North Somerset Council
Financial Report
2015 - 2016

North Somerset Council

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<u>What is in the Financial Report</u>?

The Council publishes an annual Financial Report, incorporating the statement of accounts for the previous financial year, information about the governance of the Council and also details of the major influences on the Council's finances which affect how it manages its finances both now and in the future.

Some areas included within the financial 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 providing good value services within a challenging financial environment. 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.

During the year the Council has also continued to focus its efforts and attention on making North Somerset an even better place to live. By promoting growth and regeneration it is helping to deliver a thriving economy. This will help people, businesses and communities to flourish and generate income which the council can use to sustain its vital services.

The Council has a key role to play in driving a bright economic future, and as a result is currently investing in various strategic initiatives which will help drive economic growth and ensure that all of our town centres are thriving.

This ambition, linked with the requirement to improve its own financial self-reliance has resulted in the council giving greater focus upon locally generated resources from homes and businesses, which is an area which often sits outside of the traditional revenue budget processes, and also the resources it has set-aside within earmarked reserves to finance the one-off investment requirements. This report provides information about the Council's costs, its income streams and also its reserves and balances.

Updates on the Council's finances are provided throughout the year in the free magazine North Somerset Life (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 Narrative Statement

The Statement of Accounts covers the 2015/16 financial year and the Narrative Report is a change in requirements for 2015/16 as it replaces the previous Explanatory Foreword. It has been structured in such a way to enable readers to understand North Somerset Council, its operating environment, and key issues which affect the Council and its financial position.

The Sections within the Narrative Statement are:

- An introduction to North Somerset
- Financial context
- Financial performance of the Council
- Corporate Risks
- Summary Position

This is followed by an explanation of the Financial Statements.

Narrative Statement

Narrative Statement from the Head of Finance & Property

1 An introduction to North Somerset

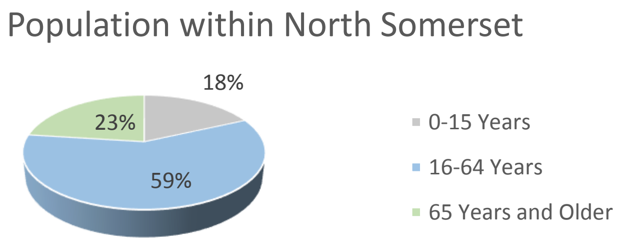
North Somerset is a Unitary Authority covering an area of around 37,500 hectares (145 square miles) and has a population of approximately 210,000 people. North Somerset is strategically placed, close to the major cities of Bristol and Cardiff and has excellent transport links with the M5 running north to south through the district and the mainline railway from Bristol to the South West also crossing North Somerset.

The district has beautiful countryside, 25 miles of stunning coast and distinctive town and villages, each with its own unique character. It contains an international airport, a deep sea west coast port at Portbury, part of the Mendip Hills Area of Outstanding Natural Beauty, a large area of green belt stretching south west from the edge of Bristol, as well as areas of low-lying levels and moors.

North Somerset is classified as "urban with significant rural" by the Office of National Statistics, with almost 40 percent of residents living in rural communities or 'rural town hubs' which includes Clevedon and Nailsea. Weston-super-Mare is already the third largest settlement in the West of England with significant further expansion planned.

Population

The population of North Somerset is projected to grow significantly over the next two decades, from around 210,000 people in 2015 to 243,000 by 2031, which is faster than the national average. The district has proportionately more elderly and young people than comparative unitary councils which puts pressure on social care budgets. In addition, the planned growth, whilst in line with our vision, will result in further demand for services and infrastructure costs.



Source: ONS Estimates for 2015

Narrative Statement

Economy

Overall North Somerset is a prosperous place, with below average unemployment and above average weekly earnings. However, there are big differences between areas and individuals: North Somerset is unusual in including areas in both the most and least deprived 1% in England, giving it the third widest range in deprivation scores between neighbourhoods in the country. The unemployment rate of people aged 16-64 in North Somerset is 4.2% for the year to March 2015 and is lower than the unemployment rate of 5% across the South West.

There are over 16,000 employers in North Somerset, mostly small businesses, with the vast majority employing less than ten people. There are fewer jobs than workers in North Somerset meaning that many people commute to other areas to work.

North Somerset remains a popular visitor destination with the numbers of visitors continuing to increase. Research shows that in 2014 there were over 8 million visits to the area with visitors spending over £350 million. Banksy's Dismaland demonstrates that North Somerset can host world class cultural events which helps to contribute to improved life experience for both residents and visitors.

The strength of partnership working across the West of England region is well recognised and is one of the most dynamic in the UK. City Deal has been hugely successful with £500m of growth and infrastructure schemes being delivered, and programmed, with our three neighbouring unitary councils. The West of England is the only region outside the South East which makes a net contribution to the Treasury.

Learning & Skills

We have many superb schools at every stage from Early Years through to Further Education. Overall outcomes in Early Years and Primary phases are good and generally above the national average. Outcomes in the Secondary phase are broadly in line with national averages although there are differences in attainment between schools.

Outcomes in Further Education are well in excess of the national average which has provided an exciting opportunity for the Council, working with Weston College, to bring a university centre to North Somerset. The Council has agreed to transfer a key seafront asset, the Winter Gardens, and has also successfully secured West of England Funding to help achieve the university vision which, in turn, helps the Council to fulfil planned ambition for the area joining up education with quality jobs, life experiences and improved housing.

Housing

Following a challenge to the Council's Core Strategy, the housing target for North Somerset has been set at 20,985 new homes between 2006 and 2026. There are significant environmental constraints on development: the Green Belt covers 40% of our area, the AONB covers 10% and the floodplain covers 12%. Clearly the associated infrastructure implications and the demand for services as a result of this increase has been a key factor in the Council's strategic planning over recent years and will continue to be so for some time.

Political Structure

North Somerset Council has 50 councillors and following the local election on 7 May 2015 the political make-up of the Council was:

- 36 Conservative group
- 7 Independent or Green group
- 4 Liberal Democrat group
- 3 Labour group

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Council has responsibility for the appointment of Members of the Executive (cabinet), the allocation of Portfolios and the delegation of Executive Functions. Executive Members are held to account by a system of scrutiny which is set out in the Constitution.

Narrative Statement

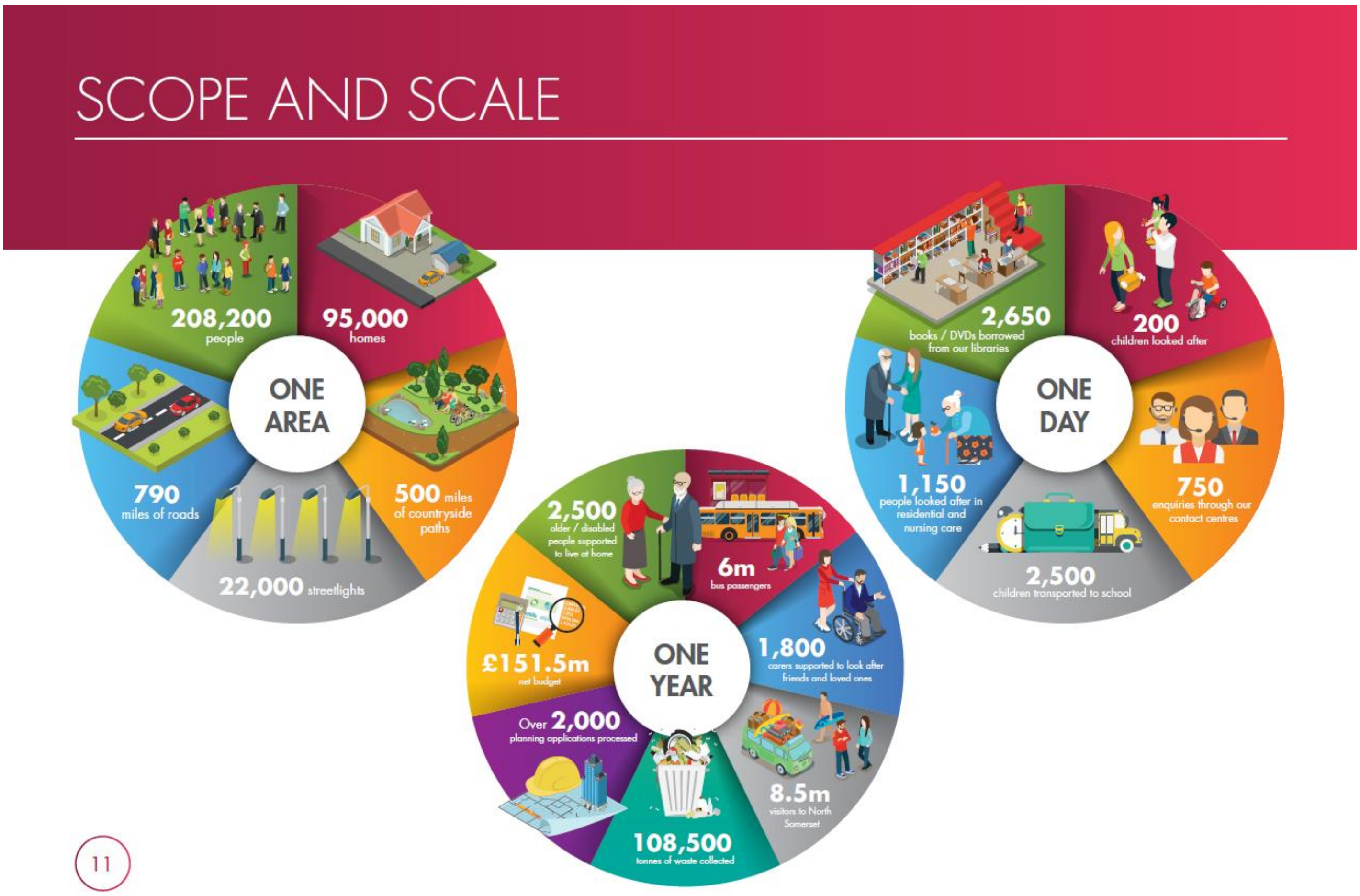
Management Structure

Supporting the work of Councillors is the organisational structure of the Council headed by the Corporate Management Team (CMT), led by the Chief Executive Mike Jackson. During the year CMT was comprised of the Chief Executive and the Directors of People & Communities and Development & Environment. In addition, CMT included the Head of Finance and Property and the Head of Legal Democratic Services as they are the nominated Section 151 and Monitoring Officers and also the Head of HR and Performance.

The Council's Corporate Plan

One of the key strategic documents that frames the actions of the Council is its Corporate Plan. This is a working document that exists to help Councillors, staff and partners work together to deliver the vision for North Somerset. Its primary purpose is to set out our story of place and our priorities for North Somerset - what we are doing and why we are doing it. It can be found at: http://www.n-somerset.gov.uk/wp-content/uploads/2016/06/corporate-plan.pdf

The Plan shows that the Council, which is responsible for an enormous range of services that impact on residents and the local area every day, has an ambitious vision for the area and for the organisation and it is striving to ensure that the district continues to be ***a great place to live where people, business and communities flourish***. The infographic below gives a flavour of the scale and scope of the Council's responsibilities with just a few examples.



2 Financial Context

Resources and National Policy

Local Authorities have experienced very significant reductions in Government funding over the past 5 years and as a result the Council has made £55 million in savings since 2010 to cope with reductions in funding and increases in demand or costs. This process is on-going and will last until at least 2020/21 and will continuously reviewed as the Council develops a stronger understanding of the financial challenges it faces.

Over 80% of funding is now raised locally through Council Tax, Business rates and New Homes Bonus and it is anticipated that by 2020/21 government grant is projected to fall to just £1.2m or 1% of funding for the Council, all of which makes achieving local economic growth even more important.

In November 2015 the Autumn Statement set out the strategic direction for public expenditure and this outlined a number of changes to the local government funding regime which will have a significant impact on the Council's finances over time.

These included;

- A National Funding Formula for Schools, which will be introduced in 2017/18
- Changes to the New Homes Bonus Grant, which will reduce funding from 2017/18
- Providing local authorities with the power to levy a 2% increase on its council tax to fund social care, from 2016/17
- Changes to the retention of business rates revenue to fund local services, by the end of the current Parliament local government will retain 100%
- An indication that social care funds of £1.5bn would be made available by 2019/20, which would be included within an improved Better Care Fund

In addition to these changes it is also recognised that the Government is committed to devolving funding to cities and regions providing they establish new governance arrangements. Earlier this year the Leaders of the West of England region (North Somerset, Bristol, Bath & North East Somerset and South Gloucestershire Councils) submitted a bid for devolution and initiated a governance review with arrangements proposed for significant investment in areas such as business growth, infrastructure, transport and skills. Devolution clearly presents new opportunities and major financial change for the future, although councillors are committed to ensuring that the residents of North Somerset achieve the best outcomes from any proposals.

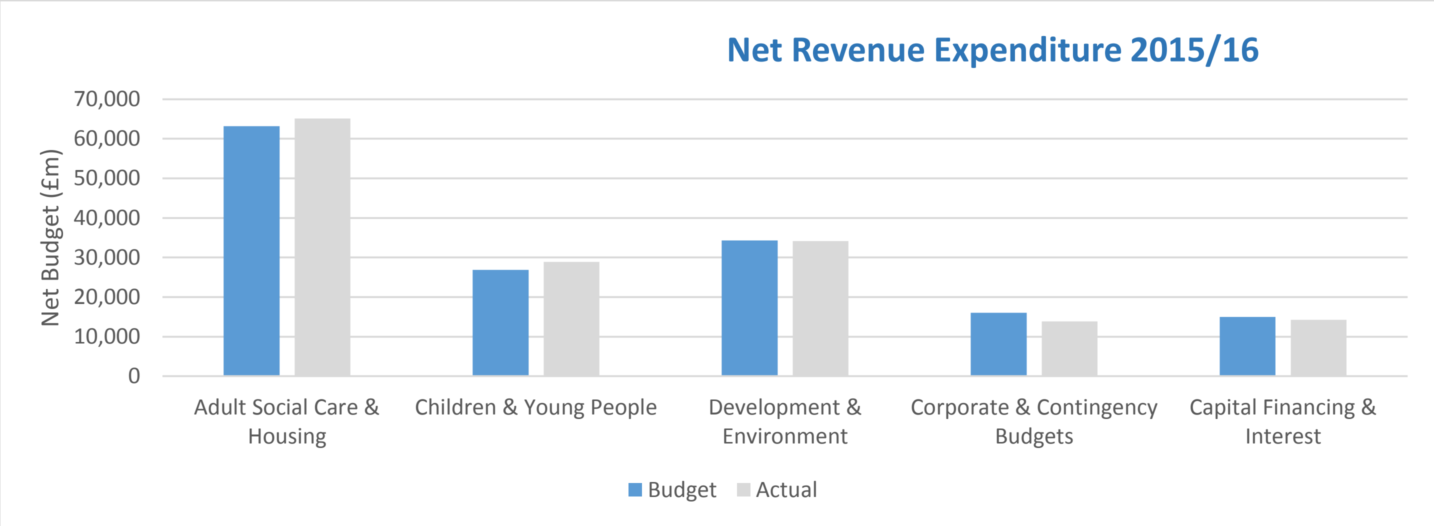
3 Financial Performance of the Council

Monitoring the revenue 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 technical 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 regular basis. These reports can be found on the Council's website.

Overall, the Council's net budget for the 2015/16 financial year totalled £155.378m – 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 over spent against its total revenue budget by £0.847m, although this is a net position as some service areas spent more than their budget allocations whilst other areas spent less. The table below shows the main service blocks which form part of the revenue budget, together with the out-turn position for each area.

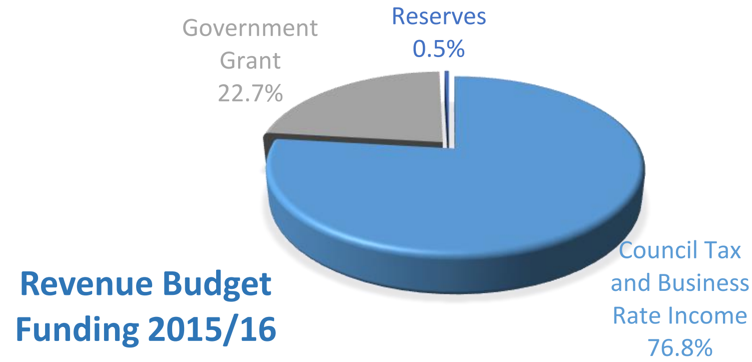
Narrative Statement



It can be seen that the Council faced cost pressures within the budgets for both Adult Social Services and also Children and Young People, largely as a result of care in the community services and a higher reliance on agency and temporary staff compared to the budgetary provision for the year. Over recent months the Council has introduced new ways of monitoring its social care activity by linking information associated with client volumes with the underlying costs of provision, which enables a greater understanding of the key drivers affecting the financial outcomes. This modelling approach formed the basis of calculating the resource requirements within the 2016/17 budget and as a result additional resources have been allocated to both adult and children's social care.

<u>Where does the money come from?</u>

The Council's net budget is funded from two main sources, local taxation and government grants. Total income for the year was £155.613m, which is £0.235m more than budgeted largely as a result of increased funding from the government for small businesses or empty properties which was announced by the Chancellor within the Autumn Statement and Budget.



The combined overspend against the revenue budget (i.e. £0.847m) and the over recovery in financing resources (i.e. £0.235m) in the year was £0.612m. The Council agreed to finance this sum through a transfer from its earmarked Corporate Risk Reserve, meaning that there was no additional impact on the Council's General Fund Revenue Reserve at the year-end.

