

BATH & NORTH EAST SOMERSET COUNCIL

STATEMENT OF ACCOUNTS 2014/15

CONTENTS

	Page
AUDITOR'S REPORT	2
FOREWORD TO THE ACCOUNTS	5
MOVEMENT IN RESERVES STATEMENT	11
COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT	12
BALANCE SHEET as at 31 March 2015	13
CASH FLOW STATEMENT	14
ACCOUNTING POLICIES	15
NOTES TO MAIN FINANCIAL STATEMENTS	25
COLLECTION FUND 2014/15	71
NOTES TO THE COLLECTION FUND	72
PENSION FUND ACCOUNTS 2014/15	
- Statement of Accounts 2014/15 Introduction	75
- Statement of Accounting Policies	75
- Fund Account	78
- Notes to Accounts - Year ended 31 March 2015	79
ANNUAL GOVERNANCE STATEMENT	97
STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS	106
GLOSSARY OF TERMS	107

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

Opinion on the Authority financial statements

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

This report is made solely to the members of Bath and North East Somerset Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 Chief Finance Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

In our opinion, the information given in the Foreword to the Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

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

Respective Responsibilities of the Authority and the auditor

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

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

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

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

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

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

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

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

Conclusion

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



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

Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

28th September 2015

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

Opinion on the pension fund accounting statements

We have audited the pension fund financial statements of Avon Pension Fund for the year ended 31 March 2015 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Bath and North East Somerset Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state 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 Chief Finance Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on the pension fund financial statements

In our opinion the pensions fund's financial statements:

- * give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and the amount and disposition of the fund's assets and liabilities as at 31 March 2015 and
- * have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

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



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

Hartwell House
55-61 Victoria Street
Bristol BS1 6FT

28th September 2015

FOREWORD TO THE ACCOUNTS

Introduction

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

The Accounts and Audit Regulations 2003 require that the Statement of Accounts shall be approved by a resolution of a Committee of the relevant body and that following approval, the Statement of Accounts be signed and dated by the person presiding at the Committee.

The main purpose of a local authority's published Statement of Accounts is to provide electors, Council Tax payers, members of the Council, employees and other interested parties, with clear information about the Council's financial position. It should aim to provide answers to the following questions:

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

The main financial statements are:

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Account

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

Balance Sheet

The Balance Sheet shows the assets and liabilities of the Council as a whole at the 31 March 2015.

Cash Flow Statement

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

Collection Fund

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

Pension Fund Accounts

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

Statement of Accounting Policies

The statement describes the accounting concepts and policies adopted in the preparation of the accounts. It contains a number of technical notes, none of which are unusual or which differ from the concepts adopted by the majority of other Local Authorities. The Council complied with all recommended accounting practices contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2010, which is recognised by statute as representing proper accounting practices. The Code of Practice incorporates Best Value Accounting principles with which the Council has also complied.

FOREWORD TO THE ACCOUNTS

General Review

Summary of the Council's financial performance

The 2014/15 budget included the delivery of over £10m of savings which have been achieved. The Council underspent its revenue budget by £476k in 2014/15, which after allowing for the proposed carry forwards reduces to an overall outturn position underspend of £54k.

The outturn position reflects that funding of some one-off costs relating to service transformation and the delivery of planned savings have been offset against underspends achieved during the year rather than using earmarked reserves.

The main areas contributing to the underspend relates to another exceptional return generated by the Heritage estate, with even higher visitor numbers than the previous year, an underspend against the corporate budget provision in respect of the Council's Pensions Deficit Contribution, and service underspends in parking and learning and inclusion.

The Next Twelve Months & Medium Term Outlook

The Council's current Medium Term Service and Resource Plan covers the three year period 2013/14 to 2015/16 and has been regularly updated to take account of Government funding announcements and policy changes. Over the three year period of the Medium Term Service and Resource Plan we estimate at least £30 million of savings or additional income will have been delivered.

As part of the Budget considerations for 2015/16, there have been a number of key Government announcements which have had an impact on the original three year plan. The most significant of these was the Local Government Finance Settlement announced in February 2015 which set out the following figures for 2015/16:-

- A 13.7% reduction in the Council's funding assessments - this actually equates to a reduction of 24.8% in the Council's Revenue Support Grant
- A reduction of 18% in the Education Support Grant.
- Council Tax Freeze Grant equivalent to a 1% increase in Council Tax for Councils who freeze their council tax for the year.

Total reductions in Government Grant funding are now estimated to average 11% per annum over the period 2011/12 to 2015/16.

These changes, together with the existing savings to be identified, meant that further variations to the Budget totalling £9.6 million needed to be identified as part of the Council's 2015/16 plan.

For 2015/16 the budget focused on the variations that were needed to the approved medium term plan to deliver a balanced budget proposal.

The Cabinet's aim remained to achieve the medium term plan with minimal alterations, but at the same time to reflect public feedback together with local and national policy changes.

The Council has a prudent level of reserves and can use these to smooth the effects of policy changes and additional financial challenges, particularly recognising the ongoing reductions in public sector funding from 2016/17 and beyond.

The indication from Treasury figures is that at least an equally tough set of financial targets will need to be repeated in the next four year plan which starts in 2016/17, and of course at that time the difficulty in meeting the challenge will have increased as efficiency opportunities may be less.

The proposed budget for 2015/16 continues to recognise the very difficult financial challenge now facing the whole of the public sector and the increasing need to prioritise resources. The following principles have continued to be used to support this:

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

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

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

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

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

- Rising elderly population placing significant demands on Adult Social Care and Health services.
- Increased demand for Children's care services.
- Contractual inflationary costs particularly for care placements and external service contracts.

Taking account of reductions in government grant funding and the pressures outlined above requires savings of £9.7m to be made in 2015/16, taking the overall level of savings over the period 2013/14 to 2015/16 to over £30 million.

Initial Financial Planning work to look at the future scale of the financial challenge for the Council over the four year period covering 2016/17 to 2019/20 has estimated that the likely savings or additional income required will be over £38 million.

FOREWORD TO THE ACCOUNTS

Total Resources Available for the Capital Programme

The table below summarises the approved resources available for the 2014/15 Capital Programme and the indicative programme for the next five years. This level of resource ensures that overall planned spending and funding are in balance.

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Total Schemes	84,602	43,198	22,348	13,125	6,934
Funding Sources					
Grant	30,469	14,668	5,132	4,749	4,749
Capital Receipts	8,524	11,162	11,050	0	2,800
Revenue	2,563	563	478	478	478
Borrowing	38,844	16,040	5,223	7,748	(1,243)
3rd Party (incl. s106)	4,202	765	465	150	150
Total Funding	84,602	43,198	22,348	13,125	6,934

Revenue outturn and balances

The Council's net revenue budget was set at £120.39 million with a freeze in its part of the 2014/15 Council Tax. Dedicated Schools Grant funding of £78.34m separately supports expenditure on schools.

Total net spending amounted to £120.63 million against a revised budget of £121.11m, with a year end surplus of £0.48 million on general fund spending.

The Council followed well established procedures for monitoring its finances and reporting the position to Senior Management and the Cabinet. The outturn position reflects that funding of some one-off costs relating to service transformation and the delivery of planned savings have been offset against underspends achieved during the year rather than using earmarked reserves. This approach does result in some service areas showing an overspend position due to the non draw down of reserves that were previously anticipated.

The Council continues with its programme of budget management where overspends and underspends can be carried forward subject to policy approval. After allowing for transfers to earmarked reserves, carry forwards and excluding invest to save drawdowns, the General Fund balance stands at £10.5m, which is in accordance with the target level approved by the Council.

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

Children's Services - overspend of £923k - The overspend mainly relates to spend on direct placements for children in care, particularly in the Independent Fostering and Parent & Baby Unit budgets due to increased caseload in these volatile budgets. There was also an overspend in Home to School Transport due to increased Special Educational Needs (SEN) transport costs linked to the difficulty in placing children with behaviour issues locally. These overspends were partly offset by underspends in the Learning & Inclusion service.

The main favourable variances from budgets incurred are:

Place - underspend of £817k - mainly due to a combination of another exceptional return generated this year by the Heritage estate with even higher visitor numbers than the previous year, additional planning income and an underspend on parking services. These favourable variances were partially offset by overspends in Waste & Fleet services.

Resources & Support Services - underspend of £582k - The main favourable variances in this area related to Housing Subsidy Claim debt recovery, IT efficiencies and an underspend against the corporate budget provision in respect of the Council's Pensions Deficit Contribution. There was an overspend in Traded Services mainly related to Catering Services spending on provisions and staffing arising from the Universal Infant Free School Meals scheme and income from the scheme being below target.

The outturn position compared to the budget is as follows:

	Budgeted	Actual	(Under)/ Over
Service (based on Council Directorates)	Spend £'000	Spend £'000	Spend £'000
Place	28,036	27,219	(817)
Children's Services	22,483	23,406	923
Adult Social Services	55,689	55,689	-
Resources & Support Services (Including Corporate & Agency Budgets)	14,902	14,320	(582)
	121,110	120,634	(476)

The bottom line outturn position in relation to schools is an overspend of £0.3m resulting in a decrease in the balances held by schools from £3.2m to £2.9m. The centrally held elements of the Dedicated Schools Grant (DSG) has an underspend of £1.5m. The main reasons are an underspend on early years funding reflecting the new requirements for 2 year olds which have yet to be fully implemented and the late allocation of DSG by the DFE, which cannot be incorporated into school budgets until the following year, in line with school funding regulations. The DSG underspend results in a DSG balance to be carried forward through earmarked reserves of £5.924m up from £4.459m in 2013/14.

FOREWORD TO THE ACCOUNTS

Collection Fund

As part of the 2015/16 budget setting, an estimate was made on the position of the Collection Fund as at 31st March 2015. The estimate is split into two elements, one relating to Council Tax and the other relating to Business Rates. The estimated and actual position for each is shown in the following table. The figures relate to the Council's share of the surplus / deficit, excluding any preceptor and central government shares. The increase in the deficit on the Business Rates Collection Fund is mainly due to the need to increase the appeals provision following notification of a large number of appeals being lodged after the government set a 31st March 2015 deadline for certain appeals. The difference will be taken into consideration when estimating the closing 2015/16 Collection Fund as part of the 2016/17 budget process.

	Estimated surplus / (deficit)	Actual surplus / (deficit)	Difference
	£'000	£'000	£'000
Council Tax	1,763	2,220	457
Business Rates	(185)	(1,090)	(905)
Total	1,578	1,130	(448)

Income and Expenditure Account

The Income and Expenditure Account includes a number of items that are not required to be included in the General Fund and to be taken into account in setting the council tax. The Income and Expenditure Account included within this Statement of Accounts shows the net cost of services for the year of £162.0m. This reconciles to the General Fund spending reported above as follows:

	£m	£m
Total net spending by departments		120,634
Add:		
Charges related to capital assets:		
- depreciation and impairments	17,271	
- revenue expenditure funded from capital under statute	4,631	
- loss on revaluations	21,694	
		<u>43,596</u>
Offset by:		
Grant funded revenue expenditure funded from capital under statute	1,908	
Unapportioned pensions contributions	1,718	
Levy payments	226	
Interest received and paid	(4,357)	
Other movements on funds and balances	225	
Net transfers to reserves	8,892	
		<u>8,612</u>
Cost of services - continuing operations		155,618

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

FOREWORD TO THE ACCOUNTS

Capital Expenditure

Capital expenditure in 2014/15 totalled £62.6m. Overall capital spending was 75% of the revised capital budget, primarily reflecting the delivery time to complete projects moving into future financial periods. Details are:

Departments	Planned Spend	Actual Spend	Variation on planned spend
	£,000's	£,000's	£,000's
Place	42,469	32,788	(9,681)
People & Communities	8,944	5,710	(3,234)
Resources & Support Services	31,174	24,062	(7,112)
Corporate Capital Contingency	780	-	(780)
	<u>83,367</u>	<u>62,560</u>	<u>(20,807)</u>

Capital expenditure was financed as:

	£,000's
Capital receipts	9,024
Capital grants and contributions	23,249
Revenue	1,005
Borrowing	<u>29,282</u>
	<u>62,560</u>

Property, Plant & Equipment

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

Transfers of £28.6m from Assets Under Construction reflecting projects becoming operational in the years:-

	£'000
Keynsham Regeneration (Including Keynsham Civic Centre)	21,336
Bath Package (Including Newbridge Park and Ride)	4,217
Victoria Bridge	1,390
Batheaston Footbridge	818
Other projects	<u>844</u>
	<u>28,605</u>

Net Revaluation losses of £30.7m for Other Land and Buildings for the following classes of assets:-

	£'000
Leisure Centres/Amenities (including Bath Sport Centre)	10,916
Schools	7,498
Offices	5,848
Libraries	3,380
Refuse Sites	2,695
Other	<u>321</u>
	<u>30,658</u>

An index adjustment to reflect upward movements of asset prices a resulted in a gain of £15.304m.

Investment Properties

Within the total Valuation for Investment Properties of £257.4m, new assets included:-

	£'000
Purchase of Seven Dials	8,000
Shops at Keynsham Civic Centre becoming operational	<u>2,935</u>

FOREWORD TO THE ACCOUNTS

Pensions Fund

As required under the Regulations, a triennial valuation of the Avon Pension Fund was carried out as at 31 March 2013 which sets the employer contribution rates from 1 April 2014. The funding level was calculated at 78% (i.e. the Fund's assets cover 78% of future liabilities) which compares to 82% in 2010. The deficit widened during the period due to the fall in real gilt yields over the 3 years which increased the value of the liabilities. Over the period investment returns were above expectations. The next triennial valuation will be as at 31st March 2016.

Pension Liabilities

The Council itself has a liability of £235.8m for future pensions costs. This is because under IAS19 the Council must account for pensions for former members of staff when the commitment is made not when the pension is paid.

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

The increase in 2014/15 is mainly due to losses from changes in actuaries assumptions in valuing the liabilities, as detailed in Note 41. This is owing to the actuaries estimated fall in the funding level, which is due to the fall in real yields during the period. Investment returns contributed positively to the funding position but was not sufficient to offset the increase in the liabilities. The value of the future pension liabilities is calculated using a discount rate based on UK gilt yields, so as gilt yields fall, the value of these liabilities rises.

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

West of England Revolving Investment Fund

The Council, as accountable body to the West of England Partnership, is acting as agent for these regional central government grants. In 2014/15 £23.1m was distributed to specific projects as various criteria are satisfied, with the receiving body then treating these appropriately in their own accounts. The balance of funds not distributed is treated as a creditor in B&NES accounts as these sums will either be transferred to future recipients or will be returned back to government if not used.

Change in Accounting Policy for Schools

Following the issue of LAAP Bulletin 101, Accounting for Non-current Assets Used by Local Authority Maintained schools, a new Policy has been implemented in accordance with guidance. This has resulted in a Prior Period adjustment reducing asset values by £6m for of schools occupied as Voluntary aided and Voluntary controlled, but owned by religious bodies.

Group Accounts

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

Further Information

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

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

www.avonpensionfund.org.uk

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



Tim Richens

Divisional Director of Business Support & Chief Finance Officer (Section 151 Officer)

MOVEMENT IN RESERVES STATEMENT 2014/15

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balances for Council Tax setting purposes. The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to and from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2014	10,472	44,743	375	13,123	68,716	222,682	291,398
Surplus or Deficit on Provision of Services (accounting basis)	(1,634)				(1,634)		(1,634)
Other Comprehensive Income & Expenditure						(34,691)	(34,691)
Total Comprehensive Income & Expenditure	(1,634)	-	-	-	(1,634)	(34,691)	(36,325)
Adjustment between accounting basis and funding basis under regulations	8,954		(125)	(4,651)	4,178	(4,178)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	7,320	-	(125)	(4,651)	2,544	(38,869)	(36,325)
Transfers to/from earmarked reserves	(8,892)	8,892			-	-	-
Increase/Decrease in Year	(1,572)	8,892	(125)	(4,651)	2,544	(38,869)	(36,325)
Balance at 31 March 2015	8,900	53,635	250	8,472	71,260	183,813	255,072
			See Note 8			See Note 24	
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Restated Unusable Reserves	Restated Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2013	10,497	42,388	6,757	12,843	72,489	195,955	268,444
Surplus or Deficit on Provision of Services (accounting basis)	(30,202)				(30,202)		(30,202)
Other Comprehensive Income & Expenditure	-				-	53,157	53,157
Total Comprehensive Income & Expenditure	(30,202)	-	-	-	(30,202)	53,157	22,955
Adjustment between accounting basis and funding basis under regulations	32,532		(6,382)	280	26,430	(26,430)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	2,330	-	(6,382)	280	(3,772)	26,727	22,955
Transfers to/from earmarked reserves	(2,355)	2,355			-		-
Increase/Decrease in Year	(24)	2,355	(6,382)	280	(3,772)	26,727	22,955
Balance at 31 March 2014	10,472	44,743	375	13,123	68,716	222,682	291,398
			See Note 8			See Note 24	

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT 2014/15

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

Notes	2013/14	2013/14	2013/14		2014/15	2014/15	2014/15
	Gross Exp	Gross Inc	Net Exp		Gross Exp	Gross Inc	Net Exp
	£'000	£'000	£'000	Expenditure on Services	£'000	£'000	£'000
	4,074	(3,661)	413	Central Services to the Public	3,893	(975)	2,918
	18,545	(14,037)	4,508	Cultural & Related Services	16,685	(14,861)	1,824
	26,921	(5,271)	21,650	Environmental & Regulatory Services	29,094	(5,518)	23,576
	8,705	(2,543)	6,162	Planning Services	7,913	(2,304)	5,609
	134,109	(95,370)	38,739	Children's & Education Services	128,579	(95,156)	33,423
	27,184	(12,787)	14,397	Highways & Transportation Services	29,559	(15,393)	14,166
	63,956	(54,039)	9,917	Housing Services	62,542	(57,310)	5,232
	87,982	(33,590)	54,392	Adult Social Care	92,816	(39,134)	53,682
	7,134	(7,134)	-	Public Health	7,377	(7,646)	(269)
	31,361	(21,922)	9,439	Corporate and Democratic Core	25,566	(10,774)	14,792
	-	(778)	(778)	Non Distributed Pensions Costs	665		665
	409,971	(251,132)	158,839	Cost of Services - continuing Operations	404,689	(249,071)	155,618
9			14,580	Other Operating Expenditure			4,435
10			(1,898)	Financing and Investment Income & Expenditure			(18,096)
11			(141,319)	Taxation and Non-Specific Grant Income			(140,323)
			30,202	(Surplus) or Deficit on Provision of Services			1,634
12, 13 & 14			(9,883)	(Surplus) or Deficit on Upward Revaluation of Non-current Assets			(28,335)
12, 13 & 14			4,830	(Surplus) or Deficit on Downward Revaluation of Non-current Assets			11,063
41			(48,104)	Remeasurement of the net defined benefit liability			51,963
			(53,157)	Other Comprehensive Income & Expenditure			34,691
			(22,955)	Total Comprehensive Income & Expenditure			36,325

BALANCE SHEET as at 31 MARCH 2015

The Balance sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis regulations".

Notes	Restated	Restated		31 March
	31 March 2014 £'000	31 March 2013 £'000		2015 £'000
12	196,122	225,912	Property, Plant & Equipment:	
	1,631	2,853	Land & Buildings	222,065
	63,594	52,269	Community Assets	1,395
	8,661	8,385	Infrastructure	73,155
	41,923	32,050	Vehicles, Plant & Equipment	13,908
	12,420	9,962	Assets under Construction	19,470
13	17,899	17,780	Surplus assets	2,911
14	231,077	222,680	Heritage Assets	16,719
15	909	750	Investment Property	257,725
	4	5	Intangible Assets	1,303
19	2,529	2,397	Long Term Investments	4
	576,769	575,043	Long Term Debtors	10,520
			Long Term Assets	619,175
16	58,686	122,524	Short Term Investments	41,489
18	513	451	Inventories	436
19	22,975	21,342	Short Term Debtors	29,455
20	11,085	20,331	Cash and Cash Equivalents	20,089
21	449	-	Assets Held for Sale	-
	93,708	164,648	Current Assets	91,469
20	-	(8,305)	Bank Overdraft	-
16	-	-	Short Term Borrowing	(10,024)
22	(101,883)	(95,373)	Short Term Creditors	(94,881)
35	(2,201)	(1,665)	Grants Receipts In Advance - Revenue	(2,274)
35	(3,251)	(3,025)	Grants Receipts In Advance - Capital	(1,767)
	(107,335)	(108,368)	Current Liabilities	(108,946)
23	(2,406)	(956)	Provisions	(2,796)
16	(71,340)	(122,040)	Long Term Borrowing	(99,790)
41&42	(193,531)	(235,616)	Other Long Term Liabilities	(240,363)
35	(4,469)	(4,266)	Grants Receipts In Advance - Capital	(3,677)
	(271,746)	(362,878)	Long Term Liabilities	(346,626)
	<u>291,396</u>	<u>268,443</u>	Net Assets	255,072
8	68,714	72,488	Usable reserves	71,258
24	222,682	195,955	Unusable Reserves	183,813
	<u>291,396</u>	<u>268,443</u>	Total Reserves	255,072

The unaudited accounts were authorised for issue on 29th June 2015 and the audited accounts were authorised for issue on 28th September 2015.

