

**BATH & NORTH EAST SOMERSET COUNCIL**

**DRAFT STATEMENT OF ACCOUNTS 2018/19**

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# NARRATIVE REPORT

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## Introduction

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

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

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

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

The main financial statements are:

### Comprehensive Income and Expenditure Statement

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

### Movement in Reserves Statement

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

### Balance Sheet

The Balance Sheet shows the assets and liabilities of the Council as a whole as at the 31 March 2019.

### 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 (NDR) 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 2018/19, which is recognised by statute as representing proper accounting practices. The Code of Practice incorporates Best Value Accounting principles with which the Council has also complied.

# NARRATIVE REPORT

## Bath & North East Somerset in Context

As a local authority area Bath and North East Somerset (B&NES) was formed in 1996 and covers approximately 135.2 square miles. In 2017 there were 188,678 residents.

### Topography and features

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

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

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

### Population and Demography

The local population's age structure is similar to the UK's population as a whole, however there is higher number of people aged between 20-24 highlighting the areas notable student population. Between 2001 and 2017, the growth in the 20-24 age range accounted for nearly 50% of the area's population growth.

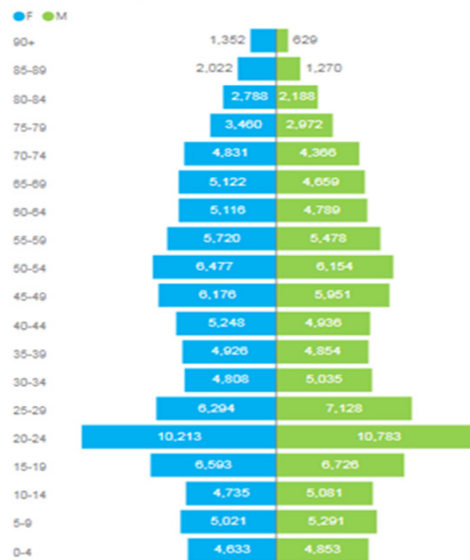
The claimant count (those claiming Jobseekers Allowance (JSA) and Universal Credit (UC) who are out of work) was 2,240 (1.8%) in B&NES in March 2019, lower than the South West and England figures (2% and 2.7% respectively). Although overall numbers have dropped significantly since 2010, rates locally and nationally have been volatile and rising steadily since the roll out of Universal Credit (note that B&NES is a pilot area for UC).

B&NES is less ethnically diverse than the UK as a whole, 90% of local residents define their ethnicity as White British. This is followed by 3.8% defining as White Other and 1.1% defining as Chinese.

A 2018 study suggested that 83% of the population is satisfied with their local area as a place to live, significantly higher than national figures.

The Office for National Statistics (ONS) project that the Bath and North East Somerset population will increase to 204,100 by 2029, an increase of approximately 7% from 2019. The most significant increases expected are in older people, in particular those aged 80 and over (a 35% increase from 2019 to 2029).

Population pyramid 2017



### Economy

Workplace wages are higher in B&NES at £579 median weekly gross pay compared to £531 for the South West region and £574 for England. The same pattern is true when looking at wages for residents only.

GVA (Gross Value Added), a measure of the value of goods and services, was higher in B&NES than the regional and national average at £4,575 million as of 2015, compared to £4,222 million for England and Wales and £3,406 million for the South West.

Economic activity in B&NES remains higher than the national average, at 82% compared to 79% nationally.

There are an estimated 7,000 workless households in B&NES (12.5%) compared to 14.5% nationally.

Overall levels of resident qualifications are also high in B&NES with 49% educated to NVQ4 and above compared to 39% regionally and nationally.

### Wellbeing

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

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

Between 2011 and 2016, the UK experienced a dramatic slowdown in the improvement in life expectancy at birth and at age 65 years for both males and females. However, during the same period male life expectancy at birth for males in B&NES has actually been falling (from 81.2 years during 2012-14 to 80.6 years during 2015-17). Healthy life expectancy at birth has been falling at an even greater rate in B&NES for both males (66.5 years during 2012-14 to 63.4 years during 2015-17) and females (68.3 years during 2010-12 to 64.2 years during 2015-17).

## Summary of the Council's financial performance

The 2018/19 budget included the requirement for the delivery of £17.0m of savings of which 80% were achieved. The Council had an overspend on its revised revenue budget of £0.9m in 2018/19. The overspend has been funded by drawing down from the Revenue Budget Contingency earmarked reserve which is held to fund any in year unmitigated revenue pressures.

The main areas contributing to the overspend relate to continued increasing demand pressures being experienced in Children's Social Care budgets. These pressures were partially mitigated by other services with favourable outturn positions, including Adult Social Care and Heritage Services.

# NARRATIVE REPORT

## The Next Twelve Months & Medium Term Outlook

The Budget for 2019/20 represents the final year covered by the Government's four year Comprehensive Spending Review (2016/17 to 2019/20) and the resulting challenging Local Government Finance funding settlement for the same period.