<u>Medium term financial planning</u>

For 2016/17 the Council had to make total savings of over £8m due to issues such as reduced government funding, inflation (contractual and employee), pension deficit contributions and the national insurance changes.

As in previous years the Council is changing the way it does business in order to rise to the financial challenge and becomes more efficient with the resources it has. This change is being managed through the Transformation Programme. The operational transformation will not only lead to a more efficient and cost effective council, but will also change the way in

which we are viewed by, and interact with, residents of the district meaning residents contributing in their own way to support their communities and protect vital services.

As Government funding falls, income generation becomes a key priority area. The Council will continue to maximise its current sources of income, identify new income streams and actively pursue all opportunities to increase the resources available. This includes actively seeking to improve the Council's revenue collection performance working closely with Liberata. A strong emphasis within the Council has once again been placed on maximising income from Council Tax and Business Rates with work continuing to encourage new house building and to accelerate business growth to align with the regeneration ambitions of the Council. Support for the regeneration of Weston Town Centre is a key priority alongside making Weston a university town and the creation of a legal and professional services academy at the Winter Gardens.

The Council's latest medium-term financial modelling, shown in the table below, has been updated to reflect the provisional four-year Funding Settlement announced in December 2015 as well as anticipated cost increases for inflation, national living wage, superannuation and service demands.

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Projected Revenue Resources					
Government Grants	28,567	20,103	13,789	9,086	8,031
Council Tax & Business Rates	122,418	128,293	132,237	136,018	137,889
Other	897	1,400	0	0	0
	151,882	149,796	146,026	145,104	145,920
Net Revenue Budget					
Base Budget	151,498	151,882	149,796	146,026	145,104
Growth items	8,961	6,525	3,985	3,650	3,441
Savings proposals	(8,577)	(5,179)	(6,891)	(4,530)	(2,090)
Revised Base Budget	151,882	153,228	146,890	145,146	146,455
Projected Funding Shortfall	0	(3,432)	(864)	(42)	(535)

The largest funding gap is projected to be in 2017/18 although it should be noted that estimates for later years may not be fully quantified because service pressures and new burdens from the government are not sufficiently clear. The Council's planning process will continue to update such forecasts on a rolling basis.

Monitoring the capital budget

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 £50m on capital projects across all of its service areas including £37.755m on schemes delivered by Development and Environment and £7.251m on schools and educational facilities.

The total expenditure includes 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 and phase 1 of the Metro West Rail.

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 £39.210m of its total capital expenditure using resources associated with grants and contributions, £3.415m from capital receipts, £0.317m from reserves, £3.017m from direct revenue financing and £4.262m from borrowing.

Five year capital programme

The Council is embarking on an ambitious five year capital programme, partly to deliver the needs of our growing communities but also to deliver real transformation change within the environment we live and work in. It is believed that investment in strategic infrastructure and the wider public realm will regenerate areas and enable businesses to flourish resulting in an increase in economic growth through more jobs and housing.

The table below shows a summary of the Council's five year capital programme and funding.

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	**TOTAL 000**
Projected Capital Resources							
Grants & Contributions	32,446	18,459	42,999	50,804	14,109	11,430	**170,247**
Borrowing	6,189	9,419	0	0	0	0	**15,608**
Other	4,375	6,840	3,300	3,300	3,300	500	**21,615**
	43,010	34,718	46,299	54,104	17,409	11,930	**207,470**
Funding Allocated to Projects							
Adult Social Care & Housing	4,761	1,712	1,632	1,632	1,632	1,632	**13,001**
Children & Schools	6,469	4,853	14,615	11,348	3,138	3,094	**43,517**
Development & Environment	28,461	23,956	27,298	38,638	11,078	6,962	**136,393**
Corporate Services	0	500	500	0	0	0	**1,000**
	39,691	31,021	44,045	51,618	15,848	11,688	**193,911**
Resources Not Yet Allocated	3,319	3,697	2,254	2,486	1,561	242	**13,559**
Future Projects Requiring Resources	0	5,714	21,627	8,027	1,807	1,401	**38,576**

The future projects requiring resources, as shown above, represents a list of potential requirements identified by an officer working group and is the net requirement after assumed external funding is taken into account.

Balance Sheet

Despite the in-year performance on the revenue budget and the growing pressures likely to be faced in the future, the Council maintains a strong balance sheet.

	as 31 March 2015 £000	**at 31 March 2016 £000**
Non-current assets	456,599	**440,553**
Net current assets - debtors, stock and cash less short-term creditors and liabilities	33,119	**60,545**
Long term liabilities and provisions	(361,658)	**(349,089)**
Net Assets	128,060	**152,009**
Represented by:		
Useable Reserves	(57,908)	**(61,015)**
Unusable Reserves	(70,152)	**(90,994)**
Total Reserves	(128,060)	**(152,009)**

The total reserves held by the Council at the end of the year were £152.009m, which is an increase of £23.949m compared to the amount of reserves held at the end of the previous year. Whilst the majority of the increase relates to movements in ‘unusable’ reserves, these being the technical adjustment accounts operated by the Council rather than cash monies available to spend, it can be seen that the Council’s useable reserves have also risen, i.e. the monies which it sets-aside and can spend on services in the future.

During the year the Council has actively reviewed all useable reserves held for a previously earmarked purpose to ensure that all such monies will be spent on the Council’s most important priorities, and as a result various sums were reallocated from directorate balances and transferred into a corporate reserve to cover both financial risk and strategic priorities.

Also within the useable reserve total is the Council’s General Fund Working Balance, which is the reserve held to cover immediate or unplanned financial risks. At the year-end the balance was £7.680m which equates to approximately 5% of the net revenue budget, a level deemed prudent by the Section 151 Officer.

Collection Fund

Shown below are the movements which occurred within the Collection Fund Adjustment Account at year-end. This is the reserve established to account for the Council’s share of any surpluses or deficits arising from the in-year performance of its council tax and business rates income and expenditure. It is classed as an ‘unusable’ reserve within the balance sheet as the funds cannot be accessed at the end of the year but must be reversed into the General Fund in a subsequent financial period.

	£000	**£000**
Balance as 1 April		
Approved use of reserves in 2015/16		
To support the revenue budget (Exec February 2015)		**1,079**
Represented by:		
Council Tax Income	(1,389)	
Business Rate Income - existing properties on the Rating List	(1,162)	
Business Rate Income - Port Cumulo in 2015/16	(749)	
Business Rate Income - Port Cumulo prior year impact	(3,168)	
		(6,468)
Balance at 31 March		**(6,468)**

The Council achieved a surplus in respect of its ongoing council tax and business rate activities during the year which are the combined impacts of issues such as; higher levels of cash collection compared to the budget forecast, changes in the level of appeals lodged by tax payers and minor reductions in the bad debt provision required for some categories of outstanding debt.

Preceptors are able to utilise any such surplus balances as funding towards their future year budget strategies and in February 2016 the Executive approved the inclusion of £1.737m as funding spread across the budgets for 2016/17 and 2017/18 as this was the anticipated surplus forecast at that time.

Clearly the increased collection fund surplus achieved at the year-end was higher than this sum, with the most significant movement relating to the transfer of the Port Cumulo into the council’s rating list after previously having been included within the boundary of Bristol City Council. This change was determined by the Valuation Office and was backdated to April 2010.

Treasury management, borrowing and cash-flows

The Treasury Management Strategy is reviewed annually and provides the framework within which authority is delegated to the Head of Finance & Property to make decisions on the management of the Council's debt and investment of surplus funds.

The current investment strategy is to continue to diversify into more secure and/or higher yielding asset classes and move away from the increasing risk and low returns gained from short term unsecured bank and building society investments. In 2015/16 the Council reduced its exposure to longer-term investments, a change evidenced within the balance sheet, and also has continued to diversify into property funds and in doing so we have been able to improve our overall level of investment returns.

No new external borrowing was taken during the year, instead the Council utilised its short-term investment balances to internally finance the capital programme requirements. With the continuing environment of low interest rates, we will continue to consider the approach of a controlled reduction in cash balances compared to the need to incur further borrowing over the next couple of years.

Pension assets and liabilities

The deficit recorded within the accounts relating to all pension funds is £213.823m as at 31 March 2016, which is a net reduction of £8.723m from the opening balance deficit of £222.546m. This balance reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. The Avon Pension Fund has to be revalued every three years to set future contribution rates chargeable to the revenue budget, the last valuation was in 2013 and reported a funding level of 77%. The Council currently has a deficit recovery plan in place to make additional contributions into the pension fund over a 19-year period, although this may change after the next revaluation outcomes are published.

Accounting changes in the year ahead

During the year the Council has been reviewing its transport infrastructure systems and data to ensure that it can meet the requirements of the new Infrastructure Code which will be introduced from 1 April 2016. Within the 2015/16 accounts infrastructure assets (highways, footways, bridges etc) are included within Property, Plant and Equipment on the balance sheet using a Depreciated Historical Cost basis. Changes to the 2016/17 Code of Practice will require Local Authorities to value their Highways Network Asset on a Depreciated Replacement Cost basis which means that in 2016/17 the Council will need to recognise a new asset category on the Balance Sheet, the Highways Network Asset, and these values will also be disclosed separately in the notes to the accounts. It is anticipated that the change in valuation basis will have a significant impact on the Council's balance sheet in future years. Based on the Whole of Government Account figures published for 2014/15, the gross replacement cost of the highways network would increase from £149m, to £3,370m if these changes had applied.

Non-financial performance monitoring

The Council gathers information and data from across the organisation to ensure that it is effectively and efficiently monitoring its own performance in an open and transparent manner. Following a service review in 2015 a new Business Intelligence team was established who utilise the Performance Management Framework which brings together both national and local statistics and compares these to activities and outputs delivered by the Council. The Framework is based upon the Plan, Do, Review and Improve cycle and is actively rolled out across all service areas.

Each quarter the Corporate Management Team receives a report on a wide range of indicators to ensure that the priorities of the Council are being met, services are being delivered to customers, income targets and cost reductions are being achieved as well as to identify issues which may require further action. A summary of these reports are also considered by the Executive and Policy & Scrutiny Panels for further review.

Some of the key performance indicators across the range of activities are shown below.

Narrative Statement

	Quarter 4 Target	Quarter 4 Result	Status	Commentary
Number of people in permanent care home placements (65 and over)	880	857	Better than, or on target	Reflects successful containment of placement following key interventions outlined in Cost & Volume
Number of apprentices that gain employment after the role with the Council	12	16	Better than, or on target	The Council continues to support over 30 apprentices and is looking towards the new changes announced by the Govt.
Number of service users who have a Personal Budget as a proportion of people receiving care	100%	100%	Better than, or on target	Much work has been done to ensure that all service users have been given choice and control over how they receive their services
Number of homes where a significant hazard was removed through Council intervention	140	149	Better than, or on target	Continuation of targetted action to improve homes
Number of households living in temporary accommdation	59	60	Within tolerance	Some difficulties in obtaining accommodation within the period although new initiative to encourage more landlords and agents to work with the Council
Number of affordable homes completed	150	126	Not on target	Changes in national housing policy impacted in the short-term as HA's reviewed their capacity to deliver provision and reassess their business plans
Business rate growth in the Enterprise Area	£237,007	£273,099	Better than, or on target	Developments and business activity delivered ahead of anticipated timescales
Delivery of rural braodband programme	65%	72%	Better than, or on target	Delivery programme in advance of scheduled activity
Business start-ups still operating after 12 months	85%	88%	Better than, or on target	Information provided by the North Somerset Enterprise Agency
Average cost of child in care package	35,592	33,589	Better than, or on target	Increased scrutiny following introduction of Cost and Volume monitoring process

4 Corporate Risks

The Council has an embedded process to manage risks and assist the achievement of its objectives, alongside national and local performance targets. The Corporate Risk Register plays an integral role to support production of the Corporate Plan and is subject to regular review by both the Corporate Management Team and the Audit Committee.

Whereas there are no significant issues raised within the 2015/16 Annual Governance Statement, the reducing level of public sector funding alongside the increasing demand on the council's services is cited as the major risk that we face.

The Council currently has a number of significant projects covering a wide range of services, which can involve working in partnership with others, many of which require considerable levels of one-off and recurrent funding from the Council. There

is also an inherent risk of revenue reversion as the Council embarks upon more substantial, and ambitious, transport and infrastructure projects through levering in external grants and other funding.
Material risks relating to partnerships and projects are incorporated into the Annual Governance Statement where necessary.

5 Summary Position

It is clear that within the challenging economic framework the Council's financial and non-financial performance in 2015/16 continues to be good. Although the revenue out-turn position reflected an over spend of £0.612m, this was in fact a reduction in previous monitoring forecasts following corrective actions driven by the Corporate Management Team. In addition the capital out-turn was successful in delivering over 91% of its planned programme thereby reducing the need to re-profile significantly at the year end, and the Council has sufficient reserves and balances to provide financial resilience for 2016/17 and future years.

In 2015/16, the Council has faced and dealt successfully with significant change. This trend will continue and indeed accelerate as the government initiatives and changes such as 100% rates retention or the devolution agendas take shape, but the Council is well placed to adapt to the challenges and to take advantage of the opportunities offered. There are risks as highlighted above, but there are well established and robust risk management processes in place and, together with robust financial management and reporting, the Council is in a strong position as it moves into 2016/17.

6 Receipt of Further Information

If you would like to receive further information about these accounts, please do not hesitate to contact me at the Town Hall, Walliscote Grove Road, Weston-super-Mare, North Somerset, BS23 1UJ.

Malcolm Coe
Head of Finance & Property
June 2016

Narrative Statement

Explanation of accounting statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2016. It comprises core and supplementary statements, together with disclosure notes. The format of the Accounts follows best practice as defined in the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ("the Code") and incorporates the requirements of International Financial Reporting Standards. The Code is updated annually to reflect new or updated accounting standards, the most significant change to be applied to the 2015/16 financial year is the adoption of IFRS 13 which relates to the measurement of fair values.

The Core Statements are:

Movement in Reserves Statement shows the movement to or from the Council's reserves during the year. Reserves are categorised as "usable" (these can be used to fund services or reduce local taxation) or "unusable" (these must be set aside for specific purposes and cannot be used to fund services). Unusable reserves are in the main used to reverse out accounting items such as depreciation and impairment which do not impact on the council tax payer or to hold unrealised gains and losses, where the actual gain or loss will only become available once another event has occurred. For example, the Revaluation Reserve will only become available if the asset is sold and the full value of the asset realised.

Comprehensive Income and Expenditure 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, rather than the amount funded from council tax and government grants.

Balance Sheet which is a snapshot of the Council's business and finances at the year-end date (31 March). It shows the value of the Council's assets (things which have a monetary value) and liabilities (money owed by the Council). These are matched by the Council's reserves which are categorised as either Usable or Unusable (as explained above).

Cash Flow Statement shows how the Council generates and uses cash and cash equivalents (assets which are readily convertible into cash) during the year and whether these relate to operating activities, new investment, financing activities (such as repayment of borrowing and other long term liabilities) or are held in bank current accounts.

The Supplementary Financial Statements are:

Collection Fund shows the billing authority transactions relating to the collection of Council Tax and Business Rates, and the relevant distributions to precepting bodies. North Somerset's Council Tax precepting bodies are the Council itself, Avon and Somerset Police and Crime Commissioner and Avon Fire and Rescue Service. The Business Rate precepting bodies are again the Council itself, Central Government and Avon Fire and Rescue Service. Each year the Council calculates the surplus or deficit on the Collection Fund and this is distributed proportionately between the relevant precepting bodies.

In addition the **Notes** to the financial statements provide more detail about the Council's accounting policies and individual transactions whilst the **Annual Governance Statement** sets out the governance structures of the Council and its key internal controls.

A **Glossary** of key terms can be found at the end of this publication.

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 2016.

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 2016 and hereby authorise the issue of the accounts.