J.R.
28/9/15

CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash flow equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	2013/14	See Note 25 for further details	2014/15
	£'000		£'000
	(30,202)	Net surplus or (deficit) on the provision of services	(1,634)
A	41,970	Adjustment to surplus or deficit on the provision of services for non cash movements	16,631
A	(13,813)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(31,522)
	(2,045)	Operating Activities	(16,525)
C	49,941	Investing Activities	(13,614)
D	(48,837)	Financing Activities	39,143
	<u>(941)</u>	Net Increase/(decrease) in cash equivalents	<u>9,004</u>
E	12,026	Cash & cash equivalents at the beginning of the reporting period	11,085
E	11,085	Cash & cash equivalents at the end of the reporting period	20,089

NOTES TO MAIN FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts & Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting policies. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

Qualitative Characteristics of Financial Statements

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

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

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

Comparability - In addition to complying with the Code, the accounts also comply with the Service Reporting Code of Practice (SeRCOP). This code establishes proper practice in relation to consistent financial reporting below statement of accounts level, and aids comparability with other Local Authorities.

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

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

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

Going Concern

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

Accruals of Income and Expenditure

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

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

Tax Income (Council Tax & Non-Domestic Rates)

Non Domestic Rates (NDR)

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

Council Tax

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

Both Non Domestic Rates (NDR) and Council Tax will be recognised in the Comprehensive Income & Expenditure Statement in the line

NOTES TO MAIN FINANCIAL STATEMENTS

Provisions

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

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

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

Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent useable resources for the council - these reserves are explained in the relevant policies below. Capital reserves are not available for revenue purposes.

Government Grants and Contributions

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

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

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

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

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

Employee Benefits

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

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

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

NOTES TO MAIN FINANCIAL STATEMENTS

Post-Employment Benefits

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

- * The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).
- * The Local Government Pensions Scheme, administered by Bath & North East Somerset Council.

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

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

The Local Government Pension Scheme

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

- * The liabilities of the Avon Pension scheme attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- * Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bonds).
- * The assets of the Avon Pension Fund attributable to the Council are included in the balance sheet at their fair value:
 - quoted securities - bid price
 - unquoted securities - professional estimate
 - unitised securities - average of the bid and offer rates
 - property - market value.

The change in the net pensions liability is analysed into the following components:

Service Costs:

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

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

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

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

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

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

Benefits Paid - payments to discharge liabilities directly to Pensioners.

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

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

NOTES TO MAIN FINANCIAL STATEMENTS

Discretionary Benefits

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

VAT

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

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2013/14 (SeRCOP)*. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of :

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

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

Intangible Assets

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

Property, Plant & Equipment

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

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

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

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

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

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

Non-current assets are valued in accordance with the Manual published by the Royal Institute of Chartered Surveyors. Valuations are undertaken by the Council's Property Services Department on a minimum 5 year basis and reviewed annually for impairment and material changes. The valuations were done on the basis of Existing Use Value, Market Value or, in the case of specialised properties on the basis of, Depreciated Replacement Cost in accordance with the RICS Valuation Standards. Valuations are reviewed and signed off by Richard Long FRICS (Registered Valuer), Head of Property Services. The carrying value of asset in the balance sheet ahead of new valuations can be different due to both Depreciation, an assumed diminution in value, as well as new capital spend.

The total value of Property, Plant & Equipment (PPE) amounted to £349.623m at 31st March 2015 compared to £342.250m at 31st March 2014. A decrease in value of PPE was due to a number of factors including revaluations; particularly for Council Offices coupled with the variation in leasing arrangements for Bath Sport Centre. In addition the movement in Assets Under Construction recognises that the Keynsham Civic Centre became operational in 2014-15 as well as various transport infrastructure schemes from the 'Bath Package' and major bridge works. A review of movements in indices of relevant asset prices (BCIS, IPD and a land index) was undertaken and was reflected in an additional upward movement of £15.304m. A reduction of £6.040m was made as a Prior Period Adjustment for Accounting for Schools policy change (see below).

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

NOTES TO MAIN FINANCIAL STATEMENTS

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

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

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

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

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

Depreciation is calculated on the following bases:

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

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

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

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

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

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

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

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

Charges to Revenue for Property, Plant & Equipment

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

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

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

NOTES TO MAIN FINANCIAL STATEMENTS

Revenue expenditure funded from capital by statute

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

Investment Property

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

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

In accordance with guidance, the Council values the entire Investment Estate Portfolio on an annual basis. Investment Properties are valued specifically at Market Value assuming the properties would be sold subject to any existing leases. The valuer's opinion was primarily derived using comparable recent market transactions on arm's length terms. For the financial year 2014/15 the value of the estate was £257.725m which is greater than the previous year's value of £231.814m. The change in the valuation is due to factors which include revaluations to current market values, the acquisition of Seven Dials and the retail investment element of the Keynsham Civic Centre becoming operational.

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

Heritage Assets

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

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

Museum Collections

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

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

Chandeliers

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

Statues and Monuments

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

Historical Buildings

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

Heritage Assets - General

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

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

NOTES TO MAIN FINANCIAL STATEMENTS

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

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

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

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss.

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

Cash & Cash Equivalents

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

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

Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

NOTES TO MAIN FINANCIAL STATEMENTS

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

Financial Liabilities

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

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

Financial Assets

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Account is the amount receivable for the year in the loan agreement.

The Council has no soft loans.

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

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

Available-for-sale Financial Assets

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

NOTES TO MAIN FINANCIAL STATEMENTS

Instruments Entered into Before 1 April 2006

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

Inventories and Work in Progress

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

Controlled Companies

The Authority has one controlled company - Bath Tourism Plus Ltd.

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

Contingent Liabilities

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

Accounting for Schools

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

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

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

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

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

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

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

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

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

The Council's adopted policy in the 2014-15 Financial Statements for the accounting treatment of Non-Current Assets Used by Local Authority Maintained Schools that fall within the Authority's boundary is as follows.

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

This policy resulted in £6.040m reduction in the value of non-current assets, made as a Prior Period Adjustment.

NOTES TO MAIN FINANCIAL STATEMENTS

Group Accounts

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

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

Joint Working Arrangements

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

Events After the Reporting Period

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

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

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

City Region Deal

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

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

Income

Income receivable by B&NES from the BRP is recognised as revenue in the year it occurs. Furthermore the Council will recognise revenue and a debtor balance to the extent that future EDF payments are receivable and 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.

NOTES TO MAIN FINANCIAL STATEMENTS

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

ADOPTED

The Code of Practice on Local Council Accounting in the United Kingdom 2015/16 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2015. If these had been adopted for the financial year 2014/15 there would be no material changes.

IFRS 13 Fair Value Measurement

This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have material impact on the Statement of Accounts due to the value of surplus assets held by the Authority.

IFRIC 21 Levies

This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises, or the levy is payable only if a threshold is reached, or both. The standard will not have a material impact on the Statement of Accounts.

Annual Improvements to the IFRS's (2011-2013 Cycle)

These improvements are minor, principally providing clarification, and will not have a material impact on the Statement of Accounts.

For 2012/13 this would result in a £3.0m expense increase in the Comprehensive Income & Expenditure Statement.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Future Funding Levels

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

The Authority's medium term financial planning process is based on the anticipated implications for the Authority although at this stage it is not possible to provide an indication if any of the Authority's assets might be impaired as a result of potentially needing to close facilities and reduce future levels of service provision.

West Of England Revolving Investment Fund

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

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

Bath Leisure Centre

The Bath Leisure Centre is built on land which is owned by Bath Recreation Ground Trust. No agreement was previously in place between the Council and the Trust, and based on the risks and rewards associated with the operation and use of the centre, it had remained on the Council's Balance sheet in previous years and has now been removed.

Property Valuations

Our Valuers confirmed the value for Other Land and Buildings to be £198.947m with a 15% tolerance (either way) of £169.947m to £228.789m. A review of movements in indices of relevant asset prices (BCIS, IPD and a land index) was undertaken and was further reflected in an additional upward movement of £15.304m. The authority is satisfied the value shown in its balance sheet of £234.602m for Other Land and Building is not materially different from the amount that would be given by a full valuation carried out on 31 March 2015. Other assets are valued at depreciated historical cost.

A new Policy for non-current Assets within the Property Plant and Equipment Land and Building Valuations required judgements under IAS 16 and 17 over the reporting of treatment Schools under the control of Trustees (typically Church Schools both voluntary aided and voluntary controlled). Of 36 Schools, 29 have school land and buildings with records indicating trustee control and 2 have converted to Academy. 5 schools have title transfers pending and remain valued as Council assets on balance sheet, although a further 22 schools have elements land still in Council ownership, usually playing fields. The new policy resulted in £6.04m reduction in asset value, made through a prior year adjustment.

City Region Deal

The Authority has determined that transactions occurring in respect of the City Regions Deal arrangement arise from non-exchange transactions (the collection of Non-Domestic Rates by the Authority) and so IPSAS 23 may be applied in accounting for them. The Authority's accounting policy and note to the Statement of Accounts are described in Notes 1 & 49 respectively.

NOTES TO MAIN FINANCIAL STATEMENTS

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

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

The items in the Authority's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

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

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

The liability as at 31st March 2015 is £226.409m.

Property, Plant and Equipment Values

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

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

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

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

To satisfy this requirement the Council's Property Services has undertaken a desktop re-valuation of the asset portfolio using national indices (BCIS, IPD & a Land Index) and also considered other local factors. As a result it was necessary to increase asset values by £15.304m.

The value of Property, Plant & Equipment shown in the Balance Sheet as at 31st March 2015 is £349.623m, (including Heritage Assets at £16.719m.)

NNDR Appeals

Since the introduction of the Business Rates Retention Scheme effective from 1st April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2014/15 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31st March 2015. The estimate has been calculated using the latest Valuation Office Agency (VOA) list of appeals and analysis of successful appeals to date. The Council's share of the balance of business rate appeals provisions held at 31st March 2015 amounted to £2.2m, this has increased by £647k from the previous year. If appeals were to increase by 10% then this could require an increase in the Council's share of its appeals provision by £221k.

5 MATERIAL ITEMS OF INCOME AND EXPENSE

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

6 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Divisional Director of Business Support & Chief Finance Officer (Section 151 Officer) on 28th September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this situation.

Academy Schools

These accounts reflect the appropriate transfer of assets and liabilities in respect of those schools which became Academies during the 2014/15 financial year.

St Johns Primary school Keynsham has formally requested permission to convert to an academy and, subject to approval, we would expect this to transfer during the financial year 2015/16. The timeframe for conversion could mean that several other schools may also convert during 2015/16, although formal applications have yet to be made.

NOTES TO MAIN FINANCIAL STATEMENTS

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2014/15	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000's	£'000's	£'000's	£'000's
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for depreciation of Non-Current Assets	17,217			(17,217)
Revaluation gains / Impairments on Property Plant & Equipment	21,694			(21,694)
Movements in the Market Value of Investment Properties	(15,569)			15,569
Amortisation of Intangible Assets	53			(53)
Capital Grants & contributions applied	(1,908)		-	1,908
Revenue expenditure funded from Capital under Statute	4,631			(4,631)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	17,368			(17,368)
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:				
Statutory provision for the financing of capital investment expenditure charged against the General Fund	(4,923)			4,923
Principal repayment of Avon Loan	(582)			582
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(14,032)		14,032	(1,878)
	(2,658)		1,878	2,658
Application of grants to capital financing transferred to the Capital Adjustment Account			(20,561)	20,561
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	(8,891)	8,891		
Use of the Capital Receipts Reserve to finance new capital expenditure		(9,024)		9,024
Capital expenditure financed from revenue	(1,005)			1,005
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	-	-		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		8		(8)
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6,712)			6,712
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	(170)			170
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	20,205			(20,205)
Employer's pensions contribution and direct payments to pensioners payable in the year	(15,345)			15,345
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	706			(706)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(382)			382
Other movements	(743)			743
Total Adjustments	8,954	(125)	(4,651)	(4,178)

NOTES TO MAIN FINANCIAL STATEMENTS

2013/14

	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000's	£'000's	£'000's	£'000's
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for depreciation and Impairment of Non-Current Assets	16,598			(16,598)
Revaluation gains on Property Plant & Equipment	13,765			(13,765)
Movements in the Market Value of Investment Properties	(8,076)			8,076
Amortisation of Intangible Assets	61			(61)
Capital Grants & Contributions Applied	(1,741)			1,741
Revenue expenditure funded from Capital under Statute	6,756			(6,756)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	15,381			(15,381)
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:				
Statutory provision for the financing of capital investment expenditure charged against the General Fund	(4,844)			4,844
Principal repayment of Avon Loan	(605)			605
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(15,414)		15,414	
Application of grants to capital financing transferred to the Capital Adjustment Account			1,587	(1,587)
			(16,721)	16,721
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,831)	3,831		
Use of the Capital Receipts Reserve to finance new capital expenditure		(10,221)		10,221
Capital expenditure financed from revenue	(1,390)			1,390
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	1	(1)		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		9		(9)
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	6,850			(6,850)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	21,242			(21,242)
Employer's pensions contribution and direct payments to pensioners payable in the year	(14,618)			14,618
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(531)			531
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	483			(483)
Other movements	2,445			(2,445)
Total Adjustments	32,532	(6,382)	280	(26,430)

NOTES TO MAIN FINANCIAL STATEMENTS

8 GENERAL FUND BALANCES AND RESERVES

This note sets out the amounts set-a-side from the general Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15.

Unearmarked Reserves	31 March 2014 £'000	transfers to £'000	transfers from £'000	31 March 2015 £'000
General Fund Balances unearmarked	10,472	4,881	(6,453)	8,900
Earmarked Reserves	31 March 2014 £'000	transfers to £'000	transfers from £'000	31 March 2015 £'000
LMS Schools Balances	3,185		(286)	2,899
Corporate Earmarked Reserves	36,365	10,507	(3,359)	43,513
Service Specific Reserves	101	237	(78)	260
General Service Earmarked Reserves	5,092	2,122	(251)	6,963
	44,743	12,866	(3,974)	53,635
Total General Fund Balances and Reserves	55,215	17,747	(10,427)	62,535
Other Usable Reserves				
Capital Receipts Reserve	375	8,899	(9,024)	250
Capital Grants Unapplied Reserve	13,123	15,909	(20,560)	8,472
Total Usable Reserves	68,716	42,555	(40,011)	71,260

LMS Schools balances will be used by individual schools

	31 March 2014 £'000	transfers to £'000	transfers from £'000	31 March 2015 £'000
Corporate Earmarked Reserves				
Insurance Fund	1,125	797	(302)	1,620
Capital Financing Reserve	3,406	2,607	-	6,013
Revenue Funding of capital	906	1,223	(1,675)	454
Financial Planning Reserve	5,695	1,101	(13)	6,783
Affordable Housing & Capital Development	3,000	-	-	3,000
Revenue Budget Contingency Reserve	1,920	583	(433)	2,070
Revenue Grants Unapplied	2,276	206	(106)	2,376
Transformation Investment Reserve	3,817	-	(230)	3,587
Restructuring & Severance Reserve	5,418	-	-	5,418
Dedicated Schools Grant Reserve	4,459	1,465	-	5,924
Business Rates Reserve	61	1,644	-	1,705
Other	4,282	881	(600)	4,563
	36,365	10,507	(3,359)	43,513

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

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

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

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

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

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

The Revenue Grants Unapplied Reserve is used to fund future costs where the revenue grant is received without any conditions, in advance of Service spend.

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

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

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

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

NOTES TO MAIN FINANCIAL STATEMENTS

	31 March 2014 £'000	transfers to £'000	transfers from £'000	31 March 2015 £'000
General Service Earmarked Reserves				
Information Technology Reserve	1,874	-	-	1,874
Finance VAT Advice Reserve	120	273	(122)	271
Leisure Reserves	-	671	(129)	542
CDSM Interpretation Centre Reserve	-	172	-	172
Adult Services Re-enablement (s256)	3,034	1,006	-	4,040
Other Service Reserves	64	-	-	64
	5,092	2,122	(251)	6,963

9 OTHER OPERATING EXPENDITURE

	2014/15 £'000	2013/14 £'000
(Gain)/Loss on disposal of non-current assets	2,050	12,317
Parish Precepts	2,159	2,045
Levy payments to joint bodies	226	217
Contribution to Housing Pooled Receipts	-	1
	4,435	14,580

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2014/15 £'000	2013/14 £'000
Interest Payable & Premiums	4,380	11,730
Interest & Investment Income	(23)	(222)
Net Deficit/(Surplus) on Trading Services	293	21
Income & expenditure in relation to Investment properties and changes in fair value	(29,746)	(22,213)
Net Interest on the Net Defined Benefit Liability (Asset)	7,000	8,786
	(18,096)	(1,898)

11 TAXATION AND NON-SPECIFIC GRANT INCOME

	2014/15 £'000	2013/14 £'000
Council Tax Income	(76,381)	(74,086)
Non -Domestic Rates Income & Expenditure	(19,822)	(19,715)
Non ring fenced government grants	(27,430)	(32,104)
Capital grants and contributions	(16,690)	(15,414)
	(140,323)	(141,319)

NOTES TO MAIN FINANCIAL STATEMENTS

12 PROPERTY, PLANT & EQUIPMENT

Movement in 2014/15:

	Other Land & Buildings	Community Assets	Infrastructure Assets	Veh'cls, Plant & Equipment	Assets Under Construction	Surplus Assets	Heritage Assets	Total Property Plant & Equipment £'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation as at 1 April 2014	214,772	2,318	98,467	23,246	41,923	12,553	17,899	411,178
Adjustment to opening balance	-	-	-	-	-	-	-	-
Additions	20,364	74	15,298	5,459	6,134	64	0	47,393
Revaluations increases/decreases recognised in the Revaluation Reserve	14,166	18	-	-	-	122	(1,180)	13,126
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(26,608)	(180)	(5)	(442)	(1)	3	-	(27,233)
De-recognition - Disposals	(8,988)	-	-	(976)	-	(8,983)	-	(18,947)
Assets reclassified to/from Held for sale	-	-	-	-	-	-	-	-
Reclassifications - other	20,896	-	3,017	2,874	(28,586)	(729)	-	(2,528)
Valuation as at 31 March 2015	234,602	2,230	116,777	30,161	19,470	3,030	16,719	422,989
Accumulated Depreciation and Impairment								
Accumulated depreciation as at 1 April 2014	(18,650)	(687)	(34,873)	(14,585)	-	(133)	-	(68,928)
Adjustment to opening balance	-	-	-	-	-	-	-	-
Depreciation charge in year	(5,984)	(149)	(8,749)	(2,301)	-	(35)	-	(17,218)
Depreciation written out to the Revaluation Reserve	4,039	-	-	-	-	33	-	4,072
Depreciation written out to the Surplus/Deficit on Provision of Services	5,593	-	-	-	-	-	-	5,593
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services*	-	-	-	-	-	-	-	-
De-recognition - disposals	2,298	-	-	633	-	15	-	2,946
Other Movements in Depreciation & Impairment	167	1	-	-	-	1	-	169
Accumulated depreciation at 31 March 2015	(12,537)	(835)	(43,622)	(16,253)	-	(119)	-	(73,366)
Balance sheet amount 31 March 2015	222,065	1,395	73,155	13,908	19,470	2,911	16,719	349,623

* Neither the property impairment review or the non-property impairment review resulted in any impairment loss in 2014/15. Therefore the figure shown is for gains only

Revaluations (GBV)

Carried at Historic Cost @ 31 March 2015	20,343	2,230	116,777	30,161	19,470	3,030	16,719	208,730
Valued at Fair value as at:								
31/03/15 (Indexation)	15,304	-	-	-	-	-	-	15,304
01/04/2014	78,426	-	-	-	-	-	-	78,426
01/04/2013	1,402	-	-	-	-	-	-	1,402
01/04/2012	12,217	-	-	-	-	-	-	12,217
01/04/2011	37,674	-	-	-	-	-	-	37,674
01/04/2010	69,236	-	-	-	-	-	-	69,236
Total Cost or Valuation	234,602	2,230	116,777	30,161	19,470	3,030	16,719	422,989

NOTES TO MAIN FINANCIAL STATEMENTS

Comparative Movements in 2013/14:

	Restated							Total
	Other Land & Buildings	Community Assets	Infrastructure Assets	Veh'cls, Plant & Equipment	Assets Under Construction	Surplus Assets	Heritage Assets	Property Plant & Equipment £'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation as at 1 April 2013	240,304	4,207	79,817	20,924	32,050	14,491	17,780	409,573
Adjustment to opening balance	(5,901)	(1,414)	(146)			(4,448)		(11,909)
Additions	4,405	133	9,819	1,893	19,771	143	69	36,233
Revaluations increases/decreases recognised in the Revaluation Reserve	296	-				4,568	-	4,864
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(14,551)					(88)		(14,639)
De-recognition - Disposals	(12,441)	(608)	-	(1)	-	(287)		(13,337)
Assets reclassified to/from Held for sale	(59)				-			(59)
Reclassifications - other*	2,719	-	8,977	430	(9,898)	(1,826)	50	452
Valuation as at 31 March 2014	214,772	2,318	98,467	23,246	41,923	12,553	17,899	411,178
Accumulated Depreciation and Impairment								
Accumulated depreciation as at 1 April 2013	(14,446)	(1,354)	(27,548)	(12,539)	-	(4,529)	-	(60,416)
Adjustment to opening balance	1,775	435				4,428		6,638
Depreciation charge in year	(6,993)	(193)	(7,325)	(2,047)		(38)		(16,596)
Depreciation written out to the Revaluation Reserve	142					5		147
Depreciation written out to the Surplus/Deficit on Provision of Services	875					-		875
Impairment losses/(reversals) recognised in the Revaluation Reserve								-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services	-					-		-
De-recognition - disposals	-	425		1		1		427
Other Movements in Depreciation & Impairment	(3)					-		(3)
Accumulated depreciation at 31 March 2014	(18,650)	(687)	(34,873)	(14,585)	-	(133)	-	(68,928)
Balance sheet amount 31 March 2014	196,122	1,631	63,594	8,661	41,923	12,420	17,899	342,250

Depreciation

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

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

NOTES TO MAIN FINANCIAL STATEMENTS

Effects of Changes in Estimates

In 2014/15 there were no material changes made to the Authority's accounting estimates for Property, Plant & Equipment.

