financing Requirement illustrates the change in the underlying need for the Council to borrow during the year to fund capital investment which has not been funded immediately from resources such as grants, capital receipts and direct funding from revenue.

# Additional Disclosures – Key Notes for Stakeholders



	2013/14 Restated £000	2014/15 £000
<b>Opening Capital Financing Requirement</b>	144,861	138,729
<b>Capital Investment in Year</b>		
Property, Plant and Equipment	32,319	43,042
Intangible Assets	0	500
Long Term Investment - Municipal Bond	0	50
Revenue Expenditure Funded from Capital Under Statute	2,805	2,826
	<b>35,124</b>	<b>46,418</b>
<b>Source of Finance</b>		
Capital Receipts and Reserves	(5,058)	(3,353)
Government Grants and Contributions	(25,557)	(35,292)
Revenue Provisions and Reserves	(2,425)	(2,773)
Minimum Revenue Provision and Voluntary Set Aside	(7,912)	(7,788)
Repayment of long term debt	(304)	0
	<b>(41,256)</b>	<b>(49,206)</b>
<b>Net Increase / (Decrease) in Capital Financing Requirement</b>	<b>(6,132)</b>	<b>(2,788)</b>
<b>Closing Capital Financing Requirement</b>	<b>138,729</b>	<b>135,941</b>
<b>Explanation of movement in year:</b>		
Increase in underlying need to borrow unsupported by Government assistance	2,035	4,962
Minimum Revenue Provision and Voluntary Set Aside	(7,912)	(7,788)
	<b>(5,877)</b>	<b>(2,826)</b>
Assets acquired under finance lease	49	38
Repayment of long term debt	(304)	0
	<b>(6,132)</b>	<b>(2,788)</b>

The Minimum Revenue Provision shown above comprises:

	2013/14 Restated £000	2014/15 £000
Minimum Revenue Provision	(5,012)	(4,856)
Avon Loan Debt Minimum Revenue Provision	(679)	(652)
Voluntary Revenue Provision	(2,221)	(2,280)
	<b>(7,912)</b>	<b>(7,788)</b>

# Additional Disclosures – Key Notes for Stakeholders



Revenue Expenditure Funded by Capital Under Statute incurred and written out during the year are as follows:

	2013/14 £000	2014/15 £000
Disabled Facilities Grants	1,171	<b>983</b>
Private Sector Renewal	151	<b>26</b>
Assistance to Housing Associations	271	<b>1,349</b>
Academy Schools & Colleges	600	<b>392</b>
Capital Works and Grants - Non Council Property (incl. Youth Centres)	612	<b>76</b>
	<b>2,805</b>	<b>2,826</b>

# Additional Disclosures – Key Notes for Stakeholders



## 23. Grant Income

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement in 2014/15.

2013/14		2014/15			Total Grants & Contns. £000
		Government Grants £000	Capital Grants & Contns. £000	Other Grants & Contns. £000	
(46,883)	<b>Credited to Taxation and Non-Specific Grant Income (Note 7)</b>				
	Non-ringfenced Government Grants	(42,018)	0	0	(42,018)
(25,104)	Capital Grants and Contributions	0	(33,564)	0	(33,564)
(71,987)		<b>(42,018)</b>	<b>(33,564)</b>	<b>0</b>	<b>(75,582)</b>
	<b>Credited to Cost of Services</b>				
(64,892)	Housing Benefit Subsidy	(64,101)	0	0	(64,101)
(358)	Discretionary Housing Benefits Subsidy	(394)	0	0	(394)
(1,463)	Housing Benefit Subsidy Administration	(1,044)	0	0	(1,044)
(105)	Local Council Tax Support (New Burdens & Administration)	(351)	0	0	(351)
(508)	Local Welfare Provision	(501)	0	0	(501)
(890)	Other Corporate Services Grants & Contributions	(189)	0	(1,081)	(1,270)
(93,699)	Dedicated Schools Grant	(95,610)	0	0	(95,610)
(3,468)	Pupil Premium Grant	(5,231)	0	0	(5,231)
(3,122)	Education Services Grant	(2,566)	0	0	(2,566)
(410)	Primary School PE & Sport Funding	(538)	0	0	(538)
0	Universal Infant Free School Meals	(1,592)	0	0	(1,592)
(964)	Further Education Funding (+19)	(966)	0	0	(966)
(442)	Troubled Families	(670)	0	0	(670)
(319)	Youth Justice Board	0	0	(343)	(343)
(4,789)	Other Children's & Education Services Grants & Contributions	(604)	0	(4,873)	(5,477)
(286)	Local Reform & Community Voices	(167)	0	0	(167)
0	Care Bill Implementation	(125)	0	0	(125)
0	Carers in Employment Pilot	(140)	0	0	(140)
0	Helping People Home	(230)	0	0	(230)
(11,138)	NHS North Somerset Clinical Commissioning Group	0	0	(7,397)	(7,397)
(1,179)	Other Adult Social Care Services Grants & Contributions	0	0	(2,087)	(2,087)
(16)	Housing Services Grants & Contributions	0	0	(305)	(305)
(290)	Adult & Community Learning	0	0	(327)	(327)
(250)	DfT Main Highways (Pothole Challenge Fund)	(646)	0	0	(646)
0	Local Sustainable Transport Fund	(837)	0	0	(837)
(2,796)	Other Development & Environment Grants & Contributions	(170)	0	(2,220)	(2,390)
(7,381)	Public Health Services Grant	(7,593)	0	0	(7,593)
(198,765)		<b>(184,265)</b>	<b>0</b>	<b>(18,633)</b>	<b>(202,898)</b>

# Additional Disclosures – Key Notes for Stakeholders



The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the provider should those conditions not be met. The balances at the year-end are as follows:

	2013/14 £000	2014/15 £000
<b>Capital Grant &amp; Contribution Receipts in Advance</b>		
Capital Maintenance	(1,498)	(1,579)
Devolved Formula Grant	(975)	(889)
Basic Need Grant	(3,734)	(2,670)
DfT Major Schemes	(696)	(3,882)
DfT Transport Grant	(251)	(593)
Other	(3,952)	(2,905)
	<b>(11,106)</b>	<b>(12,518)</b>

## 24. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, 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 2011. The Schools Budget includes elements for a range of educational services provided on a Council-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 2014/15 and the balances carried over as at 31 March 2015 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2014/15 before Academy Recoupment	28,120	111,318	<b>139,438</b>
Academy Figure recouped for 2014/15	0	(43,828)	<b>(43,828)</b>
<i>Total DSG after Academy recoupment for 2014/15</i>	28,120	67,490	<b>95,610</b>
Brought forward from 2013/14	895	185	<b>1,080</b>
<i>Final Budgeted Distribution in 2014/15</i>	29,015	67,675	<b>96,690</b>
Actual central expenditure for the year	(29,007)	0	<b>(29,007)</b>
Actual ISB deployed to schools in year	0	(67,495)	<b>(67,495)</b>
<i>Total Expenditure in 2014/15</i>	(29,007)	(67,495)	<b>(96,502)</b>
<b>Total Carry Forward of Grant to 2015/16</b>	<b>8</b>	<b>180</b>	<b>188</b>

## 25. Pooled Budgets and Joint Funding Arrangements

Section 75 of the Health Act 2006, the NHS Bodies and the Local Authorities Partnership Arrangements Regulations 2000 enable health bodies and local authorities to work collaboratively together to address specific health and social care issues.



# Additional Disclosures – Key Notes for Stakeholders



The establishment of joint working arrangements between NHS bodies and local authorities can take many forms which could include localised jointly funded projects, the establishment of pooled budget arrangements or the adoption of a Section 256 agreement.

In 2014/15 the Council entered into a Section 256 agreement with the North Somerset Clinical Commissioning Group which identified resources of £18.796m as funding for the provision of a range of services and joint working initiatives. (£15.913m was included within the 2013/14 Section 256). In 2014/15, £4.235m of the agreed £18.798m was a separate S256 agreement held with NHS England rather than via North Somerset Clinical Commissioning Group.

The agreement includes funding in respect of the following local authority and health functions:

	2013/14 £000	2014/15 £000
Jointly Commissioned Services via NSC - included within the council's Comprehensive Income and Expenditure Statement:		
- Social Care Funding (Social Care Funding for Health Benefits)	3,084	4,235
- Reablement Funding (via NHS)	481	490
- Children's Short Breaks (The Firs) Contribution	387	396
- New Carers Support	0	240
- Dementia Day Service (Severn Day) Contribution	136	151
- Community Development Workers (Community Connect) Contribution	75	0
- Contribution to Joint Carers Contract (Crossroads)	328	0
- Voluntary Sector Contributions	10	0
	4,501	5,512
On Behalf of NHS - excluded from the council's Comprehensive Income and Expenditure Statement:		
- Continuing Health Care (CHC) Commissioning	5,818	7,658
- Funded Nursing Care (FNC) Funding	4,337	4,156
- Integrated Community Equipment (ICES) Contribution	1,257	1,470
	11,412	13,284
<b>Total</b>	<b>15,913</b>	<b>18,796</b>

Additional costs incurred for health functions in excess of the £13.284m identified within the S256 agreement remain the liability of the North Somerset Clinical Commissioning Group with any such balances being reflected within the Council's balance sheet, similarly any surplus balances remaining where expenditure has been lower than the estimated funding provision given, will be returned after the year-end.

# Additional Disclosures – Key Notes for Stakeholders



Expenditure funded by contributions under the agreement was as follows:

	2013/14 £000	2014/15 £000
Jointly Commissioned Services via NSC - included within the council's Comprehensive Income and Expenditure Statement:		
- Joint funding for Social Care and other joint initiatives e.g. Reablement, Integration	3,575	4,725
- Children's Short Breaks (The Firs) Contribution	388	396
- New Carers Support	0	240
- Dementia Day Service (Severn Day) Contribution	135	151
- Community Development Workers (Community Connect) Contribution	75	0
- Contribution to Joint Carers Contract (Crossroads)	328	0
- Winter Resilience	257	200
	4,758	5,712
Health Related Expenditure - excluded from the Comprehensive Income and Expenditure Statement:		
- Continuing Health Care (CHC) Commissioning	7,737	8,280
- Funded Nursing Care (FNC) Funding	4,192	4,053
- Integrated Community Equipment (ICES) Contribution	1,448	1,368
- Ad Hoc spot placements	275	397
	13,652	14,098
<b>Total</b>	<b>18,410</b>	<b>19,810</b>

Additional costs incurred for health functions in excess of the £13.284m identified within the S256 agreement remain the liability of the North Somerset Clinical Commissioning Group with any such balances being reflected within the Council's balance sheet, similarly any surplus balances remaining where expenditure has been lower than the estimated funding provision given, will be returned after the year-end.

As can be seen above, the Council received funding of £1.470m from the Clinical Commissioning Group in respect of their share of costs associated with the Integrated Community Equipment Service, however the Council also has a requirement to fund costs for service users in this area and so a joint contract arrangement operated throughout 2014/15.

This is a continuation of the previous agreement between North Somerset Council and the NHS body and the table below shows both the gross expenditure and funding sources for this service. The table below shows both the gross expenditure and funding sources for this service.

# Additional Disclosures – Key Notes for Stakeholders



	2013/14 £000	2014/15 £000
Gross Expenditure	2,140	2,087
Funding provided from:		
- North Somerset Council	(587)	(602)
- North Somerset CCG Equipment	(1,231)	(1,445)
- North Somerset CCG Contribution to NSC Contract Manager	(26)	(25)
<i>Net (Surplus) / Deficit</i>	296	15
- North Somerset Council share of under / (over) spend	(105)	(124)
- North Somerset Clinical Commissioning Group share of under / (over) spend	(191)	109
	(296)	(15)
<b>Net (Surplus) / Deficit carried forward</b>	<b>0</b>	<b>0</b>

## 26. External Audit Costs

In 2014/15 North Somerset Council incurred the following fees relating to external audit and inspection.

	2013/14 £000	2014/15 £000
Fees payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor	148	148
Fees payable to the for the certification of grant claims and returns	5	19
Rebate from the Audit Commission with regard to external audit services carried out by the appointed auditor	(20)	(15)
<b>Total Audit Costs</b>	<b>133</b>	<b>152</b>

# Additional Disclosures – Technical Notes



## 27. Changes in Accounting Policy : Accounting for Schools

The accounting treatment of local authority maintained schools has been a topic of debate for some time. The 2014/15 Code introduced *Appendix E Accounting for Schools in Local Authorities in England and Wales* which sets out the accounting treatment for local authority maintained schools in the following areas:

- the treatment of schools as entities for financial reporting purposes
- confirmation of the application of IFRS 10 Consolidated Financial Statements to those entities
- an adaptation to the definition of single entity financial statements so that schools are consolidated into these statements
- the implications for the recognition of non-current assets, and
- the reporting requirements for schools as subsidiaries under IFRS 12 Disclosure of Interests in Other Entities.

This change in the Code requires the consideration of all the Council's maintained schools to be consolidated into the Authorities financial statements. School assets will be subject to the recognition criteria of other Accounting Standards, and whether or not they are consolidated will depend on whether the school and/or Council has control over the use of those assets. Where the assets are subject to other arrangements (e.g. PFI, leases, etc) the relevant recognition requirements for those aspects of the Code should be applied.

In order to simplify the consolidation process and to avoid consolidating a considerable number of separate, relatively small entities, the Code confirms that the definition of the single entity financial statements includes all the transactions of local authority schools, so instead of these transactions being consolidated in the Group Accounts, they are consolidated into the single entity financial statements.

The Council has considered the amendment to the Code and has concluded that the introduction of Appendix E result in a change in the Council's Accounting Policies, specifically:

- the Council's policy for accounting for school land and buildings previously depended primarily on the type of school (Community, VC, VA or Trust), and an overall assessment of control. The Code has now moved on from this position and all maintained school assets, except for Land not owned by the Council, are recognised in the Council's financial statements
- Unofficial School Funds controlled by the schools will be brought into the Council's single entity financial statements.