Malcolm Coe CPFA **Head of Finance and Property** **27 September 2016**	**Cllr Crockford-Hawley** **Chairman of the Council** **27 September 2016**

Movement in Reserves Statement

	Note	Usable Reserves									Unusable Reserves			
	Note	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*	TOTAL RESERVES £000
Balance at 31 March 2015		**(8,180)**	**(5,662)**	**(188)**	**(923)**	**(30,962)**	**(2,043)**	**(7,552)**	**(2,398)**	***(57,908)***	**(112,052)**	**41,900**	***(70,152)***	**(128,060)**
Movements in Reserves 2015/16														
(Surplus) / deficit on Provision of Services		(16,660)	0	0	0	0	0	0	0	*(16,660)*	0	0	*0*	**(16,660)**
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	*0*	7,813	(15,102)	*(7,289)*	**(7,289)**
Total Comprehensive Income and Expenditure	*CIES*	**(16,660)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	***(16,660)***	**7,813**	**(15,102)**	***(7,289)***	**(23,949)**
Adjustments between accounting basis & funding basis under regulations	*1*	18,629	0	0	0	0	0	(3,910)	(1,166)	*13,553*	6,346	(19,899)	*(13,553)*	**0**
Net (Increase) / Decrease before Transfers to Earmarked Reserves		**1,969**	**0**	**0**	**0**	**0**	**0**	**(3,910)**	**(1,166)**	***(3,107)***	**14,159**	**(35,001)**	***(20,842)***	**(23,949)**
Transfers (to) / from Earmarked Reserves		(1,469)	443	634	80	594	(282)	0	0	*0*	0	0	*0*	**0**
(Increase) / Decrease in 2015/16		**500**	**443**	**634**	**80**	**594**	**(282)**	**(3,910)**	**(1,166)**	***(3,107)***	**14,159**	**(35,001)**	***(20,842)***	**(23,949)**
Balance at 31 March 2016 - carried forward	*2 / 3*	**(7,680)**	**(5,219)**	**446**	**(843)**	**(30,368)**	**(2,325)**	**(11,462)**	**(3,564)**	***(61,015)***	**(97,893)**	**6,899**	***(90,994)***	**(152,009)**

Movement in Reserves Statement

	Note	Usable Reserves									Unusable Reserves			
	Note	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*	TOTAL RESERVES £000
Balance at 31 March 2014		**(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)**
Movements in Reserves 2014/15														
(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**
Total Comprehensive Income and Expenditure	*CIES*	**(7,233)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	***(7,233)***	**2,317**	**48,522**	***50,839***	**43,606**
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)**
Net (Increase) / Decrease before Transfers to Earmarked Reserves		**1,069**	**0**	**0**	**0**	**0**	**0**	**(2,237)**	**(43)**	***(1,211)***	**8,280**	**36,536**	***44,816***	**43,605**
Transfers (to) / from Earmarked Reserves		363	(690)	892	(81)	283	(765)	0	0	*2*	0	0	*0*	**2**
(Increase) / Decrease in 2014/15		**1,432**	**(690)**	**892**	**(81)**	**283**	**(765)**	**(2,237)**	**(43)**	***(1,209)***	**8,280**	**36,536**	***44,816***	**43,607**
Balance at 31 March 2015 - carried forward	*2 / 3*	**(8,180)**	**(5,662)**	**(188)**	**(923)**	**(30,962)**	**(2,043)**	**(7,552)**	**(2,398)**	***(57,908)***	**(112,052)**	**41,900**	***(70,152)***	**(128,060)**

North Somerset Council

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.

2015/2016 ADJUSTMENTS	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(22,707)	0	0	22,707
Revaluation losses on Property, Plant and Equipment	(7,653)	0	0	7,653
Movements in the fair value of Investment Properties	5,827	0	0	(5,827)
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	38,639	0	0	(38,639)
Revenue expenditure funded from capital under statute	(3,198)	0	0	3,198
Net gain or loss on sale or de-recognition of non-current assets and non-current assets held for sale	(12,015)	0	0	12,015
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for repayment of debt	8,640	0	0	(8,640)
Capital expenditure charged against General Fund Balances	3,529	0	0	(3,529)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,543	0	(1,543)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	377	(377)
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7,304	(7,304)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	3,415	0	(3,415)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(19)	19	0	0
Transfer from Deferred Capital Receipts Reserve on receipt of cash	0	(26)	0	26
Other Adjustments				
Write down of long term debtor on receipt of loan principal	0	(14)	0	14
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	31	0	0	(31)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(21,726)	0	0	21,726
Employer's pension contributions and direct payments to pensioners payable in the year	15,347	0	0	(15,347)
Adjustments primarily involving the Collection Fund Adjustment Account				
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	5,388	0	0	(5,388)
Adjustments primarily involving the Accumulated Absences Account				
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	(301)	0	0	301
TOTAL ADJUSTMENTS	**18,629**	**(3,910)**	**(1,166)**	**(13,553)**

Notes to the Movement in Reserves Statement

2014/2015 ADJUSTMENTS	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account				
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 w ritten 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)
Adjustments primarily involving the Capital Grants Unapplied Account				
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)
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	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 dow n of long term debtor on receipt of loan principal	0	(13)	0	13
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by w hich finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance w ith statutory requirements	31	0	0	(31)
Adjustments primarily involving the Pensions Reserve				
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)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by w hich Collection Fund income debited to the Comprehensive Income and Expenditure Statement is different from Collection Fund income calculated for the year in accordance w ith statutory requirement	888	0	0	(888)
Adjustments primarily involving the Accumulated Absences Account				
Amount by w hich officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance w ith statutory requirements	8	0	0	(8)
TOTAL ADJUSTMENTS	**8,302**	**(2,237)**	**(43)**	**(6,022)**

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 2015 £000	Net Movement in Year £000	**Balance 31 March 2016 £000**	Further Details
General Fund Balance	(8,180)	500	**(7,680)**	
School Balances				
- LMS Schools	(5,662)	443	**(5,219)**	
- Dedicated Schools Grant	(188)	634	**446**	Note 24
- Other Schools Balances	(923)	80	**(843)**	
	(14,953)	1,657	**(13,296)**	
Earmarked Reserves				
- Earmarked Reserves - Revenue	(24,650)	2,846	**(21,804)**	
- Earmarked Deposits & Contributions	(6,312)	(2,252)	**(8,564)**	
	(30,962)	*594*	***(30,368)***	
- Earmarked Reserves - Capital	(2,043)	(282)	**(2,325)**	
	(33,005)	312	**(32,693)**	Note 2.2
Usable Capital Financing Reserves				
- Capital Receipts Reserve	(7,552)	(3,910)	**(11,462)**	Note 2.3
- Capital Grants Unapplied	(2,398)	(1,166)	**(3,564)**	Note 2.4
	(9,950)	(5,076)	**(15,026)**	
Total Usable Balances & Reserves	(57,908)	(3,107)	**(61,015)**	

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 2015 £000	Transfers between Reserves £000	Transfers Out £000	Transfers In £000	**Balance 31 March 2016 £000**
Earmarked Revenue Reserves					
Corporate Reserves					
Insurance Reserves	(3,845)	1,000	72	(244)	**(3,017)**
Severance Reserve	(2,000)	0	1,354	(124)	**(770)**
Transformation Programme Reserve - ICT	(530)	0	373	0	**(157)**
Transformation Programme Reserve - Digital First	(2,671)	0	1,252	(457)	**(1,876)**
Transformation Programme Reserve - Capacity	0	(1,107)	318	0	**(789)**
Other Corporate Reserves	(2,642)	2,642	0	0	**0**
Strategic Investment Reserve	(1,600)	1,600	0	0	**0**
Economic & Regeneration Reserve	0	(2,889)	1,350	(1,355)	**(2,894)**
City-Deal Smoothing Reserve	0	(170)	36	(2,218)	**(2,352)**
Corporate Risk Reserve	0	(3,761)	1,236	(173)	**(2,698)**
Directorate Reserves					
People & Comm - Adult Social Services & Housing	(2,903)	1,528	888	(35)	**(522)**
People & Comm - Children, Young People & Schools	(946)	0	621	(715)	**(1,040)**
People & Comm - Public Health	(523)	0	268	0	**(255)**
People & Comm - Housing Property Funds	(620)	0	31	(58)	**(647)**
Development & Environment	(4,018)	948	1,264	(1,063)	**(2,869)**
Corporate Services	(2,352)	209	1,004	(779)	**(1,918)**
	(24,650)	0	10,067	(7,221)	**(21,804)**
Earmarked Deposits and Contributions	(6,312)	0	1,248	(3,500)	**(8,564)**
Earmarked Capital Reserves					
General Capital Reserves	(1,983)	2	315	(645)	**(2,311)**
Earmarked Capital Reserves	(60)	(2)	48	0	**(14)**
	(2,043)	0	363	(645)	**(2,325)**
Total Earmarked Reserves	(33,005)	0	11,678	(11,366)	**(32,693)**

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

Reserve	**Purpose**
Insurance Reserve	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.
Severance Reserve	To fund severance costs anticipated in future years.
Transformation Reserves	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. This includes the Digital First and ICT programmes and also resources to supplement internal capacity.

Notes to the Movement in Reserves Statement

Reserve	Purpose
Other Corporate Reserves	Previously included funds set-aside for other corporate priorities and risks, such as the City-Deal Smoothing Reserve; Economic and Regeneration Board programme and the Capacity Fund for Transformation Reserve. These have been separated to provide further clarity.
Strategic Investment and Economic & Regeneration Reserves	Resources identified to fund potential investment in areas which could stimulate, enhance or yield future economic and financial benefit for the area together with funding set-aside for the Driving Growth Board programme.
City Deal Smoothing Reserve	Reserve to smooth the financial impact of transactions associated with the City Region Deal arrangement. Balances largely relate to cash contributed by the Council which is yet to be committed by the Pool.
Corporate Risk Reserve	Resources set-aside to finance strategic risks and also fund one-off invest-to-save proposals or key priorities identified within the Corporate or Medium-Term Financial Plans.
People & Communities – Adult Social Services & Housing Reserves	Includes monies set-aside to realise service improvements or fund pilot schemes such as the ICT Connecting Care integration programme and the Dept of Health Carers scheme.
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 on 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; LSTF Public Transport, Lead Local Flood, Local Development Orders and Damaged Road grants. Monies also set-aside for planned future costs including major planning appeals and strategic projects.
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.

2.3 Capital Receipts Reserve

	2014/15 £000	**2015/16 £000**
Balance brought forward - 1 April	(5,315)	**(7,552)**
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	(5,572)	**(7,304)**
Use of Capital Receipts to finance new capital expenditure	3,353	**3,415**
Financing payment to the Government Housing Capital Receipts Pool	15	**19**
Transfer from Deferred Capital Receipts Reserve	(20)	**(26)**
Transfer to the Capital Adjustment Account to finance repayment of long-term debt	0	**0**
Transfer from the Capital Adjustment Account to reflect write down of long term debtor	(13)	**(14)**
Balance carried forward - 31 March	(7,552)	**(11,462)**

2.4 Capital Grants Unapplied

	2014/15 £000	**2015/16 £000**
Balance brought forward - 1 April	(2,355)	**(2,398)**
Transfer to Capital Adjustment Account to finance capital spend	629	**377**
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(672)	**(1,543)**
Balance carried forward - 31 March	(2,398)	**(3,564)**

3. Unusable Reserves

3.1 Summary of Unusable Reserves

	Balance 1 April 2015 £000	Net Movement in Year £000	**Balance 31 March 2016 £000**	Further Details
Revaluation Balances				
Revaluation Reserve	(112,052)	13,908	**(98,144)**	Note 3.2
Available for Sale Financial Instrument Reserve	0	251	**251**	Note 3.3
	(112,052)	14,159	**(97,893)**	
Adjustment Accounts				
Capital Adjustment Account	(182,459)	(21,184)	**(203,643)**	Note 3.4
Financial Instruments Adjustment Account	561	(31)	**530**	Note 3.5
Collection Fund Adjustment Account	(1,079)	(5,389)	**(6,468)**	Note 3.6
Pensions Reserve	222,546	(8,723)	**213,823**	Note 3.7
Accumulated Absences Account	2,506	301	**2,807**	Note 3.8
Deferred Capital Receipts Reserve	(175)	25	**(150)**	Note 3.9
	41,900	(35,001)	**6,899**	
Total Unusable Reserves	(70,152)	(20,842)	**(90,994)**	

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.

Notes to the Movement in Reserves Statement

		2014/15 £000	**2015/16 £000**
Balance brought forward - 1 April		(120,332)	**(112,052)**
Upward revaluation of assets	(14,385)		**(18,993)**
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	16,702		**26,556**
Surplus / deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		2,317	**7,563**
Difference between fair value depreciation and historical cost depreciation		2,953	**2,260**
Accumulated gains on assets sold or scrapped		3,010	**4,085**
Amount written off to the Capital Adjustment Account		5,963	**6,345**
Balance carried forward - 31 March		(112,052)	**(98,144)**

3.3 Available For Sale Financial Instrument Reserve

The Available for Sale Financial Instruments Reserve contains both the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments and also losses made by the Council when investments are revalued downwards.

	2014/15 £000	**2015/16 £000**
Balance brought forward - 1 April	0	**0**
Downwards revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	0	**251**
Balance carried forward - 31 March	0	**251**

3.4 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

	2014/15 £000	**2015/16 £000**
Balance brought forward - 1 April	(167,707)	**(182,459)**
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u>		
Charges for depreciation of non-current assets	15,199	**14,791**
Charges for impairment of non-current assets	5,808	**7,916**
Revaluation losses on Property, Plant and Equipment	6,604	**7,653**
Revenue expenditure funded from capital under statute	2,827	**3,198**
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	9,567	**12,015**
	40,005	**45,573**
<u>Adjusting amounts written out of the Revaluation Reserve</u>		
Amounts written out on disposal or sale of non-current assets	(3,010)	**(4,085)**
Historical cost depreciation adjustment	(2,953)	**(2,260)**
	(5,963)	**(6,345)**
Net written out amount of the cost of non-current assets consumed in the year	34,042	**39,228**
<u>Adjusting Amounts relating to the Capital Receipts Reserve</u>		
Write down of long term debtor	13	**14**
Repayment of long term debt	0	**0**
	13	**14**
<u>Capital financing applied in the year</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(3,353)	**(3,414)**
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(34,491)	**(38,639)**
Application of Grants and Contributions to capital financing from the Capital Grants Unapplied Account	(629)	**(377)**
Statutory provision for the financing of capital investment charged against the General Fund Balance	(7,787)	**(8,640)**
Capital expenditure charged against the General Fund Balance	(2,945)	**(3,529)**
	(49,205)	**(54,599)**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	398	**(5,827)**
Balance carried forward - 31 March	(182,459)	**(203,643)**

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.

3.5 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.

	2014/15 £000	**2015/16** **£000**
Balance brought forward - 1 April	593	**561**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(32)	**(31)**
Balance carried forward - 31 March	561	**530**

3.6 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.

	2014/15 £000	**2015/16** **£000**
Balance brought forward - 1 April	(191)	**(1,079)**
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calcuated for the year in accordance with statutory requirements		
- Council Tax	593	**(876)**
- Business Rates	(1,541)	**(4,395)**
- Business Rates : Disregarded Amount	60	**(118)**
Balance carried forward - 31 March	(1,079)	**(6,468)**

3.7 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.

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.

Notes to the Movement in Reserves Statement

	2014/15 £000	**2015/16 £000**
Balance brought forward - 1 April	170,351	**222,546**
Return on plan assets	(33,327)	**17,558**
Remeasurements of the net defined benefit liability / (asset)	81,849	**(32,660)**
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	18,841	**21,726**
Employer's pensions contributions and direct payments to pensioners payable in the year	(15,168)	**(15,347)**
Balance carried forward - 31 March	222,546	**213,823**

The amounts shown above bring together adjustments for both the Local Government Pension Scheme (Note 28.2, page 66) and Unfunded Teachers' Discretionary Benefits (Note 28.3, page 71) as follows:

	2015/16	
	Local Government Pension Scheme £000	Teachers' Discretionary Benefits £000
Balance brought forward - 1 April	195,760	26,786
Return on plan assets	17,558	0
Remeasurements of the net defined benefit liability		
- Experience (gains) / losses	0	0
- (Gains) / Losses on financial assumptions	(31,897)	(763)
- (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	20,923	803
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,554)	(1,793)
Balance carried forward - 31 March	**188,790**	**25,033**

3.8 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.

	2014/15 £000	**2015/16** **£000**
Balance brought forward - 1 April	2,514	**2,506**
Settlement or cancellation of accrual made at the end of the preceding year	(2,514)	**(2,506)**
Amounts accrued at the end of the current year	2,506	**2,807**
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)	**301**
Balance carried forward - 31 March	2,506	**2,807**

3.9 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.

	2014/15 £000	**2015/16** **£000**
Balance at 1 April	(196)	**(175)**
Transfer to the Capital Receipts Reserve upon receipt of cash	21	**25**
Balance carried forward - 31 March	(175)	**(150)**

Comprehensive Income and Expenditure Statement

2014/2015 Gross Expenditure £000	2014/2015 Gross Income £000	2014/2015 Net Expenditure £000		Note	2015/2016 Gross Expenditure £000	2015/2016 Gross Income £000	2015/2016 Net Expenditure £000
87,247	(26,749)	60,498	Adult Social Care		87,156	(26,712)	60,444
5,456	(2,835)	2,621	Central Services to the Public		5,072	(2,633)	2,439
166,883	(130,029)	36,854	Children's and Education Services		169,233	(127,404)	41,829
11,818	(2,858)	8,960	Cultural and Related Services		16,030	(4,182)	11,848
24,381	(6,520)	17,861	Environmental and Regulatory Services		24,098	(7,626)	16,472
5,233	(2,888)	2,345	Planning Services		5,736	(4,256)	1,480
27,449	(8,322)	19,127	Highways and Transport Services		28,042	(8,113)	19,929
75,598	(67,187)	8,411	Housing Services		74,651	(68,198)	6,453
7,783	(7,774)	9	Public Health Services		8,993	(8,712)	281
7,836	(1,227)	6,609	Corporate and Democratic Core		12,560	(9,363)	3,197
1,774	(70)	1,704	Non Distributed Costs		2,874	(4)	2,870
421,458	**(256,459)**	**164,999**	**Cost of Services**	*4*	**434,445**	**(267,203)**	**167,242**
8,419	0	8,419	Other operating expenditure	*5*	9,198	0	9,198
13,856	(1,580)	12,276	Financing and investment income and expenditure	*6*	13,466	(7,673)	5,793
0	(192,927)	(192,927)	Taxation and non-specific grant income	*7*	0	(198,893)	(198,893)
443,733	**(450,966)**	**(7,233)**	**(Surplus) / Deficit on Provision of Services**		**457,109**	**(473,769)**	**(16,660)**
		2,317	(Surplus) / deficit on revaluation of non-current assets	*3.2*			7,563
		0	(Surplus) / deficit on revaluation of available for sale financial assets	*3.3*			251
		48,522	Remeasurements of net defined benefit liability	*28*			(15,102)
		50,839	**Other Comprehensive Income and Expenditure**				**(7,288)**
		43,606	**Total Comprehensive Income and Expenditure**				**(23,948)**

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

				2015/2016			
	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	18,422	69,476	12,660	13,104	11,766	(132)	**125,296**
Other Service Expenses	24,218	41,442	69,724	37,935	28,131	24,580	**226,030**
Transfer Payments	140	0	5,637	0	64,928	5,306	**76,011**
Support Services	7,813	9,695	4,831	5,996	14,114	594	**43,043**
Total Expenditure	50,593	120,613	92,852	57,035	118,939	30,348	**470,380**
Fees, Charges & Other Service Income	(8,323)	(15,930)	(18,350)	(17,103)	(44,177)	(3,756)	**(107,639)**
Government Grants & Capital Contributions	(11,362)	(103,516)	(1,754)	(1,063)	(65,220)	0	**(182,915)**
Other Grants & Contributions	(2,018)	(1,167)	(7,663)	(4,724)	(788)	(7,854)	**(24,214)**
Total Income	(21,703)	(120,613)	(27,767)	(22,890)	(110,185)	(11,610)	**(314,768)**
Net Expenditure 2015/2016	**28,890**	**0**	**65,085**	**34,145**	**8,754**	**18,738**	**155,612**

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

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.