Revaluations

The Council carries out a rolling programme that ensures all PPE required to be measured at fair value and where necessary valuations are carried out at least every five years. New valuations undertaken in 2014/15 were carried out externally to the value of £37.784m and internally to the value of £40.642m (total £78.426m). Existing valid valuations of £120.522m gives a total valuation of £198.947m. Valuations of land & buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The date of internal valuation is 1st April 2014, the external tranche at 31st March 2015 and any material changes throughout the year also have been valued at 31st March 2015. A review of movements in indices of relevant asset prices (BCIS, IPD and a land index) was undertaken and was further reflected in an additional upward movement of £15.304m

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

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

Capital Commitments

At 31 March 2015 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years estimated to cost £13.424m.

The major commitments are:

	2014/15 £'000	2013/14 £'000
Resources (Property) Schemes	527	7,632
Education & Children's Services	1,322	1,352
Customer Services System	167	-
Adult Services	790	-
BWR (Infrastructure & Affordable Housing)	3,963	1,898
Highways & Bridge Strengthening	3,956	1,805
Bath Transportation Package	-	5,050
Roman Bath - Temple Project	-	301
Waste Services	-	136
Neighbourhoods projects	331	270
Gypsy & Traveller's Site	-	19
London Road Regeneration	470	84
Radstock Regeneration	123	190
Bath Quays	350	222
Odd Down Sports Facilities	512	78
Rossiter Road	730	-
Other	183	-
Total	13,424	19,037

NOTES TO MAIN FINANCIAL STATEMENTS

13 HERITAGE ASSETS

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

2014/15 Cost or Valuation	Victoria Art Gallery £'000	Roman Baths £'000	Costume Museum £'000	Chandeliers £'000	Records Office £'000	Library £'000	Total £'000
1st April 2014	12,213	1,458	1,053	1,000	936	1,239	17,899
Additions		0					-
Disposals							-
Revaluations	(1,655)		475				(1,180)
Impairment Losses/(reversals) recognised in the Reval Reserve							-
Impairment Losses/(reversals) recognised in the Surplus or Deficit on Provision of Service							-
31st March 2015	10,558	1,458	1,528	1,000	936	1,239	16,719

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

2013/14 Cost or Valuation	Victoria Art Gallery £'000	Roman Baths £'000	Costume Museum £'000	Chandeliers £'000	Records Office £'000	Library £'000	Total £'000
1st April 2013	12,213	1,339	1,053	1,000	936	1,239	17,780
Additions		119					119
31st March 2014	12,213	1,458	1,053	1,000	936	1,239	17,899

2012/13 Cost or Valuation	Victoria Art Gallery £'000	Roman Baths £'000	Costume Museum £'000	Chandeliers £'000	Records Office £'000	Library £'000	Total £'000
1st April 2012	12,035	1,337	1,022	1,000	936	1,239	17,569
Additions	154	2	5				161
Impairment Reversals	24		26				50
31st March 2013	12,213	1,339	1,053	1,000	936	1,239	17,780

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

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

NOTES TO MAIN FINANCIAL STATEMENTS

14 INVESTMENT PROPERTIES

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

	2014/15	2013/14
	£'000	£'000
Rental Income from Investment Property	15,355	15,175
Direct operating expenses arising from Investment Property	(1,132)	(1,171)
Net gain/(loss)	14,223	14,004

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

	2014/15	Restated 2013/14
	£'000	£'000
Balance at start of year	231,077	222,680
Adjustment to opening balance		2,466
Additions of expenditure	9,076	712
Disposals	(221)	(2,011)
Net gains/losses from fair value adjustments	15,569	8,076
Transfer to/from Property, Plant & Equipment	2,224	(846)
Balance at end of the year	257,725	231,077

15 INTANGIBLE ASSETS

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

	2014/15	2013/14
	£'000	£'000
Cost or valuation as at 1 April	2,689	2,469
Purchases	244	220
Transfers	203	-
Cost or valuation as at 31 March	3,136	2,689
Accumulated depreciation as at 1 April	1,780	1,719
Depreciation for the period	53	61
Accumulated depreciation at 31 March	1,833	1,780
Net Carrying amount at 31 March	1,303	909

NOTES TO MAIN FINANCIAL STATEMENTS

16 FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost - loans	70,477	98,773	-	10,000
Accrued Interest (1)			863	1,041
Financial liabilities at amortised cost trade creditors			19,474	18,659
Total borrowings	70,477	98,773	20,337	29,700

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

	31 March 2014		31 March 2015	
	£'000	£'000	£'000	£'000
	Loans & receivables	-	-	69,584
Accrued Interest (1)			133	92
Cash			54	3,560
Loans & receivables - trade debtors			12,766	14,893
Total Investments	-	-	82,537	76,471

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

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

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

Financial Instruments Gains & Losses

	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	31 March 2014	31 March 2014		31 March 2015	31 March 2015	
	Liabilities measured at amortised cost	Loans & Receivables		Liabilities measured at amortised cost	Loans & Receivables	
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense *	(3,928)	-	(3,928)	(3,621)	-	(3,621)
Premium on Early Repayment of Debt	(7,019)	-	(7,019)	-	-	-
Interest payable & similar charges	(10,947)	-	(10,947)	(3,621)	-	(3,621)
Interest Income	-	222	222	-	23	23
Interest & investment Income	-	222	222	-	23	23
Net gain/(loss) for the Year	(10,947)	222	(10,725)	(3,621)	23	(3,598)

*The Authority also paid £1.34m (of which £0.58m related to principle), in respect of its share of debt relating to the former Avon County Council which is managed by Bristol City Council.

The decrease in interest income earned reflects the lower average interest rate earned on investments during 2014/15, along with the strategy of operating with a minimus cash balance.

NOTES TO MAIN FINANCIAL STATEMENTS

Fair value of assets and liabilities carried at amortised cost

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

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

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

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

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

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

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

The fair values calculated are as follows:

	31 March 2014		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities - PWLB Loans (Long Term Borrowing)	50,455	63,566	60,804	90,215
Financial Liabilities - Local & Police Authority Loans (Long Term Borrowing)	-	-	18,106	18,297
Financial Liabilities - Market Loans (Long Term Borrowing)	20,885	25,744	20,880	31,147
Total Long Term Borrowing	71,340	89,310	99,790	139,659
Financial Liabilities - Local & Police Authority Loans (Short Term Borrowing)	-	-	10,024	10,034
Financial Liabilities - trade creditors (see Note 22)	19,474	19,474	18,659	18,659
	90,814	108,784	128,473	168,352

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

The fair value as at 31st March 2015 on the Council's portfolio of loans is more than the carrying amount because the interest rate payable is higher than the premature repayment rates available for similar loans at the Balance Sheet date. This commitment to pay interest above market exit prices increases the amount that the Council would have to pay if it requested early repayment of the loan.

	31 March 2014		31 March 2015	
	£'000	£'000	£'000	£'000
Loans & Receivables - investments*	69,717	69,723	58,018	58,031
Cash	54	54	3,560	3,560
Loans & Receivables - trade debtors (see Note 19)	12,766	12,766	14,893	14,893

* The "Loans & Receivables - investments" figures above include those short-term investments classed as Cash Equivalents, as detailed in Note 20. This equated to **£16.529m** as at 31st March 2015, with the remaining **£41.489m** being short term investments. (£11.031m Cash Equivalents as at 31st March 2014, with £58.686m being short term investments).

The fair value of loans and receivables is slightly higher than the carrying amount as at 31st March 2015 due to fixed interest investments being held by the authority where the interest rate is higher than the prevailing rate estimated to be available on the balance sheet date.

Disclosure of nature and extent of risks arising from financial instruments

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

* credit risk - the possibility that other parties might fail to pay amounts due to the authority

* liquidity and refinancing risk - the possibility that the authority might not have funds available, or that it may have to borrow funds at a high rate of interest, to meet its financial obligations.

* market risk - the possibility that changes in market variables such as interest rates and asset prices may place an unexpected burden on the authority's finances.

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

NOTES TO MAIN FINANCIAL STATEMENTS

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. The Council's approved Treasury Management Strategy (as revised) for 2014/15 sets the minimum credit ratings for the banks and financial institutions with which deposits can be made. The minimum credit ratings were Long Term rating BBB+ or equivalent for UK banks and A for Foreign banks. The Council also set additional criteria in relation to the time limit and amount of monies which will be invested with financial institutions based on the level of their credit rating with a maximum lending limit of £15m restricted to UK banks and £7.5m for foreign banks. Investments in UK Building Societies that do not meet the above criteria are permitted provided they have a minimum asset size of £4bn and a long-term rating of BBB or above. These investments are subject to a lower cash limit and shorter time limit.

For operational reasons, the Treasury Management Strategy for 2014/15 permits the overnight use of the Council's current bank account provider (NatWest), subject to maintaining a credit rating of not lower than BBB-.

Investments in foreign countries will be limited to those that hold a AAA or AA+ sovereign credit rating from all three major credit rating agencies, and to a maximum of £20m per country for those rated AAA and £15 million per country. Banks that are domiciled in one country but are owned in another country will need to meet the rating criteria of and will count against the limit for both countries. There is no aggregate limit on investments in the UK.

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

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

	Amount at 31 March 2015	Historical Experience of default	Estimated maximum exposure to default & uncollectability
	£'000	%	£'000
Deposits with banks & financial institutions			
(grouped by LT credit rating):			
Government Debt Management Office & Local Authorities - AAA rated	42,015	0.33	139
Banks/Financial Institutions with lowest equivalent rating of AAA	1	0.34	0
Banks/Financial Institutions with lowest equivalent rating of AA	6,002	0.33	20
Banks/Financial Institutions with lowest equivalent rating of A	0	0.79	0
Banks/Financial Institutions with lowest equivalent rating of BBB	10,000	1.97	197
Total deposits with Banks & Financial Institutions	<u>58,018</u>	-	<u>355</u>
		2015	2014
Trade Debtors		14,893	12,766
Total debtors at 31st March including trade debtors		<u>29,455</u>	<u>22,975</u>

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

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

The authority does not generally allow credit for customers, such that the balance of £17.9m outstanding at 31st March 2015 is all past its due date for payment.

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

	2014/15 £'000's	2013/14 £'000's
Less than three months	11,376	10,891
Three to six months	623	291
Six months to one year	543	357
More than one year	<u>2,351</u>	<u>1,227</u>
	<u>14,893</u>	<u>12,766</u>

NOTES TO MAIN FINANCIAL STATEMENTS

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

	Amount at		Amount at	
	31 March 2015 £'000's	%	31 March 2014 £'000's	%
Loans & Receivables (Cash on Deposit) by Country Analysis				
UK Debt Management Office	526	0.9%	8,586	12.3%
UK Local Authorities	41,489	71.5%	50,096	71.9%
UK - Other Financial Institutions	10,001	17.2%	6,007	8.6%
Australia	-	0.0%	-	0.0%
Singapore	-	0.0%	-	0.0%
Sweden	6,002	10.3%	5,028	7.2%
Total	58,018	100%	69,717	100%

Liquidity and Refinancing Risk

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

The maturity analysis of borrowing is as follows:

	31 March 2014 £'000	31 March 2015 £'000
Borrowing due for repayment:		
Under 1 year *	20,477	30,473
Between 1 and 2 years	0	8,000
Between 2 and 5 years	0	10,000
Between 10 and 15 years	0	10,000
Between 15 and 20 years	15,000	20,300
Between 20 and 25 years	15,000	5,000
Between 40 and 45 years	0	5,000
Between 45 and 50 years	20,000	20,000
	70,477	108,773

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

The Council does hold £20m of borrowing through market loans called LOBOs (Lenders Option Borrowers Option) where, after an initial fixed interest period, the lender has six monthly options to increase the coupon rate of the loan (call date). If the lender decided to increase the coupon rate the Council would have the option to either agree to the increased rate or to repay the loan with no penalty charge. In the event that the Council decided to repay the loan and long term borrowing rates were unfavourable, it is likely that short term borrowing would be undertaken until long term rates return to target levels. The fixed interest period has passed on all loans and the lender has options to change the rate of interest in April and October of each year the loan continues.

* The Council's LOBO loans are included as maturing within 1 year in the table above as the CIPFA Treasury Management Code requires to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date (6 monthly). Therefore the treatment of this borrowing has changed from the 13/14 accounts, where they were in the 40-45 Year category for maturity date.

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

NOTES TO MAIN FINANCIAL STATEMENTS

Market Risk

Interest Rate Risk

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

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

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

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

For indication purposes, at 31st March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(183)
Impact on Income and Expenditure Account	(183)
Decrease in fair value of fixed rate investment assets (no impact on I & E)	225
Decrease in fair value of fixed rate borrowing liabilities (no impact on I & E)	18,655

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

Price Risk

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

Foreign Exchange Risk

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

17 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES & ESTIMATES & ERRORS

Voluntary Aided & Voluntary Controlled Schools

Prior Period Adjustments have been made to the Council's 2013/14 published Statement of Accounts in relation to the change in Accounting Policy for schools. The change in the Accounting Policy is explained in Note 1 above.

The Prior Period Adjustment of £6.040m reduction in non-current assets has been made to the Balance Sheet as at 31st March 2014, with a third balance sheet added for comparison.

Group Accounts

The adoption from 2014/15 of new IFRS Standard 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities, IAS27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures has meant that the Council has had to re-asses its position in respect of entities where it has an interest in some form, to determine if it is necessary to consolidate one or more entities into it's financial statements. Following this re-assessment, the Council has decided that existing arrangements fall outside the requirements of the new accounting standards and therefore that there are no changes required to the existing disclosures in relation to Group Accounts.

18 INVENTORIES

	Balance 2013/14 £'000	Purchases £'000	Recognised as expense in year £'000	Written off Balances £'000	Balance 2014/15 £'000
Consumable Stores	487	58	(109)		436
Client Services Work in Progress	26	-	-	(26)	-
Total Inventories	513	58	(109)	(26)	436

NOTES TO MAIN FINANCIAL STATEMENTS

19 DEBTORS

	2014/15 £'000	2013/14 £'000
Amounts falling due in one year:		
Central Government bodies	5,816	5,503
Other local authorities	1,417	16
NHS bodies	1,920	1,421
Other entities and individuals (Trade Debtors)	14,893	12,765
Other entities and individuals (Non-Trade Debtors)	1,328	469
Prepayments	4,081	2,801
Total - Current Assets	29,455	22,975
Amounts falling after one year:	£'000	£'000
Other entities and individuals	10,520	2,529
Total - Long Term Assets	10,520	2,529

20 CASH AND CASH EQUIVALENTS

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

	2014/15 £'000	2013/14 £'000
Cash held by the authority	83	92
Bank current accounts	3,477	(38)
Short-term deposits	16,529	11,031
Total cash and cash equivalents	20,089	11,085

21 ASSETS HELD FOR SALE

	Current		Non-Current	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Balance outstanding at start of year	449	0		
Assets newly classified as held for sale:	0	449		
Property, Plant & Equipment			-	-
Additions	-	-		
Revaluation gains/(losses)				
Assets declassified as held for sale:	-	-		
Assets sold	(449)	-		
Balance outstanding at year end	-	449	-	-

22 CREDITORS

	2014/15 £'000	2013/14 £'000
Central government bodies	47,942	62,187
Other local authorities	4,589	5,034
NHS bodies	717	1,083
Public corporations and trading funds	1	387
Other entities and individuals (Trade Creditors)	18,659	19,474
Other entities and individuals (Non-Trade Creditors)	17,285	9,291
Income Received in Advance	2,461	3,881
Pensions Fund	3,227	546
	94,881	101,883

Included in Central Government Bodies is £42m held on behalf of West of England's Revolving Investment Fund which will provide for future infrastructure works, and is described further in Note 46 (£54m in 2013/14).

NOTES TO MAIN FINANCIAL STATEMENTS

23 PROVISIONS FOR LIABILITIES

	31 March 2014	New Provisions	Utilised in Year	Written Back	31 March 2015
	£'000	£'000	£'000	£'000	£'000
Provisions comprise:					
Spa Right of Lights Provision	35	-	-	-	35
Provision for Child Care Costs	11	-	-	-	11
Chew Valley Bus Partnership	32	-	-	(32)	-
Children's Services Provision	32	-	-	-	32
Customer Services Provision	225	-	(225)	-	-
Social Services Pension Provision	327	-	-	-	327
Planning Provision	154	-	-	-	154
NNDR Appeals Provision	1,559	1,613	(966)	-	2,206
Land Charge Fee Provision	31	-	-	-	31
	2,406	1,613	(1,191)	(32)	2,796

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

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

24 UNUSABLE RESERVES

	2014/15 £'000	Restated 2013/14 £'000
Revaluation Reserve	89,701	80,167
Capital Adjustment Account	329,527	327,657
Deferred Capital Receipts Reserve	7,158	454
Financial Instruments Adjustment Account	(6,680)	(6,850)
Accumulated Absences Account	(1,054)	(1,436)
Pensions Reserve	(235,818)	(178,995)
Collection Fund Adjustment Account	979	1,685
Total Unusable Reserves	183,813	222,682

Revaluation Reserve

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

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

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

	2014/15 £'000	Restated 2013/14 £'000
Balance at 1 April	80,167	78,617
Adjustment to opening balance		
Upwards revaluation of assets	28,335	9,883
Downwards revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(11,063)	(4,873)
Impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	-
Transfer of depreciation on re-valued assets		(689)
Written Back on asset disposal and transfer	(7,738)	(2,771)
Impairment of fixed assets - transfer		
Balance at 31 March	89,701	80,167

NOTES TO MAIN FINANCIAL STATEMENTS

Capital Adjustment Account

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

The account contains accumulated gains and losses on Investment Properties.

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

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

	2014/15 £'000	2014/15 £'000	Restated 2013/14 £'000
Balance at 1 April		327,657	337,149
Adjustment to opening balance			
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	(17,217)		(16,598)
Revaluation losses on Property, Plant & Equipment	(21,694)		(13,765)
Amortisation of intangible assets	(53)		(61)
Revenue expenditure funded from capital under statute	(4,631)		(6,756)
Grant funding of revenue expenditure funded from capital under statute	1,908		1,741
		(41,687)	(35,439)
Adjusting amounts written out of the Revaluation Reserve			
Transfer of depreciation on re-valued assets		-	689
Transfer of revaluation reserve balance on asset disposal		7,738	2,771
Net written out amount of the cost of non-current assets consumed in the year		(33,949)	(31,979)
Capital financing applied in the year:			
Use of capital receipts reserve to finance new capital expenditure	9,024		10,221
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	21,341		15,133
Capital expenditure financed from revenue	1,005		1,390
Minimum Revenue Provision	4,923		4,844
		36,293	31,588
Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		15,568	8,076
Deferred liability - Repayment of Avon Loan Debt		582	605
Carrying value of fixed assets disposed of		(17,368)	(15,381)
Other movements		744	(2,401)
Balance at 31 March		329,527	327,657

Financial Instruments Adjustment Account

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

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

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

Discounts received have the opposite entries.