The Code requires that a change in accounting policy is applied retrospectively i.e. "*applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied*". The following tables summarise the effect of the retrospective application on the main financial statements. All corresponding Notes to the Financial Statements have also been restated where applicable. The changes made are:

### Adjustment of Opening Balances

- Bringing onto the Balance Sheet VA school non-current assets
- Removing VC school land values
- Bringing onto the Balance Sheet new non-current assets held under finance leases
- Bringing onto the Balance Sheet Unofficial School Funds bank balances

### Removal of 2013/14 Transactions

- Reversal of non-current asset disposals and revaluations,

### Depreciation, Finance Leases & Unofficial School Funds

- Restatement of depreciation charge for changes in non-current assets
- Transactions for finance lease repayments, interest, MRP and liabilities
- Income and expenditure, movement in bank and reserve balances for Unofficial School Funds

# Additional Disclosures – Technical Notes



MOVEMENT IN RESERVES STATEMENT	Usable Reserves				Unusable Reserves			TOTAL RESERVES
	General Fund Balance £000	Other Schools Balances £000	Other Usable Reserves £000	Total Usable Reserves £000	Revaluation Balances £000	Adjustment Accounts £000	Total Unusable Reserves £000	
<b>Balance as at 1 April 2013</b>	(8,683)	0	(36,736)	(45,419)	(137,698)	93,234	(44,464)	<b>(89,883)</b>
- Adjust Opening Balances	0	(915)	0	(915)	9,119	(38,838)	(29,719)	<b>(30,634)</b>
(Surplus) / deficit on the provision of services	(2,608)	0	0	(2,608)	0	0	0	<b>(2,608)</b>
- Remove 2013/14 transactions	(237)	0	0	(237)	0	0	0	<b>(237)</b>
- Finance Lease Adjustment	(44)	0	0	(44)	0	0	0	<b>(44)</b>
- Depreciation	1,310	0	0	1,310	0	0	0	<b>1,310</b>
- Unofficial Schools Funds	73	0	0	73	0	0	0	<b>73</b>
Other comprehensive income and expenditure	0	0	0	0	(2,491)	(49,201)	(51,692)	<b>(51,692)</b>
- Remove 2013/14 transactions	0	0	0	0	2,047	0	2,047	<b>2,047</b>
<b>Total comprehensive income and expenditure</b>	<b>(1,506)</b>	<b>0</b>	<b>0</b>	<b>(1,506)</b>	<b>(444)</b>	<b>(49,201)</b>	<b>(49,645)</b>	<b>(51,151)</b>
Adjustments between accounting basis and funding basis under regulations	(4,131)	0	(3,700)	(7,831)	8,691	(860)	7,831	<b>0</b>
- Remove 2013/14 transactions	237	0	0	237	0	(237)	(237)	<b>0</b>
- Finance Lease Adjustment	44	0	0	44	0	(44)	(44)	<b>0</b>
- Depreciation	(1,310)	0	0	(1,310)	0	1,310	1,310	<b>0</b>
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>(6,666)</b>	<b>0</b>	<b>(3,700)</b>	<b>(10,366)</b>	<b>8,247</b>	<b>(49,032)</b>	<b>(40,785)</b>	<b>(51,151)</b>
Transfers between Usable Reserves	5,810	0	(5,809)	1	0	0	0	<b>1</b>
- Unofficial Schools Funds	(73)	73	0	0	0	0	0	<b>0</b>
(Increase) or decrease in year	(929)	73	(9,509)	(10,365)	8,247	(49,032)	(40,785)	<b>(51,150)</b>
<b>Balance as at 31st March 2014 carried forward</b>	<b>(9,612)</b>	<b>(842)</b>	<b>(46,245)</b>	<b>(56,699)</b>	<b>(120,332)</b>	<b>5,364</b>	<b>(114,968)</b>	<b>(171,667)</b>



# Additional Disclosures – Technical Notes



CONSOLIDATED INCOME AND EXPENDITURE STATEMENT	2013/2014		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Children's and Education Services	158,581	(119,565)	39,016
- Finance Lease Adjustment	(44)	0	(44)
- Depreciation	1,310	0	1,310
- Unofficial Schools Funds	1,352	(1,279)	73
Other Services	247,925	(128,057)	119,868
<b>Cost of Services</b>	<b>409,124</b>	<b>(248,901)</b>	<b>160,223</b>
Other operating expenditure	12,438	0	12,438
- Remove 2013/14 transactions	(237)	0	(237)
Financing and investment income and expenditure	14,533	(2,660)	11,873
Taxation and non-specific grant income	0	(185,803)	(185,803)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>435,858</b>	<b>(437,364)</b>	<b>(1,506)</b>
(Surplus) / deficit on revaluation of non-current assets			(2,491)
- Remove 2013/14 transactions			2,047
Remeasurements of net defined benefit liability			(49,201)
<b>Other Comprehensive Income and Expenditure</b>			<b>(49,645)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(51,151)</b>



# Additional Disclosures – Technical Notes



	As Published		Adjust Opening Balances £000	Reverse 2013/14 Trans. £000	Finance Lease Adj. £000	Depn. £000	Unofficial Schools Funds £000	Restated	
	1 April 2013 £000	31 March 2014 £000						1 April 2013 £000	31 March 2014 £000
<b>BALANCE SHEET</b>									
Property, Plant and Equipment									
Other Land and Buildings	303,817	290,129	28,799	(1,933)	0	(1,284)	0	332,616	315,711
Vehicles, Plant, Furniture and Equipment	12,747	10,398	119	0	0	(26)	0	12,866	10,491
Assets Under Construction	356	431	920	123	0	0	0	1,276	1,474
Other Property, Plant and Equipment	72,543	85,162	0	0	0	0	0	72,543	85,162
Other Long Term Assets	15,914	19,914	0	0	0	0	0	15,914	19,914
<b>Long Term Assets</b>	<b>405,377</b>	<b>406,034</b>	<b>29,838</b>	<b>(1,810)</b>	<b>0</b>	<b>(1,310)</b>	<b>0</b>	<b>435,215</b>	<b>432,752</b>
Cash and Cash Equivalents	0	6,086	0	0	0	0	(70)	0	6,931
Other Current Assets	92,421	87,789	0	0	0	0	0	92,421	87,789
<b>Current Assets</b>	<b>92,421</b>	<b>93,875</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(70)</b>	<b>92,421</b>	<b>94,720</b>
Cash and Cash Equivalents	(3,960)	0	915	0	0	0	0	(3,045)	0
Short Term Creditors	(37,345)	(35,554)	(44)	0	6	0	(3)	(37,389)	(35,595)
Other Current Liabilities	(18,241)	(17,353)	0	0	0	0	0	(18,241)	(17,353)
<b>Current Liabilities</b>	<b>(59,546)</b>	<b>(52,907)</b>	<b>871</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>(3)</b>	<b>(58,675)</b>	<b>(52,948)</b>
Long Term Liabilities - Finance Leases	(2,440)	(2,441)	(75)	0	38	0	0	(2,515)	(2,478)
Other Long Term Liabilities	(345,929)	(300,379)	0	0	0	0	0	(345,929)	(300,379)
<b>Long Term Liabilities</b>	<b>(348,369)</b>	<b>(302,820)</b>	<b>(75)</b>	<b>0</b>	<b>38</b>	<b>0</b>	<b>0</b>	<b>(348,444)</b>	<b>(302,857)</b>
<b>Net Assets</b>	<b>89,883</b>	<b>144,182</b>	<b>30,634</b>	<b>(1,810)</b>	<b>44</b>	<b>(1,310)</b>	<b>(73)</b>	<b>120,517</b>	<b>171,667</b>
Usable Reserves	(45,419)	(55,857)	(915)	0	0	0	73	(46,334)	(56,699)
Unusable Reserves	(44,464)	(88,325)	(29,719)	1,810	(44)	1,310	0	(74,183)	(114,968)
<b>Total Reserves</b>	<b>(89,883)</b>	<b>(144,182)</b>	<b>(30,634)</b>	<b>1,810</b>	<b>(44)</b>	<b>1,310</b>	<b>73</b>	<b>(120,517)</b>	<b>(171,667)</b>

# Additional Disclosures – Technical Notes



	As Published						Restated
	31 March 2014 £000	Adjust Opening Balances £000	Reverse 2013/14 Transactions £000	Finance Lease Adjustment £000	Depreciation £000	Unofficial Schools Funds £000	31 March 2014 £000
<b>CASH FLOW STATEMENT</b>							
Net surplus / (deficit) on the provision of services	2,608	0	237	44	(1,310)	(73)	1,506
Adjustments to the net surplus / deficit on the provision of services for non-cash movements	44,224	0	(237)	0	1,310	3	45,300
Adjustments for items included in the provision of services that are investing or financing activities	(32,799)	0	0	0	0	0	(32,799)
<b>Net cash flows from Operating Activities</b>	<b>14,033</b>						<b>14,007</b>
<b>Net cash flows from Investing Activities</b>	<b>(3,512)</b>	0	0	0	0	0	<b>(3,512)</b>
Finance Lease Repayments	(43)	0	0	(44)	0	0	(87)
Other Financing Activities	(432)	0	0	0	0	0	(432)
<b>Net cash flows from Financing Activities</b>	<b>(475)</b>						<b>(519)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>10,046</b>						<b>9,976</b>
Cash and cash equivalents at the beginning of the reporting period	(3,960)	915	0	0	0	0	(3,045)
<b>Cash and cash equivalents at the end of the reporting period comprising:</b>	<b>6,086</b>						<b>6,931</b>
Cash held by the Council	27						27
Bank Current Accounts	6,059	915	0	0	0	(70)	6,904
	<b>6,086</b>						<b>6,931</b>

## 28. Pensions Schemes Accounted for as Defined Contribution Schemes

### 28.1 Teachers' Pension Scheme

Teachers employed by the Council 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 Council 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 Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for

# Additional Disclosures – Technical Notes



accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/15 the Council paid £4.924m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.10% of pensionable pay. The figures for 2013/14 were £4.741m and 13.52% respectively. Contributions of £0.403m were payable at the year-end.

The Council is also 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 29.3, page 70.

## 28.2 NHS Pension Scheme

The NHS Pension Scheme is an unfunded, defined benefit scheme that covers NHS employers and Local Authority employers of public health staff transferred from Primary Care Trusts (PCTs) on 1 April 2013. Within the NHS it is accounted for as if it were a defined contribution scheme in accordance with the "NHS Manual".

As the NHS bodies account for the scheme as a defined contribution plan, it would be extremely unlikely that the Council would be able to identify the underlying scheme assets and liabilities for staff transferred who are in the NHS pensions plan. For the purposes of this Statement of Accounts, it is therefore accounted for as a defined contribution scheme.

In 2014/15 the Council paid £0.092m to NHS Pensions in respect of public health staff retirement benefits, representing 14.00% of pensionable pay. The figures for 2013/14 were £0.109m and 13.66% respectively. Contributions of £0.005m were payable at the year-end.

## 29. Defined Benefit Pension Schemes

### 29.1 Participation in Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two schemes:

- the Local Government Pension Scheme known as the Avon Pension Fund, administered by Bath & North-East Somerset Council;
- 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.

The total net liability in respect of defined benefit schemes as shown in the Balance Sheet is as follows:

# Additional Disclosures – Technical Notes



	2013/14			2014/15		
	Funded £000	Unfunded £000	Total £000	Funded £000	Unfunded £000	Total £000
Local Government Pension Scheme	(126,537)	(18,319)	(144,856)	(176,170)	(19,589)	(195,759)
Unfunded Teachers' Discretionary Benefits	0	(25,494)	(25,494)	0	(26,786)	(26,786)
	<u>(126,537)</u>	<u>(43,813)</u>	<u>                    </u>	<u>(176,170)</u>	<u>(46,375)</u>	<u>                    </u>
<b>Net liability arising from defined benefit obligation</b>			<u>(170,350)</u>			<u>(222,545)</u>

## 29.2 Local Government Pension Scheme

The Local Government Pension Scheme is a funded defined benefit scheme based on final pensionable salary. This means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

### Transactions Relating to Post-Employment Benefits

The Council recognises 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 pension. However, the charge the Council is 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:

# Additional Disclosures – Technical Notes



	2013/14 £000	2014/15 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
- Current Service Cost	12,202	11,484
- Settlements & Curtailments	(487)	112
<i>Financing and Investment Income and Expenditure</i>		
- Net Interest Cost	7,545	5,971
- Administration Expense	208	217
<b>Net Charge to Surplus or Deficit on Provision of Services</b>	<b>19,468</b>	<b>17,784</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of the net defined benefit liability comprising:		
- Return on Plan Assets	(2,536)	(33,327)
- Actuarial (Gains) / Losses arising on changes in demographic assumptions	(2,491)	0
- Actuarial (Gains) / Losses arising on changes in financial assumptions	(29,035)	79,789
- Experience (Gains) / Losses	(14,712)	0
	(48,774)	46,462
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(29,306)</b>	<b>64,246</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(19,468)	(17,784)
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>		
Employers' contributions payable to the scheme	11,671	13,343

## Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2013/14		2014/15	
	Funded £000	Unfunded £000	Funded £000	Unfunded £000
Present value of the defined benefit obligation	(484,927)	(18,319)	(580,354)	(19,589)
Fair value of plan assets	358,390	0	404,184	0
<b>Net liability arising from defined benefit obligation</b>	<b>(126,537)</b>	<b>(18,319)</b>	<b>(176,170)</b>	<b>(19,589)</b>



# Additional Disclosures – Technical Notes



## Reconciliation of Movements in the Fair Value of Scheme (Plan) Assets

	2013/14 £000	2014/15 £000
Opening Fair Value of Scheme Assets	344,968	358,390
Interest Income	14,418	15,810
Administration Expense	(208)	(217)
Remeasurement Gains / (Losses)	2,536	33,327
Employers' Contributions	11,671	13,343
Employee Contributions	3,334	3,491
Settlements	(91)	0
Benefits Paid	(18,238)	(19,960)
<b>Closing Balance at 31 March</b>	<b>358,390</b>	<b>404,184</b>

## Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2013/14		2014/15	
	Funded £000	Unfunded £000	Funded £000	Unfunded £000
Opening Balance at 1 April	(514,248)	(16,553)	(484,927)	(18,319)
Current Service Cost	(12,202)	0	(11,484)	0
Interest Cost	(21,291)	(672)	(21,002)	(779)
Contributions by Scheme participants	(3,334)	0	(3,491)	0
Remeasurement Gains / (Losses)	48,443	(2,205)	(78,091)	(1,698)
Benefits Paid	17,127	1,111	18,753	1,207
Settlements / Curtailments	578	0	(112)	0
<b>Closing Balance at 31 March</b>	<b>(484,927)</b>	<b>(18,319)</b>	<b>(580,354)</b>	<b>(19,589)</b>