	2014/15 £000	**2015/16 £000**
Net Expenditure in the Directorate Analysis	159,950	**155,612**
Net expenditure of services and support services not included in the analysis	(41,892)	**(47,233)**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	14,237	**25,799**
Amounts included in the analysis and not included in the Comprehensive Income and Expenditure Statement	32,704	**33,064**
Cost of Services in Comprehensive Income and Expenditure Statement	164,999	**167,242**

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

	2015/2016							
	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	125,296	0	(301)	0	(7,186)	**117,809**	0	**117,809**
Other Service Expenses	226,030	(7,286)	4,005	(29,437)	(25,472)	**167,840**	0	**167,840**
Transfer Payments	76,010	0	0	0	0	**76,010**	0	**76,010**
Support Services Recharges	43,044	2	6,597	(471)	(6,745)	**42,427**	0	**42,427**
Depreciation, amortisation and impairment	0	0	30,360	0	0	**30,360**	0	**30,360**
Interest Payments	0	0	0	0	0	**0**	6,485	**6,485**
Net interest cost on Net Defined Benefit Liability	0	0	0	0	0	**0**	6,981	**6,981**
Movement in Fair Value of Investment Property	0	0	0	0	0	**0**	(5,827)	**(5,827)**
Precepts and Levies	0	0	0	0	0	**0**	4,468	**4,468**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	19	**19**
Gain / loss on Disposal of Non-Current Assets	0	0	0	0	0	**0**	4,711	**4,711**
Total Expenditure	470,380	(7,284)	40,661	(29,908)	(39,403)	**434,446**	16,837	**451,283**
Fees, Charges & Other Service Income	(107,639)	0	(8,143)	20,501	39,403	**(55,878)**	0	**(55,878)**
Government Grants & Capital Contributions	(182,915)	(39,949)	0	40,167	0	**(182,697)**	(38,364)	**(221,061)**
Other Grants & Contributions	(24,214)	0	(6,719)	2,304	0	**(28,629)**	0	**(28,629)**
Interest & Investment Income	0	0	0	0	0	**0**	(1,846)	**(1,846)**
Income from Council Tax & Business Rates	0	0	0	0	0	**0**	(124,968)	**(124,968)**
Non Specific Government Grants	0	0	0	0	0	**0**	(35,561)	**(35,561)**
Total Income	(314,768)	(39,949)	(14,862)	62,972	39,403	**(267,204)**	(200,739)	**(467,943)**
Surplus / Deficit on the Provision of Services	**155,612**	**(47,233)**	**25,799**	**33,064**	**0**	**167,242**	**(183,902)**	**(16,660)**

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**
Total Expenditure	453,570	(5,528)	38,510	(27,708)	(37,386)	**421,458**	22,275	**443,733**
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)**
Total Income	(293,620)	(36,364)	(24,273)	60,412	37,386	**(256,459)**	(194,507)	**(450,966)**
Surplus / Deficit on the Provision of Services	**159,950**	**(41,892)**	**14,237**	**32,704**	**0**	**164,999**	**(172,232)**	**(7,233)**

Notes to the Comprehensive Income and Expenditure Statement

5. Other Operating Expenditure

	2014/15 £000	**2015/16 £000**
Parish Council Precepts	4,152	**4,207**
Other Precepts and Levies	257	**261**
Payments to the Government Housing Capital Receipts Pool	15	**19**
(Gains) / losses on the disposal of non-current assets	3,995	**4,711**
Total	8,419	**9,198**

6. Financing and Investment Income and Expenditure

	2014/15 £000	**2015/16 £000**
Interest payable and similar charges	6,143	**6,478**
Net interest on net defined benefit pension liability & administration expense	7,245	**6,981**
Interest receivable and similar income	(1,580)	**(1,846)**
Income and expenditure in relation to Investment Properties and changes in their fair value	398	**(5,827)**
Other financing & investment income and expenditure	70	**7**
Total	12,276	**5,793**

7. Taxation and Non Specific Grant Income

	2014/15 £000	**2015/16 £000**
Income From Taxation		
Council Tax Income	(89,536)	**(91,389)**
Business Rates Income	(27,809)	**(33,579)**
	(117,345)	**(124,968)**
Non-specific Government Grants and Capital Contributions		
Non-ringfenced government grants	(42,018)	**(35,561)**
Capital grants and contributions	(33,564)	**(38,364)**
	(75,582)	**(73,925)**
Total	(192,927)	**(198,893)**

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

	2014/15 £000	**2015/16** **£000**
Revenue Support Grant	(34,634)	**(26,488)**
Local Services Support Grant	(293)	**(218)**
Council Tax Freeze Grant	(942)	**(948)**
New Homes Bonus Grant	(4,167)	**(5,530)**
Business Rates Tariff / Top-up	(313)	**(319)**
Small Business Rate Relief Grant	(1,017)	**(507)**
Business Rates Adjustment Grant	(295)	**(1,054)**
Other Section 31 Grant	(357)	**(485)**
Council Tax Family Annexe Grant	0	**(12)**
Total	(42,018)	**(35,561)**

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 in respect of depreciation, revaluation and impairment, all of which can have a significant impact particularly in areas such as Central Office Accommodation. No significant impairment losses were reflected within the Council’s Office Accommodation assets during the year which is the main reason that these costs have reduced from previous levels.

Financial Services includes the cost of the Council’s contract with Agilisys Ltd for the provision of a range of support services including Information Technology, Contact Centres, Exchequer Services, etc. In February 2015 the Council increased this contract and transferred additional services into it which explains the movement from the previous year.

	2014/15 £000	**2015/16** **£000**
Financial Services	14,595	**18,567**
Legal Services	1,155	**1,208**
Personnel Services	1,081	**862**
Corporate Administration	547	**1,836**
Property Related Services	2,365	**2,612**
Internal Insurance Premiums	1,428	**1,500**
Central Expenses (postages, photocopiers, telephones, etc.)	1,016	**955**
Recruitment & Retention	96	**52**
Central Office Accommodation	7,002	**734**
Total Support Service Recharges	29,285	**28,326**

Balance Sheet

31 March 2015 £000		Note	31 March 2016 £000
	Property, Plant and Equipment	*9*	
304,878	Other Land and Buildings		279,312
99,669	Infrastructure Assets		117,498
3,301	Community Assets		4,395
9,328	Vehicles, Plant, Furniture and Equipment		7,528
0	Assets Under Construction		5,645
288	Heritage Assets		288
11,005	Investment Property	*10*	17,332
500	Intangible Assets		450
26,271	Long Term Investments	*29.1*	6,828
1,360	Long Term Debtors	*29.1*	1,277
456,600	**Long Term Assets**		**440,553**
1,921	Cash and Cash Equivalents	*CFS*	2,446
56,317	Short Term Investments	*29.1*	82,148
566	Assets Held for Sale	*11*	0
67	Inventories		57
32,851	Short Term Debtors	*12*	45,869
91,722	**Current Assets**		**130,520**
(735)	Cash and Cash Equivalents (Bank Overdraft)	*CFS*	0
(5,806)	Short Term Borrowing	*29.1*	(8,940)
(36,447)	Short Term Creditors	*13*	(45,602)
(3,097)	Provisions	*14*	(4,016)
(12,518)	Capital Grants Receipts in Advance	*23*	(11,417)
(58,603)	**Current Liabilities**		**(69,975)**
(1,896)	Provisions	*14*	(2,037)
(119,049)	Long Term Borrowing	*29.1*	(115,649)
(15,652)	Long-Term Liabilities - Ex Avon Debt	*16*	(15,026)
(222,546)	Pension Liabilities	*28.1*	(213,822)
(2,516)	Other Long Term Liabilities	*31.1*	(2,555)
(361,659)	**Long Term Liabilities**		**(349,089)**
128,060	**Net Assets**		**152,009**
(57,908)	Usable Reserves	*2.1*	(61,015)
(70,152)	Unusable Reserves	*3.1*	(90,994)
(128,060)	**Total Reserves**		**(152,009)**

9. Property, Plant and Equipment

Movements in 2015/2016	Land & Buildings £000	Infrastructure Assets £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	TOTAL £000
Cost or Valuation						
At 1 April 2015	334,706	148,930	4,049	28,142	0	**515,827**
Additions	11,138	28,475	1,100	662	5,645	**47,020**
Revaluations - Revaluation Reserve	(20,033)	0	777	0	0	**(19,256)**
Revaluations - CI&ES	(6,894)	0	0	0	0	**(6,894)**
Derecognition - Disposals	(11,860)	0	0	(27)	0	**(11,887)**
Reclassified (to) / from Held for Sale and/or Investment Property	(2,328)	0	0	0	0	**(2,328)**
Other movements in cost or valuation	(36)	0	36	0	0	**0**
At 31 March 2016	304,693	177,405	5,962	28,777	5,645	**522,482**
Accumulated Depreciation & Impairment						
At 1 April 2015	(29,828)	(49,261)	(748)	(18,814)	0	**(98,651)**
Depreciation for the year	(8,583)	(3,663)	(32)	(2,462)	0	**(14,740)**
Depreciation written out - Revaluation Reserve	12,523	0	102	0	0	**12,625**
Impairment (Losses) / Reversals - Revaluation Reserve	(103)	0	0	0	0	**(103)**
Impairment (Losses) / Reversals - CI&ES	(41)	(6,983)	(889)	0	0	**(7,913)**
Derecognition - Disposals	495	0	0	27	0	**522**
Assets reclassified (to) / from Investment Property	156	0	0	0	0	**156**
At 31 March 2016	(25,381)	(59,907)	(1,567)	(21,249)	0	**(108,104)**
Net Book Value at 1 April 2015	**304,878**	**99,669**	**3,301**	**9,328**	**0**	**417,176**
Net Book Value at 31 March 2016 - Current Value	**279,312**	**117,498**	**4,395**	**7,528**	**5,645**	**414,378**
Net Book Value at 31 March 2016 - Historic Cost Value	**183,450**	**117,498**	**3,180**	**7,528**	**5,645**	**317,301**

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

9.2 Depreciation

Depreciation has been charged in year to the following services:

	2014/15 £000	**2015/16 £000**
Development and Environment	5,812	**6,704**
People and Communities:		
- Children & Young People's Services	8,094	**6,648**
- Adult Social Services	193	**193**
- Housing General Fund	30	**15**
Corporate Services	1,070	**1,231**
Total Depreciation	15,199	**14,791**

9.3 Capital Commitments

At 31 March 2016 the Council had entered into a number of contracts for the construction or enhancement of Plant, Property and Equipment which are to be delivered during 2016/17 and future years. Similar commitments as at 31 March 2015 totalled £19.291 million.

The significant commitments are as follows:

	Period of Investment	**Commitment £000**
South Bristol Link - D&B Contract	2014 - 2017	6,385
South Bristol Link - Network Rail	2014 - 2017	2,395

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.

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 being in line with the relevant accounting requirements. 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. The basis for all of the Council's valuations are set out in the Accounting Policies (see Note A1, xiv on page 104).

All valuations are arranged by the Council's Property Estates and Regeneration Manager A.R.I.C.S. 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 a revaluation programme covering the majority of Property, Plant and Equipment assets over a shorter two-year period, to enable the Council's non-current assets to be more reflective of current valuation levels and market conditions.

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.

	Land & Buildings £000	Infrastructure Assets £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	**Total Property, Plant & Equip. £000**	Investment Properties £000	Heritage Assets £000	Intangible Assets £000
Valued at Historical Cost	2,675	117,498	1,575	7,528	5,645	**134,921**	0	0	450
Valued at Current Value in year									
2015/16	143,082	0	1,352	0	0	**144,434**	17,332	0	0
2014/15	129,791	0	981	0	0	**130,772**	0	0	0
2013/14	6	0	0	0	0	**6**	0	0	0
2012/13	1,809	0	0	0	0	**1,809**	0	0	0
2011/12	1,466	0	0	0	0	**1,466**	0	288	0
2010/11 or prior	483	0	487	0	0	**970**	0	0	0
Total	**279,312**	**117,498**	**4,395**	**7,528**	**5,645**	**414,378**	**17,332**	**288**	**450**

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 2015/16 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.

The table shows that £144m, or 51% of the Council's Land and Building and Community assets were revalued during the year, and this included asset groups such as schools, depots, nurseries and children's centres amongst others.

In the previous financial year Land and Building and Community assets totalling £131m were revalued which included asset groups such as the Council's offices, leisure centres and entertainment centres, meaning that the Council has revalued a significant proportion of its Land and Building assets in the past two years. 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.

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 £18.99m being credited to the Revaluation Reserve. However a proportion of other assets revalued decreased in value resulting in £26.453m being charged against balances held in the Revaluation Reserve, along with impairment losses of £0.103m. Where no balance was held in the Revaluation Reserve, then revaluation losses totalling £7.653m have been charged to the Comprehensive Income and Expenditure Statement.

Other assets included within the 2015/16 revaluation programme included the annual reviews for the Investment Property and Assets Held for Sale categories, these asset groups are measured using fair values. When the fair value cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation techniques:

- For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date;
- For Level 3 inputs, valuations based on unobservable inputs for the asset or liability.

9.6 Disposal of Non-Current Assets

Academy Schools

During the year three primary schools transferred from the Council's control to Academy status which means that the school assets 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.

	Date of Conversion	Net Book Value 1 April 2015
Trinity Primary School	1 January 2016	5,192
Court de Wyck Primary School	1 December 2015	1,319
Dundry Primary School	26 August 2015	334

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 £0.568m (2014/15 - £0.548m). 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:

	2014/15 £000	**2015/16 £000**
Balance at 1 April	11,295	11,005
Net gains / losses from fair value adjustments	(398)	5,872
Net gains / losses from Property, Plant & Equipment adjustments	0	(1,718)
Transfers from Property, Plant & Equipment	108	2,173
Balance at 31 March	11,005	**17,332**

Investment Properties are revalued as part of the Council's asset revaluation programme as described in Note 9.5, page 45 and are recorded using their fair values. Fair value being the defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. All revaluations carried out are assessed and categorised in according with the accounting policy shown on page 104. The Council's investment property revaluations for the year have been assessed as Level 2 and Level 3 for valuation purposes. Details of the Council's investment properties for the 2015/16 financial year are as follows, together with a comparative summary for the previous financial year, there were no transfers between the levels during the year:

	Fair Value 31 March 2015			**Fair Value 31 March 2016**		
	Other significant observable inputs	Significant unobservable inputs	Total	**Other significant observable inputs**	**Significant unobservable inputs**	**Total**
	Level 2	Level 3		**Level 2**	**Level 3**	
	£000	£000	£000	**£000**	**£000**	**£000**
Smallholdings	2,247	2,354	4,601	**2,607**	**7,450**	**10,057**
Commercial Units	465	5,939	6,404	**1,046**	**6,229**	**7,275**
Total	2,712	8,293	11,005	**3,653**	**13,679**	**17,332**

Shown below is a reconciliation of the fair value measurements in respect of Level 3 revaluations.

	2014/15	**2015/16**
	£000	**£000**
Balance at 1 April	8,642	**8,293**
Net gains / losses from fair value adjustments	(349)	**5,386**
Net gains / losses from Property, Plant & Equipment adjustments	0	**0**
Transfers from Property, Plant & Equipment	0	**0**
Balance at 31 March	8,293	**13,679**

Level 3 Fair Value Investment Property Assets

Four of the commercial units and two smallholdings have been categorised as Level 3 and are measured using a combination of the market approach and the income approach. The market approach uses comparable market evidence in arriving at values, whilst the income approach uses an all risk yield to capitalise the income to arrive at the value. The yield is based on comparable market yields.