	2014/15 £'000	2014/15 £'000	2013/14 £'000
Balance at 1 April		(6,850)	-
Premiums incurred in year and charged to the Comprehensive Income & Expenditure Statement			(7,019)
Proportions of Premiums incurred to be charged against General Fund Balance in accordance with statutory requirements	170		169
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.		170	(6,850)
Balance at 31 March		(6,680)	(6,850)

NOTES TO MAIN FINANCIAL STATEMENTS

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2014/15 £'000	2013/14 £'000
Balance at 1 April	(178,995)	(220,475)
Remeasurements of the net defined benefit liability / (asset)	(51,963)	48,104
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	(20,205)	(21,242)
Employer's pensions contributions and direct payments to pensioners payable in the year	15,345	14,618
Balance at 31 March	(235,818)	(178,995)

Deferred Capital Receipts Reserve

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

	2014/15 £'000	2013/14 £'000
Balance at 1 April	454	463
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	6,712	
Transfer to the Capital Receipts Reserve upon receipt of cash	(8)	(9)
Balance at 31 March	7,158	454

Collection Fund Adjustment Account

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

	2014/15 £'000	2013/14 £'000
Balance at 1 April	1,685	1,154
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(706)	531
Balance at 31 March	979	1,685

Accumulated Absences Account

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

	2014/15 £'000	2014/15 £'000	2013/14 £'000
Balance at 1 April		(1,436)	(953)
Settlement or cancellation of accrual made at the end of the preceding year	1,436		953
Amounts accrued at the end of the current year	(1,054)		(1,436)
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		382	(483)
Balance at 31 March		(1,054)	(1,436)

NOTES TO MAIN FINANCIAL STATEMENTS

25 CASH FLOW STATEMENT

Note A to the cashflow statement	2014/15	2013/14
	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services	(1,634)	(30,202)
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>		
Depreciation	17,217	16,599
Impairment and downward valuations	21,694	13,765
Amortisation	53	61
Adjustment for internal interest charged	-	7,019
Adjustments for effective interest rates	1	(700)
Increase/Decrease in Interest Creditors	-	-
Increase/Decrease in Creditors	(7,859)	3,228
Increase/Decrease in Interest and Dividend Debtors	27	137
Increase/Decrease in Debtors	(10,190)	(1,295)
Increase/Decrease in Inventories	77	(62)
Pension Liability	(7,000)	(8,786)
Pension Fund Gains on Past Service Costs		
Contributions to/(from) Provisions	390	1,450
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	17,368	15,381
Movement in investment property values	(15,570)	(8,076)
Other movements	423	3,249
Total adjustments on the provision of services for non cash movements	16,631	41,970
 <u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>		
Capital Grants credited to surplus or deficit on the provision of services	(15,910)	(17,002)
Premiums or Discounts on the repayment of financial liabilities	(0)	7,019
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(15,612)	(3,830)
Total adjustments on the provision of services that are investing or financing activities	(31,522)	(13,813)
Net Cash Flows from Operating Activities	(16,525)	(2,045)

Note B to the Cash Flow Statement - Operating Activities (Interest)

	2014/15	2013/14
	£'000	£'000
Operating activities within the cashflow statement include the following cash flows relating to interest		
Ordinary interest received	23	222
Opening Debtor	39	171
Closing Debtor	(12)	(34)
Interest Received	50	359
Interest charge for year	(4,380)	(11,730)
Adjustment for difference between effective interest rates and actual interest payable		(700)
Adjustment for internal interest charged to balance sheet funds		7,019
Opening Creditor	-	-
Closing Creditor		
Interest Paid	(4,380)	(5,411)

NOTES TO MAIN FINANCIAL STATEMENTS

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

	2014/15 £'000	2013/14 £'000
Property, Plant and Equipment Purchased	(56,714)	(37,165)
Opening Capital Creditors	(7,928)	(6,858)
Closing Capital Creditors	7,913	7,928
Purchase of Property, Plant and Equipment, investment property and intangible assets	(56,729)	(36,095)
Purchase of short term investments	(84,654)	(155,934)
Long term loans granted	-	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	7,732	2,459
Proceeds from short term investments	101,851	219,772
Other capital cash receipts	1,968	458
Capital Grants Received	16,218	19,281
Other Receipts from Investing Activities	18,186	19,739
Total Cash Flows from Investing Activities	(13,614)	49,941

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

	2014/15 £'000	2013/14 £'000
Cash receipts of long term borrowing	38,474	7,019
Billing Authorities - Council Tax and NNDR adjustments	566	691
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	685	1,077
Repayment of Short-Term and Long-Term Borrowing	(582)	(57,624)
Payments for the reduction of a finance lease liability	-	-
Total Cash Flows from Financing Activities	39,143	(48,837)

Note E - Makeup of Cash and Cash Equivalents

	2014/15 £'000	2013/14 £'000
Cash and Bank Balances	3,560	54
Cash Investments - regarded as cash equivalents	16,529	11,031
Bank Overdraft	-	-
	20,089	11,085

NOTES TO MAIN FINANCIAL STATEMENTS

26 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

Portfolio Income & Expenditure 2014/15

	Transport	Early Years Children & Youth	Wellbeing	Leader
	£'000	£'000	£'000	£'000
Fees, charges & other income	(22,428)	(15,150)	(44,915)	(5,351)
Government grants	(1,101)	(84,616)	(8,394)	(1,386)
Total Income	(23,529)	(99,766)	(53,309)	(6,737)
Employee expenses	7,524	67,170	4,153	8,238
Other service expenses	20,092	45,808	98,927	5,780
Support service recharges	2,068	10,194	5,918	900
Total Expenditure	29,684	123,172	108,998	14,918
Net Expenditure	6,155	23,406	55,689	8,181

	Neighbourhoods	Sustainable Development	Community Resources	Homes & Planning	Total
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other income	(9,561)	(18,053)	(39,588)	(3,221)	(158,267)
Government grants	(1,361)	(191)	(60,382)	(10)	(157,441)
Total Income	(10,922)	(18,244)	(99,970)	(3,231)	(315,708)
Employee expenses	12,248	4,979	17,449	4,720	126,481
Other service expenses	17,185	6,477	80,254	1,387	275,910
Support service recharges	3,097	4,353	6,325	1,096	33,951
Total Expenditure	32,530	15,809	104,028	7,203	436,342
Net Expenditure	21,608	(2,435)	4,058	3,972	120,634

Portfolio Income & Expenditure 2013/14

	Transport	Early Years Children & Youth	Wellbeing	Leader
	£'000	£'000	£'000	£'000
Fees, charges & other income	(22,845)	(14,349)	(41,639)	(5,625)
Government grants	(764)	(83,512)	(7,388)	-
Total Income	(23,609)	(97,861)	(49,027)	(5,625)
Employee expenses	8,209	69,123	3,717	7,700
Other service expenses	19,854	45,509	94,216	7,143
Support service recharges	2,605	7,391	7,195	948
Total Expenditure	30,668	122,023	105,128	15,791
Net Expenditure	7,059	24,162	56,101	10,166

	Neighbourhoods	Sustainable Development	Community Resources	Homes & Planning	Total
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other income	(6,435)	(18,074)	(35,089)	(3,219)	(147,275)
Government grants	(1,275)	(36)	(57,311)	(40)	(150,326)
Total Income	(7,710)	(18,110)	(92,400)	(3,259)	(297,601)
Employee expenses	11,768	5,344	16,933	4,467	127,261
Other service expenses	14,063	6,544	75,062	1,800	264,191
Support service recharges	2,886	4,072	4,770	824	30,691
Total Expenditure	28,717	15,960	96,765	7,091	422,143
Net Expenditure	21,007	(2,150)	4,365	3,832	124,542

NOTES TO MAIN FINANCIAL STATEMENTS

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

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

	2014/15 £'000	2013/14 £'000
Net expenditure in the portfolio analysis	120,634	124,542
Net expenditure of services and support services not included in the analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	36,326	29,583
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(1,342)	4,714
Cost of Services in Comprehensive Income and Expenditure Statement	155,618	158,839

Reconciliation to Subjective Analysis

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

2014/15	Portfolio Analysis	Services & Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(158,267)		-	(830)	50,139	(108,958)	-	(108,958)
Interest & Investment income				23		23	(23)	-
Income from council Tax				14,223		14,223	(29,746)	(15,523)
Government grants & contributions	(157,441)			2,821		(154,620)	(140,323)	(294,943)
Total Income	(315,708)	-	-	16,237	50,139	(249,332)	(170,092)	(419,424)
Employee expenses	126,481		(2,639)	(1,053)		122,789	7,000	129,789
Other service expenses	275,910			(6,245)		269,665	293	269,958
Support service recharges	33,951				(50,139)	(16,188)		(16,188)
Depreciation, amortisation & impairment			17,271			17,271		17,271
Interest payments				21,694		21,694		21,694
Precepts & levies								
Payments to housing								
Capital Receipts Pool								
Gain or loss on disposal of Fixed Assets							4,380	(5,675)
							2,385	2,159
							2,050	2,050
Total Expenditure	436,342	-	36,326	(17,579)	(50,139)	404,950	16,108	421,058
Surplus or deficit on the provision of services	120,634	-	36,326	(1,342)	-	155,618	(153,984)	1,634

NOTES TO MAIN FINANCIAL STATEMENTS

2013/14	Portfolio Analysis	Services & Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(147,275)				35,248	(112,027)		(112,027)
Interest & Investment income				222		222	(222)	-
Income from council Tax				14,004		14,004	(22,213)	(8,209)
Government grants & contributions	(150,326)					(150,326)	(141,319)	(291,645)
Total Income	(297,601)	-	-	14,226	35,248	(248,127)	(163,754)	(411,881)
Employee expenses	127,261		(1,764)	2,456		127,953	8,786	136,739
Other service expenses	264,191		925	(21)		265,095	2,283	267,378
Support service recharges	30,691				(35,248)	(4,557)		(4,557)
Depreciation, amortisation & impairment			16,657			16,657		16,657
Interest payments						13,765		13,765
Precepts & levies				(11,730)		(11,730)	11,730	-
Payments to housing				(217)		(217)		(217)
Capital Receipts Pool							1	1
Gain or loss on disposal of Fixed Assets							12,317	12,317
Total Expenditure	422,143	-	29,583	(9,512)	(35,248)	406,966	35,117	442,083
Surplus or deficit on the provision of services	124,542	-	29,583	4,714	-	158,839	(128,637)	30,202

27 TRADING OPERATIONS

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

	2014/15 Income £'000	2014/15 Expend £'000	Deficit/ (Surplus) £'000	2013/14 £'000
School and Other Catering	3,755	4,062	307	106
Cleaning Services	1,016	813	(203)	11
Fleet Management	2,250	2,546	296	237
Passenger Transport Services	5,395	5,750	355	120
Trade Refuse Collection	692	563	(129)	(146)
Building Maintenance	112	112	0	(6)
Print Services	509	498	(11)	30
Bath Museum Shops	2,279	1,957	(322)	(331)
Surplus for Year	16,008	16,301	293	21

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

	2014/15 £'000	2013/14 £'000
Net surplus on trading operations	293	21
Services to the public included in Expenditure of Continuing Operations	(96)	(363)
Support services recharged to Expenditure of Continuing Operations	389	384
Net Surplus credited to Other Operating Expenditure	293	21

NOTES TO MAIN FINANCIAL STATEMENTS

28 POOLED FUNDING

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

Adult Learning Difficulties

	2014/15 £'000	2013/14 £'000
Balance Brought Forward from previous year	-	-
Gross Funding		
Bath & North East Somerset Council	18,557	18,941
Bath & North East Somerset Clinical Commissioning Group	5,401	4,643
Income from Client Contributions	1,468	1,604
Interest on External Funding Balances	18	23
Total Funding	25,444	25,211
Total Expenditure	25,444	25,211
Net Underspend /over spend	-	-

Community Equipment

	2014/15 £'000	2013/14 £'000
Gross Funding		
Bath & North East Somerset Council	232	433
Bath & North East Somerset Clinical Commissioning Group	473	307
Interest on External Funding Balances & Fees	-	2
Total Funding	705	742
Spend on community equipment	705	742
Total Expenditure	705	742

Children and Young People with Multiple and Complex Needs

	2014/15 £'000	2013/14 £'000
Gross Funding		
Bath & North East Somerset Council	2,487	2,484
Bath & North East Somerset Primary Care Trust	392	131
Total Funding	2,879	2,615
Total Expenditure	2,460	2,462
Net Underspend / (overspend)	419	153

NOTES TO MAIN FINANCIAL STATEMENTS

29 MEMBERS' ALLOWANCES

The total cost of Members Allowances for 2014/15 including employers national insurance, pensions contributions and expenses was £906,263 (£937,738 in 2013/14).

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

		Basic & Special Allowance	Expenses	Total
		£	£	£
ALLEN	S	26,177	-	26,177
ANKETELL-JONES	PM	11,086	82	11,167
APPLEYARD	R	8,636	-	8,636
BALL	S	7,852	260	8,112
BALL	TM	26,177	591	26,768
BARRETT	CV	7,852	82	7,934
BEATH	CE	10,232	-	10,232
BELLOTTI	DF	26,177	1,063	27,240
BEVAN	SF	10,062	428	10,489
BLANKLEY	MP	7,852	-	7,852
BRETT	LJ	13,777	1,472	15,249
BRINKHURST	L	7,852	46	7,898
BULL	JA	16,192	39	16,231
BUTTERS	TN	8,793	-	8,793
CHALKER	BA	8,072	-	8,072
CLARKE	AK	7,852	-	7,852
COOMBES	NJ	7,852	-	7,852
CROSSLEY	PN	38,367	774	39,142
CURRAN	GF	21,607	-	21,607
DAVIS	S	15,332	-	15,332
DEACON	DE	7,852	36	7,887
DIXON	D	26,177	120	26,297
EDWARDS	PM	7,852	126	7,978
EVANS	M	7,852	288	8,140
FOX	PJ	12,339	8	12,347
FURSE	AJ	7,852	-	7,852
GAZZARD	T	6,760	-	6,760
GERRISH	CD	11,443	533	11,976
GILCHRIST	IA	13,040	118	13,158
HAEBERLING	F	7,852	-	7,852
HALE	AD	7,852	-	7,852
HALL	KF	9,032	70	9,102
HARDMAN	EJ	8,900	269	9,169
HARTLEY	N	8,264	120	8,384
HEDGES	SP	10,192	-	10,192
JACKSON	EM	14,548	338	14,885
KEW	LJ	7,852	1,300	9,152
LAMING	DW	9,384	-	9,384
LEES	MJH	7,852	-	7,852
LONGSTAFF	M	15,332	-	15,332
MACRAE	BJ	7,852	-	7,852
MARTIN	DJ	8,202	-	8,202
MOSS	R	17,127	538	17,665
MYERS	P	7,852	-	7,852
NICOL	D	7,852	359	8,211
ORGAN	BS	7,852	-	7,852
PLAYER	J	7,852	-	7,852
PRITCHARD	VL	15,332	2,162	17,494
RICHARDSON	EA	7,852	-	7,852
RIGBY	A	12,829	-	12,829
ROBERTS	CM	26,177	108	26,285
ROBERTS	N	7,852	-	7,852
ROMERO	UM	26,177	224	26,401
SANDRY	WA	7,852	-	7,852
SIMMONS	B	7,852	-	7,852
SIMMONS	KS	7,852	-	7,852
SPARKS	J	7,852	-	7,852
STEVENS	BCD	26,285	275	26,560
SYMONDS	RA	9,855	664	10,518
VEAL	M	16,125	-	16,125
VEALE	DJ	7,852	333	8,185
WARD	G	7,852	-	7,852
WARREN	T	18,750	673	19,423
WATT	C	7,852	85	7,937
Total		782,812	13,582	796,394

NOTES TO MAIN FINANCIAL STATEMENTS

30 OFFICER REMUNERATION

Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2015

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total
	£	£	£	£	£
Chief Executive - Jo Farrar	150,000	1,097		31,500	182,597

Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2015

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total
	£	£	£	£	£
Strategic Director - People & Communities	130,000	1,978	630	27,300	159,908
Strategic Director of Resources	120,000	798	670	25,200	146,668
Strategic Director for Place	120,000	489	-	25,200	145,689
Director of Public Health	122,654	-	1,643	17,171	141,468
Monitoring Officer & Divisional Director	97,761	-	630	20,530	118,921
Divisional Director - Finance & Business Support	106,761	21	205	22,420	129,407

Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2014

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total
	£	£	£	£	£
Chief Executive - Jo Farrar	150,000	1,393		28,500	179,893

Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2014

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total
	£	£	£	£	£
Strategic Director - People & Communities	130,000	2,459	963	24,700	158,122
Strategic Director of Resources	120,000	891	320	22,800	144,011
Strategic Director for Place	120,968	165	-	22,984	144,117
Director of Public Health	101,901	1,316	7,000	14,266	124,483
Monitoring Officer & Divisional Director	97,275	-	963	18,482	116,720
Divisional Director - Finance & Business Support	97,275	125	205	18,482	116,087

NOTES TO MAIN FINANCIAL STATEMENTS

31 EMPLOYEES EMOLUMENTS

The Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2014/15	2014/15	2014/15	2013/14	2013/14	2013/14
	Teachers	Others	Total	Teachers	Others	Total
£50,000 - £54,999	23	37	60	20	35	55
£55,000 - £59,999	8	8	16	13	12	25
£60,000 - £64,999	9	4	13	13	5	18
£65,000 - £69,999	5	2	7	6	3	9
£70,000 - £74,999	1	6	7	2	4	6
£75,000 - £79,999	-	9	9	-	7	7
£80,000 - £84,999	1	5	6	1	2	3
£85,000 - £89,999	-	3	3	1	4	5
£90,000 - £94,999	1	2	3	1	3	4
£95,000 - £99,999	-	5	5	-	3	3
£100,000 - £104,999	-	1	1	-	-	-
£105,000 - £109,999	-	1	1	-	2	2
£110,000 - £114,999	-	1	1	-	1	1
£115,000 - £119,999	-	-	-	-	-	-
£120,000 - £124,999	-	3	3	-	2	2
£125,000 - £129,999	-	2	2	-	1	1
£130,000 - £134,999	-	-	-	-	-	-
£135,000 - £139,999	-	-	-	-	-	-
£140,000 - £144,999	-	-	-	-	-	-
£145,000 - £149,999	-	-	-	-	-	-
£150,000 - £154,999	-	1	1	-	1	1
£155,000 - £159,999	-	-	-	-	-	-
£160,000 - £164,999	-	-	-	-	-	-
£165,000 - £169,999	-	-	-	-	-	-
£170,000 - £174,999	-	-	-	-	1	1
£175,000 - £179,999	-	-	-	-	-	-
£180,000 - £184,999	-	1	1	-	-	-
£185,000 - £189,999	-	-	-	-	1	1
	48	91	139	57	87	144

The above totals include 14 staff who would not have been included in the note if it were not for one-off severance payments (16 staff in 2013/14). This included 0 in the Teacher category (3 in 2013/14) and 14 in the Others category (13 in 2013/14).

The list above includes Senior Officers, who are also listed separately in Note 30.

32 EXIT PACKAGES

The Authority terminated the contracts of a number of employees in 2014/15, incurring liabilities of £0.889m (£3.3m in 2013/14). This amount recognises the on-going impact of the financial challenge across the Council as it seeks to deliver the savings required to balance its budget.

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

Exit Package Cost Band (incl. Special Payments)	2014/15	2014/15	2014/15	2013/14	2013/14	2013/14
	Number of Compulsory Redundancies	Number of Other Exits Agreed	Total Cost £	Number of Compulsory Redundancies	Number of Other Exits Agreed	Total Cost £
£0 - £20,000	-	22	153,577	5	42	388,534
£20,001 - £40,000	-	7	214,292	3	26	836,809
£40,001 - £60,000	-	7	349,234	4	13	807,039
£60,001 - £80,000	-	1	71,984	-	7	481,943
£80,001 - £100,000	-	-	0	1	3	346,653
£100,001 - £150,000	-	1	100,101	-	2	279,226
£150,001 - £200,000	-	-	0	-	-	0
£200,001 - £250,000	-	-	0	-	1	205,779
	0	38	889,188	13	94	3,345,983

NOTES TO MAIN FINANCIAL STATEMENTS

33 EXTERNAL AUDIT COSTS

The Council has incurred the following fees payable to its auditors, Grant Thornton UK LLP	2014/15 £'000	2013/14 £'000
Fees payable with regard to external audit services	164	164
Fees payable for the certification of grant claims and returns	18	20
Fees payable for other services during the year	8	8
	190	192

In addition, the Council received a rebate from the Audit Commission of £14,050 relating to fees paid for the 2012/13 audit.

34 DEDICATED SCHOOLS GRANT

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

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped to by the Department to fund academy schools in the council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2014/15 are as follows:

	2014/15 Central Expenditure £'000	2014/15 Individual Schools Budget £'000	2014/15 Total £'000	2013/14 Total £'000
Final DSG for before Academy recoupment			118,341	116,849
Academy figure recouped			44,463	41,587
Total DSG after Academy recoupment			73,878	75,262
<i>plus</i> Brought forward from previous year			4,459	3,785
<i>less</i> Carry forward into future year agreed in advance				
Final budget distribution	27,784	50,553	78,337	79,047
In-Year Adjustment*	41		41	
<i>less</i> Actual central expenditure	21,781		21,781	23,016
<i>less</i> Actual ISB deployed to schools	-	50,673	50,673	51,572
<i>plus</i> Local authority contribution for year			-	-
Carry forward	6,044	(120)	5,924	4,459

* Notification was received from the Department for Education after the closing of our accounts of an amendment to our Dedicated Schools Grant - Early Years Block, increasing the allocation by £41,000.