# Additional Disclosures – Technical Notes



## Composition of Scheme Assets

	Quoted (Y / N)	2013/14 £000	2014/15 £000
<b>Cash and Cash Equivalents:</b>			
- Cash Accounts	Y	6,230	0
- Net Current Assets	N	1,509	9,713
<b>Equity Instruments:</b>			
- UK	Y	59,788	64,406
- UK Futures	Y	1,358	0
- Global	Y	49,927	49,959
- North America	Y	18,658	0
- North America	N	636	37,266
- Japan	Y	8,310	11,531
- Europe ex-UK	Y	21,579	25,635
- Pacific Rim ex- Japan	Y	8,752	9,942
- Emerging Markets	Y	33,608	38,636
<b>Bonds:</b>			
- UK Government Fixed	Y	10,089	13,758
- UK Government Gilt Futures	Y	1,531	30,540
- UK Government Indexed	Y	20,490	12,188
- Overseas Government Fixed	Y	8,041	0
- Sterling Corporate Bonds	Y	28,898	35,538
<b>Property:</b>			
- UK Property Funds	Y	16,049	18,560
- Overseas Property Funds	Y	11,458	15,268
<b>Alternatives:</b>			
- Hedge Funds	Y	17,602	17,785
- Diversified Growth Funds	Y	33,877	13,459
<b>Closing Balance at 31 March</b>		<b>358,390</b>	<b>404,184</b>

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the Avon Pension Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The main assumptions used in their calculations have been:

# Additional Disclosures – Technical Notes



	2013/14	2014/15
Rate of CPI inflation	2.4%	<b>2.0%</b>
Rate of increase in salaries	3.90%	<b>3.50%</b>
Rate of increase in pensions	2.4%	<b>2.0%</b>
Rate for discounting scheme liabilities	4.4%	<b>3.2%</b>
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners	Years	<b>Years</b>
Men	23.3	<b>23.4</b>
Women	25.8	<b>25.9</b>
Longevity at 65 for future pensioners in 20 years time	Years	<b>Years</b>
Men	25.7	<b>25.8</b>
Women	28.7	<b>28.8</b>
<b>Long Term Expected Rate of Return on Assets:</b>		
- Equity Investments	7.0%	<b>6.5%</b>
- Government Bonds	3.4%	<b>2.2%</b>
- Other Bonds	4.3%	<b>2.9%</b>
- Property	6.2%	<b>5.9%</b>
- Cash / Liquidity	0.5%	<b>0.5%</b>

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The 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.

<b>Impact on the Defined Benefit Obligation in the Scheme:</b>	<b>£000</b>
Longevity - 1 year increase in life expectancy	11,609
Rate of inflation - 0.1% increase	10,707
Rate of increase in salaries - 0.1% pay growth	2,022
Rate for discounting Scheme Liabilities - 0.1% increase in discounting rate	(10,519)

## Governance and Risk Management

As the administering authority, Bath and North East Somerset Council (B&NES), has legal responsibility for the pension fund as set out in the Local Government Pension Scheme Regulations. B&NES delegates its responsibility to the Avon Pension Fund Committee, which is the formal decision making body for the Fund. The Avon Pension Fund Committee is responsible for the investment, funding, administration and communication strategies. It also monitors the performance of the fund, and approves and monitors compliance of the statutory statements and policies required under the Regulations. The Committee is supported by an Investment Panel which considers the investment strategy and investment performance in greater depth.

# Additional Disclosures – Technical Notes



## *Impact on the Council's Cashflows*

The Fund targets a pension paid throughout life. The amount of pensions depends on how long employees are active members of the scheme and their salary when they leave the scheme ("final salary scheme") for service up to 31 March 2014 and on revalued average salary ("career average scheme") for service from 1 April 2014.

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 valuation as at 31 March 2013, showed a shortfall of assets against liabilities of £0.88 billion, equivalent to a funding level of 78%.

The Council's contribution rate for 2014/15 was 13.0% and, along with other employers in the Fund, is paying additional contributions (equivalent to 9.85% for 2014/15) over a period of up to 27 years in order to meet the shortfall. The Council estimates its employer contributions to the Fund for 2015/16 will be £12.372m, including £5.332m (equivalent to 10.25% of pensionable pay) in respect of deficit recovery.

## *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 instruments, and uses a number of investment managers. The risk management process identified and mitigates the risks arising from the Fund's investment strategy and policies which are reviewed regularly to reflect changes in market conditions. As a result of its investment strategy, the Fund is exposed to a variety of financial risks, including market risk (market price, interest rate and currency risk), credit risk and liquidity risk.

- **Market Risk** – the objective of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return. Volatility in marked risk is managed through diversification across asset class and investment managers.
- **Credit Risk** – as the market values of investments reflect an assessment of creditworthiness in their pricing, the risk of loss is implicitly provided for in the carrying value of the assets and liabilities.
- **Liquidity Risk** – the investment strategy and cash management policy ensure that the pension fund has adequate cash to meet its working requirements. 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. 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.

Actions taken by the government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the authority's cash flow.

## **29.3 Unfunded Teachers' Discretionary Benefits**

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 in relation to unfunded Teachers' Discretionary Benefits:

# Additional Disclosures – Technical Notes



	2013/14 £000	2014/15 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Financing and Investment Income and Expenditure</i>		
- Net Interest Cost	957	1,057
<b>Net Charge to Surplus or Deficit on Provision of Services</b>	957	1,057
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of the net defined benefit liability comprising:		
- Experience (Gains) / Losses	1,073	0
- (Gains) / Losses arising on changes in demographic assumptions	112	0
- (Gains) / Losses arising on changes in financial assumptions	(1,612)	2,060
	(427)	2,060
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	530	3,117
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(957)	(1,057)
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>		
Employers' contributions payable to the scheme	1,825	1,825

## Pension Assets and Liabilities Recognised in the Balance Sheet

The present value of the defined benefit obligation in the Balance Sheet as at 31 March 2015 is £26.786m. There are no assets associated with the scheme.

## Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2013/14 £000	2014/15 £000
Opening Balance at 1 April	(26,789)	(25,494)
Interest Cost	(957)	(1,057)
Remeasurement Gains / (Losses)	427	(2,060)
Benefits Paid	1,825	1,825
<b>Closing Balance at 31 March</b>	(25,494)	(26,786)

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## Basis for Estimating Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the Avon Pension Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The main assumptions used in their calculations have been:

	2013/14	2014/15
Rate of CPI inflation	2.4%	<b>2.0%</b>
Rate of increase in pensions	2.4%	<b>2.0%</b>
Rate for discounting scheme liabilities	4.3%	<b>3.1%</b>
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners	Years	<b>Years</b>
Men	23.3	<b>23.4</b>
Women	25.8	<b>25.9</b>

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The 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.

<b>Impact on the Defined Benefit Obligation in the Scheme:</b>	<b>£000</b>
Longevity - 1 year increase in life expectancy	1,098
Rate of inflation - 0.1% increase	269
Rate for discounting Scheme Liabilities - 0.1% increase in discounting rate	(267)

## Governance and Risk Management

The Teachers' Pension Scheme arrangements are managed centrally by government departments / agencies, and there is no material involvement for the Council.

### *Impact on the Council's Cashflows*

The Fund targets a pension paid throughout life. The amount of pensions depends on how long employees are active members of the scheme and their salary when they leave the scheme ("final salary scheme") for service up to 31 March 2015 and on revalued average salary ("career average scheme") for service from 1 April 2015.

The Council's involvement is limited to additional pensions to retired teachers which were awarded at the point of retirement.



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## Risks Strategy

Given their unfunded nature, there are no investment risks in relation to this scheme. The greatest single risk is that the government could change the funding standards relating to the scheme, increasing the Council's contributions.

## 30. Financial Instruments

### 30.1 Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
<b>Loans and receivables</b>				
Investments	6,999	26,271	60,623	56,317
Long Term Debtors	1,332	1,360	0	0
Cash and Cash Equivalents	0	0	6,931	1,921
	<u>8,331</u>	<u>27,631</u>	<u>67,554</u>	<u>58,238</u>
<b>Financial assets carried at contract amounts</b>				
Short Term Debtors	0	0	7,510	8,247
	<u>8,331</u>	<u>27,631</u>	<u>75,064</u>	<u>66,485</u>
<b>Financial liabilities at amortised cost</b>				
Borrowings	(111,489)	(119,049)	(2,726)	(5,806)
<b>Financial liabilities carried at contract amounts</b>				
Short Term Creditors	0	0	(10,017)	(11,511)
Cash and Cash Equivalents (Bank Overdraft)	0	0	0	(735)
	<u>0</u>	<u>0</u>	<u>(10,017)</u>	<u>(12,246)</u>
<b>Total Financial Liabilities</b>	<u>(111,489)</u>	<u>(119,049)</u>	<u>(12,743)</u>	<u>(18,052)</u>

Not all short term debtors and creditors fall within the definition of "financial instruments". The difference between the totals shown on the Balance Sheet and the values shown above is as follows:

	Debtors £000	Creditors £000
Total Short Term Debtors / Creditors on Balance Sheet	32,851	(36,447)
Statutory & Government Debtors / Creditors	(19,464)	11,493
Payments / Receipts in Advance	(5,140)	6,555
Bonds and Deposits	0	6,835
Short Term Finance Lease Liabilities	0	53
<b>Financial instruments carried at contract amounts</b>	<u>8,247</u>	<u>(11,511)</u>



# Additional Disclosures – Technical Notes



## 30.2 Events with Material Effect - Impairment of Financial Assets

### Impairment of Deposits with Icelandic Banks

Early in October 2008, several Icelandic banks collapsed and went into administration. North Somerset Council had one investment of £3m deposited in Landsbanki, which was due to mature on 28 November 2008. Since that time all monies remained subject to the respective legal administration and receivership processes with all distributions to creditors being administered by the Landsbanki Winding-Up Board.

At the start of the year the Council had received repayments of just over half of its investment with the remainder anticipated in phased distributions until at least December 2019 or beyond. During the year the Council sold this investment balance thereby recovering outstanding sums and partially reversing a prior year impairment sum.

## 30.3 Income, Expense, Gains and Losses

2013/14			2014/15	
Financial Assets - Loans & Receivables £000	Financial Liabilities carried at Amortised Cost £000		Financial Assets - Loans & Receivables £000	Financial Liabilities carried at Amortised Cost £000
0	6,258	Interest expense	0	6,283
(33)	0	Impairment losses	68	0
		<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>68</b>	<b>6,283</b>
(1,070)	0	Interest income	(1,121)	0
(74)	0	Interest income accrued on impaired financial assets	(50)	0
		<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>(1,171)</b>	<b>0</b>
(1,177)	6,258	<b>Net Gain / (Loss) for the Year</b>	<b>(1,103)</b>	<b>6,283</b>

## 30.4 Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment dates from the PWLB have been applied to provide the fair value under the PWLB debt redemption procedures
- The fair values of non-PWLB debt have been calculated using the same procedures and interest rates, which provide a reasonable approximation for the fair value of these instruments

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- For investments maturing after 12 months of the balance sheet date, prevailing benchmark market rates have been applied to provide the fair value
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31 March 2014		31 March 2015	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Investments	67,622	67,591	<b>82,539</b>	<b>82,711</b>
Unquoted equity investment	0	0	<b>50</b>	<b>50</b>
Short-term debtors	7,510	7,510	<b>8,247</b>	<b>8,247</b>
Long-term debtors	1,332	1,332	<b>1,360</b>	<b>1,360</b>
Cash and cash equivalents	6,931	6,931	<b>1,921</b>	<b>1,921</b>
<b>Total Financial Assets</b>	<b>83,395</b>	<b>83,364</b>	<b>94,117</b>	<b>94,289</b>
Borrowings	(114,215)	(134,904)	<b>(124,855)</b>	<b>(166,705)</b>
Short-term creditors	(10,017)	(10,017)	<b>(11,511)</b>	<b>(11,511)</b>
Cash and cash equivalents (bank overdraft)	0	0	<b>(735)</b>	<b>(735)</b>
<b>Total Financial Liabilities</b>	<b>(124,232)</b>	<b>(144,921)</b>	<b>(136,366)</b>	<b>(178,216)</b>

The fair value of financial liabilities is higher than the carrying amount because the Council's portfolio of loans includes some fixed rate loans which were taken out in previous financial years, where the existing interest rate payable is higher than the rates available for similar loans which were available at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to lenders above current market rates.

The fair value of financial assets is marginally higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of the loans.

The difference between the fair and carrying values for investments is marginal because the majority of investments are taken out on a short-term basis and the movement in interest rates within the market-place over the same period has not been significant. This cannot be said for longer-term borrowing arrangements, whereby fixed rate loans are usually taken out with durations over many years because they are often linked to the life of the asset being financed, and where the likelihood of movements in interest rates over the longer-term period increases.

## 31. Nature and Extent of Risks Arising from Financial Instruments

The Council'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

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- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

The Council'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 all directorates with specific support from officers within the Corporate Services directorate, under policies approved by council in the Annual Investment Strategy. This provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

## Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the strict criteria set within the Council's approved Treasury Management Strategy, which does include a degree of reliance upon credit reference ratings.

However the Council's Strategy mitigates a proportion of credit risk by setting limits to restrict the total amounts invested with individual counter-parties at any one time. Both the in-house treasury team and the external cash managers have a range of counter-party limits which are linked to the length of the investments placed and also the organisational credit limits. The only exception to this principle relates to deposits made with the Government's Debt Management Office, no limit was applied as it was deemed extremely secure.

The following analysis summarises the Council's maximum exposure to credit risk, based upon experience of default and non-collectability over the last 5 financial years, adjusted to reflect market conditions.