These investment properties are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

Highest and Best Use of Investment Property Assets

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is not the current use for two of the smallholdings; Locking Head Cottage Farm and Locking Head Farm. In each case the highest and best value reflects the fact that a part of each farm is allocated for development as part of the Parklands Village development area and the valuations therefore reflect this future development potential. These properties are not presently in their highest and best use, because they are subject to protected tenancies.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Valuation Process

The fair value of the authority's investment properties is measured annually at each reporting date. The majority of the investment property valuations were carried out internally, although three of the properties were revalued by the District Valuer. All valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

	Fair Value 31 March 2016 £000	Valuation Technique Used to Measure Fair Value	Unobservable Inputs	Range (weighted average)	Sensitivity
Commercial Units	6,229	Combination of income and market approach	Yield Rate Vacant Posession Value % of MV attributable to Land Discount Rate	5% - 6% £126,500 30% 5%	Significant change in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets
Smallholdings	7,450	Combination of income and market approach	Discount Rate Development Land Values Deferment Period	5% £100 per acre 7 - 10 years	
Total	13,679				

11. Assets Held For Sale

	Current Assets 2014/15 £000	**2015/16 £000**
Balance at 1 April	1,468	**567**
Assets newly classified as held for sale		
- Property Plant and Equipment	130	**0**
Revaluation gains / losses	(83)	**83**
Assets sold	(948)	**(650)**
Balance at 31 March	567	**0**

12. Debtors

	2014/15 £000	**2015/16 £000**
Central Government Bodies	9,473	**4,303**
Other Local Authorities	3,423	**4,746**
NHS Bodies	1,818	**2,596**
Public Corporations and Trading Funds	2	**2,836**
Academies	295	**181**
Other Entities and Individuals	12,700	**24,082**
Total Short Term Debtors	27,711	**38,744**
Prepayments	5,140	**7,124**
Total Short Term Debtors and Prepayments	32,851	**45,868**

13. Creditors

	2014/15 £000	**2015/16 £000**
Central Government Bodies	(5,956)	**(2,871)**
Other Local Authorities	(2,466)	**(5,987)**
NHS Bodies	(147)	**(540)**
Public Corporations and Trading Funds	(13)	**(68)**
Other Entities and Individuals	(27,812)	**(36,097)**
Total Short Term Creditors	(36,394)	**(45,563)**
Finance lease obligations due within 12 months	(53)	**(39)**
Total Short Term Creditors including finance lease obligations	(36,447)	**(45,602)**

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.

Notes to the Balance Sheet

	Balance 1 April 2015 £000	Additional Provisions Made £000	Amounts Used & Reversed £000	**Balance 31 March 2016 £000**
Insurance Provisions				
- General Fund	(2,205)	(675)	768	**(2,112)**
- Sheltered Leasehold	(40)	(14)	0	**(54)**
- Ex Avon	(40)	0	0	**(40)**
NNDR Appeals Provision	(1,745)	0	(235)	**(1,980)**
Severence Cost Provision	0	(561)	0	**(561)**
MMI Provision	(316)	(121)	97	**(340)**
NNDR Revaluation Provisions	(263)	0	0	**(263)**
Waste Provision	0	(210)	0	**(210)**
Land Charges Provision	(213)	(138)	153	**(198)**
Youth Service Legal Costs	0	(185)	0	**(185)**
Planning Appeals Provision	(79)	0	14	**(65)**
Housing Legal Costs	0	(44)	0	**(44)**
Homelessness Review	(1)	0	0	**(1)**
Employment Tribunal Provision	(84)	0	84	**0**
S117 Legal Costs Provision	(7)	0	7	**0**
Total Provisions	(4,993)	(1,948)	888	**(6,053)**
Expected future timing of associated outflows of economic benefit:				
Less than 1 year	(3,097)			**(4,016)**
Over 1 year, less than 5 years	(1,636)		(1,771)	
Over 5 years	(260)		(266)	**(2,037)**
	(4,993)			**(6,053)**

Provisions over £250k	***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.
Severance Provision	To finance severance costs relating to decisions made prior to Balance Sheet date to terminate officer employments.
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
NNDR Appeals Provision	To finance the estimated costs of current NNDR appeals which have been lodged with the Valuation Office

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 2015/16 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 £5.129m as at 31 March 2016. Identified outstanding potential commitments at this date stand at approximately £2.112m 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 £3.017m (Note 2.2, page 24) 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 2015/16 for both the property and liability policies were £300,000 and £1,100,000 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.

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.

	2014/15 £000	**2015/16** **£000**
Total Avon CC Debt Outstanding	81,162	**74,533**
North Somerset Share of LGR Debt Outstanding	15,282	**14,671**
Total Interest Paid in Year	776	**745**
Avon Debt Repayments - Minimum Revenue Provision	637	**611**
NSC Share of Converted Debt Rescheduling Costs	370	**355**
Interest Paid in Year	19	**18**
Avon Debt Restructuring Repayments - Minimum Revenue Provision	15	**15**
NSC Share of Other Debt Rescheduling Costs Outstanding		
Interest Paid in Year	32	**32**
Premiums & Discounts in Year	14	**15**
Share of Post 1996 Probation Advances	2	**2**
Total for both LGR and Debt Restructuring		
North Somerset Debt Outstanding	15,652	**15,026**
Interest Paid in Year	827	**795**
Premiums & Discounts in Year	14	**15**
Debt Repayments - Minimum Revenue Provision	652	**626**
Post 1996 Probation Advances	2	**2**

17. Events After the Reporting Period

Since 31 March 2016, up to the date when the Council's accounts were authorised, there have been no events that require any adjustment to be made. All information in respect of existing conditions and issues which was known at 31 March 2016 have been fully reflected within the financial statements and disclosures. A non-adjusting event occurred on 23 June 2016 when the UK voted in a referendum to leave the European Union. Whilst the global stock markets were particularly volatile immediately after the referendum, these have since rallied and the Council is not aware of any immediate effects which may impact on these financial statements. The Council will continue to monitor changes within the stock markets as this could impact on the fair values of assets and liabilities in the future.

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 – Unlodged Appeals

As at the 31st March 2016 there were 6,097 properties on the Council's NNDR Rating List which have rateable values ranging from approximately £50 to over £5m. 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 50). 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.

National Non Domestic Rating - NHS Charities

A number of NHS Trusts have submitted claims that they should be treated as charities for the purpose of Business Rates. Whilst North Somerset has not received a claim, there is a high probability that if a claim elsewhere is successful then those Trusts that have not yet submitted a claim will do so.

If the Hospital Trusts and Ambulance Service Trusts that operate within North Somerset were to submit claims for charitable relief which were successful, it is expected that the claims would be backdated to 1 April 2010 and would cost North Somerset Council £1.7m.

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 £0.080m in respect of the Levy now due to the scheme administrators for the former Woodspring District Council, for which total exposure of £0.526m had been identified, and also a further £0.260m in respect of the Council's share of the former Avon County Council for which exposure of £0.780m 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.

18.2 Contingent Assets

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

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 Council elections in May 2015 adopted the recommendations of the Boundary Commission which saw the number of councillors reduce to 50 from its previous number of 61. The total of allowances paid to Members follows.

For full details of individual Members' payments, please see the Council's data share website http://data.n-somerset.gov.uk/.

	2014/15 £	**2015/16** **£**
Basic Allowances	492,852	**412,823**
Special Responsibility Allowances	194,549	**197,882**
Employers National Insurance	29,059	**29,014**
Travel Expenses & Subsistence	24,590	**22,075**
	741,050	**661,794**

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

2015/2016

Post	Salary (incl. fees & allowances) £	Compensation for Loss of Employment £	Total Remuneration excl. pension contributions £	Pension Contributions £	Total Remuneration incl. pension contributions £
Chief Executive	147,000	0	147,000	34,178	**181,178**
Director of People & Communities	122,432	0	122,432	28,465	**150,897**
Director of Development & Environment[1]	108,544	0	108,544	24,855	**133,399**
Director of Development & Environment[2]	2,591	0	2,591	603	**3,194**
Director of Public Health[3]	0	0	0	0	**0**
Head of Finance and Property[4]	95,516	0	95,516	21,649	**117,165**
Head of Performance Improvement & HR	83,759	0	83,759	19,474	**103,233**
Head of Legal & Democratic Services	76,494	0	76,494	17,785	**94,279**
	636,336	**0**	**636,336**	**147,009**	**783,345**

[1.] Director of Development and Environment left the organisation on 31 March 2016.

[2.] The new Director of Development and Environment took up office on 23 March 2016.

[3.] This post has been vacant since 15 February 2015. This post is currently filled on an interim basis by a secondee from South Gloucestershire Council. This arrangement started on 5 May 2015 and is due to end on 31 July 2016; the annualised salary agreed for this secondment is £92,579.

[4.] The postholder holds the S.151 responsibilities of the Chief Financial Officer and is in receipt of a temporary additional contractual allowance.

2014/2015

Post	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[1]	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[2]	48,800	0	48,800	11,091	**59,891**
Strategic Policy Development Manager[3]	47,264	0	47,264	7,201	**54,465**
	699,226	**0**	**699,226**	**149,253**	**848,479**

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 encumbent did not take up office until 1 April 2015; the annualised salary for the new 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.

In some years the Chief and Deputy Returning Officers receive payments for election duties. Payments in respect of Parliamentary, Parish and European election expenses are not considered as remuneration of North Somerset Council, although payments made in respect of District elections are. This ranges up to a maximum of £3,500.

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 2014/15	**2015/16**	Remuneration Band	No. of Employees 2014/15	**2015/16**
£50,000 - £54,999	60	**62**	£90,000 - £94,999	0	**1**
£55,000 - £59,999	35	**29**	£95,000 - £99,999	0	**0**
£60,000 - £64,999	20	**20**	£100,000 - £104,999	0	**0**
£65,000 - £69,999	16	**12**	£105,000 - £109,999	1	**1**
£70,000 - £74,999	5	**11**	£110,000 - £114,999	0	**0**
£75,000 - £79,999	6	**6**			
			£120,000 - £124,999	1	**1**
£80,000 - £84,999	3	**5**			
£85,000 - £89,999	1	**0**	£145,000 - £149,999	1	**1**

21. Termination Benefits

21.1 Redundancy and compensation

An amount of £0.707m (2014/15 – £0.317m) 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. The balance shown in Creditors in the Balance Sheet for these transactions was £0.072m.

21.2 Pension Strain

During 2015/16, a sum of £0.773m (2014/15 – £0.255m) 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 £0.258m. 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.

	2014/15		**2015/16**	
	No. of Packages	£000	No. of Packages	**£000**
Charged and Accrued for within the Comprehensive Income & Expenditure Statement				
- Severance Payments		317		**707**
- Pension Strain Costs		255		**773**
	20	572	**58**	**1,480**

21.3 Exit Packages

The total cost of £1.480m (2014/15 - £0.572m) 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:

	2014/15		**2015/16**	
	No. of Packages	£000	**No. of Packages**	**£000**
Up to £20,000	22	72	**37**	**221**
£20,001 to £40,000	4	106	**8**	**249**
£40,001 to £60,000	1	55	**6**	**275**
£60,001 to £80,000	0	0	**2**	**133**
£80,001 to £100,000	1	90	**1**	**87**
£100,001 to £150,000	2	249	**4**	**515**
	30	572	**58**	**1,480**

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.

	2014/15 £000	2015/16 £000
Opening Capital Financing Requirement	138,729	**135,941**
Capital Investment in Year		
Property, Plant and Equipment	43,042	**47,024**
Intangible Assets	500	**0**
Long Term Investment - Municipal Bond	50	**0**
Revenue Expenditure Funded from Capital Under Statute	2,826	**3,198**
	46,418	**50,222**
Source of Finance		
Capital Receipts and Reserves	(3,353)	**(3,414)**
Government Grants and Contributions	(35,292)	**(39,211)**
Revenue Provisions and Reserves	(2,773)	**(3,335)**
Minimum Revenue Provision and Voluntary Set Aside	(7,788)	**(8,640)**
Repayment of long term debt	0	**0**
	(49,206)	**(54,600)**
Net Increase / (Decrease) in Capital Financing Requirement	(2,788)	**(4,378)**
Closing Capital Financing Requirement	**135,941**	**131,563**
Explanation of movement in year:		
Increase in underlying need to borrow unsupported by Government assistance	4,962	**4,262**
Minimum Revenue Provision and Voluntary Set Aside	(7,788)	**(8,640)**
	(2,826)	**(4,378)**
Assets acquired under finance lease	38	**0**
Repayment of long term debt	0	**0**
	(2,788)	**(4,378)**

The Minimum Revenue Provision shown above comprises:

	2014/15 £000	2015/16 £000
Minimum Revenue Provision	(4,856)	**(4,629)**
Avon Loan Debt Minimum Revenue Provision	(652)	**(626)**
Voluntary Revenue Provision	(2,280)	**(3,385)**
	(7,788)	**(8,640)**

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

	2014/15 £000	**2015/16** **£000**
Disabled Facilities Grants	983	**1,470**
Private Sector Renewal	26	**45**
Assistance to Housing Associations	1,349	**720**
Academy Schools & Colleges	392	**962**
Capital Works and Grants - Non Council Property (incl. Youth Centres)	76	**1**
	2,826	**3,198**

23. Grant Income

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement in 2015/16.

2014/15 Total Grants & Contns. £000		2015/16 Government Grants £000	Capital Grants & Contns. £000	Other Grants & Contns. £000	Total Grants & Contns. £000
	Credited to Taxation and Non-Specific Grant Income (Note 7)				
(42,018)	Non-ringfenced Government Grants	35,561	0	0	**35,561**
(33,564)	Capital Grants and Contributions	0	38,364	0	**38,364**
(75,582)		**35,561**	**38,364**	**0**	**73,925**
	Credited to Cost of Services				
(64,101)	Housing Benefit Subsidy	(63,240)	0	0	**(63,240)**
(394)	Discretionary Housing Benefits Subsidy	(250)	0	0	**(250)**
(1,044)	Housing Benefit Subsidy Administration	(913)	0	0	**(913)**
(351)	Local Council Tax Support (New Burdens & Administration)	(258)	0	0	**(258)**
(501)	Local Welfare Provision	(33)	0	0	**(33)**
0	Property Searches - New Burdens	(137)	0	0	**(137)**
(1,270)	Other Corporate Services Grants & Contributions	(389)	0	(8,642)	**(9,031)**
(95,610)	Dedicated Schools Grant	(94,888)	0	0	**(94,888)**
(5,231)	Pupil Premium Grant	(4,973)	0	0	**(4,973)**
(2,566)	Education Services Grant	(2,087)	0	0	**(2,087)**
(538)	Primary School PE & Sport Funding	(311)	0	0	**(311)**
(1,592)	Universal Infant Free School Meals	(2,236)	0	0	**(2,236)**
(966)	Further Education Funding (+19)	(872)	0	0	**(872)**
(670)	Troubled Families	(317)	0	0	**(317)**
(343)	Youth Justice Board	0	0	(310)	**(310)**
(5,477)	Other Children's & Education Services Grants & Contributions	(741)	0	(4,011)	**(4,752)**
(167)	Local Reform & Community Voices	(223)	0	0	**(223)**
(125)	Care Bill Implementation	(1,465)	0	0	**(1,465)**
(140)	Carers in Employment Pilot	(10)	0	0	**(10)**
(230)	Helping People Home	(77)	0	0	**(77)**
(7,397)	NHS North Somerset Clinical Commissioning Group	0	0	(6,308)	**(6,308)**
(2,087)	Other Adult Social Care Services Grants & Contributions	0	0	(2,859)	**(2,859)**
(305)	Housing Services Grants & Contributions	0	0	(405)	**(405)**
(327)	Adult & Community Learning	0	0	(88)	**(88)**
(646)	DfT Main Highways (Pothole Challenge Fund)	(582)	0	0	**(582)**
(837)	Local Sustainable Transport Fund	0	0	0	**0**
(2,390)	Other Development & Environment Grants & Contributions	(940)	0	(4,143)	**(5,083)**
(7,593)	Public Health Services Grant	(8,677)	0	0	**(8,677)**
(202,898)		(183,619)	0	(26,766)	**(210,385)**

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 held as capital grant and contribution receipts in advance at the year-end are as follows:

	2014/15 £000	**2015/16 £000**
Capital Maintenance	(1,579)	**(1,576)**
Devolved Formula Grant	(889)	**(866)**
Basic Need Grant	(2,670)	**(1,930)**
DfT Major Schemes	(3,882)	**(3,746)**
DfT Transport Grant	(593)	**(878)**
Other	(2,905)	**(2,421)**
	(12,518)	**(11,417)**

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 2015/16 and the balances carried over as at 31 March 2016 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	**Total £000**
Final DSG for 2015/16 before Academy Recoupment	28,314	111,669	**139,983**
Academy Figure recouped for 2015/16	0	(45,141)	**(45,141)**
Total DSG after Academy recoupment for 2015/16	28,314	66,528	**94,842**
Brought forward from 2014/15	8	180	**188**
Final Budgeted Distribution in 2015/16	28,322	66,708	**95,030**
Actual central expenditure for the year	(28,833)	0	**(28,833)**
Actual ISB deployed to schools in year	0	(66,643)	**(66,643)**
Total Expenditure in 2015/16	(28,833)	(66,643)	**(95,476)**
Total Carry Forward of Grant to 2016/17	**(511)**	**65**	**(446)**

25. Pooled Budgets and Joint Funding Arrangements

April 2015 saw the introduction of the Better Care Fund which is a high-profile policy initiative aimed at enabling health bodies and local authorities to work collaboratively together to address specific health and social care issues by joining resources and government funding allocations. 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 75 or a Section 256 agreement.

The accounting requirements for the Better Care Fund pooled resources depend on the nature of the Section 75 Agreement entered into by the parties as it identifies the rights, obligations and powers conferred on members and also where the control for the individual funds lie.