35 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

Credited to Taxation and Non Specific Grant Income	2014/15 £'000	2013/14 £'000
Council Tax Income	76,381	74,086
Revenue Support grant	26,469	31,106
Contribution from the Non-Domestic Rate Pool	19,822	19,715
Local Services Support Grant	163	208
Council Tax Freeze Grant	798	790
Department for Education	3,362	3,386
Department of Transport	7,402	9,999
Department of Health	400	204
Other	1,481	1,690
Third party contributions	1,387	133
Section 106 Developer Contributions	2,658	573
	140,323	141,890

NOTES TO MAIN FINANCIAL STATEMENTS

Credited to Services

Education Services Grant	1,922	2,027
Education Funding Agency (incl. Universal Infant Free School Meals)	2,525	1,210
Pupil Premium Grant	3,331	2,352
Mandatory rent allowances	54,030	51,658
Public Health Grant	7,384	7,184
Department of Health	911	516
National Treatment Agency	-	64
Department of Transport	1,056	740
DCLG	3,723	3,549
New Homes Bonus Grant	2,665	1,977
Other	7,224	4,443
Third party contributions	507	296
Section 106 Developer Contributions	30	153
	85,308	76,169

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

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

Current Liabilities

	2014/15	2013/14
	£'000	£'000
Grants Receipts In Advance (Capital Grants)		
Section 106 Developer Contributions	1,130	2,231
Various Capital Grants	637	1,020
Total	1,767	3,251

Grants Receipts In Advance (Revenue Grants)

Various Service Grants	2,274	2,201
Total	2,274	2,201

Long-Term Liabilities

	2014/15	2013/14
	£'000	£'000
Grants Receipts In Advance (Capital Grants)		
Section 106 Developer Contributions	3,677	4,469
Total	3,677	4,469

NOTES TO MAIN FINANCIAL STATEMENTS

36 RELATED PARTIES

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

Central Government

Central UK Government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 26 on reporting for resources allocation decisions.

Pension Fund

Details of Contributions to the Avon Pension Fund are shown in note 41. As administering body to the Fund, the Council charges the fund for the direct costs of £1,451,146 (£1,440,124 13/14) and support services costs of £407,155 (£412,510 13/14) provided. Five B&NES Councillors are voting members on the Pensions Committee.

West of England Partnership

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

Bath Tourism Plus

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

Members & Officers

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

Two Members are members of the Bath Recreation Ground Trust.

Thirteen Members are Parish / Town Councillors

One Member is on the Board of Curo

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

The Council made payments of £223,154 (£421,180 13/14) to voluntary bodies and organisations where members have an interest (either due to a Council nomination or in an independent capacity).

The Council is in partnership with the NHS B&NES Clinical Commissioning Group to commission adult social care, health and housing services (previously with the PCT until 31st March 2013 prior to the enactment of the Health & Social Care Act 2012). Community Health & Social Care services, previously delivered through the partnership between the Council and PCT, transferred to Sirona care & health CIC (Community Interest Company) in October 2011 under a "tri-partite" contract between the Council, PCT and Sirona, with the Council acting as lead commissioner for this contract. Relevant elements of the Council's budget are reported to the Health & Wellbeing Board. The Board is Chaired by the Cabinet Member for Wellbeing and the Council Chief Executive and Councillors are on the Board.

NOTES TO MAIN FINANCIAL STATEMENTS

37 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

Capital expenditure on fixed assets was as follows:	2014/15	2013/14
	£'000	£'000
School Improvements	4,745	2,536
Highways / Road Safety & Bridge Strengthening	15,381	6,053
Keynsham Redevelopment Project	10,221	14,851
Capitalised Buildings Maintenance	1,764	2,113
Western Riverside Project	48	1,497
Bath Transport Package - Main Scheme	4,750	3
Odd Down Playing Sports Facilities	2,049	-
Gypsy & Traveller Site	1,125	-
Acquisition - Seven Dials	8,651	-
Other	9,195	10,112
	57,929	37,165

(excludes Revenue expenditure funded from capital under statute)

Capital Expenditure was categorised as follows:

	2014/15	2013/14
	£'000	£'000
Property, plant and equipment	41,259	16,393
Investment properties	9,076	712
Intangible assets	244	220
Heritage Assets	-	69
Assets under construction	6,135	19,771
Non Current Assets held for sale	-	-
Capital Loans	1,215	650
Revenue expenditure funded from capital under statute	4,631	6,757
Total expenditure	62,560	44,572

Sources of finance:

Capital Receipts	9,024	10,221
Grants	19,009	16,277
Borrowing	29,282	16,086
3rd Party Contributions	1,551	445
Revenue	1,005	817
S.106 contributions	2,689	726
Total financing	62,560	44,572

NOTES TO MAIN FINANCIAL STATEMENTS

Capital Financing Requirement

	2014/15 £'000	2013/14 £'000
Opening Capital Financing Requirement	153,025	141,783
Capital Investment	62,560	44,572
Sources of Finance:		
Capital Receipts	(9,024)	(10,221)
Government grants & other contributions	(23,249)	(17,448)
Sums set aside from revenue (including MRP)	(5,928)	(5,661)
Closing Capital Financing Requirement	<u>177,384</u>	<u>153,025</u>
Increase in underlying need to borrow unsupported by Government financial assistance	29,282	16,086
Less minimum revenue provision repayment	(4,923)	(4,844)
Increase / (decrease) in Capital Financing Requirement	<u>24,359</u>	<u>11,242</u>

38 LEASES

Authority as Lessee

Finance Leases

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

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

	2014/15 £'000	2013/14 £'000
Other Land & Buildings	2,446	2,430
Vehicles, Plant & Equipment	-	17
	<u>2,446</u>	<u>2,447</u>

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

Operating Leases

The Council uses vehicles and other equipment financed under the terms of various operating leases. The lease rentals paid in 2014/15 were £197,931 (£73,792 in 2013/14).

The future payments required under these leases are £1,393,606, comprising the following elements:

	2014/15 £'000	2013/14 £'000
Not later than one year	125	371
Later than one year and not later than five years	1,269	1,962
Later than five years	-	1
	<u>1,394</u>	<u>2,334</u>

The Council holds property leases which are operating leases. The amount paid in rent for 2014/15 was £692,350 (2013/14 was £818,630).

The future commitments required under these leases in 2014/15 are £410,910, comprising the following elements:

	2014/15 £'000	2013/14 £'000
Not later than one year	322	694
Later than one year and not later than five years	89	411
Later than five years	-	-
	<u>411</u>	<u>1,105</u>

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

NOTES TO MAIN FINANCIAL STATEMENTS

Authority as Lessor

Finance Leases

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

Operating Leases

The Authority leases out a large number of investment properties.

Rental income receivable from operating property leases totalled £14,233,622 (£14,119,570 in 2013/14).

The net book value of these properties is £257,725,133 (£231,814,119 in 2013/14).

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

	2014/15	2013/14
	£'000	£'000
Not later than one year	4,553	3,196
Later than one year and not later than five years	2,341	3,761
Later than five years	7,340	7,163
	<u>14,234</u>	<u>14,120</u>

39 EXCEPTIONAL ITEMS

There were no exceptional items in 2014/15.

40 PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTIONS SCHEMES

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes.

In 2014/15 the council paid £3.889m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £4.110m and 14.1%. There were no contributions remaining payable at the year end.

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

NOTES TO MAIN FINANCIAL STATEMENTS

41 PARTICIPATION IN PENSIONS SCHEMES

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

The Council participates in two pension schemes:

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

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

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

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

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

The Pension Liability as at 31st March 2015 has been reduced by the total £14.042m payment, and the full amount was reflected in the actuarial valuation as at 31st March 2015. However, only the £4.633m relating to 2014/15 has been charged to the General Fund in the 2014/15 Statement of Accounts, with the future years' amounts not yet credited to the Pensions Reserve. The payments relating to 2015/16 and 2016/17 will be credited to the Pension Reserve and charged to the General Fund in the years to which the payment relates, via the Movement In Reserves Statement.

The result of this is that the Pensions Liability and the Pensions Reserve will not self-balance until the end of 2016/17, by when the full £14.042m payment will have been charged to the General Fund.

Transactions relating to post-employment benefits

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

NOTES TO MAIN FINANCIAL STATEMENTS

	Local Government Pension Scheme		Unfunded Liabilities (Teachers) Discretionary Benefits	
	2014/15	2013/14	2014/15	2013/14
Comprehensive Income and Expenditure Statement	£'000	£'000	£'000	£'000
<i>Cost of Services:</i>				
Current Service Costs	12,323	13,013	-	-
Past Service Cost	-	-	-	-
Settlement and Curtailment (Gain) / Loss	650	(778)	-	-
Administration Expenses	232	221	-	-
<i>Financing and Investment Income & Expenditure:</i>				
Net Interest Expense	6,042	7,856	958	930
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	19,247	20,312	958	930
<i>Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement</i>				
Remeasurement of the net defined benefit liability:				
Return on plan assets (excluding the amount included in the net interest expenses)	-	(12,886)	-	(731)
Actuarial gains and losses arising on changes in demographic assumptions	-	(2,822)	-	76
Actuarial gains and losses arising on changes in financial assumptions	89,650	(32,910)	1,951	(1,528)
Total Remeasurements	89,650	(48,618)	1,951	(2,183)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	108,897	(28,306)	2,909	(1,253)
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	19,247	20,312	958	930
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	23,153	13,024	-	-
less upfront deficit payment for 2015/16 & 2016/17	(9,409)	-	-	-
	(2,257)	(2,247)	-	-
Retirement benefits payable to pensioners			24,383	23,075

NOTES TO MAIN FINANCIAL STATEMENTS

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

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

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		(Teachers) Discretionary Benefits	
	2014/15	2013/14	2014/15	2013/14
	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	683,245	573,606	24,383	23,075
Fair value of plan assets	(481,219)	(417,686)	-	-
Net liability arising from defined benefits obligation	202,026	155,920	24,383	23,075

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		(Teachers) Discretionary Benefits	
	2014/15	2013/14	2014/15	2013/14
	£'000	£'000	£'000	£'000
Opening Balance at 1 April	573,606	600,996	23,075	25,922
Current service cost	12,323	13,013		
Interest cost	24,846	24,866	958	930
Contributions from scheme participants	3,904	3,674		
Actuarial gains and losses	89,650	(48,618)	1,951	(2,183)
Benefits paid	(21,734)	(19,431)	(1,601)	(1,594)
Past service costs	650	(894)	-	-
Past service gain	-	-	-	-
Closing Balance at 31 March	683,245	573,606	24,383	23,075

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

	Local Government Pension Scheme	
	2014/15	2013/14
	£'000	£'000
Opening Fair Value of scheme assets at 1 April	417,686	406,443
Interest on Plan Assets	18,804	17,010
Remeasurement Gain (Loss)	39,638	(2,697)
Administration Expenses	(232)	(221)
Contributions from employer	23,153	13,024
Contributions from employees into the scheme	3,904	3,674
Benefits paid	(21,734)	(19,547)
Closing Balance at 31 March	481,219	417,686

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

The actual return on scheme assets in the year was £58.442m (2013/14 £27.602m).

Scheme History

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:						
Local Government Pension Scheme	(503,953)	(489,340)	(524,107)	(600,996)	(573,606)	(683,245)
Discretionary Benefits	(24,223)	(22,079)	(23,625)	(25,922)	(23,075)	(24,383)
Fair value of assets in the Local Government Pension Scheme	334,613	357,115	362,458	406,443	417,686	481,219
Surplus/(deficit) in the scheme:						
Local Government Pension Scheme	(169,340)	(132,225)	(161,649)	(194,553)	(155,920)	(202,026)
Discretionary Benefits	(24,223)	(22,079)	(23,625)	(25,922)	(23,075)	(24,383)
Long Term Liability in Balance Sheet	(193,563)	(154,304)	(185,274)	(220,475)	(178,995)	(226,409)

NOTES TO MAIN FINANCIAL STATEMENTS

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £226m has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

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

Employer contributions to the Pension Fund in 2015/16 are estimated to be £8.8m. Estimated contributions to the Discretionary Benefits scheme are £1.6m.

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31 March 2013, which showed a shortfall of assets against liabilities of £0.88 billion as at that date, equivalent to a funding level of 78%. The fund's employers are paying additional contributions over a period of up to 27 years in order to meet the shortfall.

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

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

	Avon Pension Fund		Discretionary Benefits (Teachers) Scheme	
	2014/15	2013/14	2014/15	2013/14
Long term expected rate of return on assets in the scheme:				
Equity investments	6.5%	7.0%		
Government Bonds	2.2%	3.4%		
Other Bonds	2.9%	4.3%		
Property	5.9%	6.2%		
Cash / Liquidity	0.5%	0.5%		
Other				
	Asset Dependant			
Mortality assumptions :				
Longevity at 65 for current pensioners:				
Men	23.4	23.3	23.4	23.3
Women	25.9	25.8	25.9	25.8
Longevity at 65 for future pensioners:				
Men	25.8	25.7		
Women	28.8	28.7		
Rate of inflation	2.0%	2.4%	2.0%	2.4%
Rate of increase in salaries	3.5%	3.9%		
Rate of increase in pensions	2.0%	2.4%	2.0%	2.4%
Rate for discounting scheme liabilities	3.2%	4.4%	3.1%	4.3%

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	13,240	(13,240)
Rate of Inflation (increase or decrease by 1%)	12,021	(12,021)
Rate of increase in salaries (increase or decrease by 1%)	2,265	(2,265)
Rate of discounting scheme liabilities (increase or decrease by 1%)	(11,814)	11,814

NOTES TO MAIN FINANCIAL STATEMENTS

Risks and Investment strategy

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

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

Constitution of the fair value of scheme assets

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

Assets Held :	Assets at 31 March 2015		Assets at 31 March 2014	
	£'000	%	£'000	%
Equity investments	282,617	58.7%	236,140	56.5%
Government Bonds	67,253	14.0%	46,793	11.2%
Other Bonds	42,311	8.8%	33,679	8.1%
Other	89,038	18.5%	101,074	24.2%
Total	481,219	100%	417,686	100.0%

History of experience gains and losses

Actuarial losses identified as movements on the Pensions Reserve in 2014/15 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2015.

	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Difference between the expected and actual return on scheme assets:						
amount (£'000)	39,638	(2,697)	30,725	(13,953)	(872)	(70,093)
percentage	8.2	0.6	7.6	3.8	0.2	20.9
Experience gains and losses on liabilities						
amount (£'000)	-	-	-	-	16,835	113,936
percentage	0.0	0.0	0.0	3.4	3.4	22.5
	39,638	(2,697)	30,725	(13,953)	15,963	43,843
Cumulative gains / losses recognised	113,519	73,881	76,578	45,853	59,806	43,843

42 AVON COUNTY COUNCIL DEBT

Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment. The amount of residual debt outstanding at 31 March 2015 apportioned to this Council is £13.95m (£14.54m in 2013/14). The debt has now been included in the Council's Balance Sheet as a deferred liability which will reduce each year due to principle repayments.

	31 March 2014	Principal Repaid	31 March 2015
	£000	£000	£000
Ex- Avon loan debt principal repayment	14,536	(582)	13,954

NOTES TO MAIN FINANCIAL STATEMENTS

43 MINIMUM REVENUE PROVISION (MRP)

Minimum Revenue Provision - Provision for Repayment of External Debt

The net amount charged to revenue in compliance with the statutory requirement to set aside a Minimum Revenue Provision for the repayment of external debt is £4.923m calculated as follows:

	2014/15	2013/14
	£000	£000
4% of Capital Financing Requirement (CFR)	3,503	3,584
Adjustment allowed under Capital Finance Regulations	(1,551)	(1,551)
Provision based on estimated useful life of new assets since 2008	2,971	2,811
Statutory Minimum Revenue Provision (MRP)	4,923	4,844

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

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

The Council MRP Policy is:

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

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

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

NOTES TO MAIN FINANCIAL STATEMENTS

44 TRUST FUNDS

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

The only Trusts with material assets are:

	2014/15 Exp. £'s	2014/15 Income £'s	2014/15 Assets £'s	2014/15 Liabilities £'s
Alice Park Trust		(1,331)	141,866 *	
Total	0	(1,331)	141,866	0

* Includes external investments valued at £17,232. The income figure of £1,330 relates to interest earned on the balance of the account.

	2013/14 Exp. £'s	2013/14 Income £'s	2013/14 Assets £'s	2013/14 Liabilities £'s
Alice Park Trust	1	(1,018)	140,536 *	
Bath Recreation Ground Trust	306,457	(412,861)	not separately valued	
Total	306,458	(413,879)	140,536	0

* Includes external investments valued at £12,722.

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

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

	2014/15 Exp. £'s	2014/15 Income £'s	2014/15 Assets £'s	2014/15 Liabilities £'s
Educational Funds		(221)	46,398	
Graves/memorial maintenance		(75)	15,075	
Client accounts			94,000	
Twinning Fund	130	(130)	26,130	
Bequests	2,000	(193)	37,718	
Total	2,130	(619)	219,321	0

	2013/14 Exp. £'s	2013/14 Income £'s	2013/14 Assets £'s	2013/14 Liabilities £'s
Educational Funds	0	(220)	46,177	
Graves/memorial maintenance		(75)	15,000	
Parks & Gardens maintenance	9,287	(1,661)	0	
Client accounts	93,917		94,000	
Twinning Fund	130	(130)	26,130	
Bequests		(197)	39,525	
Total	103,334	(2,283)	220,832	0

NOTES TO MAIN FINANCIAL STATEMENTS

45 CONTROLLED COMPANIES

Bath Tourism Plus Ltd

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

There were no acquisition or merger costs arising.

The obligations of BTP and the Council are formally documented in a Tourism Services Contract which commenced in 2012 and expires in 2015. Included within this contract is a Service Level Agreement which sets out the agreed minimum levels of service that BTP is required to provide for the annual fee provided by the Council. This is also included on the Council's Risk Register.

The Company's un-audited accounts to 31st March 2015 show a turnover of £2,747,876, a net profit of £114,082 and net current assets of £287,118 (turnover of £2,559,000, a net profit of £91,630 and net current assets of £157,668 in 2013/14). The turnover and assets held by this company are not considered significant enough to produce Group Accounts.

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

46 West of England Partnership

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

The Partnership is not a partnership in law, nor a formal decision making body, and does not have the power to bind the four unitaries. The Partnership's activity is integrated into the West of England Local Enterprise Partnership (LEP) and is fully aligned to promoting economic growth and prosperity through the key themes of Place, People and Business and the Accountable Body for Place is Bath and Northeast Somerset Council.

The Place theme creates the conditions for economic growth by taking an integrated approach to infrastructure and development; prioritising investment in infrastructure, overcoming barriers to development, coordinating strategic housing delivery and enabling growth in homes and jobs. Funding has been provided by Central Government including from DCLG for Core LEP Activity and Strategic Economic Plan Development, BIS for Regional Growth Funds 2 & 3 (Revolving Infrastructure Fund and Growth Fund) and the Department of Transport. The local authorities remain the primary local contributors and each provide equal shares of funding.

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

West of England Pooled Revenue Expenditure 2014-15

Expenditure	£'000	Acting As
LEP Management & Co-ordination	394	
LEP Places & Infrastructure	871	
LEP Funds Management	652	
Other Spend	37	
Total Expenditure	1,954	
Funding		
Local Authority Contributions Core	556	Agent
Local Authority Contributions Projects	84	Agent
Govt. Grant - Core & Strategic Economic Plan	500	Principal
Govt. Grant - RIF Admin	240	Principal
Govt. Grant - Growth Fund Admin	412	Principal
Govt. Grant - Other	162	Principal
Total Income	1,954	

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

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

NOTES TO MAIN FINANCIAL STATEMENTS

In addition, B&NES is the accountable body for central government grants and acts as Agent. Sums are distributed to specific projects, as various criteria are satisfied, with the receiving body or authority treating as grant in their own accounts. The balance of funds not distributed is therefore treated as a creditor in B&NES accounts; these sums will either be paid to future grant recipients or returned to government if not used.

Grant Award	Fund b/f	Grant Received	Interest	Grant Distributed	Funds c/f
	£'000	£'000	£'000	£'000	£'000
Department of Communities and Local Government (DCLG) - Growth Points Fund	688	0	3	0	691
Department of Communities and Local Government (DCLG) - Growing Places Fund for "revolving investment fund"	14,882	0	56	7,529	7,409
Department of Business, Innovation and Skills (BIS) - Regional Growth Fund 2 for "revolving investment fund"	37,326	0	181	5,281	32,226
"Revolving investment fund" - returned Funds from Completed schemes	398	250	2	0	650
Department of Business, Innovation and Skills (BIS) - Regional Growth Fund 3 – "Growth Fund "	3,704	11,083	0	10,252	4,535
	56,998	11,333	242	23,062	45,511

47 CONTINGENT LIABILITIES

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

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

48 HERITAGE ASSETS; FURTHER INFORMATION ON THE COLLECTIONS

Roman Baths Museum

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

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

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

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

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

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

The museum will continue to take a leading role in promoting the acquisition of objects of local and social historical significance. The collections are valued for insurance purposes. Valuations are carried out in the main by the museums curator, where this is not possible advice is sought from a commercial source.