	Amount at 31 March 2015 £000 (A)	Historical experience of default % (B)	Historical experience adjusted for Market Conditions % (C)	Estimated maximum exposure to default & uncollectability £000 (A x C)
<b>Loans &amp; Receivables</b>				
Deposits with banks & financial institutions	82,589	1.764%	1.764%	<b>1,457</b>
Long Term Debtors	1,360	0.000%	0.000%	<b>0</b>
Cash and Cash Equivalents	1,921	0.000%	0.000%	<b>0</b>
<b>Financial Assets carried at Contract Amounts</b>				
Customers (Trade Debtors)	4,015	13.076%	13.076%	<b>525</b>
Other Debtors (Accruals)	4,232	0.000%	0.000%	<b>0</b>
<b>Totals</b>	<b>94,117</b>			<b>1,982</b>

The Council does not generally allow credit for customers, such that £3.952m of the Trade Debtor balance shown above is past its due date as follows:

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	£000
Less than 30 days	2,080
30 to 60 days	513
Over 60 days	1,359
	<b>3,952</b>

The historical experience of default for banks and financial institutions has been taken from Moody's, one of the credit rating organisation used by the Council. Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict criteria for investment counterparties in order to mitigate this risk wherever possible.

Credit limits and ratings are monitored throughout the reporting period, and adjustments made to the Strategy if appropriate.

## Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loans 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 Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than £8m of loans are due to mature within any one year through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

	PWLB £000	Other £000	Total £000
Less than one year	5,270	536	<b>5,806</b>
Between one and two years	3,400	0	<b>3,400</b>
Between two and five years	6,104	0	<b>6,104</b>
Between five and ten years	13,422	0	<b>13,422</b>
More than ten years	96,123	0	<b>96,123</b>
<b>Totals</b>	<b>124,319</b>	<b>536</b>	<b>124,855</b>

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

## Market Risk

### Interest Rate Risk

The Council is exposed to significant 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 fixed rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise; a 1% increase would result in additional costs of £1.2m
- borrowings at fixed rates – the fair value of the liabilities will fall; a 1% increase in the average interest rate would result in a £7.3m reduction in the fair value

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- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise; a 1% increase would result in a £1.1m increase in income
- investments at fixed rates – the fair value of the assets will fall; a 1% increase in the average interest rate would result in a £38.7m reduction in the fair value

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

## Price Risk

As at 31 March 2015 the Council held no investments which may be exposed to the risk of changes in the prices, for example Certificates of Deposit or Gilts.

## Foreign Exchange Risk

The Council has one financial asset denominated in foreign currency and therefore does have exposure to gains or losses arising from movements in exchange rates. The financial asset is held in Icelandic Krona, and a 5% movement in the exchange rate would result in a gain or loss of approximately £1,200.

## 32. Leases

### 32.1 Authority as Lessee

#### Finance Leases

The Council has acquired property, vehicles and print room equipment under finance leases. Finance Leases are included in the Balance Sheet as follows:

	2013/14 Restated £000	2014/15 £000
<u>Asset Net Book Values</u>		
Other Land and Buildings	2,198	1,736
Vehicles, Plant and Equipment	204	179
	<b>2,402</b>	<b>1,915</b>
<u>Other Long Term Liabilities</u>		
Finance Lease Liabilities	2,334	2,311
Lease Premiums in Advance	144	205
	<b>2,478</b>	<b>2,516</b>



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The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired and finance costs that will be payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2013/14 Restated £000	2014/15 £000
Finance Lease Liabilities		
- Current	71	53
- Non Current	2,334	2,311
Finance costs payable in future years	16,807	16,381
<b>Minimum Lease Payments</b>	<b>19,212</b>	<b>18,745</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	2013/14	2014/15	2013/14	2014/15
	Restated £000	£000	Restated £000	£000
Not later than one year	519	504	71	53
Later than one year and not later than five years	1,848	1,832	96	75
Later than five years	16,845	16,409	2,238	2,236
<b>Minimum Lease Payments</b>	<b>19,212</b>	<b>18,745</b>	<b>2,405</b>	<b>2,364</b>

## Operating Leases

The Council utilises a number of administrative buildings and its fleet of vehicles by entering into operating leases, with typical lives of five years for vehicles and equipment and 164 years for property. The future minimum lease payments due under non-cancellable leases in future years are as follows:

	2013/14 £000	2014/15 £000
Not later than one year	982	594
Later than one year and not later than five years	631	459
Later than five years	166	96
<b>Total</b>	<b>1,779</b>	<b>1,149</b>



# Additional Disclosures – Technical Notes



The Authority has sub-let some of its office accommodation held under these operating leases. At 31 March 2015 the minimum payments expected to be received under non-cancellable sub-leases was £0.054m (£0.217m at 31 March 2014).

The amount paid under these arrangements and charged to Cost of Services in the Comprehensive Income and Expenditure Statement during the year was £1.061m (2013/14 – £1.182m).

	2013/14 £000	2014/15 £000
Minimum lease payments	1,039	972
Contingent rents	143	89
	1,182	1,061
Sublease payments receivable	(217)	(54)
<b>Net Charge to Cost of Services</b>	965	1,007

## 32.2 Authority as Lessor

### Finance Leases

The Council does not own any significant property that it leases out under finance leases with the exception of the 125-year leases entered into upon the conversion of authority owned schools to academies as described in Note 9.6, page 40.

### Operating Leases

The Council owns various commercial and investment property that it leases out under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2013/14 £000	2014/15 £000
Not later than one year	1,528	1,473
Later than one year and not later than five years	2,448	2,809
Later than five years	4,909	6,817
<b>Total</b>	8,885	11,099

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/15 £0.504m of contingent rents were receivable by the Authority (2013/14 – £0.525m).

# Additional Disclosures – Technical Notes



The gross value of assets which were held for use in operating leases was £14.572m valued at 31 March 2015 (31 March 2014: £15.233m).

## 33. 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 which allowed 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 City Deal Business Rates Pooling Board constituted under the Business Rates Pooling Principles Agreement (BRPPA) signed by the four Authorities.

### Transactions

Each participating council pays an annual growth figure to South Gloucestershire Council, as the Accountable Body for the 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 council 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.

# Additional Disclosures – Technical Notes



Cash receivable and disbursements payable by the BRP and the Council's share of these for this first year are as follows:

	CASH TRANSACTIONS		EXPENDITURE & REVENUE	
	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	0	0	0	0
Receipts into the Pool in-year:				
- Growth sums payable by councils to BRP in-year	(6,302)	(135)	135	0
Distributions out of the Pool in-year:				
- Tier 1 no worse off	2,663	67	0	(67)
- BRP management fee	69	17	0	0
- EDF management fee	30	8	0	0
- Tier 3 demographic and service pressures	0	0	0	(63)
<b>Funds held by BRP at 31 March</b>	<b>(3,540)</b>	<b>(43)</b>		
Analysed between:				
- Uncommitted cash (Tier 2 inc. contingency)	(2,975)	(36)	(36)	n/a
- Committed cash (Tier 3)	(565)	(7)	n/a	n/a
	<b>(3,540)</b>	<b>(43)</b>		
<b>Expenditure / (Revenue) recognised</b>			<b>99</b>	<b>(130)</b>

As stated under the accounting policy note A1 xxi on page 103, 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 committed. Uncommitted cash is recognised by each council as a debtor.

The uncommitted cash of £0.036m contributed by the Council and held by the BRP is recognised by the Council as a debtor and is held in a new 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 no payments on behalf of the EDF in 2014/15.

The Council itself has recognised revenue income of £0.130m from the BRP and expenditure of £0.099m to the BRP for the year.

# Cash Flow Statement



Restated 31 March 2014 £000		Note	31 March 2015 £000
1,506	Net surplus / (deficit) on the provision of services	<i>CIES</i>	7,233
45,300	Adjustments to the net surplus / deficit on the provision of services for non-cash movements	<i>34.1</i>	34,946
(32,799)	Adjustments for items included in the provision of services that are investing or financing activities	<i>34.2</i>	(40,735)
<b>14,007</b>	<b>Net cash flows from Operating Activities</b>		<b>1,444</b>
	<b>Investing Activities</b>		
(32,180)	Purchase of non current assets		(40,196)
6,375	Proceeds from sale of non current assets		5,592
			(34,604)
(461,250)	Purchase of short and long term investments		(563,050)
460,405	Proceeds from sale of short and long term investments		548,193
			(14,857)
(101)	Other payments for Investing Activities		(854)
23,239	Other receipts from Investing Activities		31,112
			30,258
<b>(3,512)</b>	<b>Net cash flows from Investing Activities</b>		<b>(19,203)</b>
	<b>Financing Activities</b>		
13,003	Cash receipts from short and long term borrowing		28,433
(16,004)	Repayments of short and long term borrowing		(18,444)
			9,989
(87)	Finance lease repayments		(89)
2,569	Other payments for Financing Activities		2,114
<b>(519)</b>	<b>Net cash flows from Financing Activities</b>		<b>12,014</b>
<b>9,976</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(5,745)</b>
(3,045)	Cash and cash equivalents at the beginning of the reporting period		6,931
<b>6,931</b>	<b>Cash and cash equivalents at the end of the reporting period comprising:</b>		<b>1,186</b>
27	Cash held by the Council		20
6,904	Bank Current Accounts		1,166
<b>6,931</b>			<b>1,186</b>

# Notes to the Cash Flow Statement



## 34. Notes to the Cash Flow Statement

### 34.1 Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements

	2013/14 Restated £000	2014/15 £000
Depreciation and impairment	26,241	27,611
Increase / (decrease) in creditors	(1,975)	(1,601)
(Increase) / decrease in debtors	(877)	(4,160)
(Increase) / decrease in inventories	3	(39)
Pension liability	6,929	3,673
Carrying amount of non current assets sold	14,319	9,567
Increase / (decrease) in provisions	1,741	(763)
Movements in the value of investment properties	(1,083)	398
Other non-cash items charged to the net surplus or deficit on the provision of services	2	260
<b>Net adjustments for non-cash movements</b>	<b>45,300</b>	<b>34,946</b>

### 34.2 Adjustments for items included in the surplus / (deficit) on provision of services that are investing and financing activities

	2013/14 £000	2014/15 £000
Capital grants applied to the financing of capital expenditure	(26,454)	(35,163)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,345)	(5,572)
<b>Net adjustment for investing and financing activities</b>	<b>(32,799)</b>	<b>(40,735)</b>

# Notes to the Cash Flow Statement



## 34.3 Operating Activities

The cash flows for operating activities include the following:

	2013/14 £000	2014/15 £000
Interest received	1,437	<b>1,349</b>
Interest paid	(6,349)	<b>(6,383)</b>





# Collection Fund



This account reflects the Council's statutory responsibility as a billing authority to maintain a separate Collection Fund, which shows the transactions in relation to council tax and non-domestic rates, and illustrates the way in which these have been distributed to preceptors and the General Fund.

2013/14			2014/15			Note
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000	
0	(103,851)	(103,851)	0	(107,498)	(107,498)	CF1
(59,094)	0	(59,094)	(57,999)	0	(57,999)	CF2
<b>(59,094)</b>	<b>(103,851)</b>	<b>(162,945)</b>	<b>(57,999)</b>	<b>(107,498)</b>	<b>(165,497)</b>	
0	937	937	(1,138)	1,051	(87)	
0	132	132	(1,115)	145	(970)	
0	49	49	(23)	55	32	
0	1,118	1,118	(2,276)	1,251	(1,025)	
28,018	0	28,018	27,860	0	27,860	
27,458	86,117	113,575	27,302	89,079	116,381	
0	11,909	11,909	0	12,548	12,548	
560	4,537	5,097	557	4,781	5,338	
56,036	102,563	158,599	55,719	106,408	162,127	
102	(978)	(876)	(726)	(746)	(1,472)	
857	888	1,745	372	1,290	1,662	CF3
3,711	0	3,711	1,426	0	1,426	
260	0	260	258	0	258	
5	0	5	80	0	80	CF5
4,935	(90)	4,845	1,410	544	1,954	
<b>60,971</b>	<b>103,591</b>	<b>164,562</b>	<b>54,853</b>	<b>108,203</b>	<b>163,056</b>	
1,877	(260)	1,617	<b>(3,146)</b>	<b>705</b>	<b>(2,441)</b>	
0	(1,057)	(1,057)	1,877	(1,317)	560	
1,877	(1,317)	560	<b>(1,269)</b>	<b>(612)</b>	<b>(1,881)</b>	CF4

# Notes to the Collection Fund



## CF1. Council Tax System

Under the council tax system, North Somerset Council must collect each year enough money from local residents to cover the cost of the services we provide, which are not funded by other sources such as government grants and fees and charges. We also collect North Somerset's share of the cost of services provided by Avon & Somerset Police, Avon Fire Authority and the Parish and Town Councils, and pass this back to them through a precept payment.

Council tax is payable on any dwelling which is not exempt. The amount of council tax that each household pays depends upon the valuation band in which the property is placed and the Parish or Town in which the dwelling is situated.

In order to set the council tax, we estimate the number of dwellings in each of eight valuation bands and convert these estimates into an "equivalent number of Band D dwellings". The table below shows the calculation for 2014/15.

Valuation Bands	Estimated number of taxable dwellings after effect of exemptions and discounts	Ratio	Equivalent number of Band D dwellings
A - up to £40,000	10,543	6/9	7,029
B - £40,001 to £52,000	17,897	7/9	13,920
C - £52,001 to £68,000	19,663	8/9	17,478
D - £68,001 to £88,000	15,298	9/9	15,298
E - £88,001 to £120,000	11,402	11/9	13,936
F - £120,001 to £160,000	5,816	13/9	8,400
G - £160,001 to £320,000	3,083	15/9	5,138
H - over £320,001	218	18/9	436
	<b>83,920</b>		<b>81,635</b>
Reduction for Council Tax Support Scheme			(7,742)
Allowance for Losses on Collection			(1,002)
Allowance for New Properties			326
			<b>73,217</b>

The total number of "equivalent Band D dwellings" is divided into the total cost of services to arrive at an "average Band D Tax" per dwelling. Dwellings in bands below "Band D" will pay proportionately less than this average and dwellings in bands above "Band D" will pay proportionately more than this average.

The above calculations resulted in an "average Band D Tax" of £1,453.33 per dwelling for 2014/15 (2013/14 - £1,447.19) after taking into account Parish variations and providing a 1.3% provision for unpaid bills (2013/14 - 1.6%).

The actual council tax income for 2014/15 was £107,498,067.55, dividing this figure by the "average Band D Tax" results in an actual tax base of 73,967 dwellings. The difference between this and the total "equivalent Band D dwellings" of 73,217 reflects:

- Variations in the property market
- Changes in the number of exempt dwellings
- Changes in the number of dwellings qualifying for discounts

# Notes to the Collection Fund



## CF2. National Non-domestic Rates

In April 2013 the government introduced the Business Rates Retention Scheme which replaced the Business Rates Pooling Scheme that was previously in place.