In 2015/16 the Council entered into a Section 75 agreement with the North Somerset Clinical Commissioning Group in respect of the Better Care Funding and has considered in detail both the nature of the contractual terms and also the underlying substance and form of the commissioning practices when deciding upon the appropriate accounting treatment for the arrangement. This review concluded that neither party has overall control of the pooled funds and that a joint operation exists which means that each member will recognise their own assets, liabilities, income and expenditure within their accounts. The following table summarises the following local authority and health agreements in respect of local authority and health functions:

	2014/15 £000	**2015/16** **£000**
Section 75 Agreement - Funding for services commissioned by the Council and included within the Council's Comprehensive Income and Expenditure Statement:		
- Reablement Funding	0	952
- Integrated Community Equipment (ICES) Contribution	0	859
- Integrated Health and Social Care Teams	0	368
- Support to People with Mental Health Needs	0	1,820
- Support to Carers	0	1,020
- 7-Day working for Health and Social Care	0	318
- Home from Hospital Partnership	0	552
- Single Point of Access	0	594
- Enabling Elderly People to Stay Well at Home	0	2,208
- Contingency Allocation (50% share)	0	194
	0	8,885
Section 75 Agreement - Funding for services commissioned by the NSCCG - not included within the Council's Comprehensive Income and Expenditure Statement:		
- Reablement Funding	0	566
- Integrated Community Equipment (ICES) Contribution	0	1,362
- Integrated Health and Social Care Teams	0	41
- Support to People with Mental Health Needs	0	2,446
- Support to Carers	0	120
- 7-Day working for Health and Social Care	0	947
- Community Rehabilitation Service	0	1,787
- Specialist Older People Team	0	393
- Pay for Performance	0	1,050
- Contingency Allocation (50% share)	0	194
	0	8,906
Total Funding Identified within Section 75 Agreement	**0**	**17,791**

Additional Disclosures – Key Notes for Stakeholders

The Section 75 agreement identifies the nominated lead commissioners in respect of the following local authority and health functions although the disclosure above has been adjusted to reflect the underlying substance of the commissioning transactions in accordance with proper accounting practice.

A similar joint funding arrangement was in place during the 2014/15 financial year when the Council and the North Somerset Clinical Commissioning Group entered into a Section 256 agreement which identified resources of £18.796m as funding for the provision of a range of services and joint working initiatives, although £4.235m of the agreed £18.796m was a separate Section 256 agreement held with NHS England rather than via North Somerset Clinical Commissioning Group.

A Section 256 agreement was also in place during the 2015/16 financial year to enable the joint commissioning of services in respect of Free Nursing and Continuing Health Care on behalf of the North Somerset Clinical Commissioning Group.

	2014/15 £000	**2015/16 £000**
Section 256 Agreement - Funding for services commissioned by the Council and included within the Council's Comprehensive Income and Expenditure Statement:		
- Social Care Funding (Social Care for Health Benefits)	4,235	**0**
- Children's Short Breaks (The Firs) Contribution	396	**0**
- New Carer's Support	240	**0**
- Dementia Day Service (Severn Day) Contribution	151	**0**
- Reablement Funding	490	**0**
	5,512	**0**
Section 256 Agreement - Funding for services commissioned on behalf of NSCCG - not included within the Council's Comprehensive Income and Expenditure Statement:		
- Continuing Health Care (CHC) Commissioning	7,658	**7,658**
- Funded Nursing Care (FNC) Funding	4,156	**4,156**
- Integrated Community Equipment (ICES) Contribution	1,470	**0**
	13,284	**11,814**
Total - Funding identified within Section 256 Agreement	18,796	**11,814**

Funding identified within the Agreements, by parties, are as follows:

	2014/15 £000	**2015/16 £000**
Section 75 Agreement:		
- Funding from North Somerset Council	0	**2,116**
- Funding from Department for Communities and Local Government	0	**936**
- Funding from Department of Health	0	**8,253**
- Funding from North Somerset Clinical Commissioning Group	0	**6,486**
	0	**17,791**
Section 256 Agreement:		
- Funding from North Somerset Clinical Commissioning Group	14,561	**11,814**
- Funding from Department of Health / NHS England	4,235	**0**
	18,796	**11,814**
Total	18,796	**29,605**

Expenditure included within the Council's Comprehensive Income and Expenditure Account includes £9.256m in respect of the direct costs incurred for social care activities, in areas such as staffing and contracted services, as well the indirect expenditure incurred on the provision of Disabled Facilities Grants initially charged through the capital programme.

Any additional costs incurred for health functions in excess of the £11.814m identified within the Section 256 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.

26. External Audit Costs

In 2015/16 North Somerset Council incurred the following fees relating to external audit and inspection.

	2014/15 £000	**2015/16** **£000**
Fees payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor	148	**113**
Fees payable to the for the certification of grant claims and returns	19	**24**
Rebate from the Audit Commission with regard to external audit services carried out by the appointed auditor	(15)	**0**
Total Audit Costs	152	**137**

27. Pensions Schemes Accounted for as Defined Contribution Schemes

27.1 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 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 2015/16 the Council paid £5.248m to Teachers' Pensions in respect of teachers' retirement benefits, representing 15.39% of pensionable pay. The figures for 2014/15 were £4.924m and 14.10% respectively. Contributions of £0.456m 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 28.3, page 71.

27.2 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 2015/16 the Council paid £0.046m to NHS Pensions in respect of public health staff retirement benefits, representing 13.46% of pensionable pay. The figures for 2014/15 were £0.092m and 14.00% respectively. Contributions of £0.004m were payable at the year-end.

28. Defined Benefit Pension Schemes

28.1 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:

	2014/15			**2015/16**		
	Funded	Unfunded	Total	**Funded**	**Unfunded**	**Total**
	£000	£000	£000	**£000**	**£000**	**£000**
Local Government Pension Scheme	(176,170)	(19,589)	(195,759)	**(170,315)**	**(18,474)**	**(188,789)**
Unfunded Teachers' Discretionary Benefits	0	(26,786)	(26,786)	**0**	**(25,033)**	**(25,033)**
	(176,170)	(46,375)		**(170,315)**	**(43,507)**	
Net liability arising from defined benefit obligation			(222,545)			**(213,822)**

28.2 Local Government Pension Scheme

The Local Government Pension Scheme is a funded defined benefit scheme based on average 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:

	2014/15 £000	**2015/16 £000**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- Current Service Cost	11,484	**14,350**
- Settlements & Curtailments	112	**301**
Financing and Investment Income and Expenditure		
- Net Interest Cost	5,971	**5,965**
- Administration Expense	217	**213**
Net Charge to Surplus or Deficit on Provision of Services	17,784	**20,829**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Return on Plan Assets	(33,327)	**17,558**
- Actuarial (Gains) / Losses arising on changes in demographic assumptions	0	**0**
- Actuarial (Gains) / Losses arising on changes in financial assumptions	79,789	**(31,897)**
- Experience (Gains) / Losses	0	**0**
	46,462	**(14,339)**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	64,246	**6,490**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(17,784)	**(20,829)**
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the scheme	13,343	**13,554**

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:

	2014/15		**2015/16**	
	Funded £000	Unfunded £000	**Funded £000**	**Unfunded £000**
Present value of the defined benefit obligation	(580,354)	(19,589)	**(566,988)**	**(18,474)**
Fair value of plan assets	404,184	0	**396,673**	**0**
Net liability arising from defined benefit obligation	(176,170)	(19,589)	**(170,315)**	**(18,474)**

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

	2014/15 £000	**2015/16 £000**
Opening Fair Value of Scheme Assets	358,390	**404,184**
Interest Income	15,810	**12,973**
Administration Expense	(217)	**(213)**
Remeasurement Gains / (Losses)	33,327	**(17,558)**
Employers' Contributions	13,343	**13,554**
Employee Contributions	3,491	**3,435**
Settlements	0	**(94)**
Benefits Paid	(19,960)	**(19,608)**
Closing Balance at 31 March	404,184	**396,673**

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

	2014/15		**2015/16**	
	Funded £000	Unfunded £000	**Funded £000**	**Unfunded £000**
Opening Balance at 1 April	(484,927)	(18,319)	**(580,354)**	**(19,589)**
Current Service Cost	(11,484)	0	**(14,350)**	**0**
Interest Cost	(21,002)	(779)	**(18,328)**	**(610)**
Contributions by Scheme participants	(3,491)	0	**(3,435)**	**0**
Remeasurement Gains / (Losses)	(78,091)	(1,698)	**31,258**	**639**
Benefits Paid	18,753	1,207	**18,522**	**1,086**
Settlements / Curtailments	(112)	0	**(301)**	**0**
Closing Balance at 31 March	(580,354)	(19,589)	**(566,988)**	**(18,474)**

Additional Disclosures – Technical Notes

Composition of Scheme Assets

	Quoted (Y / N)	2014/15 £000	**2015/16 £000**
Cash and Cash Equivalents:			
- Cash Accounts	Y	0	**5,157**
- Cash Balance	N	9,713	**0**
Equity Instruments:			
- UK	Y	64,406	**65,051**
- UK Futures	Y	0	**0**
- Global	Y	49,959	**31,734**
- North America	Y	0	**36,891**
- North America	N	37,266	**0**
- Japan	Y	11,531	**11,504**
- Europe ex-UK	Y	25,635	**25,784**
- Pacific Rim ex- Japan	Y	9,942	**8,330**
- Emerging Markets	Y	38,636	**34,114**
Bonds:			
- UK Government Fixed	Y	13,758	**7,140**
- UK Government Gilt Futures	Y	30,540	**24,594**
- UK Government Indexed	Y	12,188	**0**
- Overseas Government Fixed	Y	0	**12,297**
- Sterling Corporate Bonds	Y	35,538	**36,891**
Property:			
- UK Property Funds	Y	18,560	**20,627**
- Overseas Property Funds	Y	15,268	**16,264**
Alternatives:			
- Hedge Funds	Y	17,785	**21,024**
- Diversified Growth Funds	Y	13,459	**39,271**
Closing Balance at 31 March		404,184	**396,673**

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 estimated duration of liabilities (at later of 31 March 2013 and admission date) is 18 years.

The main assumptions used in their calculations have been:

	2014/15	**2015/16**
Rate of CPI inflation	2.0%	**2.0%**
Rate of increase in salaries	3.50%	**3.50%**
Rate of increase in pensions	2.0%	**2.0%**
Rate for discounting scheme liabilities	3.2%	**3.5%**
Mortality Assumptions		
Longevity at 65 for current pensioners	Years	**Years**
Men	23.4	**23.5**
Women	25.9	**26.0**
Longevity at 65 for future pensioners in 20 years time	Years	**Years**
Men	25.8	**25.9**
Women	28.8	**28.9**

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.

Impact on the Defined Benefit Obligation in the Scheme:	**£000**
Longevity - 1 year increase in life expectancy	11,322
Rate of inflation - 0.1% increase	10,448
Rate of increase in salaries - 0.1% pay growth	1,980
Rate for discounting Scheme Liabilities - 0.1% increase in discounting rate	(10,266)

<u>Governance and Risk Management</u>

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.

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 2015/16 was 13.0% and, along with other employers in the Fund, is paying additional contributions (equivalent to 10.25% for 2015/16) over a period of up to 27 years in order to meet the shortfall. The Council estimates its employer contributions to the Fund for 2016/17 will be £13.157m, including £5.585m (equivalent to 10.75% 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.

28.3 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:

	2014/15 £000	**2015/16 £000**
Comprehensive Income and Expenditure Statement		
Financing and Investment Income and Expenditure		
- Net Interest Cost	1,057	**803**
Net Charge to Surplus or Deficit on Provision of Services	1,057	**803**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Experience (Gains) / Losses	0	**0**
- (Gains) / Losses arising on changes in demographic assumptions	0	**0**
- (Gains) / Losses arising on changes in financial assumptions	2,060	**(763)**
	2,060	**(763)**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	3,117	**40**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(1,057)	**(803)**
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the scheme	1,825	**1,793**

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 2016 is £25.033m. There are no assets associated with the scheme.

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

	2014/15 £000	**2015/16 £000**
Opening Balance at 1 April	(25,494)	**(26,786)**
Interest Cost	(1,057)	**(803)**
Remeasurement Gains / (Losses)	(2,060)	**763**
Benefits Paid	1,825	**1,793**
Closing Balance at 31 March	(26,786)	**(25,033)**

Additional Disclosures – Technical Notes

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:

	2014/15	**2015/16**
Rate of CPI inflation	2.0%	**2.0%**
Rate of increase in pensions	2.0%	**2.0%**
Rate for discounting scheme liabilities	3.1%	**3.4%**
Mortality Assumptions		
Longevity at 65 for current pensioners	Years	**Years**
Men	23.4	**23.5**
Women	25.9	**26.0**

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.

Impact on the Defined Benefit Obligation in the Scheme:	**£000**
Longevity - 1 year increase in life expectancy	999
Rate of inflation - 0.1% increase	252
Rate for discounting Scheme Liabilities - 0.1% increase in discounting rate	(249)

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.

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.

29. Financial Instruments

29.1 Categories of Financial Instruments

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

	Long Term		Current	
	2014/15	**2015/16**	2014/15	**2015/16**
	£000	**£000**	£000	**£000**
Financial Assets				
Loans and receivables	26,271	**2,079**	56,317	**82,148**
Available-for-sale financial assets	0	**4,749**	0	**0**
Long Term Debtors	1,360	**1,277**	0	**0**
Cash and Cash Equivalents	0	**0**	1,921	**2,446**
	27,631	**8,105**	58,238	**84,594**
Financial assets carried at contract amounts				
Loans and receivables	0	**0**	8,247	**15,216**
	0	**0**	8,247	**15,216**
Total Financial Assets	27,631	**8,105**	66,485	**99,810**
Financial liabilities at amortised cost				
Borrowings	(119,049)	**(115,649)**	(5,806)	**(8,940)**
Financial liabilities carried at contract amounts				
Short Term Creditors	0	**0**	(11,511)	**(16,044)**
Cash and Cash Equivalents (Bank Overdraft)	0	**0**	(735)	**0**
	0	**0**	(12,246)	**(16,044)**
Total Financial Liabilties	(119,049)	**(115,649)**	(18,052)	**(24,984)**

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	(45,602)
Statutory & Government Debtors / Creditors	(10,511)	12,703
Payments / Receipts in Advance	(7,124)	6,785
Bonds and Deposits	0	10,031
Short Term Finance Lease Liabilities	0	39
Financial instruments carried at contract amounts	**15,216**	**(16,044)**

29.2 Income, Expense, Gains and Losses

2014/15 Financial Assets Loans & Rec. £000	2014/15 Financial Assets A-f-Sale £000	2014/15 Financial Liabilities £000		**2015/16 Financial Assets Loans & Rec. £000**	**2015/16 Financial Assets A-f-Sale £000**	**2015/16 Financial Liabilities £000**
0	0	6,283	Interest Expenses	**0**	**0**	**6,362**
68	0	0	Impairment Losses	**7**	**251**	**0**
68	0	6,283	Total expense in Surplus or Deficit on the Provison of Services	**7**	**251**	**6,362**
(1,121)	0	0	Interest Income	**(1,286)**	**(79)**	**0**
(50)	0	0	Interest Income accrued on impaired financial assets	**0**	**0**	**0**
(1,171)	0	0	Total income in Surplus or Deficit on the Provison of Services	**(1,286)**	**(79)**	**0**
(1,103)	0	6,283	**Net Gain / Loss for the Year**	**(1,279)**	**172**	**6,362**

29.3 Fair Values of Assets and Liabilities

The Council measures some of its financial instruments such as property funds at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

The fair value of liabilities is shown below:

		31 March 2015		**31 March 2016**		
	Fair Value Level	Balance Sheet £000	Fair Value £000	**Balance Sheet £000**	**Fair Value (market valuation) £000**	**Fair Value (PWLB redemption) £000**
Financial Liabilities held at amortised cost						
Long-term loans from PWLB	2	(119,049)	(166,705)	**(115,649)**	**(136,159)**	**(156,176)**
Short term financial liabilities	2	(18,052)	(18,052)	**(24,984)**	**(24,984)**	**(24,984)**
Total Financial Liabilities		(137,101)	(184,757)	**(140,633)**	**(161,143)**	**(181,160)**
Recorded on Balance Sheet as:						
Long-term borrowings		(119,049)		**(115,649)**		
Short-term borrowings		(5,806)		**(8,940)**		
Short-term creditors		(11,511)		**(16,044)**		
Cash and cash equivalents		(735)		**0**		
Total Financial Liabilities		(137,101)		**(140,633)**		

Level 2 Fair Value Liabilities

Fair value is an unbiased estimate of the potential market price of an asset and the measurement assumes that a financial liability is transferred to a market participant responsible for fulfilling the obligation. Following the requirements of IFRS 13, which uses observed rates of return for comparable liabilities that are traded in the market, a fair value of £136m has been calculated.

The main source for public sector borrowing is via concessionary rates through the PWLB. Early redemption of the Council's loans would either result in the PWLB charging a premium for the additional interest that will not now be paid or giving a discount for the reduced interest income that will be avoided. Using this basis as an estimate of the fair value, the portfolio would be valued at £156m. It should be noted that this methodology is comparable to the basis used during the 2014/15 financial year, although is no longer accepted following the adoption of IFRS 13.

The fair value of short-term financial liabilities including borrowings and creditors is not materially different from the carrying value.