NOTES TO MAIN FINANCIAL STATEMENTS

Bath Record Office

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

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

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

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

Museum of Costume

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

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

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

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

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

Victoria Art Gallery

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

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

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

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

Library Service

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

The collection is divided into 4 categories:

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

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

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

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

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

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

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

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

NOTES TO MAIN FINANCIAL STATEMENTS

49 CITY REGION DEAL

Background

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

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

Transactions

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

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

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

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

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

	Cash Transactions		Revenue & Expenditure	
	Business Rates Pool Total £'000	of which the Council's Share £'000	Council Expenditure £'000	Council Revenue £'000
Funds held by BRP at 1 April 2014	0	0	0	0
Receipts into the Pool in-year:				
- Growth sums payable by Councils to BRP in-year	(6,302)	(893)	893	0
<i>Distributions out of the Pool BRP in-year:</i>				
- Tier 1 no worse off	2,663	309	0	(309)
- BRP Management Fee	69	17	0	0
- EDF Management Fee	30	8	0	(30)
- Tier 3 Demographic and service pressures	0	0	0	(88)
Funds held by the BRP at 31 March 2015	(3,540)	(559)		
<i>Analysed between:</i>				
Uncommitted cash (Tier 2 inc. Contingency)	(2,975)	(470)	(470)	n/a
Committed cash (Tier 3)	(565)	(89)	n/a	n/a
	(3,540)	(559)		
Expenditure / (Revenue) recognised			423	(427)

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

The Council's share of this uncommitted cash balance held by the BRP has been recognised in the accounts and is held in a new earmarked reserve to smooth the impact of City Region Deal transactions, and match the release of revenue support and charges for projects. The BRP has made no payments on behalf of the EDF in 2014/15.

The council itself has recognised revenue income of £427,000 from the BRP and expenditure of £423,000 to the BRP for the year.

COLLECTION FUND 2014/15

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

	Notes	£'000	2014/15 £'000	Restated 2013/14 £'000
INCOME				
Council Tax	2	(91,155)	(88,844)	
Income collectable from business ratepayers	3	(64,803)	(63,413)	
			(155,958)	(152,257)
EXPENDITURE				
Council Tax - Precepts and demands				
Bath & North East Somerset		74,790		73,387
Avon & Somerset Police	1	10,357		9,975
Avon Fire	1	3,946		3,800
			89,093	87,162
National Non-Domestic Rates (NNDR)				
Central share payment to Government		31,232		30,336
Local share payment to Bath & North East Somerset		30,607		29,730
Local share payment to Avon Fire Authority		625		607
Transfer of City Deal Growth Disregard to General Fund	6	742		-
Interest on repayments		-		1
Cost of Collection Allowance		261		261
			63,467	60,935
Impairments of debts	4			
Write off of uncollectable amounts			468	548
Increases / (decreases) in allowance for impairment			50	64
Provision for NNDR Appeals	5		3,293	3,182
Contributions				
Contribution towards previous year's estimated Collection Fund surplus			699	200
			157,070	152,091
Surplus/(Deficit) for the Year			(1,112)	166
Surplus/(Deficit) Brought Forward as at 1 April			1,537	1,371
Surplus as at 31 March	7		426	1,537
Council Tax Surplus to be refunded to Police & Fire Authorities			(430)	(421)
NNDR Deficit to be charged to Government & Fire Authority			1,134	569
Bath & North East Somerset Surplus			1,130	1,685

The 2013/14 figures have been restated to be consistent with a change to the presentation of the Provision for Bad Debts. This has no impact on the overall Collection Fund performance in that year. These changes also flow through to Note 4 - Council Tax and NNDR - Provision for Bad Debts.

NOTES TO THE COLLECTION FUND

1 The Collection Fund

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

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

	Precept	Surplus	Precept	Surplus
	2014/15	2014/15	2013/14	2013/14
	£'000	£'000	£'000	£'000
The Avon & Somerset Police Authority	10,357	217	9,975	23
The Avon Fire Authority	3,946	83	3,800	9

2 Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands. Estimated values at 1 April 1991 are used for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Bath & North East Somerset Council, the Police Authority and the Fire Authority for the forthcoming year and dividing this by the Council Tax base (adjusted for discounts) of 60,433.3 (59,360.2 for 2013/14). This amount of Council Tax for a Band D property £1,474.24 (£1,468.35 - 2013/14) is multiplied by the proportion specified for the particular band to give an individual amount due.

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

	Discounted Properties	Ratio to Band D	Band D Equivalents
Band A - Disabled Relief	10.8	5/9	6.0
Band A	6,164.7	6/9	4,109.8
Band B	15,971.3	7/9	12,422.1
Band C	16,822.8	8/9	14,953.6
Band D	11,889.8	9/9	11,889.8
Band E	8,249.0	11/9	10,082.1
Band F	4,782.5	13/9	6,908.1
Band G	4,235.5	15/9	7,059.2
Band H	342.0	18/9	684.0
Contributions in Lieu			15.4
			68,130.1
Overall Adjustment for Council Tax Support and Technical Changes			(7,696.8)
Council Tax Base			60,433.3

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

The income for 2014/15 is receivable from the following sources:-

	2014/15	2013/14
	£'000	£'000
Billed to Council Tax payers	(91,143)	(88,839)
Localism Act Discounts funded from General Fund	(8)	(5)
s31 Family Annexes Grant	(4)	-
	(91,155)	(88,844)

NOTES TO THE COLLECTION FUND

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

The Council collects NNDR for its area based on local rateable values multiplied by a uniform business rate set nationally by Central Government. The national multipliers for 2014/15 were 47.1 pence for qualifying small businesses and 48.2 pence for all other businesses, subject to transitional arrangements. The NNDR income after reliefs of £64.803 million for 2014/15 (£63.594 million in 2013/14) resulted from a total rateable value at 31 March 2015 of £166.632 million.

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

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

In its second year of operation, the business rates retention scheme has resulted in a deficit of £2.225m against the amounts allocated to the Council, Central Government and the Fire Authority throughout 2014/15 (£1.115m deficit in 2013/14). This is due to the level of provision required to meet the probable costs of appeals, which have increased significantly in 2014/15.

4 Council Tax and NNDR - Provision for Bad Debts

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

	2014/15 £'000	2013/14 £'000
Council Tax		
Balance at 1 April 2014	397	405
Write-offs during the year	(144)	(210)
Contributions to provisions during the year	164	202
Net Increase/(Decrease) in Provision	<u>20</u>	<u>(8)</u>
Balance at 31 March 2015	<u>417</u>	<u>397</u>
NNDR		
Balance at 1 April 2014	477	405
Write-offs during the year	(324)	(338)
Contributions to provisions during the year	354	410
Net Increase/(Decrease) in Provision	<u>30</u>	<u>72</u>
Balance at 31 March 2015	<u>507</u>	<u>477</u>
Total		
Balance at 1 April 2014	874	810
Write-offs during the year	(468)	(548)
Contributions to provisions during the year	518	612
Net Increase/(Decrease) in Provision	<u>50</u>	<u>64</u>
Balance at 31 March 2015	<u>924</u>	<u>874</u>

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

5 Provision for Appeals

An estimate of the impact of business rate appeals, where businesses believe they have been overcharged and have made an appeal to the Valuation Office Agency (VOA), has been made, including for the effect of backdated appeals costs prior to 1 April 2014.

	2014/15 £'000	2013/14 £'000
Balance at 1 April 2014	3,182	-
Cost of Appeals settled during the year	(1,972)	-
Contributions to provisions during the year	3,293	3,182
Net Increase/(Decrease) in Provision	<u>1,321</u>	<u>3,182</u>
Balance at 31 March 2015	<u>4,503</u>	<u>3,182</u>

The increase in the provision for appeals is due to a significant increase in the number of appeals notified to the VOA before 31 March 2015, following a change to the rules on backdating of successful appeals. The impact of possible future business rate appeals, where an appeal had not yet been notified to the VOA by 31 March 2015, is therefore now likely to only result in a backdated effect in limited circumstances.

NOTES TO THE COLLECTION FUND

6 City Deal Growth Disregard

From 2014/15, the Council is allowed to retain 100% of the growth in Business Rates in its Enterprise Area. The growth is transferred to the Council's General Fund before being pooled with other participating authorities (see Note 49 to the Main Financial Statements for full details).

7 Balance of Fund & Distribution

As at 31 March 2015, the balance on the Collection Fund stood at an overall surplus of £0.425m.

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

	Council Tax	NNDR	Total
	£'000	£'000	£'000
Central Government	-	(1,112)	(1,112)
Bath & North East Somerset	2,220	(1,090)	1,130
Avon & Somerset Police	311	-	311
Avon Fire	118	(22)	96
	2,649	(2,224)	425

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

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

PENSION FUND ACCOUNTS 2014/15

Statement of Accounts

Introduction

1.1 The following comprises the Statement of Accounts for the Avon Pension Fund (The Fund). The accounts cover the financial year from 1 April 2014 to 31 March 2015.

1.2 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting ('Code of Practice') in the United Kingdom 2014/15 based on International Financial Reporting Standards as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis, except for certain transfer values as described at 'Statement of Accounting Policies' – item 2.5. They do not take account of liabilities to pay pensions and other benefits in the future.

1.3 The accounts are set out in the following order:

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

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

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

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

1.4 Actuarial Valuations

As required by the Local Government Pension Scheme Regulations 2013 an actuarial valuation of the Fund was carried out as at 31 March 2013. The market value of the Fund's assets at the valuation date was £3,146 million. The Actuary estimated that the value of the Fund was sufficient to meet 78% of its expected future liabilities of £4,023 million in respect of service completed to 31 March 2013.

1.5 At the 2013 valuation the deficit recovery period for the Fund overall was set at 20 years.

1.6 The 2013 actuarial valuation was carried out using the projected unit actuarial method. The main assumptions used to set employers' contributions, are set out in the table below:

	Past Service Liabilities	Future Service Liabilities
Rate of Discount	4.8% per annum	5.6% per annum
Rate of pensionable pay inflation	4.1% per annum	4.1% per annum
Rate of price inflation	2.6% per annum	2.6% per annum

1.7 The 2013 triennial valuation was completed during 2013/14 using market prices and membership data as at 31 March 2013. The 2013 valuation set the employer contribution rates for future service and deficit recovery payments (expressed as a monetary amount payable annually) with effect from 1 April 2014.

1.8 The Actuary has estimated that the funding level as at 31 March 2015 has fallen to 78% from 84% at 31 March 2014. This fall in the funding level is due to the fall in real yields during the period. Investment returns contributed positively to the funding position but was not sufficient to offset the increase in the liabilities. The value of the future pension liabilities is calculated using a discount rate based on UK gilt yields, so as gilt yields fall, the value of these liabilities rises.

1.9 Note 17 to the accounts shows the actuarial present value of promised retirement benefits for the purposes of IAS19 using the assumptions and methodology of IAS 19. The discount rate referenced for IAS19 is the Corporate Bond yield. The discount rate used for the Actuarial Valuation references the Fund's investment strategy.

1.10 The Fund's Funding Strategy Statement can be found on the Fund's website www.avonpensionfund.org.uk (search Funding Strategy Statement).

Statement of Investment Principles

1.11 The Fund's Statement of Investment Principles as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 can be found on the Fund's website www.avonpensionfund.org.uk (search Statement of Investment Principles).

Statement of Accounting Policies

Basis of Preparation

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

Investments

2.2 Investments are shown in the accounts at market value, which has been determined as follows:

- i) Quoted Securities have been valued at 31 March 2015 by the Fund's custodian using internationally recognized pricing sources (bid-price or 'last trade') where a quotation was available on a recognised stock exchange or the unlisted securities market. Unquoted securities are included at fair value based on the Fund Manager's valuation. All these valuations are subject to the custodian's and fund manager's internal control reports and external auditors.
- ii) Fixed interest securities exclude interest earned but not paid over at the year end, which is included separately within investment debtors.
- iii) Pooled investments are stated at their bid price or at the Net Asset Value quoted by their respective managers at 31 March 2015.
- iv) Foreign currency transactions are recorded at the prevailing rate at the date of transaction. Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates ruling as at 31 March 2015.
- v) Open futures contracts are included in the net asset statement at their fair market value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract. The amounts included in the change in market value are the realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.
- vi) Forward foreign exchange contracts outstanding at the year- end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. Foreign currency transactions are recorded at the prevailing rate at the date of transaction.
- vii) Acquisition costs of investments (e.g. stamp duty and commissions) are treated as part of the investment cost.
- viii) Investment debtors and creditors at the year- end are included in investment assets in accordance with the CIPFA code of practice on local authority accounting.
- ix) The Fund's surplus cash is managed separately from the surplus cash of B&NES Council and is treated as an investment asset.

Contributions

2.3 2.3 Contributions represent those amounts receivable from the employing bodies in respect of their own and their pensionable employees' contributions. Employers' contributions are determined by the Actuary on the basis of triennial valuations of the Fund's assets and liabilities and take into account the Funding Strategy Statement set by the administering authority. The last such valuation was at 31 March 2013. Currently employer contribution rates range from 7.0% to 30.2%. Employees' contributions have been included at the rates prescribed by the Local Government Pension Scheme Regulations 2013. The employee contribution rates range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015.

2.4 Normal contributions both from members and the employer are accounted for on an accruals basis in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Benefits, Refunds of Contributions and Cash Transfer Values

2.5 From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

2.6 Benefits payable and refunds of contributions have been brought into the accounts as they fall due.

2.7 Cash Transfer Values are those sums paid to or received from other pension schemes and relate to previous periods of pensionable employment. Cash Transfer Values have been included in the accounts on the basis of the cheque payment date or "Bath & North East Somerset Council cash office received" date. Accruals are only made when it is certain that a transfer is to take place.

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

Investment Income

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

Investment Management & Administration

2.10 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 permit Bath & North East Somerset Council to charge administration costs to the Fund. A proportion of relevant Council costs has been charged to the Fund on the basis of actual time spent on Pension Fund business.

2.11 The fees of the Fund's external investment managers reflect their differing mandates. Fees are linked to the market value of the Fund's investments and therefore may increase or reduce as the value of the investment changes. Management fees are recognised in the year in which the management services are provided. In 2014/15 a provision has been made for performance fees that have been incurred but are subject to phased payments or are not to be paid until the realisation of the related investments. These remain subject to change as a consequence of future performance. Fees are also payable to the Fund's global custodian and other advisors.

Taxation

2.12 The Fund is an exempt approved fund under the Income and Corporation Taxes Act 1988 and is therefore not liable to UK income tax on investment income or to capital gains tax. As Bath & North East Somerset Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. For taxation of overseas investment income please see note 3 iv. in the Notes to the Accounts.

Use of Accounting Estimates

- 2.13 The Statement of Accounts contains estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking in to account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty actual results could be materially different from the assumptions and estimates. Estimates are used in the valuation of unquoted investments (see 2.2i) and in the actuarial valuation for the purposes of IAS 26 (note 17) in which the actuarial calculation of the liability is subject to the professional judgement of the actuary. The Fund's investments are stated at fair value. The subjectivity of the inputs used in making an assessment of fair value is explained in note 25d.

Events After the Balance Sheet Date

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

Financial Instruments

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

PENSION FUND ACCOUNTS 2014/15

Notes to Accounts - Year Ended 31 March 2015

1 GENERAL

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

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

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

Membership of the Fund is open to pensionable employees of scheduled bodies in the former Avon County area, together with employees of eligible designating and admission bodies. A list of employers with contributing scheme members can be found in note 26.

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

2 MEMBERSHIP

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

	31 March 2015	31 March 2014
Employed Members	34,765	34,846
Pensioners	26,006	25,985
Members entitled to Deferred Benefits	35,714	35,321
TOTAL	<u>96,485</u>	<u>96,152</u>

A further estimated 900 ex-members whose membership was for up to 2 years before 1st April 2004 or up to 3 months after that date are due refunds of contributions. It is not possible to put an exact value on this liability until these ex-members have been traced and their entitlement verified.

3 TAXATION

(i) Value Added Tax

The Fund's administering authority Bath & North East Somerset Council is reimbursed VAT by H. M. Revenue and Customs and the accounts are shown exclusive of VAT.

(ii) Income Tax

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

(iii) Capital Gains Tax

No capital gains tax is chargeable.

(iv) Taxation of Overseas Investment Income

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

PENSION FUND ACCOUNTS 2014/15

4 CONTRIBUTIONS RECEIVABLE

Contributions receivable are analysed below:-

	2014/15 £'000	2013/14 £'000
Employers' normal contributions		
Scheduled Bodies	58,507	55,066
Administering Authority	7,704	6,902
Admission Bodies	7,784	6,876
	<u>73,995</u>	<u>68,844</u>
Employers' deficit Funding		
Scheduled Bodies	67,052	27,384
Administering Authority	14,042	4,146
Admission Bodies	3,496	1,571
	<u>84,590</u>	<u>33,101</u>
Total Employer's normal & deficit funding	<u>158,585</u>	<u>101,945</u>
Employers' contributions - Augmentation		
Scheduled Bodies	5,446	4,312
Administering Authority	489	537
Admission Bodies	138	147
	<u>6,073</u>	<u>4,996</u>
Members' normal contributions		
Scheduled Bodies	29,491	28,868
Administering Authority	3,798	3,530
Admission Bodies	3,313	3,300
	<u>36,602</u>	<u>35,698</u>
Members' contributions toward additional benefits		
Scheduled Bodies	685	474
Administering Authority	123	127
Admission Bodies	32	36
	<u>840</u>	<u>637</u>
Total	<u><u>202,100</u></u>	<u><u>143,276</u></u>

Deficit funding contributions have been paid by employers in respect of the recovery of their deficit relating to past service. The deficit funding contributions in 2014/15 include £73,947K of discounted contributions that the actuary has calculated to cover the required deficit contributions for the three years commencing 2014/15.

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

A further facility is provided whereby members can make Additional Voluntary Contributions, on a money purchase basis, which are invested in insurance policies with The Equitable Life Assurance Society or Friends Life on behalf of the individual members concerned. These contributions are not part of the Pension Fund and are not therefore reflected in the Fund's accounts. A statement of the value of these investments is given in Note 20.

5 OTHER INCOME

	2014/15 £'000	2013/14 £'000
Recoveries for services provided	484	426
Cost recoveries	12	16
	<u>496</u>	<u>442</u>

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

PENSION FUND ACCOUNTS 2014/15

6 BENEFITS PAYABLE

Analysis of Gross Benefits Payable by Type:-

	2014/15 £'000	2013/14 £'000
Retirement Pensions	121,095	112,720
Commutation of Pensions and Lump Sum Retirement Grants	32,246	34,148
Lump Sum Death Grants	3,815	2,923
	<u>157,156</u>	<u>149,791</u>

Analysis of Gross Benefits Payable by Employing Body:-

	2014/15 £'000	2013/14 £'000
Scheduled & Designating Bodies	132,416	124,288
Administering Authority	14,342	14,133
Admission Bodies	10,398	11,370
	<u>157,156</u>	<u>149,791</u>

7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

Leavers

	2014/15 £'000	2013/14 £'000
Refunds to members leaving service	543	116
Individual Cash Transfer Values to other schemes	4,458	4,352
Group Transfers	0	2,400
	<u>5,001</u>	<u>6,868</u>

8 ADMINISTRATION EXPENSES

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

	2014/15 £'000	2013/14 £'000
Administration and processing	1,996	1,957
Actuarial fees	372	486
Audit fees	29	27
Legal and professional fees	-	0
Central recharges from Administrating Body	407	413
	<u>2,804</u>	<u>2,883</u>

9 INVESTMENT EXPENSES

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

	2014/15 £'000	2013/14 £'000
Fund Manager Base Fees	15,378	11,366
Fund Manager Performance Fees	1,802	4,931
Global custody	66	94
Investment Advisors	259	123
Performance Measurement	39	37
Investment Accounting	1	4
Investment Administration	52	58
	<u>17,597</u>	<u>16,613</u>

Fund Manager Performance Fees include fees that have been accrued but are subject to phased payment or not due to be paid until the realisation of the related assets. Unpaid fees remain subject to variation as a result of future performance. The 2013/14 Performance Fees include £1,127k relating to 2013/14 and £3,804k relating to previous years. Total fund manager fees include management charges for pooled investments that are settled directly within the pooled vehicles in accordance with the investment management agreement.

PENSION FUND ACCOUNTS 2014/15

10 INVESTMENT INCOME

	2014/15 £'000	2013/14 £'000
Interest from fixed interest securities	3,482	3,557
Dividends from equities	16,628	16,651
Income from Index Linked securities	3,019	5,091
Income from pooled investment vehicles	4,521	3,480
Interest on cash deposits	405	282
Other - stock lending	49	31
TOTAL	28,104	29,092

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

The value of the stock on loan as at 31 March 2015 was £14.57 million (31 March 2014 £17.27m), comprising of equities and sovereign debt. This was secured by collateral worth £15.45 million comprising equities and sovereign debt. The Fund does not sell collateral unless there is a default by the owner of the collateral.