Under the new Scheme the Council acts as both principal and agent, in that it is able to retain 49% of the net standard business rates collected within the local area as income within its own budget, as well as 100% of net rates from new properties within designated areas and also those relating to renewable energy schemes (Disregarded Amounts). The Council distributes the remaining net balance of standard business rate income to Central Government, who are allocated 50%, with the final 1% to the Fire Authority.

	2013/14	2014/15
Total Non-domestic Rateable Value at 31 March	£149,783,414	<b>£149,832,873</b>
National Non-domestic Rate Multiplier - Standard	47.1p	<b>48.2p</b>
National Non-domestic Rate Multiplier - Small Business	46.2p	<b>47.1p</b>

The Business Rates receivable amount on the face of the Collection Fund Account of £57.999m, is lower than the total of Non-domestic Rateable Value multiplied by the Non-domestic Rate Multiplier due to the award of various reliefs including Small Business Rate Relief and other mandatory and discretionary rate reliefs.

## CF3. Tax Payers' Arrears

	2013/14 £000	2014/15 £000	
Council Tax Arrears	9,533	<b>9,928</b>	
Business Rates Arrears	5,362	<b>4,981</b>	
<b>Gross Tax Payers' Arrears at 31 March</b>	<b>14,895</b>	<b>14,909</b>	
Council Tax Prepayments	(1,592)	<b>(3,795)</b>	
Business Rates Prepayments	(263)	<b>(1,521)</b>	
<b>Gross Tax Payers' Prepayments at 31 March</b>	<b>(1,855)</b>	<b>(5,316)</b>	
<b>Net Tax Payers' Arrears as at 31 March</b>	<b>13,040</b>	<b>9,593</b>	
<u>Allowances for Tax Payers' Debts</u>			<b>% of arrears at 31 March</b>
Council Tax	5,354	<b>5,899</b>	<b>59.42%</b>
Business Rates	3,069	<b>2,715</b>	<b>54.51%</b>
<b>Total Allowances for Tax Payers' Debts</b>	<b>8,423</b>	<b>8,614</b>	

# Notes to the Collection Fund



## CF4. Balance Sheet items Apportionment

	<b>Total £000</b>	North Somerset Council £000	Police & Crime Commissioner £000	Central Government £000	Avon Fire Authority £000
<b>Council Tax</b>					
Debtors	<b>9,928</b>	8,285	1,189	n/a	454
Bad Debt Allowance	<b>(5,899)</b>	(4,922)	(707)	n/a	(270)
Prepayments and Overpayments	<b>(3,795)</b>	(3,167)	(455)	n/a	(173)
(Surplus) / Deficit at 31 March	<b>(612)</b>	(512)	(72)	n/a	(28)
<b>Business Rates</b>					
Debtors	<b>4,981</b>	2,441	n/a	2,490	50
Bad Debt Allowance	<b>(2,715)</b>	(1,330)	n/a	(1,358)	(27)
Prepayments & Overpayments	<b>(1,521)</b>	(745)	n/a	(761)	(15)
Appeals Provision	<b>(3,562)</b>	(1,745)	n/a	(1,781)	(36)
(Surplus) / Deficit at 31 March	<b>(1,269)</b>	(622)	n/a	(634)	(13)

## CF5. Business Rates – Disregarded Amounts

From April 2013 the Council was allowed to retain 100% of the growth from the business rates associated with renewable energy sites and from April 2014 the Council was also allowed to retain 100% of the growth in business rates in its Enterprise Area.

All such growth is transferred to the Council's General Fund, with the Enterprise Area growth then being pooled with other participating authorities in the City Region Deal (see Note 33 to the main financial statements for full details).

	2013/14 £000	2014/15 £000
Renewable Energy	5	<b>13</b>
Enterprise Area - transfer to City Region Deal	0	<b>67</b>
	<u>5</u>	<u><b>80</b></u>

# Accounting Policies and Related Disclosures



## A1. Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2014/15 and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which are required to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

### ii. Accruals of Income and Expenditure

The Council operates its revenue and capital accounts on an accruals basis; activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be measured reliably and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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.
- Expenses in relation to services received (including those provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 revenue and expenditure have 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Revenue relating to council tax and non-domestic rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates. These transactions are therefore required to be measured at their full amount receivable.

### iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.



# Accounting Policies and Related Disclosures



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 Council's cash management.

## iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for in the current and any future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made as and when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## v. Charges to Revenue for Non-Current Assets

To record the cost of holding non-current assets during an accounting period, services, support services and trading accounts are debited with:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## vi. 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 the employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu), earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

The accrual is made at the wage or salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits 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 Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals

# Accounting Policies and Related Disclosures



basis to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement at the earlier of:

- when the Council can no longer withdraw the offer of those benefits, or
- when the Council recognises costs for a restructuring that involves the payment of termination benefits.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. 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 pensions and any such amounts payable but unpaid at the year-end.

## Post-Employment Benefits

The entries in the Statement of Accounts in respect of post-employment benefits are made in accordance with IAS19 Employee Benefits. Although a complex accounting standard, it is based on the simple principle that an organisation should account for post-employment benefits when it is committed to give them, even if the actual giving will be many years into the future. In this way the accounts represent the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced contributions) from a surplus in the scheme.

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

- The Local Government Pension Scheme, administered by Bath & North East Somerset Council
- The Teachers' Pensions Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The NHS Superannuation Scheme

### a) The Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefits scheme:

- Liabilities attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate calculated as a weighted average of "spot yields" on AA rated corporate bonds.
- Assets within the scheme 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 cost comprising:

*Current service cost* – the increase in liabilities as a result of years of service earned this year – allocated in Comprehensive Income and Expenditure Statement to the services for which the employees worked

# Accounting Policies and Related Disclosures



*Past service cost* – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

*Net Interest on the net defined benefit liability* – i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and 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 at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

## Re-measurement comprising:

*Return on plan assets* – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

*Actuarial gains and losses* – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

*Contributions paid to the fund* – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund Balance to be charged only 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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and 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.

## b) 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.

## c) Somerset and Gloucestershire County Council Schemes

The Council also makes payments to Somerset County Council in respect of pension costs which relate to employees prior to Local Government Reorganisation in 1974. These costs are deemed to represent the current cost of service and are charged to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement.

## vii. Events After the Reporting Period

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

# Accounting Policies and Related Disclosures



- 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
- 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.

## viii. Financial Instruments

### Financial Liabilities

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

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

### Financial Assets

Financial Assets are classified into two types:

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

#### a) Loans and Receivables

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the assets original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.



# Accounting Policies and Related Disclosures



## ix. Government Grants and Contributions

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

- the Council 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 returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. 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.

## x. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful (finite) life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## xi. Investment Property

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

# Accounting Policies and Related Disclosures



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 parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the 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.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure 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 (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## xii. 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

#### a) 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's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council 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 periods 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 asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Council 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.

#### b) 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 (e.g. there is a rent free period at the commencement of the lease).



# Accounting Policies and Related Disclosures



## The Authority as Lessor

### a) Finance Leases

The Council does not own any property that it leases out under finance leases.

### b) Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). 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.

## **xiii. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

## **xiv. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis as a transaction at the end of each financial year, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council usually recognises amounts in excess of £10,000 as Property, Plant and Equipment expenditure; in accordance with guidelines issued by the Department for Education, this 'de-minimis' limit is reduced to £5,000 for schools expenditure.

### *School Assets*

Appendix E to the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code), stated that CIPFA / LASAAC is of the view that maintained schools are capable of being treated as separate entities for control purposes and that based on the indicators of control within IFRS10, the balance of control lies with the Local Authority with control of assets being determined in line with relevant standards.

# Accounting Policies and Related Disclosures



School assets are consolidated into the single entity financial statements according to the recognition tests set out in the Code and according to IAS16 Property, Plant and Equipment as follows:

- It is probable that the future economic benefits or service potential associated with the item will flow to the Council
- The cost of the item can be measured reliably

These recognition tests are applied separately to land and buildings assets and where legal title does not lie with the Council, the terms of any lease, Trust Deed or 'mere licence' are used to ascertain whether the recognition tests are met and the asset should be consolidated.

## Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under constructions.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (EUUV).

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

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

## Revaluation

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The Section 151 Officer obtains an annual appraisal of trends in property values from the Council's Head of Property and Asset Management in respect of the Council's assets. Based on this appraisal a judgement will be made as to whether any amendment to the Council's accounts is required or whether an adjustment is needed to its revaluation programme. All Property, Plant and Equipment revaluations are reflected within the accounts at the beginning of each financial year.

# Accounting Policies and Related Disclosures



## 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, 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 the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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.

The Section 151 Officer is provided with an annual statement from the Head of Property and Asset Management of any of the Council's assets that suffered an impairment loss during the year.

## Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over the useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land, certain Community and Heritage Assets) and assets that are not yet available for use (i.e. assets under construction).

Where an asset has a finite useful life in its existing use, it will be depreciated based on the valuation of the asset at 1 April each year calculated on the following bases:

- other land and buildings – straight-line allocation over the useful life of the property as estimated by the valuer (between 1 and 60 years)
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer (between 2 and 50 years)
- infrastructure – straight-line allocation over the estimated useful life of the asset (between 20 and 60 years)
- surplus assets not held for sale – straight-line allocation over the useful life of the property as estimated by the valuer (between 50 and 60 years)

The remaining life of the Council's assets is determined by the Council's Head of Property and Asset Management or other professional staff under his/her control when the asset is acquired or at the time of five-yearly revaluation. If the existing use of an asset changes at any time or an asset becomes surplus to requirements then its finite useful life will be re-assessed.

Where an item of Property, Plant and Equipment asset which has a value in excess of £3m, and has major components whose cost is greater than 20% of the total cost of the asset, the components are depreciated separately.

Depreciation is provided on an appropriate basis according to the asset class of the component which may be different to the class of the overall asset.

Components could be:

- separate blocks / buildings within an overall asset site
- specific elements which form part of the overall asset e.g. roof, engineering, sub-structures, etc.

# Accounting Policies and Related Disclosures



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 condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The asset is revalued 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 recognised losses 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.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The value of assets transferring to Academy schools will be removed from the Council's balance sheet at the date of disposal using the full carrying value.

Amounts received for a disposal 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 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 from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement. Disposals are reflected as a transaction at the end of the financial year.

## **xv. Provisions and Contingent Liabilities**

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. 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.

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# Accounting Policies and Related Disclosures



Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

## Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it 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 Balance Sheet but disclosed in a note to the accounts.

## **xvi. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. For each reserve established, the purpose, usage and the basis of transactions is clearly identified.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or 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 maintained to manage specific accounting processes for non-current assets, financial instruments, retirement and employee and post-employment benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

## **xvii. Revenue Expenditure Funded from Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

## **xviii. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

# Accounting Policies and Related Disclosures



## **xix. Interest on Internal Balances**

In the main, interest on internal balances is only paid where required by statute or where sums have been deposited with the Council for specific purposes, e.g. developers' contributions to developments. The exceptions to this rule are that interest is credited to the Council's insurance reserves and provisions in order to maintain their real value, or where the Council is acting as the accountable body for a partnership of which it is a member.

## **xx. Allocation between Current and Non-Current**

With the exception of employee entitlements, the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next 12 months, being the Council's operational cycle. For employee entitlements, all annual leave entitlement is classified as current.

## **xxi. City Region Deal**

The Council has applied the principles of IPSAS23 '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) for the Business Rates Pool (BRP) is recognised by the Council as a debtor until such point that the funds are paid out by the BRP or committed by the Economic Development Fund (EDF) to fund future EDF payments in respect of approved programmes.

- Income - Income receivable by the Council from the BRP is recognised as revenue in the year in which it occurs. The council recognises revenue and a debtor balance to the extent that future EDF disbursements are to be received, have been committed to by the EDF, and sufficient uncommitted cash remains in the BRP to fund future payments.
- Expenditure – Expenditure is recognised by the Council on the earlier of payments being made by the BRP or where future EDF payments are committed to. 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 or committed by the BRP.

## **xxii. Accounting for Schools**

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority.

The Code also stipulates that those schools' income and expenditure, assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

## **A2. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note A1, the Council 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:



# Accounting Policies and Related Disclosures



- There remains uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of services provision.
- Accounting for schools non-current assets – the accounting treatment of local authority maintained schools has been a topic of debate for some time. The 2014/15 Code introduced Appendix E Accounting for Schools in Local Authorities in England and Wales. This confirmed that, based on the indicators of control within IFRS10, the balance of control lies with local authorities for all maintained schools and allowed special arrangements for the consolidation of schools into the Council's single entity financial statements. Appendix E does not prescribe whether school non-current assets should be consolidated but instead that the control of assets should be determined in line with relevant standards.

The Council has considered the amendment to the Code and has made the following judgements and changes in respect of its accounting policies:

- accounting for school land and buildings previously depended primarily on the type of school (Community, Voluntary Controlled, Voluntary Aided or Trust) and overall assessment of control. This view has been revised and now all maintained school assets, except for Land not owned by the Council, are recognised in the Council's financial statements. Further details are provided in Note 27.
- Unofficial School Funds controlled by the schools have been brought into the Council's single entity financial statements
- City Region Deal – the Council has determined that transactions occurring in respect of the City Region Deal arrangement arise from non-exchange transactions (the collection of Non-Domestic Rates by the council) and so IPSAS 23 may be applied in accounting for them. The Council's accounting policy and note to the Statement of Accounts are described on pages 103 and 81 respectively.

## A3. Anticipated Changes to the Financial Statements 2015/16 and beyond

### A3.1 Accounting Standards Not Yet Adopted

The Council is required to disclose information relating to the impact of an accounting change on the financial statements as a result of adoption by The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) of a new standard that has been issued but is not yet required to be adopted.

This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2015 for 2015/16). Disclosure requirements are expected to be included in a subsequent edition of the Code.

The following standards are expected to be adopted:

- IFRS13 Fair Value Measurement
- IFRIC21 Levies
- IFRS Improvements 2011-2013 Cycle

It is not anticipated that these changes will have a material impact on the financial statements and CIPFA/LASAAC consider it possible but unlikely that adoption of these standards will represent a change in accounting policy.