The fair value of assets is shown below:

	Fair Value Level	31 March 2015 Balance Sheet £000	31 March 2015 Fair Value £000	**31 March 2016 Balance Sheet £000**	**31 March 2016 Fair Value £000**
Financial Assets held at fair value					
Bonds, equity and property funds	1	0	0	**4,749**	**4,749**
Shares in unlisted company	3	50	50	**50**	**50**
Total		50	50	**4,799**	**4,799**
Financial assets held at amortised cost					
Long-term bank deposits	2	26,221	26,393	**2,029**	**2,038**
Total		26,221	26,393	**2,029**	**2,038**
Assets for which fair value is not materially different from carrying value	2	67,846	67,846	**101,087**	**101,087**
Total Financial Assets		94,117	94,289	**107,915**	**107,924**
Recorded on Balance Sheet as:					
Short-term investments		56,368		**82,148**	
Short-term debts		8,247		**15,216**	
Long-term investments		26,221		**6,828**	
Long-term debtors		1,360		**1,277**	
Cash and cash equivalents		1,921		**2,446**	
Total Financial Assets		94,117		**107,915**	

Level 2 Fair Value Assets

The fair value of the long-term bank deposits has been calculated using observable market inputs such as swap rates and bond yields for equivalent durations and credit quality. The fair value 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.

Fair values have been calculated using swap rates, for comparable credit ratings and periods of investment.

The fair value of short-term financial assets including trade receivables and long term debtors is not materially different from the carrying value.

Level 3 Fair Value Assets

This includes Unquoted Equity Instruments Measured at Cost (where fair value cannot be reliably measured). The Council has a shareholding in The Local Capital Finance Company (representing less than 1% of the company's capital). The shares are carried at a cost of £50k and have not been valued as a fair value cannot be reliably measured. The company was formed in February 2014 and as such has no established trading history. There are also no established companies with similar aims in the Council's area whose shares are traded and which might provide comparable market data. The Council has no current intention to dispose of this shareholding.

30. 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
- 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

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.

The Council's Strategy does however mitigate 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 both the length of the investment 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 2016 £000 (A)	Historical experience of default % (B)	Historical experience adj for market conditions % (C)	**Estimated max exposure to default and non-collectability £000 (A x C)**
Financial Assets				
Loans & Receivables	84,177	2.3%	2.3%	**1,936**
Long term debtors	1,277	0.0%	0.0%	**0**
Cash and cash equivalents	2,446	0.0%	0.0%	**0**
Financial assets carried at Contract Amounts				
Customers (Trade Debtors)	8,222	12.4%	12.4%	**1,019**
Other Debtors (Accruals)	6,994	0.0%	0.0%	**0**
	103,116			**2,955**

The Council does not generally allow credit for customers, such that £8.222m of the Trade Debtor balance shown above is past its due date as follows:

	£000
Less than 30 days	**995**
30 to 60 days	**3,432**
Over 60 days	**3,795**
	8,222

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 no 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	3,400	5,540	**8,940**
Between one and two years	5,004	0	**5,004**
Between two and five years	1,100	0	**1,100**
Between five and ten years	13,423	0	**13,423**
More than ten years	96,122	0	**96,122**
Totals	119,049	5,540	**124,589**

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 would 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 £14.0m reduction in the fair value

- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services would rise; a 1% increase would result in a £1.3m increase in income

- investments at fixed rates – the fair value of the assets would fall; a 1% increase in the average interest rate would result in a £40.4m 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 2016 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

As at 31 March 2016 the Council held no investments which may be exposed to the risk of foreign exchange movements.

31. Leases

31.1 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:

	2014/15 £000	**2015/16** **£000**
Asset Net Book Values		
Other Land and Buildings	1,736	**1,705**
Vehicles, Plant and Equipment	179	**117**
	1,915	**1,822**
Other Long Term Liabilities		
Finance Lease Liabilities	2,311	**2,273**
Lease Premiums in Advance	205	**282**
	2,516	**2,555**

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:

	2014/15 £000	**2015/16 £000**
Finance Lease Liabilities		
- Current	53	**39**
- Non Current	2,311	**2,273**
Finance costs payable in future years	16,381	**15,930**
Minimum Lease Payments	18,745	**18,242**

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**	
	2014/15 £000	**2015/16 £000**	2014/15 £000	**2015/16 £000**
Not later than one year	504	**484**	53	**39**
Later than one year and not later than five years	1,832	**1,783**	75	**37**
Later than five years	16,409	**15,975**	2,236	**2,236**
Minimum Lease Payments	18,745	**18,242**	2,364	**2,312**

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:

	2014/15 £000	**2015/16 £000**
Not later than one year	594	**882**
Later than one year and not later than five years	459	**595**
Later than five years	96	**206**
Total	1,149	**1,683**

The Council has sub-let some of the office accommodation held under these operating leases. At 31 March 2016 the minimum payments expected to be received under non-cancellable sub-leases was £nil (£0.054m at 31 March 2015).

The amount paid under these arrangements and charged to Cost of Services in the Comprehensive Income and Expenditure Statement during the year was £1.01m (2014/15 – £1.061m).

	2014/15 £000	**2015/16 £000**
Minimum lease payments	972	**999**
Contingent rents	89	**11**
	1,061	**1,010**
Sublease payments receivable	(54)	**0**
Net Charge to Cost of Services	1,007	**1,010**

31.2 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 46.

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:

	2014/15 £000	**2015/16 £000**
Not later than one year	1,473	**1,613**
Later than one year and not later than five years	2,809	**1,806**
Later than five years	6,817	**6,644**
Total	11,099	**10,063**

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 2015/16 £0.521m of contingent rents were receivable by the Authority (2014/15 – £0.504m).

The gross value of assets which were held for use in operating leases was £20.573m valued at 31 March 2016 (31 March 2015 - £14.572m).

32. Business Rate Pooling

32.1 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 (EDF) 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 occurs 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 Business Rates Pool (BRP), representing business rates collected in the Enterprise Areas in excess of an agreed baseline figure. Retained funds will be distributed or invested annually in accordance with the 2014 Regulations and the BRPPA as:

- Tier 1: to ensure that no individual 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 are reflected under "Cash Transactions" in the table below. The Expenditure and Revenue recognised in the Council's CIES is disclosed under "Expenditure & Revenue" in the table below:

	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	(3,540)	(43)		
Analysed between:				
- Uncommitted cash (Tier 2 inc.contingency)	(2,975)	(36)		
- Committed cash (Tier 3)	(565)	(7)		
Receipts into the Pool in-year:				
- Growth sums payable by councils to BRP in-year	(16,621)	(6,879)	6,879	0
Distributions out of the Pool in-year:				
- Tier 1 no worse off	7,635	4,012	0	(4,012)
- BRP management fee	44	11	0	0
- EDF management fee	55	14	0	0
- Tier 2 EDF Funding	1,000	224	0	0
- Tier 3 demographic and service pressures	1,974	460	0	(350)
Funds held by BRP at 31 March	**(9,453)**	**(2,201)**		
Analysed between:				
- Uncommitted cash (Tier 2 inc. contingency)	(9,453)	(2,201)	(2,165)	n/a
- Committed cash (Tier 3)	0	0	n/a	n/a
	(9,453)	**(2,201)**		
Expenditure / (Revenue) recognised			**4,714**	**(4,362)**

As stated under the accounting policy note A1 xxii on page 108, 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 £2.201m contributed by the Council and held by the BRP is recognised by the Council as a debtor and is held in an earmarked reserve to smooth the impact of City Region Deal transactions, and match the release of revenue support and charges for projects. The differences between the cash transactions value of £2.201m and the expenditure and revenue amounts of £2.165m is equivalent to the uncommitted funds held at 1 April 2015. Similarly the difference between the cash amounts disbursed by the Pool of £4.721m and the expenditure recognised by the Council of £4.714m relates to the committed funds held at 1 April 2015.

The BRP has made one payment of £1m to Bristol City Council on behalf of the EDF in 2015/16 (2014/15 - £nil).

The Council itself has recognised revenue income of £4.362m (2014/15: £0.130m) from the BRP and expenditure of £4.714m (2014/15 - £0.135m) to the BRP for the year. The increase compared to previous years is due to the transfer of the Port of Bristol's rating assessment from the Enterprise Area in Bristol into North Somerset. The transfer included a one-off backdated element equivalent to £5m.

32.2 Somerset Business Rates Pool

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

The Levy rate can be reduced by being part of a Business Rates Pool. The Somerset Business Rates Pool was established with effect from 1st April 2015. North Somerset Council is a member of the Pool which consists of five other Districts and Somerset County Council. Membership of the Pool has reduced the overall levy paid by £1.497m. A set percentage of this gain is paid to North Somerset for participating in the Pool which amounted to £0.135m in 2015/16.

Cash Flow Statement

31 March 2015 £000		Note	£000	31 March 2016 £000
7,233	Net surplus / (deficit) on the provision of services	*CIES*		16,660
34,946	Adjustments to the net surplus / deficit on the provision of services for non-cash movements	*33.1*		39,718
(40,735)	Adjustments for items included in the provision of services that are investing or financing activities	*33.2*		(47,486)
1,444	**Net cash flows from Operating Activities**			**8,892**
	Investing Activities			
(40,196)	Purchase of non current assets		(42,655)	
5,592	Proceeds from sale of non current assets		7,329	
				(35,326)
(563,050)	Purchase of short and long term investments		(381,000)	
548,193	Proceeds from sale of short and long term investments		374,517	
				(6,483)
(854)	Other payments for Investing Activities		(1,111)	
31,112	Other receipts from Investing Activities		37,958	
				36,847
(19,203)	**Net cash flows from Investing Activities**			**(4,962)**
	Financing Activities			
28,433	Cash receipts from short and long term borrowing		28,263	
(18,444)	Repayments of short and long term borrowing		(29,156)	
				(893)
(89)	Finance lease repayments			(70)
2,114	Other payments for Financing Activities			(1,707)
12,014	**Net cash flows from Financing Activities**			**(2,670)**
(5,745)	**Net increase / (decrease) in cash and cash equivalents**			**1,260**
6,931	Cash and cash equivalents at the beginning of the reporting period			1,186
1,186	**Cash and cash equivalents at the end of the reporting period comprising:**			**2,446**
20	Cash held by the Council			2,446
1,166	Bank Current Accounts			0
1,186				**2,446**

Notes to the Cash Flow Statement

33. Notes to the Cash Flow Statement

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

	2014/15 £000	**2015/16** **£000**
Depreciation and impairment	27,611	**30,360**
Increase / (decrease) in creditors	(1,601)	**7,745**
(Increase) / decrease in debtors	(4,160)	**(11,981)**
(Increase) / decrease in inventories	(39)	**10**
Pension liability	3,673	**6,379**
Carrying amount of non current assets sold	9,567	**12,015**
Increase / (decrease) in provisions	(763)	**1,060**
Movements in the value of investment properties	398	**(5,827)**
Other non-cash items charged to the net surplus or deficit on the provision of services	260	**(43)**
Net adjustments for non-cash movements	34,946	**39,718**

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

	2014/15 £000	**2015/16** **£000**
Capital grants applied to the financing of capital expenditure	(35,163)	**(40,182)**
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,572)	**(7,304)**
Net adjustment for investing and financing activities	(40,735)	**(47,486)**

33.3 Operating Activities

The cash flows for operating activities include the following:

	2014/15 £000	**2015/16 £000**
Interest received	1,349	**1,528**
Interest paid	(6,383)	**(6,564)**

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 business rates, and illustrates the way in which these have been distributed to preceptors and the General Fund.

2014/15 Business Rates £000	2014/15 Council Tax £000	2014/15 Total £000		Note	**2015/16 Business Rates £000**	**2015/16 Council Tax £000**	**2015/16 Total £000**
			Income				
0	(107,498)	(107,498)	Council Tax Receivable	*CF1*	0	(109,604)	(109,604)
(57,999)	0	(57,999)	Business Rates Receivable	*CF2*	(69,708)	0	(69,708)
(57,999)	(107,498)	(165,497)	**Total Income**		(69,708)	(109,604)	**(179,312)**
			Expenditure				
			Apportionment of Previous Years' Surplus				
0	0	0	Central Government		711	0	711
(1,138)	1,051	(87)	North Somerset Council		696	439	1,135
(1,115)	145	(970)	Police and Crime Commissioner for Avon & Somerset		0	62	62
(23)	55	32	Avon Fire Authority		14	23	37
(2,276)	1,251	(1,025)			1,421	524	1,945
			Precepts, Demands and Shares				
27,860	0	27,860	Central Government		28,715	0	28,715
27,302	89,079	116,381	North Somerset Council		28,140	90,074	118,214
0	12,548	12,548	Police and Crime Commissioner for Avon & Somerset		0	12,933	12,933
557	4,781	5,338	Avon Fire Authority		574	4,928	5,502
55,719	106,408	162,127			57,429	107,935	165,364
			Charges to the Collection Fund				
(726)	(746)	(1,472)	Write offs of uncollectable amounts		(613)	(888)	(1,501)
372	1,290	1,662	Increase / (Decrease) in Bad Debt Allowances	*CF3*	123	983	1,106
1,426	0	1,426	Increase / (Decrease) in Provision for Appeals		1,770	0	1,770
258	0	258	Cost of Collection		262	0	262
80	0	80	Disregarded Amounts	*CF5*	347	0	347
1,410	544	1,954			1,889	95	1,984
54,853	108,203	163,056	**Total Expenditure**		60,739	108,554	**169,293**
(3,146)	705	(2,441)	**(Surplus) / Deficit arising during the year**		**(8,969)**	**(1,050)**	**(10,019)**
1,877	(1,317)	560	**(Surplus) / Deficit brought forward**		(1,269)	(612)	(1,881)
(1,269)	(612)	(1,881)	**(Surplus) / Deficit carried forward**	*CF4*	**(10,238)**	**(1,662)**	**(11,900)**

The Business Rates Receivable is significantly higher than last year. This is due in the main to the Port Cumulo being moved to the Council's Rating List in March 2016, and backdated to 1 April 2010, from Bristol City Council's Rating List. The backdated element is a once only item and future years Business Rates Receivable will reflect an annualised position. An invoice was raised at the end of March 2016 increasing the Business Rates Receivable and also increasing the Business Rates Debtors which is shown in note CF3.

The increased Business Rates Receivable has created a windfall surplus in 2015/16.

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 2015/16.

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	10,602	6/9	7,068.0
B - £40,001 to £52,000	17,996	7/9	13,997.2
C - £52,001 to £68,000	19,880	8/9	17,671.1
D - £68,001 to £88,000	15,433	9/9	15,432.7
E - £88,001 to £120,000	11,446	11/9	13,989.4
F - £120,001 to £160,000	5,857	13/9	8,459.7
G - £160,001 to £320,000	3,087	15/9	5,144.8
H - over £320,001	222	18/9	445.0
	84,523		82,207.9
Reduction for Council Tax Support Scheme			(7,537.6)
Allowance for Losses on Collection			(1,012.7)
Allowance for New Properties			339.2
			73,996.8

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 £1,458.66 per dwelling for 2015/16 (2014/15 - £1,453.33) after taking into account Parish variations and providing a 1.35% provision for unpaid bills (2014/15 – 1.3%).

The actual council tax income for 2015/16 was £109,603,675.39, dividing this figure by the "average Band D Tax" results in an actual tax base of 75,139.9 dwellings. The difference between this and the total "equivalent Band D dwellings" of 73,997 reflects:

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

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.

	2014/15	**2015/16**
Total Non-domestic Rateable Value at 31 March	£149,832,873	**£154,712,101**
National Non-domestic Rate Multiplier - Standard	48.2p	**49.3p**
National Non-domestic Rate Multiplier - Small Business	47.1p	**48.0p**

The Business Rates receivable amount on the face of the Collection Fund Account of £69.708m, 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

	2014/15 £000	**2015/16 £000**	
Council Tax Arrears	9,928	**10,521**	
Business Rates Arrears	4,981	**12,240**	
Gross Tax Payers' Arrears at 31 March	14,909	**22,761**	
Council Tax Prepayments	(3,795)	**(4,181)**	
Business Rates Prepayments	(1,521)	**(2,272)**	
Gross Tax Payers' Prepayments at 31 March	(5,316)	**(6,453)**	
Net Tax Payers' Arrears as at 31 March	9,593	**16,308**	
Allowances for Tax Payers' Debts			**% of arrears at 31 March**
Council Tax	5,899	**5,992**	**56.95%**
Business Rates	2,715	**2,225**	**18.18%**
Total Allowances for Tax Payers' Debts	**8,614**	**8,217**	

Notes to the Collection Fund

The Business Rates arrears at year-end is significantly higher than last year. This is due to the Port Cumulo being moved to North Somerset Council's Rating List in March 2016 (backdated to 1 April 2010), from Bristol City Council's Rating List. An invoice was raised at the end of March 2016 and was paid in early April 2016, meaning that the invoice was outstanding at year-end.

As the invoice was paid in early April 2016 a provision was not made for the outstanding invoice, had the invoice not been in the arrears figure the Bad Debt Allowance would have been 52.36%.

CF4. Balance Sheet items Apportionment

	Total £000	North Somerset Council £000	Police & Crime Commissioner £000	Central Government £000	Avon Fire Authority £000
Council Tax					
Debtors	**10,521**	8,806	1,242	n/a	473
Bad Debt Allowance	**(5,992)**	(5,015)	(707)	n/a	(270)
Prepayments and Overpayments	**(4,181)**	(3,499)	(494)	n/a	(188)
(Surplus) / Deficit at 31 March	**(1,662)**	(1,389)	(198)	n/a	(75)
Business Rates					
Debtors	**12,240**	5,998	n/a	6,120	122
Bad Debt Allowance	**(2,225)**	(1,089)	n/a	(1,113)	(23)
Prepayments & Overpayments	**(2,272)**	(1,113)	n/a	(1,136)	(23)
Appeals Provision	**(4,040)**	(1,980)	n/a	(2,020)	(40)
(Surplus) / Deficit at 31 March	**(10,238)**	(5,017)	n/a	(5,119)	(102)

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 32.1) to the main financial statements for full details).