11 CHANGE IN TOTAL NET ASSETS

Change in Market Value of Investments	Value at	Purchases	Sales	Change in	Value at
	01/04/14	at Cost	Proceeds	Market	31/03/15
	£'000	£'000	£'000	Value	£'000
Fixed Interest Securities	92,694	10,951	(13,868)	21,898	111,675
Equities	542,777	379,470	(368,729)	49,704	603,222
Index Linked Securities	189,176	73,272	(65,761)	42,274	238,961
Pooled Investments-					
- Property	260,986	96,802	(66,363)	24,243	315,668
- Non Property	2,143,925	327,298	(262,842)	265,999	2,474,380
Derivatives	12,361	89,107	(109,820)	10,378	2,026
	3,241,919	976,900	(887,383)	414,496	3,745,932
Cash Deposits	85,023	691,405	(683,328)	1,316	94,416
Net Purchases & Sales		1,668,305	(1,570,711)	97,594	
Investment Debtors & Creditors	4,264			(4,740)	(476)
Total Investment Assets	3,331,206				3,839,872
Current Assets	15,005			(20,085)	(5,080)
Less Net Revenue of Fund				(52,936)	
Total Net Assets	3,346,211			435,645	3,834,792

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

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

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

PENSION FUND ACCOUNTS 2014/15

Change in Total Net Assets 2013/14

Change in Market Value of Investments	Value at 01/04/13 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31/03/14 £'000
Fixed Interest Securities	109,674	12,836	(22,360)	(7,456)	92,694
Equities	495,980	305,283	(302,104)	43,618	542,777
Index Linked Securities	209,876	24,385	(30,469)	(14,616)	189,176
Pooled Investments-					
- Property	222,341	81,108	(61,176)	18,713	260,986
- Non Property	2,015,386	1,087,681	(1,070,788)	111,646	2,143,925
Derivatives	(3,138)	190,891	(199,962)	24,570	12,361
	3,050,119	1,702,184	(1,686,859)	176,475	3,241,919
Cash Deposits	85,895	558,772	(558,751)	(893)	85,023
Net Purchases & Sales		2,260,956	(2,245,610)	15,346	
Investment Debtors & Creditors	(638)			4,902	4,264
Total Investment Assets	3,135,376				3,331,206
Current Assets	10,280			4,725	15,005
Less Net Revenue of Fund				(15,431)	
Total Net Assets	3,145,656			185,124	3,346,211

Investment Transaction Costs

The following transactions costs are included in the above:

	2014/15				2013/14			
	Purchases	Sales	Other	Total	Purchases	Sales	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees and Taxes	1,069	4	-	1,073	608	13	-	621
Commission	408	416	8	832	321	323	4	648
Total	408	420	8	1,905	929	336	4	1,269

12 INVESTMENT ASSETS

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

	31 March		31 March	
	2015		2014	
	£'000		£'000	
UK Equities				
Quoted	320,758		301,719	
Pooled Investments	232,321		225,298	
FTSE Futures	152	553,231	162	527,179
Diversified Growth Funds				
Pooled Investments	368,177	368,177	314,340	314,340
Overseas Equities				
Quoted	282,464		241,057	
Pooled Investments	1,265,573	1,548,037	1,083,136	1,324,193
UK Fixed Interest Gilts				
Quoted	111,675		92,694	
Pooled Investments	-	111,675	14,226	106,920
UK Index Linked Gilts				
Quoted	238,961	238,961	189,176	189,176
Sterling Bonds (excluding Gilts)				
Pooled Investments	332,615	332,615	269,350	269,350
Non-Sterling Bonds				
Pooled Investments	113,325	113,325	74,588	74,588
Hedge Funds				
Pooled Investments	162,368	162,368	162,986	162,986
Property				
Pooled Investments	315,668	315,668	260,987	260,987
Cash Deposits				
Sterling	81,503		78,163	
Foreign Currencies	12,913	94,416	6,860	85,023
Investment Debtors/Creditors				
Investment Income	3,807		3,414	
Sales of Investments	998		5,948	
Foreign Exchange Hedge	1,874		12,199	
Purchases of Investments	(5,280)	1,399	(5,097)	16,464
TOTAL INVESTMENT ASSETS		3,839,872		3,331,206

PENSION FUND ACCOUNTS 2014/15

DERIVATIVES ANALYSIS

Open Forward Currency Contracts

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £'000	Liability Value £'000
Up to one month	EUR	16,168	GBP	(19,900)	1,763	
Up to one month	JPY	22,508	GBP	(3,998,000)	94	
Up to one month	GBP	1,994,000	JPY	(11,522)		(315)
Up to one month	GBP	215,600	USD	(128,974)		16,280
Up to one month	USD	128,164	GBP	(215,600)	(17,091)	
One to six months	EUR	257,130	GBP	(327,070)	19,916	
One to six months	GBP	212,800	EUR	(169,528)		(15,184)
One to six months	GBP	28,314,000	JPY	(163,268)		(3,921)
One to six months	GBP	455,700	USD	(285,799)		21,466
One to six months	JPY	207,461	GBP	(36,290,000)	3,199	
One to six months	NOK	2,354	GBP	(27,594)	49	
One to six months	USD	283,691	GBP	(455,700)	(23,573)	
Six to twelve months	EUR	118,080	GBP	(153,800)	6,148	
Six to twelve months	GBP	46,800	EUR	(36,307)		(2,255)
Six to twelve months	GBP	18,780,000	JPY	(104,287)		1,818
Six to twelve months	GBP	680,500	USD	(445,465)		13,473
Six to twelve months	JPY	103,157	GBP	(18,780,000)	(2,948)	
Six to twelve months	USD	441,893	GBP	(680,500)	(17,045)	
Total					(29,488)	31,362
Net forward currency contracts at 31st March 2015						1,874
Open forward currency contracts at 31 March 2014					37,052	(24,853)
Net forward currency contracts at 31st March 2014						12,199

Exchange Traded Derivatives held at 31 March 2015:-

Contract Type	Expiration	Book Cost £'000	Unrealised Gain £'000
FTSE equity futures	June 2015	18,836	152

Exchange Traded Derivatives held at 31 March 2014:-

FTSE equity futures	June 2014	28,433	162
---------------------	-----------	--------	-----

A derivative is a financial contract between two parties, the value of which is determined by the underlying asset. Investment in derivatives may only be made if they contribute to a reduction of risks and facilitate efficient portfolio management.

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

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

PENSION FUND ACCOUNTS 2014/15

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

	31 March 2015 £'000	%	31 March 2014 £'000	%
Blackrock	1,216,272	31.7	1,071,963	32.2
Standard Life	243,477	6.3	0	-
Record	20,651	0.5	28,129	0.8
Jupiter Asset Management	175,662	4.6	160,956	4.8
Genesis Investment Management	160,247	4.2	145,092	4.4
Invesco Perpetual	291,423	7.6	239,795	7.2
State Street Global Advisors	124,517	3.2	107,147	3.2
Partners Group	154,212	4.0	113,446	3.4
Royal London Asset Management	310,439	8.1	251,101	7.5
TT International	195,021	5.1	185,717	5.6
Man Investments	-	0.0	1,115	0.0
Gottex Asset Management	59,188	1.5	58,062	1.7
Stenham Asset Management	39,645	1.0	37,654	1.1
Signet Capital Management	63,535	1.7	66,155	2.0
Barings Asset Management	-	0.0	209,798	6.3
Pyrford International	124,700	3.2	104,542	3.1
Unigestion UK Ltd	191,725	5.0	166,687	5.0
Schroder Investment Management	434,251	11.3	365,163	11.0
Bank of New York Mellon	23,362	0.6	7,964	0.2
Treasury Management	11,545	0.3	10,720	0.3
TOTAL INVESTMENT ASSETS	<u>3,839,872</u>	100.0	<u>3,331,206</u>	100.0

13 SINGLE INVESTMENTS OVER 5% OF ASSET CLASS

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

Investments	Value at 31st March 2015 £'000	% of Net Asset	Value at 31st March 2014 £'000	% of Net Asset
RLPPC UK Corporate Bond Fund (Royal London)	310,439	8.11%	251,101	7.54%
Invesco Perpetual Global ex UK Enhanced Index Fund	291,423	7.61%	239,795	7.20%
Standard Global Absolute	243,477	6.36%	-	-
Blackrock Advisors UK Ltd (Aquila Life UK Equity Index Fund)	227,789	5.95%	220,957	6.63%
MSCI Equity Index Fund B-US (BlackRock)	219,389	5.73%	173,125	5.20%
Unigestion Uni-Global – Equity Emerging Mkt SAC GBP	191,725	5.01%	166,687	5.00%
Baring Dynamic Asset Allocation Fund	-	-	209,798	6.30%

PENSION FUND ACCOUNTS 2014/15

14 CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2015.

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

	31 March 2015 £'000		31 March 2014 £'000	
CURRENT ASSETS				
Contributions Receivable				
- Employers	6,431		8,490	
- Members	2,968		2,919	
Transfer Values Receivable	-		10,600	
Discretionary Early Retirement Costs	351		1,952	
Other Debtors	842	10,592	1,019	24,980
CURRENT LIABILITIES				
Management Fees	(1,639)		(950)	
Provision for Performance Fees	(5,510)		(4,373)	
Transfer Values Payable	(1)		(2,400)	
Lump Sum Retirement Benefits	(1,447)		(645)	
Other Creditors	(7,075)	(15,672)	(1,607)	(9,975)
NET CURRENT ASSETS		(5,080)		15,005

The provision for Performance Fees includes fees that have been incurred but are subject to phased payment or not due to be paid until the realisation of the related assets. They remain subject to variation as a result of future performance. At 31 March 2015 Other Creditors includes a £4,524k refund due to Bristol City Council for overpaid contributions.

Analysis of Debtors and Creditors by Public Sector Bodies:-

	31 March 2015		31 March 2014	
	£'000	£'000	£'000	£'000
CURRENT ASSETS				
Local Authorities	6,920		11,028	
NHS Bodies	11		-	
Other Public Bodies	2,794		13,211	
Non Public Sector	867		741	
		10,592		24,980
CURRENT LIABILITIES				
Local Authorities	(5,313)		(11)	
Other Public Bodies	(1,512)		(3,789)	
Non Public Sector	(8,847)	(15,672)	(6,175)	(9,975)
NET CURRENT ASSETS		(5,080)		15,005

15 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2015. (March 2014 = NIL)

16 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2015 that require any adjustment to these accounts. Investments are valued at fair value and any gain or loss is only realised upon sale consequently any change is considered a non-adjusting event.

PENSION FUND ACCOUNTS 2014/15

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2015 (the 31 March 2014 assumptions are included for comparison):

	31st March 2015	31st March 2014
Rate of return on investments (discount rate)	3.3% per annum	4.5% per annum
Rate of pay increases	3.5% per annum*	3.9% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.4% per annum

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

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.3% per annum versus 4.5% per annum). The expected long-term rate of CPI inflation also fell during the year, resulting in a lower assumption for pension increases at the year end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £4,396 million.

The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by c£718 million. Adding interest over the year increases the liabilities by a further c£198 million, and allowing for net benefits accrued/paid over the period increases the liabilities by another c£3 million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is £5,315 million.

18 TRANSFERS IN

During the year ending 31 March 2015 group transfers in to the fund from Strode College to Weston College and from Stroud College to South Gloucestershire and Stroud College were completed. The estimated values of these transfers were included in the 2012/13 and 2013/14 Statements of Accounts. The actual values did not vary materially from the estimated values.

19 BENEFITS RECHARGED TO EMPLOYERS

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

	31 March 2015	31 March 2014
	£'000	£'000
Benefits Paid and Recharged	6,312	6,240

20 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested in insurance policies with The Equitable Life Assurance Society or Friends Life, the Fund's nominated AVC providers. Additional Voluntary Contributions received from employees and paid to The Equitable Life Assurance Society during 2014/15 were £274 (2013/14 - £498). Additional Voluntary Contributions received from employees and paid to Friends Life during 2014/15 were £371,799 (2013/14 - £407,897).

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

	31 March 2015	31 March 2014
	£'000	£'000
<u>Equitable Life</u>		
With Profits Retirement Benefits	417	501
Unit Linked Retirement Benefits	271	286
Building Society Benefits	195	235
	883	1,022
Death in Service Benefit	82	150
<u>Friends Life</u>		
With Profits Retirement Benefits	123	157
Unit Linked Retirement Benefits	3,762	3,625
Cash Fund	315	447
	4,200	4,229

AVC investments are not included in the Fund's financial statements in accordance with Regulation 4(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

PENSION FUND ACCOUNTS 2014/15

21 RELATED PARTIES

Committee Member Related:-

In 2014/15 £37,516 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£37,238 in 2013/14). Eight voting members and no non- voting members of the Avon Pension Fund Committee (including five B&NES Councillor Members) were members of the Local Government Pension Scheme during the financial year 2014/2015. (Six voting members and one non-voting member in 2013/2014, including five B&NES Councillor Members)

Independent Member Related:-

Two Independent Members were paid allowances of £7,532 and £13,237 respectively during the year for their work in relation to the Pension Fund Committee and the Investment Panel. They are entitled to claim reasonable expenses which are included in the above allowances. The Independent Members are not eligible to join the Local Government Pension Scheme.

Employer Related:-

During the year 2014/15 the Fund paid B&NES Council £309,649 for administrative services (£295,990 in 2013/14) and B&NES Council paid the Fund £25,341 for administrative services (£31,715 in 2013/14). Various Employers paid the fund a total of £166,848 for pension related services including pension's payroll and compiling data for submission to the actuary (£141,397 in 2013/14).

Officer and Manager related:-

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

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

22 OUTSTANDING COMMITMENTS

As at the 31 March 2015 the Fund had outstanding commitments relating to investments in property that will be drawn down in tranches by the Investment Managers totalling £151,284,981 (31st March 2014 £61,724,899).

A further outstanding commitment of \$US300,000,000 (31st March 2014 nil) relating to investments in a pooled fund of underlying infrastructure assets will be drawn down in tranches by the Investment Managers.

23 KEY MANAGEMENT REMUNERATION

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

- part of the Divisional Director Business Support's salary, fees and allowances £16,948 (2013/14 £17,360) and their employer's pension contributions £3,552 (2013/14 £3,107).
- part of the Head of Business Finance and Pensions salary, fees and allowances £33,523 (2013/14 £31,540) and their employer's pension contributions £7,017 (2013/14 £5,460).

PENSION FUND ACCOUNTS 2014/15

24 FINANCIAL INSTRUMENTS

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

	31/03/2015 £'000	31/03/2014 £'000
Financial Assets		
Receivables	10,592	24,980
Financial assets at fair value through profit or loss	3,839,872	3,336,303
Total Financial Assets	3,850,464	3,361,283
Financial Liabilities		
Payables	(15,672)	(15,072)
Financial liabilities at fair value through profit or loss		
Total Financial Liabilities	(15,672)	(15,072)
Total Net Assets	3,834,792	3,346,211

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

Net Gains & Losses on Financial Instruments

	Financial assets at fair value through profit or loss	
	2014/15 £'000	2013/14 £'000
Losses on derecognition	(3,805)	(4,918)
Reductions in fair value	(24,311)	(239,774)
Total expense in Fund Account	(28,116)	(244,692)
Gains on derecognition	92,566	323,622
Increases in fair value	350,046	97,545
Total income in Fund Account	442,612	421,167
Net gain/(loss) for the year	414,496	176,475

PENSION FUND ACCOUNTS 2014/15

25 FINANCIAL RISK MANAGEMENT DISCLOSURE

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

To achieve its investment objective the Fund invests across a diverse range of assets such as equities, bonds, property and other alternative investments. As a result the Fund is exposed to a variety of financial risks including market risk (price, interest rate and currency risk), credit risk and liquidity risk.

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

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

Because the Fund adopts a long term investment strategy, the high level risks described below will not alter significantly during any one year unless there are significant strategic or tactical changes to the portfolio. The risk management process identifies and mitigates the risks arising from the Fund's investment strategy and policies which are reviewed regularly to reflect changes in market conditions.

(a) Market Risk

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

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

Market Price Risk

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

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

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

Market Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of returns of the assets held within the Fund (provided by the Fund's advisors). The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the three years to 31 March 2015. These movements in market prices have been judged as possible for the 2014/15 reporting period. This analysis assumes all other variables including interest rates and foreign currency exchange rates remain the same.

Movements in market prices could have increased or decreased the net assets available to pay benefits by the amounts shown below. However, the likelihood of this risk materialising in normal circumstances is low by virtue of the diversification within the Fund. The volatility figure at Total Assets level incorporates the impact of correlation across the asset classes; therefore the Total Assets increase /decrease is not the sum of the parts.

The analysis for the year ending 31 March 2015:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	527,446	10.1%	580,824	474,068
Overseas Equities	1,323,210	9.3%	1,446,401	1,200,019
Global inc UK	250,612	9.6%	274,721	226,503
UK Bonds	444,290	7.2%	476,412	412,168
Overseas Bonds	113,325	7.3%	121,643	105,007
Index Linked Gilts	238,961	9.7%	262,092	215,830
Pooled Multi Assets	368,177	3.3%	380,400	355,954
Property	315,668	1.9%	321,634	309,702
Alternatives	162,368	2.6%	166,590	158,146
Cash	94,416	0.0%	94,425	94,407
Total Assets	3,838,473	6.1%	4,071,069	3,605,847

PENSION FUND ACCOUNTS 2014/15

The analysis for the year ending 31 March 2014 is shown below:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	509,345	12.3%	571,892	446,797
Overseas Equities	1,134,606	12.1%	1,271,553	997,659
Global inc UK	207,422	11.0%	230,176	184,668
UK Bonds	376,270	6.5%	400,727	351,812
Overseas Bonds	74,588	7.4%	80,078	69,099
Index Linked Gilts	189,176	8.8%	205,862	172,491
Property	260,987	1.6%	265,137	256,838
Alternatives	477,326	3.2%	492,601	462,052
Total Assets	3,229,720	7.3%	3,464,198	2,995,243

Interest Rate Risk

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

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

	31/03/2015 £'000	31/03/2014 £'000
Cash and Cash Equivalents	94,416	85,023
Fixed Interest Assets	796,576	640,034
Total	890,992	725,057

Interest Rate Risk - Sensitivity Analysis

Fluctuations in interest rates can affect both income to the Fund and the value of the net assets to pay benefits. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the effect on the value of the fixed income securities as at 31 March 2015 of a 100 basis point (1%) change in interest rates. The analysis assumes that all other variables including foreign currency exchange rates remain constant.

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

	Change in net assets		
	Value £'000	+100 BPS £'000	-100 BPS £'000
Cash and Cash Equivalents	94,416	-	-
Fixed Interest Assets	796,576	(110,405)	110,405
Total	890,992	(110,405)	110,405

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

The same analysis for the year ending 31 March 2014 is shown below:

	Change in net assets		
	Value £'000	+100 BPS £'000	-100 BPS £'000
Cash and Cash Equivalents	85,023	-	-
Fixed Interest Assets	640,034	(83,332)	83,332
Total	725,057	(83,332)	83,332

PENSION FUND ACCOUNTS 2014/15

Currency Risk

Currency risk represents the risk that the fair value of financial instruments when expressed in Sterling will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on investments denominated in a currency other than Sterling. A significant proportion of the Fund's equity portfolio is invested in overseas stocks. When sterling depreciates the sterling value of foreign currency denominated investments will rise and when sterling appreciates the sterling value for foreign denominated investments will fall. The Fund has a dynamic hedging arrangement in place which reduces the volatility of returns over the longer term (the hedging programme hedges the exposure to the US Dollar, Yen and Euro).

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

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

Currency risk by asset class:

Currency Exposure - Asset Type	Asset value as at 31st	Asset value as at 31st March
	March 2015	2014
	£'000	£'000
Overseas Equities	1,548,037	1,324,193
Overseas Fixed Income	113,325	74,588
Overseas Property	154,212	112,058

Currency Risk - Sensitivity Analysis

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

A strengthening of Sterling against the various currencies by one standard deviation (expressed as a percentage) at 31 March 2015 would have decreased the net assets by the amount shown in the tables below and vice versa:

Currency Risk by Asset Type:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	1,548,037	3.8%	1,606,655	1,489,419
Overseas Fixed Income	113,325	3.8%	117,616	109,034
Overseas Properties	154,212	3.8%	160,051	148,373

The same analysis for the year ending 31 March 2014 is shown below:

Currency Risk by Asset Type:

Asset Type	Value (£) £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	1,324,193	3.3%	1,367,307	1,281,080
Overseas Fixed Interest	74,588	3.3%	77,017	72,160
Overseas Property	112,058	3.3%	115,707	108,410

PENSION FUND ACCOUNTS 2014/15

(b) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument or transaction will fail to meet an obligation and cause the Fund to incur a financial loss. In addition, the market values of investments will reflect an assessment of creditworthiness in their pricing and therefore the risk of loss is implicitly provided for in the carrying value of the assets and liabilities.

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

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. Credit risk on over-the-counter derivative contracts is minimised by the various insurance policies held by exchanges to cover defaulting counterparties.

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

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

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

The cash held under the Treasury Management arrangements and by the custodian as at 31 March 2015 was £34.8m. This was held with the following institutions:

	31st March 2015		31st March 2014	
	Rating	Balance £'000	Rating	Balance £'000
Custodian's Liquidity Fund				
Bank of New York Mellon	AAA	23,361	AAA	7,962
Bank Call Accounts				
Barclays Platinum Account		-	A	1,000
Bank of Scotland Corporate Deposit Account	A	2,950	A	2,500
Goldman Sachs Global Treasury Fund (previously RBS Global Treasury Fund)	AAA	8,230	AAA	6,090
NatWest Special Interest Bearing Account	BBB+	300	BBB+	1,104
Bank Current Account				
NatWest	BBB+	6	BBB+	7

The RBS Global Treasury Fund was taken over by Goldman Sachs International on 14th April 2014. The credit rating remained at AAA. NatWest is the Fund's banker.