# Accounting Policies and Related Disclosures



## A3.2 Other Changes to the 2015/16 and future Financial Statements

CIPFA / LASAAC has agreed that the 2016/17 Code will adopt the measurement requirements of the CIPFA Code of Practice on Transport Infrastructure Assets. This introduces the requirement for transport infrastructure assets to be measured on a depreciated replacement cost basis. This will represent a change in accounting policy from 1 April 2016 and will require full retrospective restatement. Whilst these changes will not impact on the 2015/16 financial statements, estimates will be disclosed as follows:

- the carrying amount of assets expected to be classified as Transport Infrastructure (i.e. the carrying value at 1 April 2015, measured at depreciated historic cost)
- the expected amount of any revaluation gains / losses to be recognised on reclassification and measurement
- the expected change in depreciation, impairment, revaluation gains and losses in 2015/16 comparatives and 2016/17 financial statements

## A4. Assumptions and Other Major Sources of Estimation

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council 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 Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate could potentially make it uncertain that the Council will be unable to sustain its current spending on repairs and maintenance, which would bring into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation would increase, and the carrying amount of the asset would fall.

It is estimated that the annual depreciation charge for buildings would increase by approximately £0.284m for each year should useful lives ever be decreased in such a way.

### Pensions Liability

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

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension deficit of the Local Government Pension Scheme of £10.519m, and a decrease of £0.267m of the Teachers Unfunded Discretionary Benefits.

### Arrears

At 31 March 2015, the Council had a balance of sundry debtors for £6.611m. Impairment of doubtful debts is provided at varying levels dependent on the age of debt and experience of collection. However, in the current economic climate it is not certain that such an allowance will be sufficient.

If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.525m to be set aside as an allowance.

# Accounting Policies and Related Disclosures



## Allowances for bad/doubtful debts (non-financial assets)

Allowances for bad/doubtful debts have been calculated on the following bases:

Rent Allowances and Rent Rebate Overpayments – 100% for outstanding debt more than 1 year, 75% for outstanding debt raised in 2014/15.

Council Tax and National Non-Domestic Rates (Collection Fund) – allowance is based on an analysis of the recovery stage reached by the Council's contractor in collection sums due as follows:

Recovery Stage	Council Tax	Non-Domestic Rates
Bill raised within the last two months	5%	25%
Summons sent, no charging order applied	25%	45%
Liability Order raised	50%	50%
Referred to Bailiffs	77%	90%
No trace of debtor	100%	100%

## **A5. Related Parties**

The Council 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 Council.

### Central Government

Central Government has effective control over the general operations of North Somerset Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and also prescribes the terms of many of the transactions that the Council has with other parties.

Details of grants received from Government departments and carried in the Balance Sheet at 31 March 2015 are shown in Note 23, page 54. Short term debtor and creditor balances with Government bodies are shown in Notes 12 and 13 on page 42. In addition the Council has applied the following significant capital grants for the financing of capital expenditure during 2014/15:

Awarding Body	Type of Grant	Amount £000
Department for Education	Capital Maintenance	2,116
Department for Education	Basic Need	5,034
Dept. for Communities & Local Government	Disabled Facilities Grants	746
Department for Transport	Local Transport Plan	4,289
Department for Transport	Major Transport Schemes	9,978
Department for Transport	Infrastructure Fund	3,663
Department for Transport	Pinch Point Grant	1,867

# Accounting Policies and Related Disclosures



## Members and Chief Officers

Members of the Council have direct control over the Council's financial and operating policies. All Members, together with the Council's Corporate Management Team, have been asked to sign a declaration detailing any relevant transactions entered into by them or close members of their family during the financial year. At the time of completing the accounts, 3 Councillors had not returned their declarations.

The Head of Finance and Property, in conjunction with the Monitoring Officer, has reviewed the returned declarations and there are no disclosures that could be considered material or deemed necessary to be reported within the accounts. Details of all interests are recorded in the Register of Members' Interest, open to public inspection by appointment at the Town Hall.

## Avon Pension Fund

The details of the payments made to the Council's Pension Fund are provided in Note 29, page 65.

## West of England Partnership

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

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

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

From 1st April 2014, the Council is a major partner in the West of England City Region Deal, details of which are disclosed in Note 33 on page 81.

## Other Public Bodies

The Council has an approved collaboration agreement with Bath and North East Somerset Council to further consider opportunities to work together or share services to help deliver greater efficiencies and improved resilience. In line with the Council's direction of travel, the co-operation agreement with B&NES recognises the early progress made by the two Councils but does not preclude opportunities for working more closely with other councils where there are benefits in doing so.

Any significant transactions with such bodies (e.g. Parish Precepts) are disclosed elsewhere within this Statement of Accounts.





# Annual Governance Statement



## 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*, 2012 Edition. A copy of our code is available from our website <http://www.n-somerset.gov.uk/>.
- 1.4 This Statement explains how North Somerset Council has complied with our Local Code of Corporate Governance and also meets the requirements of:
  - The Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, specifically Regulation 4 in respect of the preparation and publication of a Statement on Internal Control; and
  - The Accounts and Audit (England) Regulations 2011, specifically Regulation 4 (2) in respect of the annual review of the effectiveness of its system of internal control and Regulation 4 (3&4) in respect of the preparation and publication of an Annual Governance Statement.
- 1.5 The governance framework described in this Statement has been in place at the Council for the year ended 31 March 2015, and up to the date of the approval of the statement of account.

## 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises both the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community.
- 2.2 It enables the Council to monitor the achievement of its aims and corporate priorities and to consider whether those aims and corporate priorities have led to the delivery of appropriate, cost-effective services.
- 2.3 The system of internal control is a significant part of the framework and is designed to identify and manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and so does not provide absolute assurance of effectiveness.

# Annual Governance Statement



## 3. Context for the Annual Governance Statement

- 3.1 The year 2014/15 is the fourth year of the unprecedented financial challenge the Council has faced following the Local Government Settlement of December 2010.
- 3.2 The Council had identified £14 million of savings or increased income for delivery during 2014/15 and added to the two previous years this meant the Council had delivered over £61 million of budget reductions since 2011/12. Delivery of these savings and preparation for further significant savings in the Medium Term Financial Plan has formed the backdrop to the Council's work in 2014/15 and beyond.
- 3.3 The Council has recognised its need to transform to meet the financial challenges and its refreshed transformation programme plans to deliver £12 million of savings over three years with many areas well advanced. New investment in capacity to support the programme was agreed during the year with roles and responsibilities reviewed.
- 3.4 One of the key areas delivered within the programme during the year was an extended contract with Agilisys widening the range of services now transferred. This new contract will deliver a further £12 million of savings over the extended contract period and see the company create over 250 new jobs in North Somerset.
- 3.5 The Council continues its strong approach to financial control and value for money whilst recognising that new technology will increasingly play a large part in future efficiencies, with a revised IT Strategy being delivered and its digital strategy now forming a central theme to service redesign within the Transformation Programme.
- 3.6 However key to the Council's future plans is supporting new economic growth. Examples include a series of major transport schemes at J19, J21 and the Weston Package delivered on time and within budget. Work is also well advanced for the South Bristol Link and Portishead Rail and additional investment of £10.5 million is planned into the Highways infrastructure.
- 3.7 North Somerset plays a leading role in the West of England, making good progress with the Enterprise Area including the acquisition of the head lease on Enterprise House at the Weston Gateway Business Park at J21. This should act as a catalyst to the creation of up to 900 new jobs and is part of a number of planned initiatives to support the local economy.
- 3.8 As well as continuing to maximise external funding and with the help of the LEP the Council is focussed on future investment with new plans to regenerate Weston Town Centre as well as reviewing the opportunities for co-location and integration of services with partners across a range of public facing services. The strong relationship with Weston College has also seen new plans agreed during the year to redevelop and regenerate the Winter Gardens.
- 3.9 Despite the need to transform and redesign services to meet the scale of the financial challenges the Council's ambitions have remain unchanged – to provide clear leadership, quality services and an affordable council tax. To support this we are now focussed on the creation of a new Corporate Plan to be in place by the end of 2015/16 to further enhance the delivery of our priorities.
- 3.10 The Council continues in its ambitions to work more collaboratively with key partners and neighbouring councils, including a joint bid with North Somerset Clinical Commissioning Group for transformation funding during the year and agreement to the creation of the Somerset Business Rates pool with five other councils giving access to new funds to support economic growth.

# Annual Governance Statement



- 3.11 Demographic changes have meant pressures on social service budgets have continued. The Council has had to work harder than ever to ensure vulnerable groups and individuals remain safe. In particular the number of children and young people in need of care continues to put pressure on services. The Council works strongly however through its Health and Wellbeing and People and Communities boards with its key health partners and through the Better Care Fund over £7M was commissioned jointly to support preventative and early intervention care and support.
- 3.12 During the year the Care Act came into force and the Council prepared for its implications through a dedicated project team focussed on how to support patients and carers in managing and planning for decisions around individual care needs. We believe we are now well placed to ensure delivery of these key responsibilities.



#### 4. Methodology for Preparing the Annual Governance Statement

Risk, Audit and Assurance Services	Senior Management	Performance Management	External Review / Assurance	Corporate Assurance and Other Sources
<ul style="list-style-type: none"> <li>Head of Audit and Assurance Opinion</li> <li>Annual Audit Plan</li> <li>Audit Charter and Independence</li> <li>Corporate Risk Management</li> <li>Counter-fraud activity and Investigations</li> <li>Business Continuity</li> </ul>	<ul style="list-style-type: none"> <li>Corporate and Directorate Management Teams</li> <li>Financial Strategy Board</li> <li>Annual and Medium Term Financial Plans</li> <li>Partnership Working</li> <li>Directors' Statements</li> <li>Contract Management</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Plan</li> <li>Performance Management Framework and Reports</li> <li>Internal and External Reviews</li> <li>KPI and Data Quality</li> <li>Benchmarking</li> <li>Programme and Project Reports</li> </ul>	<ul style="list-style-type: none"> <li>External Audit Plans, Letters and Reports</li> <li>Inspection Reports</li> <li>Peer Reviews</li> <li>Commissioned Reviews</li> <li>Ombudsman</li> </ul>	<ul style="list-style-type: none"> <li>Consultation / Complaints / Feedback</li> <li>Scrutiny Process</li> <li>Audit Committee</li> <li>Statutory Officers</li> <li>Legal Services</li> <li>The Executive</li> <li>Equality Impact Assessments</li> <li>Codes of Conduct</li> </ul>

Set out the arrangements for compilation and approval of the Annual Governance Statement 2014/15

Audit Committee

March 2015

Review progress made against any significant issues included in the 2013/14 Annual Governance Statement

Audit Committee

December 2014 & March 2015

Consideration of emerging issues for 2014/15 Annual Governance Statement

Audit & Assurance Function & Financial Strategy Board

Continuous within their work programmes up to June 2015

# Annual Governance Statement



## 5. The Governance Framework

The Council is committed to meeting best practice standards for good governance. The Council has expressed commitment to CIPFA/SOLACE's six core principles and supporting principles of Corporate Governance, as outlined in the guidance document *'Delivering Good Governance in Local Government: Framework'*. The principles are as follows:

### 5.1 Principle 1

#### **FOCUS ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA.**

The key elements of the Council's governance framework are described below and the documents are available on the Council's website <http://www.n-somerset.gov.uk/>

#### **Sub Principles**

##### 5.1.1 IDENTIFYING AND COMMUNICATING THE COUNCIL'S VISION OF ITS PURPOSE AND INTENDED OUTCOMES FOR THE PUBLIC AND SERVICE USERS.

Public, private, voluntary and community organisations and local communities worked together to produce the Sustainable Community Strategy. It describes the shared vision for North Somerset and priorities to improve economic, social and environmental well being of the area.

The Corporate Plan 2011-15 sets out the Council's aims and priorities and is informed by the Sustainable Community Strategy. Progress in delivering for local people is reported on the Council's website and in North Somerset Life. Following the elections in May 2015 work has already started with the Executive and Senior Management in refreshing the Corporate Plan and a new plan will be published later in the year.

##### 5.1.2 REVIEWING THE COUNCIL'S VISION AND ITS IMPLICATIONS FOR THE COUNCIL'S GOVERNANCE ARRANGEMENTS.

The Council's vision as detailed in the Corporate Plan 2011-15 is for *'clear leadership, quality services and affordable council tax'*. The Corporate Plan underpins the work of the Council and the priorities set out within the document play an important role in directing the resources including staff and money and thereby the governance arrangements. As detailed above the plan is being reviewed and refreshed to ensure the Council remains focussed on the key priorities for its community.

##### 5.1.3 MEASURING THE QUALITY OF SERVICES FOR USERS, ENSURING THEY ARE DELIVERED IN ACCORDANCE WITH THE COUNCIL'S OBJECTIVES AND THAT THEY REPRESENT BEST USE OF RESOURCES.

A performance management framework describes how the Council monitors and manages its performance to ensure the Council delivers against its priorities for local people. The Council has set clear targets and report performance against targets. For high level corporate performance indicators, performance is reported quarterly to the Executive. Directorates, services, teams, projects and individuals similarly work to and report performance against their own targets. These are designed to ensure quality, value for money services.

The Local Code of Governance describes that performance information is subject to external independent verification. This is no longer a requirement of central government. Internal audit perform periodic verification of the quality of reported performance indicators.



# Annual Governance Statement



## 5.2 Principle 2

### MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES.

#### Sub Principles

- 5.2.1 DEFINING AND DOCUMENTING THE ROLES AND RESPONSIBILITIES OF THE EXECUTIVE, NON-EXECUTIVE, SCRUTINY AND OFFICER FUNCTIONS, WITH CLEAR DELEGATION ARRANGEMENTS AND PROTOCOLS FOR EFFECTIVE COMMUNICATION.

The Constitution explains how the Council operates, how it makes decisions and the procedures followed to ensure the Council is efficient, transparent and accountable.

The Constitution includes descriptions of how the Council, Executive, Scrutiny and other groups operate and how they work with officers. It describes the rules for how meetings work and how decisions are made. The Constitution is reviewed annually and a further review of the Overview and Scrutiny function is under way and due to report back to Council later in the year.