	2014/15 £000	**2015/16 £000**
Renewable Energy	13	**89**
Enterprise Area - transfer to City Region Deal	67	**258**
	80	**347**

Accounting Policies and Related Disclosures

A1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2015/16 and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, 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 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (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.

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

<u>Benefits Payable during Employment</u>

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 basis to the appropriate service or, where applicable, to the Non Distributed Costs line 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 pensioners 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
  - unitised securities – bid price
  - 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

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:

- 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.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain / loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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.

b) Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market price – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the assets, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

If the asset has fixed or determinable payments, 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 asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for Sale Reserve.
Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the assets, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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.

xi. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with the other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council, as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

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).

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 2015/16 (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 2015/16 (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.

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 construction.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (EUV) based on capitalisation of estimated market rent
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- car parks – current value, based on capitalisation of actual or notional income as applicable
- surplus assets – the current value measurement base is fair value, estimated at the highest and best use from a market participant's perspective
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (EUV).

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 current 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 Property Estates and Regeneration Manager 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.

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 Property Estates & Regeneration Manager 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 1 and 20 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 1 and 60 years)

The remaining life of the Council's assets is determined by the Council's Property Estates & Regeneration Manager or other professional staff under his/her control when the asset is acquired or at the time of 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.

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.

<u>Disposals and Non-Current Assets Held for Sale</u>

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, Contingent Liabilities and Contingent Assets

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.

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.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

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. Accounting for Schools

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

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

xix. 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.

xx. Interest on Internal Balances

In the main, subject to the principles of materiality, 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 where the Council is acting as the accountable body for a partnership of which it is a member.

xxi. 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.

xxii. 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.

City Region Deal business rates 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.

xxiii. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings and available for sale financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

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:

- Better Care Funding - The Section 75 agreement by which Better Care resources have been pooled between the Council and North Somerset CCG has been assessed against the appropriate standards, mainly IFRS 10 and IFRS11. The arrangement has been assessed to be classified as a joint operation given the control and governance arrangements of the pool. As such, each party accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation. Further details are set out in Note 25.

- Funding - There remains uncertainty about future levels of funding for the Council and local government as a whole. The Council has had to consider a range of options on how to continue to provide its services with a reduced level of funding which has included considerations regarding its asset base. 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 Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority maintained schools should

be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the schools land and buildings on its Balance Sheet where it directly owns the assets, and also the building assets of the school where the owning entity has transferred rights to use the assets. The Council has completed a school by school assessment across the different types of schools it controls within the District. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets.

- 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 108 and 83 respectively.

- Leases - The Council's finance officers have applied and followed the primary indicators within the Code in determining lease classification between an operating lease and a finance lease. The assessment of some of these indicators does require a degree of professional judgment in determining the classification. It should be noted that materiality has also been applied to assess whether the classification would significantly affect the financial statements.

- Contractual Arrangements – The Council has made judgements on whether its contractual arrangements contain embedded leases (i.e. arrangements that are not legally leases but take the form of payments in return for the use of specific assets).

A3. Anticipated Changes to the Financial Statements 2016/17 and beyond

A3.1 Accounting Standards Not Yet Adopted

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The following standards have been issued and will be adopted by the Code in 2016/17 and will be applicable to the Council from 1 April 2016 as follows:

<u>Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)</u>
This standard provides guidance on the form of the financial statements and will result in changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and will introduce a new Expenditure and Funding Analysis. These changes are as a result of the 'Telling the Story' review of the presentation of the local authority financial statements as well as the December 2014 changes to IAS1 under the International Accounting Standards Board (IASB) disclosure.

Other minor changes due to annual improvements to IFRS cycles, IFRS11 Joint Arrangements, IAS16 Property, Plant Equipment and IAS38 Intangible Assets and IAS 19 Employee Benefits, are minor and are not expected to have a material effect on the Council's Statement of Accounts.

A3.2 Other Changes to the 2016/17 and future Financial Statements

In addition, the CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code, Highways Network Assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works.

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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<u>Property, Plant and Equipment</u>
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 £0.220m for each year should useful lives ever be decreased in such a way.

<u>Pensions Liability</u>
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 £10.266m, and a decrease of £0.249m of the Teachers Unfunded Discretionary Benefits.

<u>Arrears</u>
At 31 March 2016, the Council had a balance of sundry debtors for £10.361m. 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 £1.020m to be set aside as an allowance.

<u>Allowances for bad/doubtful debts (non-financial assets)</u>
Allowances for bad/doubtful debts have been calculated on the following bases:

Rent Allowances and Rent Rebate Overpayments – 75% for outstanding debt raised in 2015/16, 80% for outstanding debt of more than 1 year but less than 4 years, and 100% for debts outstanding for more than 4 years.

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	81%	71%
No trace of debtor	100%	100%

NDR Appeals Provision

Councils are liable for successful appeals against business rates charged to businesses in 2015/16 and earlier financial years in their proportionate share. Therefore a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2016. 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 2015/16 was based upon the statistical averages of such successful appeals and also rateable values lost on those successful appeals.

If a greater amount of appeals occurs than has been estimated then this will be an increased cost on the Collection Fund, which could negatively impact on any future out-turn position of the Collection Fund. An increase in the appeals provision estimate of 1.0%, would increase the year-end NDR appeals provision by £0.404m. Further information on the provision for appeals is included in Note 14.

Fair Value Measurements

When the fair values of investment properties and surplus assets cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation techniques:

- For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date;
- For level 3 inputs, valuations based on unobservable inputs for the asset or liability.

Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgment is required in establishing fair values. These judgments typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of the Council's assets and liabilities. Further information on the fair value measurement assumptions is included in Notes 10 and 30.

Property, Plant and Equipment

The Council's portfolio of land and buildings is re-valued as part of a 5-year rolling programme. The value of those assets is based upon calculations and estimation techniques employed by the Council's valuers following the Royal Institution of Chartered Surveyors (RICS) guidance. Changes in asset values are largely influenced by market forces which can be volatile. Therefore it is uncertain that the Council's assets will not see a significant change in value.

Any revaluation of assets either upward or downward would be reflected in the Council's asset base. It is estimated that a 1% change in net book asset values would result in a change of approximately £4m.

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 2016 are shown in Note 23. Short term debtor and creditor balances with Government bodies are shown in Notes 12 and 13. In addition the Council has applied the following significant capital grants for the financing of capital expenditure during 2015/16:

Awarding Body	Type of Grant	Amount £000
Department for Education	Capital Maintenance	1,942
Department for Education	Basic Need	2,071
Dept. for Communities & Local Government	Disabled Facilities Grants	936
Department for Transport	Local Transport Plan	4,700
Department for Transport	Major Transport Schemes	14,608
Department for Transport	Infrastructure Fund	3,784

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 all Councillors had 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 28.

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 32.1.

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 (England) Regulations 2015, specifically Regulation 4 (2) in respect of the annual review of the effectiveness of its system of internal control and Regulation 4 (3&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 2016, 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.

3. Context for the Annual Governance Statement

3.1 The unprecedented financial challenge within the Local Government sector continues unabated into its fifth year and North Somerset Council continues to meet this challenge delivering over £55m of revenue savings since 2010. However Public Sector austerity means that further savings and transformation of services are required and a strong framework of governance and internal control will continue to be necessary for the Council to deliver its priorities against this backdrop.

3.2 In 2015/16 £15 million of savings or increased income was identified within the budget and in the main these have been delivered successfully without any negative impact on customers. However with further savings more difficult to come by, delivering and maintaining a sustainable local income stream will be crucial to our financial planning model linking with the core strand of ‘growth’ within the new corporate plan.

3.3 Delivery of even higher levels of savings and preparation for further significant reductions from the next local government settlement has formed the backdrop to the Council’s work in 2015/16 on its medium term financial plan. The Council has recognised its need to continue to transform to meet the financial challenges and its refreshed transformation programme plans to deliver significant savings with many areas well advanced. The programme has been re-badged and simplified during the year to ensure the right focus and consistency across all projects with key principles agreed of one council, digital first, driving growth and working together.

3.4 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.

3.5 Demographic changes have also 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, especially in the area of learning difficulties. However the Council works strongly through its Health and Wellbeing and People and Communities boards with its key health partners to use the Better Care fund to jointly commission preventative and early intervention care and support.

3.6 However key to the Council’s future plans is supporting new economic growth. The town centre is already designated as a Housing Zone by the Government and working with the Homes and Community Agency (HCA) will help provide funding and support to unlock brownfield land for housing development.

3.7 The re-development of the Police Station, former Magistrates’ Court, Roselawn Terrace, Walliscote Grove Road East Car Park, and their immediate surroundings, will act as a catalyst development to set a new quality benchmark for the town. Public realm improvements will enhance the setting of the new and existing buildings and establishing the area as a key gateway to the town.

3.8 Work has also started on a £18m scheme to provide a cinema, restaurants, indoor climbing and soft play on part of the former Dolphin Square development. Once completed this will have a major impact on leisure and availability of restaurants in the heart of the town centre.

3.9 The Council has a strong background in delivering on major projects with a series of major transport schemes at J19, J21 and the Weston Package delivered on time and within budget in previous years. Work is also well advanced for the South Bristol Link and Portishead Rail and additional investment of £10.5m is planned into the Highways infrastructure as well as good progress on projects within the Enterprise Area.

3.10 As well as continuing to maximise external funding and with the help of the HCA and LEP the Council is focussed on future investment and on taking new opportunties, occasionally these are unplanned such as the ‘Dismaland’ exhibition in 2015 which was viewed as a resounding success, generating approximately £20m to the local economy. The strong relationship with Weston College and aspiration to create Weston into a University town has also seen further progress with the regeneration of the Winter Gardens.

3.11 The Council continues in its ambitions to work more collaboratively with key partners and neighbouring councils, and an outline Devolution Bid was accepted by government during the year with the potential for a further £900m of investment in the long term over a number of key themes. Further work and full review by Council will take place in 2016/17 to assess whether this represents the right deal for North Somerset.

3.12 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 a great place to live, were people, businesses and communities flourish. The new Corporate Plan developed during the year recognises this with a new focus on Prosperity and Opportunity, Health & Wellbeing and Quality Places to further enhance delivery of our priorities.

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
• Head of Audit and Assurance Opinion • Annual Audit Plan • Audit Charter and Independence • Corporate Risk Management • Counter-fraud activity and Investigations • Business Continuity	• Corporate and Directorate Management Teams • Financial Strategy Board • Annual and Medium Term Financial Plans • Partnership Working • Directors' Statements • Contract Management	• Corporate Plan • Performance Management Framework and Reports • Internal and External Reviews • KPI and Data Quality • Benchmarking • Programme and Project Reports	• External Audit Plans, Letters and Reports • Inspection Reports • Peer Reviews • Commissioned Reviews • Ombudsman	• Consultation / Complaints / Feedback • Scrutiny Process • Audit Committee • Statutory Officers • Legal Services • The Executive • Equality Impact Assessments • Codes of Conduct

Set out the arrangements for compilation and approval of the Annual Governance Statement 2015/16

Audit Committee	March 2015

Review progress made against any significant issues included in the 2014/15 Annual Governance Statement

Audit Committee	September 2015 - No Significant Issues

Consideration of emerging issues for 2015/16 Annual Governance Statement

CMT & Statutory Officers Group	Continuous up to June 2016

North Somerset Council

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://ww.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.

Following the elections in May 2015 the Corporate Plan was refreshed and approved by Council for the period 2015-19 setting out the council's aims and priorities with three key outcomes for the Community – Prosperity & Opportunity, Health and Wellbeing and Quality Places. Progress in delivering for local people is reported on the council's website and in North Somerset Life.

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 2015-19 is for '*A great place to live where people, businesses and communities flourish and modern, efficient services and a strong voice for North Somerset'*. 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.

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 reports 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.

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 its outcomes reported back to Council.

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 ACCOUTABILITY 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 Community 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 has in place a co-operation agreement with Bath & North East Somerset Council and both senior management teams meet regularly to review progress on joint working initiatives and also promote and discuss new opportunities. Significant progress continues to be made on working across boundaries for the benefit of the community and delivery an efficient business.

- 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 response to the City Region Deal.

- In addition significant work has occurred during the year between all of the West of England councils on extending their existing joint working arrangements into a wider Devolution deal covering projects in infrastructure, skills, employment and housing. The Council has voted on a potential West of England Devolution deal in June and the implications of this are being considered.

- The Council entered into a Strategic Partnership with Agilisys in 2010 (Agilisys and Liberata) which was extended in 2015. 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.

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 it 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. 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 have been in place since 2012, however following the appointment of a new shared procurement manager with South Gloucestershire Council in 2015 these arrangements are being reviewed. All contract opportunities are advertised on the website and through the recognised government recommended portals.

The Council's Risk Management Strategy 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.

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. As part of the Council's transformation activity a review of the strategic finance roles and responsibilities carried out across the Council is currently underway, which will look at new ways of delivering this function within the resources available.

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. A new Chairman has been in place during 2015/16 and 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 four 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 statutory or legislative 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 includes Codes of Conduct for staff and members, and the Anti-Fraud and Corruption Policy Statement. The council also maintains a Counter Fraud Strategy and 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 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.

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 was delivered following the elections in May 2015.

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.

Results from consultation exercises and resident's survey 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.

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 Statutory Officers review the effectiveness of the governance framework during the year and the draft Annual Governance Statement. The Statement is signed by the Chief Executive and Leader of 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 2015/16 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
- Delivering joined up commissioning of social care through the Better Care Fund
- Supporting Council Services through an increase in its digital approach and effective use of IT
- Working across the West of England region to stimulate housing needs, skills and employment
- Managing and Investing in the key infrastructure and assets of the area

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 2015/16 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:

J. Wring

Jeff Wring
Head of Audit and Assurance

Date: **21 June 2016**

Annual Governance Statement

8. Update on Significant Issues raised in the 2014/15 Annual Governance Statement

Issue in 2014/15	Mitigating actions for 2015/16	Update 2015/16
No Significant Issues or Governance failures reported in 2014/15 Statement	N/A	N/A

9. Significant Issues for 2015/16

Issue in 2015/16	Commentary & Mitigating actions for 2015/16
<u>Financial Challenge</u> The unprecedented financial challenge continues into its fifth year, with public sector austerity likely to last until at least 2020. The Council has responded positively with over £55m of savings already delivered, however at least £30m of additional savings still need to be delivered over the remaining period. Whilst no significant governance failures have occurred, the Council acknowledge that the level of grant reductions from central government are a significant issue and represent a real challenge in being able to continue to deliver excellent services to the whole community at all times. Whilst all areas of the Council are under scrutiny this is especially important in the area of Health and Social Care where we are not only dealing with our most vulnerable members of the community but we are reliant on working with partners across different sectors, some of whom are also under severe financial stress such as our colleagues in NHS bodies.	The Council has already set out many of its plans to deliver services into the future against the backdrop of these significant financial reductions. Robust governance and sound risk management will continue to be required to ensure that all aspects of delivery are supported and scrutinised to enable the challenge to be met. Actions will include – - Using the Corporate Plan to help focus services on doing the right things for the North Somerset Community; - Using the Medium Term Financial Plan to enable sensible prioritisation of resources in the right areas and transparency on savings to be achieved; - Regularly monitoring of delivery against the annual revenue budget, alongside sensible utilisation and management of its reserves; - Working effectively with Key Partners, especially those in Health and across the West of England Area to support the most vulnerable in the community; - Enabling its key governance boards to both support key change projects and monitor delivery of significant savings programmes;

Issue in 2015/16	Commentary & Mitigating actions for 2015/16
This puts additional strain on being able to meet the challenge and entails making difficult choices. We therefore need robust governance and sensible plans to enable services to deliver against all of these challenges. The Council is however well placed to do this but will need the support of the whole of its governance framework to deliver on this effectively.	- Using the Strategic Finance Review to strengthen and prioritise the right skills and expertise within the Finance function to support sound financial control. Overseeing delivery against this agenda is a key role for the Executive and Senior Management and they will continue to be pro-active in working to ensure that significant risks to the organisation are appropriately mitigated and controlled to ensure that the Council is able to meet these future challenges

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 (the "Authority") for the year ended 31March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

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

Respective responsibilities of the Head of Finance and Property and auditor

As explained more fully in the Statement of the Head of Finance and Property 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Opinion on financial statements

In our opinion the financial statements:
present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

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

Matters on which we are required to report by exception

We are required to report to you if:
in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
we issue a report in the public interest under section 24 of the Act; or
we make a written recommendation to the Authority under section 24 of the Act; or
we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Independent Auditor's Report and Opinion

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

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

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources.

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

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

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT
September 2016

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
Currently the appointment of External Auditors to Local Authorities is undertaken by Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee and incorporated by the Local Government Association in August 2014. This role was previously undertaken by The Audit Commission. For 2015/16 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.

Curtailment (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 orderly transaction between market participants at the measurement date.

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.

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 (NNDR)
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.

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.

Out-turn
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 Statue (REFCUS)
Expenditure of a capital nature but for which there is no tangible asset held by the Council, 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
BCF	Better Care Fund
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
PWLB	Public Works Loans Board
SERCOP	Service Expenditure Reporting Code of Practice

Index of Notes to the Statement of Accounts