A securities lending programme is managed by the Fund's custodian BNY Mellon who manage and monitor the counterparty risk, collateral risk and the overall lending programme. Through its securities lending activities, the Fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon the type of transaction. This level is assessed daily to ensure it takes account of market movements. The current collateral the Avon Pension Fund accepts is AAA rated supranational debt, AA rated sovereign debt and FTSE Equity DBV. Cash collateral is not permitted. Securities lending is capped by investment regulations and statutory limits ensure no more than 25% of eligible assets can be on loan at any time.

(c) Liquidity Risk

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

The Fund has immediate access to its cash holdings and a substantial portion of the Fund's investments consist of readily realisable securities, in particular equities and fixed income investments, even though a significant proportion is held in pooled funds. These are classed as liquid assets as they can be converted to cash within 3 months. The main liabilities of the Fund are the benefits payable as they fall due over a long period and the investment strategy reflects the long term nature of these liabilities. As a result the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes such as property and fund of hedge funds which are subject to longer redemption periods and cannot be considered as liquid as the other investments. As at 31 March 2015 the value of the illiquid assets was £722m, which represented 18.8% of the total Fund assets (31 March 2014: £634m which represented 19% of the total Fund assets).

PENSION FUND ACCOUNTS 2014/15

(d) Fair Value Hierarchy

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

- Level 1 - easy to price securities. Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date. These include quoted/ listed equities, exchange traded derivatives, quoted government securities and quoted unit trusts.
- Level 2 - moderately difficult to price. Inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly. For example where an instrument is traded in a market that is not considered to be active, or where valuation techniques based significantly on observable market data are used to determine fair value. Therefore Level 2 includes pooled funds where the net asset value of the pooled fund is derived from observable prices of the underlying securities including the Diversified Growth Fund that only holds quoted securities. The Fund's holding in these pooled funds can be realised at net asset value.
- Level 3 - difficult to price. Unobservable inputs for the asset or liability used to measure fair value that rely on the Fund's assumptions concerning the assumptions that market participants would use in pricing an asset or liability. Therefore Level 3 includes pooled funds such as the property funds, other Diversified Growth Funds and Fund of Hedge Funds where the net asset value is derived from unobservable inputs and the Fund's holding in these pooled funds is not immediately realisable at the net asset value.

The following sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 March 2015.

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Equities - Quoted	603,222			603,222
Bonds - Quoted	350,636			350,636
Pooled Investment Vehicles		1,943,834		1,943,834
Fund of Hedge Funds			162,368	162,368
Diversified Growth Funds		124,700	243,477	368,177
Property			315,668	315,668
Cash	94,416			94,416
Derivatives: Forward FX	1,874			1,874
Derivatives: Futures	152			152
Investment Debtors/Creditors	(475)			(475)
	1,049,825	2,068,534	721,513	3,839,872

The fair value hierarchy as at 31 March 2014 was:

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Equities - Quoted	536,850			536,850
Bonds - Quoted	281,870			281,870
Pooled Investment Vehicles		1,672,523		1,672,523
Fund of Hedge Funds			162,986	162,986
Diversified Growth Funds		104,542	209,798	314,340
Property			260,988	260,988
Cash	85,023			85,023
Derivatives: Forward FX	12,199			12,199
Derivatives: Futures	162			162
Investment Debtors/Creditors	4,265			4,265
	920,369	1,777,065	633,772	3,331,206

26 EMPLOYING BODIES

As at 31 March 2015 the following employing bodies had contributing scheme members in the Avon Pension Fund:

Principal Councils and Service Providers

Avon Fire Brigade

Bath & North East Somerset Council

Bristol City Council

North Somerset Council

South Gloucestershire Council

Further & Higher Education Establishments

Bath Spa University College

City of Bath College

City of Bristol College

Norton Radstock College

South Gloucestershire & Stroud College

St. Brendan's College

University of the West of England

Weston College

Education Establishments

Abbeywood Community School Academy

Academy of Trinity

Ann Harris Academy Trust

Aspire Academy

Backwell School

Bannerman Road Community Academy

Barton Hill Academy

Bath Community Academy

Bedminster Down School Academy

Beechen Cliff Academy

Begbrook Primary Academy

Birdwell Primary School Academy

Bradley Stoke Community School

Bridge Learning Campus Foundation

Bristol Cathedral Choir School

Bristol Free School Trust

Bristol Technology & Engineering Academy

Broadlands Academy

Broadoak Mathematic & Computing College

Cabot Learning Federation

Castle School Education Trust

Cathedral Primary School

Charlborough Road Primary School

Charfield Primary School

Chew Stoke Church School

Christ Church C of E Primary School

Churchill Academy

Clevedon Learning Trust

Clevedon School Academy

Clutton Primary School Academy

Colston Girl's School Trust

Colston's Primary School Academy

Cotham School Academy

Diocese of Bristol Academies

Downend School

Easton C of E Academy

Elmlea Junior School Academy

Fairfield School

Filton Avenue Infants Academy

Fishponds Church of England Academy

Four Acres Primary School

Fosseway School

Frome Vale Academy

Gordano School Academy

Greenfield Primary School Academy

Hanham High School

Hans Price Academy

Hareclive Academy

Hayesfield Girl's School Academy

Henbury Court School

Henbury School Academy

Henleaze Junior School Academy

Heron's Moor Community School

High Littleton C of E Primary

Hotwells Primary School

Illminster Avenue E-ACT Academy

Inspirational Futures Trust

Kingshill Academy

Kings Oak Academy

Little Mead Primary School

Marlwood School

Meadow Borrk Primary School

Merchant's Academy

Midsomer Norton School Partnership

Minerva Primary Academy

Nailsea School Academy

North Somerset Learning & Technology College

Oasis Academy Bank Leaze

Oasis Academy Brightstowe

Oasis Academy Connaught

Oasis Academy John Williams

Oasis Academy Long Cross

Oasis Academy New Oak

Oasis Academy Brislington Enterprise College

One World Learning Trust

Oldfield School Academy Trust

Orchard Academy

Parson Street Primary School

Patchway Community College

Priory Community School

Ralph Allen Academy

Redland Green School Academy

Redfield Educate Together Primary Academy

Severn Beach Primary School

Sir Bernard Lovell School

Steiner Academy

St Bede's School Academy

St. Nicholas of Tolentine Catholic Primary School

St. Patrick's Academy

St. Teresa's Catholic Primary School

St. Ursula's E-ACT Academy

Stoke Bishop C of E Primary School

Stoke Lodge Academy

Summerhill Academy

The Bath Studio Academy

The Dolphin Academy

The Kingfisher School

The Ridings Federation Winterbourne

The Ridings Federation Yate

Threeways School

Tickenham Primary School

Trust in Learning

Wallscourt Farm Academy

Waycroft School Academy

Wellsway School Academy

West Town Lane Primary School

Westbury Park Primary School Academy

Westbury-on-Trym C of E Academy

Wicklea Academy

Writhlington School Academy

Yeo Moor Primary School

Designating Bodies

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

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

Community Admission Bodies

Action For Children
Alliance Homes
Ashley House Hostel
Bristol Disability Equality Forum
Bristol Music Trust
Clifton Suspension Bridge Trust
CURO Places Ltd
CURO Group (Albion) Ltd
CURO Choice
Holburne Museum of Art
Learning Partnership West Limited

Merlin Housing Society (SG)
Merlin Housing Society Ltd
Sirona Care & Health CIC
Sirona Care & Health CIC (B&NES)
Southwest Grid for Learning Trust
The Care Quality Commission
The Park Community Trust
University Of Bath
Vision North Somerset
West of England Sports Trust

Transferees Admitted Bodies

Active Community Engagement Ltd
Agilisys
Aquaterra Leisure Ltd
ARAMARK
BAM Construct UK Ltd
Churchill Contract Services Ltd
Circadian Trust
Circadian Trust No. 2
Creative Youth Networks (Lot 4)
Direct Cleaning (SW) Ltd
Eden Food Services
Fit For Sport
Fit For Sport NCS
HCT Group
ISS Mediclean
ISS Mediclean (Bristol)
Keeping Kids Company
Kier Facilities Services

Learning Partnership West (Lot 1)
Learning Partnership West (Lot 2)
Learning Partnership West (Lot 3)
Learning Partnership West (Lot 7)
Liberata UK Ltd
Prestige Cleaning & Maintenance Ltd.
Ridge Crest Cleaning Limited
Shaw Healthcare (North Somerset) Ltd (Petersfield)
Shaw Healthcare (North Somerset) Ltd (The Granary)
SITA Holdings UK Ltd.
Skanska (Cabot Learning Federation)
Skanska Rashleigh Westerfoil
SLM Community Leisure
SLM Fitness and Health
Sodexo
The Brandon Trust
Tone Leisure (Trust) Ltd

ANNUAL GOVERNANCE STATEMENT 2014/15

1. SCOPE OF RESPONSIBILITY

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

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

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

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

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

Our definition of Corporate Governance is

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

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

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

The governance framework has been in place at B&NES Council for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

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

1) Legal & Constitutional Governance

a) Constitution

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

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

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

ANNUAL GOVERNANCE STATEMENT 2014/15

b) Council Structure & Leadership

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

Council Meeting 19th May 2011	Council Meeting 21st May 2015
Leader of the Council	Leader of the Council
Community Resources	Finance & Efficiency
Wellbeing	Adult Social Care & Health
Early Years Children & Youth	Children's Services
Homes & Planning	Homes & Planning
Sustainable Development	Economic Development
Neighbourhoods	Community Services
Transport	Transport

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

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

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

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

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

c) Budget & Resource Setting

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

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

d) Code of Corporate Governance

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

2) Democratic Governance & Scrutiny

a) Policy Development and Scrutiny Panels

The following 6 Policy Development and Scrutiny Panels were in place for the year commencing 1st April 2014:

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

At the Annual Council Meeting on 21st May 2015 the number of Panels was reduced to 4:

- * Children & Young People
- * Planning, Housing & Economic Development
- * Communities, Transport & Environment
- * Resources

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

In addition, the Joint Health Scrutiny Committee became the Health & Wellbeing Select Committee in May 2015.

ANNUAL GOVERNANCE STATEMENT 2014/15

b) Standards Committee

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

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

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

c) Audit Committee

The Corporate Audit Committee up to 21st May 2015 was made up of six Councillors and one independent member. At the Council's Annual Meeting it was agreed that the number of Councillors would be reduced to five. The Council has delegated to this Committee responsibilities including:

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

3) Organisational Governance

a) Management Structure

A management structure is in place to operate the Council's services through the Policy and Budget Framework.

The organisation has a Chief Executive and three Strategic Directors who each have their own management structures to deliver their functions.

b) Head of Paid Service

The Chief Executive is designated as Head of Paid Service and has overall corporate management and operational responsibility (including overall management responsibility for and authority over all officers). She provides professional advice to all parties in the decision making process; and, together with the Monitoring Officer, is responsible for the system of record keeping for all Council's decisions. She represents the Council on partnership and external bodies as required by statute or by the Council.

c) Monitoring Officer

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

At the Annual Meeting of the Council on 21st May 2015 the Council considered a report seeking approval for the designation of the new Head of Legal and Democratic Services, as the Council's Monitoring Officer from 1st June 2015. It was resolved that the Council designate the post of Head of Legal and Democratic Services as the Council's Monitoring Officer, in accordance with section 5 of the Local Government and Housing Act 1989 (as amended by Schedule 5 paragraph 24 of the Local Government Act 2000).

d) S151 Officer

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

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

ANNUAL GOVERNANCE STATEMENT 2014/15

To deliver these responsibilities the Chief Financial Officer must:

- * Lead and direct a finance function that is resourced to
- * Be professionally qualified and suitably experienced.

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

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

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

e) Internal Audit

Internal Audit is delivered by an in-house function and operates to the Public Sector Internal Audit Standards.

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

f) Counter Fraud & Corruption Arrangements

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

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

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

4) Planning & Policy Framework

a) Corporate Plan

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

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

The Vision is:

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

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

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

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

Following the elections in May 2015 a new Corporate Plan is now being developed and will be launched later in the year.

ANNUAL GOVERNANCE STATEMENT 2014/15

b) Medium Term Service & Resource Plan

The intention of the Medium Term Service and Resource Plans is to link outcomes of the Council's Corporate Plan to that of each of its three main Directorates:

- * Resources;
- * Place;
- * People and Communities

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

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

In line with the associated work on the Corporate Plan a new medium term plan is being developed and will be consulted on during the Autumn of 2015.

c) Service Action Plans

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

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

5) Performance Management Framework

a) Performance Management

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

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

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

b) Financial Management

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

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

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

ANNUAL GOVERNANCE STATEMENT 2014/15

c) Risk Management

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

- * Objectives
- * Processes
- * Systems
- * Reporting

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

Internal Audit provides an overview of the risk management framework and advises services on the operation of the relevant systems. The Corporate Audit Committee monitors the Council's risk management arrangements.

6) Partnership Governance

a) Public Services Board

Our Public Services board brings together senior representatives from local public service agencies and other key partners. It is responsible for maintaining an overview of all of our partnership arrangements as well as setting a strategic vision. It is currently working on a replacement to the Sustainable Community Strategy which should be launched during the coming financial year.

b) Health & Social Care Services

The Health & Social Care Act 2012 led to the abolition of Primary Care Trusts (PCT's) with responsibilities being transferred to Local Clinical Commissioning Groups. Much of the Clinical Commissioning Group's work is carried out by a Governing Body made up of representatives elected by 27 practices in Bath and North East Somerset.

The stated intention of the health reforms was to improve the health and wellbeing of the nation and delivering better outcomes.

The Health & Wellbeing Board is responsible for preparing a Joint Health and Wellbeing Strategy and reviewing and reporting on health and social care commissioning. Membership of the Board includes Council Officers & Members, CCG and Healthwatch representatives.

The Health & Wellbeing Board adopted a refreshed Joint Health & Wellbeing Strategy on the 25th March 2015 with three themes linked to eleven priorities. The three themes are:

- 1) Preventing ill health by helping people to stay healthy,
- 2) Improving the quality of people's lives,
- 3) Tackling health inequality by creating fairer life chances.

The board also received updates on the implications of the Care Act which came into force during the year and the development of the Better Care Fund and the integration agenda between the NHS and Local Government.

A Joint Health Scrutiny Panel has been established with the other Councils in the former Avon area.

c) Economic Regeneration - West of England Local Enterprise Partnership

The Local Enterprise Partnership (LEP) builds on the existing 'West of England Partnership' of the four local unitary councils and businesses in the sub-region. Significant funding is being made available to invest in economic regeneration of the sub-region through various means including the 'City Deal'.

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

The key actions of the LEP Business Plan are:

1. Improving Transport Infrastructure
2. Tackling Skill mismatches and/or gaps in the workforce
3. Putting the West of England on the map: Inward Investment
4. Create a clear case for investment from the LEP to national government
5. Growing the green economy
6. Creating a successful Enterprise Zone/Enterprise Areas

ANNUAL GOVERNANCE STATEMENT 2014/15

7) Stakeholder Governance - Feedback & Review

a) Corporate Feedback/Complaints

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

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

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

b) Stakeholder Communication

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

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

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

c) External Audit / Inspectorates

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

ANNUAL GOVERNANCE STATEMENT 2014/15

4. REVIEW OF EFFECTIVENESS

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

Management Assurance -

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

Statutory Officer Assurance

Meeting with the Council's Statutory Officers (Head of Paid Service, Monitoring Officer and Chief Financial Officer) to discuss their

- * roles and responsibilities and issues identified during the year.

Service Assurance -

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

Performance Management -

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

External Review Assurance -

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

Other Sources -

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

ANNUAL GOVERNANCE STATEMENT 2014/15

5. PRODUCTION OF THE ANNUAL GOVERNANCE STATEMENT

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

- * Strategic & Divisional Directors – Divisional Directors were interviewed as part of the review process to assist obtaining corporate involvement.
- * Statutory Officers – The S151 Officer and Monitoring Officer were consulted on the review process and their roles and responsibilities and the Head of Paid Service consulted on the outcome of the review.
- * Corporate Audit Committee – A report was presented to the Committee on 26th March 2015 to update the Committee on the Annual Governance Review and allow the Committee to contribute to the process.
- * Leader of the Council & Chief Executive – The Annual Governance Statement 2014/15 is signed by the Leader of the Council and the Chief Executive.

6. SIGNIFICANT GOVERNANCE ISSUES

Based on the 2014/15 Annual Governance Review and its findings there were not any 'significant' issues to record in the Annual Governance Statement and no issues to follow up from 2013/14.

The Council continues to focus on successfully managing its key corporate risks and Cabinet and Senior Management are actively involved in planning how to deliver the Council's services for the future through a refreshed Corporate Plan and Medium Term Service and Resource Plan, to be launched during 2015/16.

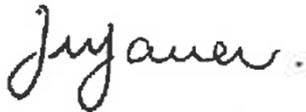


SIGNED:

Leader of the Council

DATE: 28 September 2015

Tim Warren



SIGNED:

Chief Executive

DATE: 28 September 2015

Jo Farrar

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

The Council is required to:

- * Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Council has made the Divisional Director of Business Support & Chief Finance Officer responsible for financial administration.
- * Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- * Approve the statement of accounts for the year.

Divisional Director of Business Support & Chief Finance Officer responsibilities:

The Divisional Director of Business Support & Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing this Statement of Accounts, the Divisional Director of Business Support & Chief Finance Officer has:

- * Selected suitable accounting policies and then applied them consistently
- * Made judgements which were reasonable and prudent
- * Complied with the local authority Code of Practice

The Divisional Director of Business Support & Chief Finance Officer has also:

- * Kept proper and up to date accounting records.
- * Taken reasonable steps for the prevention and detection of fraud and other irregularities

Statement of the Divisional Director of Business Support & Chief Finance Officer

I hereby certify that this statement of accounts presents a true and fair view of the financial position of the Council at the accounting date and the income and expenditure for the year ended 31 March 2015.



SIGNED:

Divisional Director of Business Support & Chief Finance Officer (s.151 officer)

Tim Richens

DATE: 28 September 2015

SIGNED:



Chair, Corporate Audit Committee

Councillor Brian Simmons

DATE: 28 September 2015

The Statement of Accounts were Authorised for Issue on 28th September 2015.

GLOSSARY OF TERMS

Accounting Policies

Rules and practices adopted by the Council that dictate how transactions and events are shown or costed.

Accruals

Income and expenditure are recognised as they are earned or incurred not as money is received or paid.

Actuary

An independent professional who advises on the position on the Pension Fund.

Actuarial Valuation

The Actuary reviews the assets and liabilities of the pension fund every three years.

Appropriation

The assignment of revenue for a specific purpose.

Balance Sheet

Statement of recorded assets and liabilities and other balances at the end of the accounting period.

Capital Charges

A charge made to service revenue accounts, for depreciation to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Expenditure on new fixed assets such as land and buildings or on enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

Capital Receipts

Income received from the disposal of land, buildings and other capital assets.

Collection Fund

A fund operated by the billing authority into which all receipts of Council tax and National Non-Domestic Rates (NNDR) are paid.

Contingent Liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or a present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Council Tax

A tax on domestic properties introduced 1st April 1993 to replace the community charge.

Creditors

Amounts owed by the Council for goods and services received on or before 31st March.

GLOSSARY OF TERMS

Debtors

Amounts owed to the Council for goods and services provided on or before 31st March.

Deferred Charges

Items for which expenditure is charged to capital, but there is no tangible asset.

Depreciation

The loss in value of an asset due to age, wear and tear, deterioration and obsolescence.

Earmarked Reserves

Amounts set aside for a specific purpose or a particular service or type of expenditure.

Fixed Assets

Tangible assets that result in benefits to the local authority and the services it provides for more than a year.

Fixed Asset Restatement Account

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

General Fund

The account that summarises the revenue costs of providing services that are met by the Council's demand on the Collection Fund, specific government grants and other income.

Gross Expenditure

Total expenditure before deducting income.

Infrastructure Assets

Fixed assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of assets.

Minimum Revenue Provision

The minimum amount the Council must charge to its revenue account to provide for repayment of debt.

National Non-Domestic Rates (NNDR)

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

Net Expenditure

Gross expenditure less income.

GLOSSARY OF TERMS

Operating Lease

A lease under which the asset is not the property of the lessee.

Outturn

Actual income and expenditure for the financial year.

Precept

The charge made by one authority to another to finance its net expenditure.

Private Finance Initiative (PFI)

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

Provision

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

Rateable Value

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

Reserves

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

Revenue Expenditure

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

Revenue Support Grant (RSG)

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

Statement of Recommended Practice (SORP)

Recommendations on accounting practices issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) with which the Council must comply.

Support Services

Activities of a professional, technical and administrative nature, which are not local authority services in their own right, but support the front line service.

Trading Accounts

The profit and loss account of any trading organisation that needs to be disclosed separately in the Council's account.