- 5.2.2 INCORPORATING GOOD GOVERNANCE ARRANGEMENTS IN RESPECT OF PARTNERSHIPS AND OTHER GROUP WORKING AS IDENTIFIED BY THE AUDIT COMMISSION'S REPORT ON THE GOVERNANCE OF PARTNERSHIPS (*GOVERNING PARTNERSHIPS: BRIDGING THE ACCOUNTABILITY GAP*, AUDIT COMMISSION, JUNE 2005), AND REFLECTING THESE IN THE COUNCIL'S OVERALL GOVERNANCE ARRANGEMENTS.

The Council works in partnership with a wide range of organisations and groups. A list of these is shown on the Council's website. The main partners are as follows:

- North Somerset Partnership is an overarching partnership for the area bringing together public, private and voluntary and community sector organisations. The Partnership continues to work hard on new plans to drive further integration and joint working across the different agencies to deliver sustainable benefits for the whole community. Governance arrangements are well established and now include the Infrastructure and Local Economy Board and People and Communities Board. The Partnership is chaired by the Leader of North Somerset Council.
- North Somerset Safeguarding Children's Board and North Somerset Safeguarding Adults Partnership Board work to reduce the risk of abuse and neglect for local people. The Children's Board is governed by statute.
- Schools are important partners and at high level the Council works with local schools including Academy Schools and other providers through the Strategic Schools Forum (SSF) to support children to achieve their full potential.
- The Council works with its three local Unitary Authorities and business partners in the West of England Local Enterprise Partnership. The partnership supports economic growth and works to attract new jobs and investment to the area. The partnership has long established local governance arrangements which were enhanced in 2011. These were strengthened further in response to the City Region Deal opportunity.
- The Council entered into a Strategic Partnership with Agilisys in 2010 (Agilisys and Liberata). The partnership delivers much of the Council's support services such as ICT and the revenue and benefits service. Through the partnership the Council has increasingly used private sector expertise and innovation in its day to day business to drive up value for money and deliver better services. Governance is through a Strategic Partnership Board which has Member representation and an Operations Board. During 2014/15 the Council extended the contract and added additional services with Agilisys to deliver better value for North Somerset into the future.

# Annual Governance Statement



## 5.3 Principle 3

### **PROMOTING VALUES FOR THE AUTHORITY AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR.**

#### **Sub Principles**

#### **5.3.1 DEVELOPING, COMMUNICATING AND EMBEDDING CODES OF CONDUCT, DEFINING THE STANDARDS OF BEHAVIOUR FOR MEMBERS AND OFFICERS.**

The Council's values are defined in the Corporate Plan. They influence the way the Council goes about its business through its strategies, plans and behaviours. The values form the Council's leadership standards. These are promoted to all officers and form part of the induction process. All managers are assessed against the leadership standards within the annual appraisal process.

The Council adopted a new Code of Conduct in July 2012 in response to the Localism Act 2011. The Council also established a Standards Sub Committee whose remit is to consider any allegations of breaches of the Code. Members are required to disclose any interests and these are posted on the Council's website. Officers are also required to comply with a Code of Conduct and Customer Care Charter and Standards. On an annual basis officers are required to register any interests.

The Constitution includes a member-officer protocol which defines how officers and members should work together.

## 5.4 Principle 4

### **TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK.**

#### **Sub Principles**

#### **5.4.1 REVIEWING AND UPDATING STANDING ORDERS, FINANCIAL REGULATIONS, A SCHEME OF DELEGATION AND SUPPORTING PROCEDURE NOTES / MANUALS, WHICH CLEARLY DEFINE HOW DECISIONS ARE TAKEN AND THE PROCESSES AND CONTROLS TO MANAGE RISKS.**

The Council regularly updates its Constitution, Standing Orders and Financial Regulations, most recently in April 2014. These incorporate the scheme of delegation and describe how decisions are taken.

The Medium Term Financial Plan details how the Council intends to spend its financial resources over the short and medium term. A Procurement Management Strategy and Contract Management Strategy May 2012 are in place and outline how contracts are let and managed. Contract opportunities are advertised on the website.

The Council's Risk Management Strategy 2013-17 describes the Council's approach to the management of risk. The effectiveness of the arrangements is overseen by the Corporate Management Team supported by the Audit Committee. The Council recognises and accepts that the environment means it must tolerate a higher level of risk than in the past. All decisions are accompanied by an assessment of the risks involved and the assessments are documented in reports and decision papers.

# Annual Governance Statement



## 5.4.2 ENSURING THE AUTHORITY'S FINANCIAL MANAGEMENT ARRANGEMENTS CONFORM WITH THE GOVERNANCE REQUIREMENTS OF THE CIPFA STATEMENT ON THE ROLE OF THE CHIEF FINANCIAL OFFICER IN LOCAL GOVERNMENT (2010).

The Head of Finance and Property is the Council's Section 151 Officer. He attends the Corporate Management Team meetings. He ensures all decisions are in accordance with the medium term financial strategy and that public money is properly safeguarded. He is also required to ensure that the Council's finance function is adequately resourced and officers have the necessary experience and qualifications to provide an effective financial management service.

The Financial Strategy Board supports the Head of Finance and Property and is a key forum for challenge and formulation of financial strategy and decisions. The group considers short and long-term budget plans, and the prioritisation of revenue and capital expenditure as well as the use of reserves.

## 5.4.3 CARRYING OUT THE CORE FUNCTIONS OF AN AUDIT COMMITTEE, AS IDENTIFIED IN CIPFA'S AUDIT COMMITTEE – PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES.

The Audit Committee comprises five elected Members and two independent (non-elected) Members. During 2014/15 one independent Member post was recruited following a new recruitment campaign. The Chairman is politically an independent Member of Council however he did not seek re-election in the May 2015 elections and a new Chairman is now in place. The Committee's responsibilities are described in its terms of reference which form part of the Council's constitution. The Committee met five times during the year including three formal meetings. The Committee maintains and works to a forward work programme to ensure it discharges its responsibilities effectively.

## 5.4.4 ENSURING COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS, INTERNAL POLICIES AND PROCEDURES, AND THAT EXPENDITURE IS LAWFUL.

The Chief Executive, Monitoring Officer and Head of Finance and Property meet quarterly to consider any significant issues impacting upon delivery of the Council's priorities.

The Monitoring Officer and Head of Finance and Property approve any reports prior to their consideration by the Executive and Council. In this way the Council ensures it complies with the relevant legislation and guidance and decisions do not place the Council at unacceptable risk.

## 5.4.5 WHISTLE BLOWING AND RECEIVING AND INVESTIGATING COMPLAINTS FROM THE PUBLIC.

The Council's policies and procedures promote a culture of integrity and high standards. The Constitution (April 2014) include Codes of Conduct for staff and members, and the Anti-Fraud and Corruption Policy Statement. The Council also maintains a Counter Fraud Strategy 2013-17. An active programme of work aims to prevent and detect any fraud which might affect the Council. The Council revised and re-launched its Anti-Bribery Policy in March 2015.

The Internal Audit Service and Human Resources receive and consider anonymous referrals from officers or the public of suspected wrong doing. They work with other council's services or partner organisations to investigate any allegations of improper behaviour and take action as necessary.

The Council's complaints process is advertised on its website and the public is able to make compliments, suggestions or complaints on line, in person or by phone. The process describes what a member of the public can do if they are unhappy with the way their complaint has been handled.

# Annual Governance Statement



## 5.5 Principle 5

### DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS TO BE EFFECTIVE.

#### Sub Principles

#### 5.5.1 IDENTIFYING THE DEVELOPMENT NEEDS OF MEMBERS AND SENIOR OFFICERS IN RELATION TO THEIR STRATEGIC ROLES, SUPPORTED BY APPROPRIATE TRAINING.

Every officer is entitled to an annual appraisal where their performance is reviewed and development needs identified. For managers the appraisal process includes an evaluation against the Council's leadership standards.

The appraisal is accompanied by a training and development plan. Mandatory training for managers includes Managing and Leading in North Somerset. The Council has now invested in a Management and Leadership Insight Programme. The course is targeted at potential future leaders. A range of mechanisms are in place to meet officer's individual training and development needs including a suite of e-learning activities.

The Council puts on a programme of training and development for Members. Newly elected Members receive more intensive support which is already underway following the elections in May 2015.

# Annual Governance Statement



## 5.6 Principle 6

### ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY

#### Sub Principles

#### 5.6.1 ESTABLISHING CLEAR CHANNELS OF COMMUNICATION WITH ALL SECTIONS OF THE COMMUNITY AND OTHER STAKEHOLDERS, ENSURING ACCOUNTABILITY AND ENCOURAGING OPEN CONSULTATION.

The Council takes its responsibilities for listening to what local people want very seriously. All consultations are advertised on the website through eConsult. The Council accesses groups with particular needs or interests through established forums such as the Citizens' panel and minority group networks.

The results from the resident's survey were available in 2012 and these have been used to inform the Council's future direction and priorities.

North Somerset Life is an important mechanism for communicating with local people. It is delivered direct to 91,225 homes and is also available at public buildings and on line. The magazine keeps people informed of what's happening in North Somerset and helps facilitate a dialogue between the Council and local people.

Another very important mechanism for listening to local people's views is through the work of ward Members.

The Council has a set of rules that all council departments and services work to rather than a specific policy on consultation as indicated in the Local Code of Governance.



# Annual Governance Statement



## 6. Review of Effectiveness

### 6.1 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 the Audit Committee 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 officers sign the Statement as a summary of the effectiveness of the Council's governance framework.

### 6.2 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.

The Head of Audit & Assurance in conjunction with the Financial Strategy Board reviews the effectiveness of the governance framework during the year and the draft Annual Governance Statement. The Statement is certified by the Chief Executive and Leader of the 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 2014/15 has included –

- Meeting the Financial Challenge
- Reshaping the Council through its Transformation Programme
- Supporting and stimulating Economic Growth and Regeneration
- Safeguarding Children and Vulnerable Adults
- Working with partners on the implications of the Care Act
- Delivering joined up commissioning of social care
- Supporting Council Services through an increase in its digital approach and effective use of IT
- Adopting a more commercial approach to the management of its assets and with key suppliers
- Managing and Investing in the key infrastructure and assets of the area

# Annual Governance Statement



## 7. Head of Audit and Assurance Opinion

The Head of Audit and Assurance is satisfied that the risk, governance and control environment of the Council is adequate to ensure delivery of the Council's priorities. Through the work of the Internal Audit Service and delivery of the Annual Audit Assurance Plan, some control issues have been identified however none are deemed significant when assessed against the key criteria. The Head of Audit and Assurance is content that management have accepted responsibility to address the control weaknesses.

The Annual Audit Assurance Plan 2014/15 was developed to give an independent opinion to the Council on reasonable assurance through a systematic detailed risk assessment of the totality of systems, processes, plans and resources which make up the Council.

The Plan focused on core financial and other systems and areas presenting the greatest risk to the Council and was designed to ensure sufficient depth and breadth of audit coverage to meet the requirements of those charged with governance. In forming an opinion on the governance, risk and control environment, in addition to the Audit Assurance Plan, the Head of Audit also considered other sources of assurance including reports from external regulators, external audit and commissioned reviews.

**Signed:**

Handwritten signature of Jeff Wring.

**Jeff Wring**  
**Head of Audit and Assurance**

**Date:** 26 June 2015



# Annual Governance Statement



## 8. Update on Significant Issues raised in the 2013/14 Annual Governance Statement

Issue in 2013/14	Mitigating actions for 2014/15	Update 2014/15
<p><b>Adult Social Services – Financial Governance - S256 Agreements</b></p> <p>The Council has been working positively in partnership with the NHS over a number of years to achieve better outcomes for residents and vulnerable citizens. In the last few years significant health reforms have been enacted by central government resulting in the demise of Strategic Health Authorities and Primary Care Trusts and the creation of new commissioning bodies, NHS England and Clinical Commissioning Groups (CCG's).</p> <p>Considerable sums of public finance have been and continue to be pooled and shared across the NHS and Local Government to achieve better outcomes. The systems are however potentially complex and a number of weaknesses over some of these arrangements have been identified as a result of detailed analysis of the Council's revenue accounts, specifically those involving S256 arrangements.</p> <p>The External Auditor has been fully informed at an early stage of the issues under discussion and the CCG has also accepted and agreed to review governance arrangements in the context of an</p>	<p><b>Review of Arrangements</b></p> <p>North Somerset Clinical Commissioning Group and North Somerset Council have agreed that they should review the overall governance and financial management arrangements in respect of shared finances across the NHS and Local Government in respect of Adult social care.</p> <p>The review should aim to be completed and its recommendations ready for implementation by Autumn 2014.</p>	<p>The Audit Committee reviewed progress in depth against the issues identified and actions in December and March and supported the improvements identified and progress made in the areas of –</p> <p>Roles and Responsibilities Governance and Transparency Financial Management and Control</p>

# Annual Governance Statement



Issue in 2013/14	Mitigating actions for 2014/15	Update 2014/15
<p>open and transparent framework for decision making and reporting.</p> <p>The detailed issues relate to transactions being identified in the final quarter of the year which resulted in variances within the Council's revenue accounts. This required a restatement of £5m of income which was received by the Council in prior years but which had not been recognised within the revenue budget. The income was received from the CCG (formerly the PCT) - through a S256 agreement - in respect of funding for joint initiatives to introduce a co-ordinated partnership approach to commissioning arrangements.</p> <p>The Council's own expenditure associated with these joint schemes in prior years was less than originally estimated and so partial repayments totalling £1.8m to the CCG from the £5m were made at the end of 2013/14.</p> <p>It was agreed therefore that in the context of new social care reforms, notably the Better Care Fund, improvements to financial governance are necessary to ensure there is full transparency over areas of such significance, which impact on vulnerable residents in our local community.</p>		



# Annual Governance Statement



## 9. Significant Governance Issues for 2014/15

Based on the work carried out, including Senior Management involvement, it has been concluded that there are not any significant governance issues to be reported.

The Executive and Senior Management continue to be pro-active in working to ensure that significant risks to the organisation are appropriately mitigated and controlled to ensure that the Council is able to meet future challenges.

## Chief Executive and Leader of the Council's Declaration

We have been advised on the results of the review of the effectiveness of the governance framework and certify the Annual Governance statement on behalf of the organisation.

**Signed:** Nigel Ashton  
Leader of the Council

**Signed:** Mike Jackson  
Chief Executive Officer

# Independent Auditor's Report and Opinion



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

We have audited the financial statements of North Somerset Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of North Somerset Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Head of Finance and Property and auditor

As explained more fully in the Statement of the Head of Finance and Property's Responsibilities, the Head of Finance and Property is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of North Somerset Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

### Opinion on other matters

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

### Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

# Independent Auditor's Report and Opinion



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

### Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

### Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, North Somerset Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

### Certificate

We certify that we have completed the audit of the financial statements of North Somerset Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Peter Barber  
Associate Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP  
Hartwell House  
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Bristol BS1 6FT

September 2015

# Glossary and Terms of Abbreviation



## A

### **Accounting Period**

The period of time covered by the accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **Accounting Statements**

The Council's Core Financial Statements and Supplementary Financial Statements.

### **Accruals**

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which no payment has yet been made or received at the Balance Sheet date.

### **Actuarial Gains and Losses (Pension Schemes)**

Changes in the net pensions liability that arise because events have not matched assumptions at the last actuarial valuation or because actuarial assumptions have changed.

### **Amortisation**

A term used to refer to the charging of the value of a transaction or asset (usually related to intangible assets or deferred charges) to the Income and Expenditure Account over a period of time, reflecting the value to the authority; similar to the depreciation charge for non-current assets.

### **Appointed Auditors**

The Audit Commission Act 1998 (Amended) includes a statutory requirement that a local authority's annual Statement of Accounts be subject to external review by a duly appointed external auditor. For 2014/15 the responsibility for the appointment of said external auditor has been devolved to Grant Thornton UK LLP.

### **Approved Institutions**

Funds that are not immediately required may be invested but only with third parties meeting the credit rating criteria approved annually as part of the Council's Treasury Management Policies and Practices.

### **Asset**

An item having value in monetary terms. See also Current Assets, Non-Current Assets and Financial Asset.

### **Audit of Accounts**

An independent examination of the Council's financial affairs.

## B

### **Billing Authority**

A local authority responsible for collecting Council Tax and National Non-Domestic Rates.

### **Budget**

The forecast of net revenue and capital expenditure over an accounting period.

## C

### **Capital Expenditure**

Expenditure for the acquisition, provision or improvement of non-current assets, which will be of long-term value to the Council, providing services beyond the current accounting period.

# Glossary and Terms of Abbreviation



## C

### **Capital Financing**

The raising of money to pay for capital expenditure through borrowing, usable capital receipts, capital grants and contributions or use of reserves.

### **Capital Financing Requirement (CFR)**

The Capital Financing Requirement shows the amount of funds required by the Council as a result of capital investment and resources set aside in the year.

### **Capital Programme**

The capital schemes the Council intends to carry out over a specified time period.

### **Capital Receipts**

Money received from the disposal of non-current assets or the repayment of grants and loans, which is available for financing future capital expenditure.

### **Collection Fund**

A statutory fund maintained by a billing authority, which is used to record local taxes and Non-Domestic Rates collected by the authority, along with payments to precepting authorities, the national pool of Non-Domestic Rates and the billing authority's General Fund

### **Community Assets**

Assets which the Authority intends to hold in perpetuity, that have no determinable finite useful life and that may have restrictions on their disposal, e.g. parks, historical buildings. See also Non-Current Assets.

### **Consistency**

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same

### **Contingency**

Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

### **Contingent Asset**

A possible asset that arises from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

### **Contingent Liability**

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient liability.

### **Council Tax**

The main source of local taxation for local authorities. Council Tax is levied on households within its area by the billing authority and the proceeds are paid into the Collection Fund for distribution to precepting authorities and the Authority's General Fund.



# Glossary and Terms of Abbreviation



## C

### **Creditors**

Amounts owed by the Authority for works completed, goods received or services rendered before the end of the accounting period but for which payments have not been made.

### **Current Assets**

Assets which can be expected to be consumed or realised during the next accounting period.

### **Current Liabilities**

Amounts which will become due or could be called upon during the next accounting period.

### **Current Service Cost (Pensions)**

The increase in the present value of a defined benefit scheme's liabilities as a result of employee service earned in the current period.

### **Curtailement (Pensions)**

An event that reduces the expected years of future service of present employees, or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

## D

### **Debtors**

Amounts due to the Authority for works completed, goods received or services rendered before the end of the accounting period but for which payments have not been received.

### **Depreciation**

The estimated benefit of an asset consumed during the accounting period, owing to age, wear and tear, deterioration or obsolescence.

### **Direct Revenue Financing (DRF)**

Resources provided from an authority's revenue budget to finance the cost of capital projects.

## E

### **Equity**

The Authority's value of total assets less total liabilities.

### **Equity Instrument**

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### **Events After the Reporting Period**

Those (non-adjusting) events, both favourable and unfavourable, of such materiality that their disclosure is required for the fair presentation of the Statement of Accounts, which occur between the Balance Sheet date and the date on which the Accounts are signed by the responsible financial officer.

### **Exceptional Items**

Events or transactions that fall within the ordinary activities of the Authority and need to be disclosed separately due to their size to give fair presentation of the accounts.



# Glossary and Terms of Abbreviation



## E

### External Audit

The independent examination of the activities and accounts of local authorities in order to give an opinion as to whether the Statement of Accounts have been prepared in accordance with legislative requirements and proper practices, and to ensure the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## F

### Fair Value (FV)

The price an asset could be exchanged for in an arm's length transaction less any grant.

### Fees and Charges

Income raised by charging users of services for facilities, e.g. leisure centres, trade refuse, etc.

### Finance Leases

A lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Accounting guidance requires that it should be presumed that such transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90% or more) of the fair value of the leased asset. The present value is calculated using the interest rate implicit in the lease.

### Financial Asset

A right to future economic benefits controlled by the Authority that is represented by:

- cash
- an equity instrument of another entity
- a contractual right to receive cash (or another financial asset) from another entity
- a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Authority.

### Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial Liability

An obligation to transfer economic benefits controlled by the Authority that is represented by:

- a contractual obligation to deliver cash (or another financial asset) to another entity
- a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Authority.

## G

### General Fund (GF)

The main revenue fund of a billing authority, used to meet day-to-day spending.

### Government Grants

Grants made by the Government towards either revenue or capital expenditure to support the cost of provision the Authority's services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the Authority.

# Glossary and Terms of Abbreviation



## G

### **Gross Expenditure**

The total cost of providing the Authority's services before taking into account income from government grants and fees and charges for services.

### **Growth**

Any increase in spending from one year to another which enables the Authority to pay for more services rather than to meet higher costs.

## H

### **Housing Benefit (Rent Allowance)**

An allowance to persons on low (or no) income to meet, in whole or part, their rent. Benefit is allowed or paid by local authorities but central government refunds part of the cost of the benefit provided and of the running costs of the service to local authorities.

## I

### **Impairment**

A reduction in the value of a fixed asset, below its carrying amount on the Balance Sheet.

### **Income**

Amounts that the Authority receives or expects to receive from any source, including fees and charges, sales and grants.

### **Individual Schools Budget**

That part of the local schools budget which must be delegated to schools via the school's funding formula.

### **Infrastructure Assets**

Non-current assets belonging to the Authority which do not necessarily have a resale value e.g. highways, and for which a useful life span cannot be readily determined.

### **Intangible Assets**

Non-financial assets which do not have physical substance but are identified and controlled by the Authority through legal rights e.g. IT Software.

### **Interest Receivable**

The money earned from the investment of surplus cash.

### **Inventories**

Items of raw materials and stores an authority has procured to use on a continuing basis and which it has not yet used.

### **Investment Property**

Land and Buildings non-current assets held only for investment potential.

## J

### **Joint Arrangement**

An arrangement under which the participants engage in joint activities but do not create a legal entity because it would not carry on a trade or business of its own.

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# Glossary and Terms of Abbreviation



## L

### **Liability**

A liability is where the Authority owes payment to an individual or another organisation. See also Contingent Liability, Current Liabilities and Financial Liability

### **Local Council Tax Support Scheme**

Assistance provided by billing authorities to adults on low incomes to help pay their Council Tax bill. The cost is borne by the Council.

### **Local Management in Schools (LMS)**

A system of delegation of management responsibility and budgets to schools, which has applied since 1990/91, introduced by the Education Reform Act 1988.

### **Local Services Support Grant**

A general grant allocated by Central Government to help support and protect local services. Money is allocated by the Department for Communities and Local Government, Department for Environment, Food and Rural Affairs and the Home Office.

### **Long-Term Assets**

Non-current and other assets which can be expected to be of use or benefit the Authority in providing its service for more than one accounting period.

### **Long-Term Liabilities**

Amounts which will become due or could be called upon beyond the next accounting period.

## M

### **Materiality**

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements to a reader.

### **Minimum Revenue Provision (MRP)**

The minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for repayment of debt as required by the Local Government Act 2003.

## N

### **National Non-Domestic Rates (NDR)**

A levy on businesses, based on a national rate in the pound set by the Government, multiplied by the rateable value of the premises they occupy.

### **Net Book Value (NBV)**

The amount at which non-current assets are included in the balance sheet.

### **Net Debt**

The Authority's total borrowings less cash investments.

### **Net Expenditure**

Gross expenditure less specific service income.

### **Net Interest on the Net Defined Benefit Liability (Pensions)**

The net interest expense - the change during the period in the net benefit liability that arises from the passage of time.

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# Glossary and Terms of Abbreviation



## N

### **Non-Current Assets**

Property, plant and equipment and other assets that bring longer term benefit or service potential to the Authority.

### **Non-Operational Assets**

Assets held by the Authority but not directly occupied, used or consumed in the direct delivery of services, e.g. assets in the course of construction and surplus land.

## O

### **Operating Leases**

A lease other than a Finance Lease (see above). The future obligations relating to operating leases are disclosed to provide the reader with an estimate of the outstanding un-discharged obligations in relation to such leases.

### **Operational Assets**

Non-current assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has a statutory or discretionary responsibility.

### **Outturn**

Actual income and expenditure in a financial year (accounting period).

## P

### **Past Service Costs (Pensions)**

The increase in the present value of the defined benefit scheme liabilities, related to employee service in prior periods, arising as a result of, or improvement to, retirement benefits.

### **Pension Fund**

An employees' pension fund maintained by an authority, or group of authorities, in order to make pension payments on the retirement of its participants; it is financed from contributions from the employing authority, the employee and investment income.

### **Precept**

A levy made by one statutory body (Precepting Authority) on another to meet the net cost of its services.

### **Precepting Authorities**

Those authorities that are not Billing Authorities; i.e. do not collect the Council Tax and National Non-Domestic Rates. Police authorities are 'major' precepting authorities and town and parish councils are 'local' precepting authorities.

### **Prior Period Adjustments**

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **Provisions**

Amounts set aside for the purposes of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or the date on which it will arise, e.g. bad debts.

### **Prudence**

The concept that income should only be anticipated to the extent that it will be received, as cash or other assets, with reasonable certainty and full and proper allowance should be made for all known and foreseeable losses and liabilities.

# Glossary and Terms of Abbreviation



## P

### **Prudential Code**

The CIPFA Prudential Code for Capital Finance in Local Authorities – the guidance applicable from April 2004 for the greater freedom for authorities to borrow to fund capital investment (under the Local Government Act 2003). This Code requires the Authority to set and monitor a suite of Prudential Indicators, including its Affordable Borrowing Limit, and establish its policy for using the new freedoms.

### **Public Works Loan Board (PWLB)**

A central government agency which provides long and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Authorities are able to borrow a proportion of their requirements to finance capital expenditure from this source.

## R

### **Rateable Value**

The annual assumed rental value of a hereditament that is used for NNDR purposes.

### **Revenue Expenditure Funded by Capital Under Statute (REFCUS)**

Expenditure of a capital nature but for which there is no tangible asset, e.g. renovation grants

### **Related Parties**

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Examples of related parties to an authority include Central Government, Local Authorities and other bodies precepting or levying demands on the Council Tax, its Members, its Chief Officers and its Pension Fund.

For individuals identified as related parties, it is also presumed that members of the close family, or the same household, or any partnerships, companies in which the individual or a member of their close family, or the same household has a controlling interest, are deemed to be related parties.

### **Related Party Transactions**

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. The materiality of related party transactions is judged not only in terms of their significance to the Authority, but also in relation to its related party.

### **Reserves**

Amounts set aside in the accounts for the purpose of meeting general, future expenditure. Reserves may also be used to smooth the cost of certain activities over a number of years. A distinction is drawn between reserves and provisions (see above), which are set up to meet known liabilities.

### **Retirement Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

# Glossary and Terms of Abbreviation



## R

### **Return on Plan Assets (Pensions)**

Changes during the period in the net benefit liability that arises from the passage of time excluding amounts included in Net Interest on the Net Defined Benefit Liability.

### **Revenue Expenditure**

Spending on day-to-day items including employees' pay, premises and transport costs and supplies and services.

### **Revenue Support Grant**

A general grant paid by the Government to Council's contributing towards the costs of their services.

## S

### **Specific Grants**

The term used to describe all government grants, including supplementary and special grants, to local authorities other than Revenue Support Grant and capital grants.

### **Supported Borrowing**

The amount of Authority borrowing towards which the Government provides financial support through the annual Revenue Support Grant.

## T

### **Temporary Borrowing**

Money borrowed for a period of less than one year.

### **Total Cost**

The actual cost of services reflecting all of the direct, indirect and overhead costs that have been incurred in providing the service, even where the expenditure is not under the control of the service's chief officer.

## U

### **Unsupported (or Prudential) Borrowing**

Any borrowing the Authority undertakes that is above and beyond the level of Supported Borrowing which the Government helps to fund and which therefore the Authority has to fund completely from its own resources.

## W

### **Work In Progress**

The cost of work carried out on an uncompleted project at the Balance Sheet date, which should be accounted for within the accounting period.



# Glossary and Terms of Abbreviation



## Abbreviations used in the Statement of Accounts

B&NES	Bath & North East Somerset Council
CCG	Clinical Commissioning Group
CIPFA	Chartered Institute of Public Finance and Accountancy
DCLG	Department for Communities and Local Government
DFE	Department for Education
DFT	Department for Transport
DEFRA	Department for Environment, Food & Rural Affairs
IFRS	International Financial Reporting Standard
LAAP	CIPFA's Local Authority Accounting Panel
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LEP	Local Enterprise Partnership
LSTF	Local Sustainable Transport Fund
PCT	Primary Care Trust
PWLB	Public Works Loans Board
SERCOP	Service Expenditure Reporting Code of Practice

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