The Government Spending Review, announced in December 2016 confirmed that the financial challenge facing local government will continue to 2019/20 at least. This represents a full decade of sustained funding reductions which will have changed fundamentally the way in which Councils are funded for providing public services. Indeed by 2019/20 we have confirmation that our core Government grant funding will effectively be removed. This reduction in funding combined with the unprecedented increases in demand for Adult and Children's social care services the council is experiencing set the background for the Council's future financial and organisational plans.

In response to this continued challenge a refreshed Medium Term Financial Strategy (MTFS) was approved by Cabinet in October 2018 and this was updated as part of the February 2019 Budget Report, outlining how the budget will be delivered over the medium to long term. The MTFS spans two years (2019/20 and 2020/21) with a further three years added to show the likely longer term picture.

The MTFS estimates that savings and income generation of £23.2m will be required over the next two years, with the budget report approved in February 2019 including savings proposals of £12.3m, leaving a savings gap of £10.9m in 2020/21 for which savings plans will need to be developed by February 2020. The MTFS also currently estimates further savings requirements of £21.3m covering the three year period from 2021/22 to 2023/24.

An updated Efficiency Strategy was approved in February 2019, which outlined the use of Government's capital receipts flexibility. This enables the utilisation of capital receipts for revenue spend which results in ongoing savings. This is a key part of the strategy for funding the one-off costs, such as severance, in reducing on-going salary and other service costs. The Council utilised £3.5m of capital receipts to fund one-off costs of delivering savings in 2018/19 and has budgeted to utilise £3m in 2019/20.

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

The Local Government Finance Settlement was therefore broadly in line with expectations for reductions to core government grant funding with reductions of 12.4% in 2019/20.

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

- The continuation of the West of England Devolution Authorities 100% Business Rate Retention pilot in 2019/20. This provides a significant financial benefit to the Council with estimated benefits of c.£3.3 million factored into the Councils budget in 2019/20.
- Announcement of further one-off grant funding of £0.730m for addressing winter pressures in Adult Social Care and a further one-off grant of £1.247m that can be utilised to fund pressures with Adult or Children's Social Care.
- Confirmation that the allowance for the Adult Social Care Council Tax increase was maintained at a maximum combined increase of 6% across the three year period up to and including 2019/20. The Council included an increase of 1% in its 2019/20 budget.
- Continuation of the general council tax increase referendum limit at 3% (this excludes the Adult Social Care Council Tax increase).

The Budget presented in February 2019 addresses the financial challenge facing the Council and included a balanced budget for 2019/20 together with proposals to reduce the budget gap to £10.9m in 2020/21. The current plans identified, delivered, and will continue to deliver a high number of efficiency savings and therefore the scope for delivering further large savings from efficiencies is limited. The agreed savings approach is:-

- To review council priorities to understand scope for further savings;
- To rationalise our corporate estate;
- To review the conditions of service of our workforce and ensure they are fit for the future;
- To review the scope for shared services;
- To review and target capital spend to priority areas and reduce the costs of funding the programme and the capacity demands for delivery;
- To review our contracts to reduce expenditure; and
- To establish a "core offer" which the Council is able to sustain into the future, including through managing demand.

An Organisational Plan has been developed across service portfolios in 2019/20 outlining the Core Service Offer which will prioritise resources to the following:

- **Protect and care for our most vulnerable;**
- **Nurture our residents' health, safety and wellbeing;**
- **Provide ways for everyone in the community to reach their full potential.**

This outlines key targets for service provision as well as outlining proposals for budget savings. The Organisational Plan translates the Council's overarching Corporate Strategy and vision for the future, setting out the key activities and projects that the Council plans to deliver to achieve this in 2019/20.

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

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

The Budget agreed for 2019/20 included the following key proposals:

- An increase of 1% to Council Tax for the Adult Social Care Precept was approved in recognition of the current demands and financial pressures on this service.
- Whilst significant savings and additional income generation proposals totalling £8.9m relating to 2019/20 were included in the budget, a Council Tax increase of 2.95% was agreed in order to help protect frontline services and meet additional pressures in Children's services.
- A General Fund net revenue budget of £113.10m for 2019/20 and an approved Capital Programme for 2019/20 of £78.59m.

Given the scale of savings already achieved, and the £12.3m proposals outlined in the 2019/20 Budget report covering the period to 2020/21, it is likely that future savings will require continued prioritised changes to, and redesign of Council Services.

# NARRATIVE REPORT

## Total Resources Available for the Capital Programme

The table below summarises the approved resources available for the 2019/20 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.

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
<b>Total Schemes</b>	<b>173,162</b>	<b>59,548</b>	<b>27,697</b>	<b>13,875</b>	<b>7,823</b>
<b>Funding Sources</b>					
Grant	56,346	21,874	10,597	6,805	5,829
Capital Receipts	8,666	3,495	791	6,135	635
Revenue	1,355	0	0	0	0
Borrowing	96,974	33,615	16,159	835	1,329
3rd Party (incl. s106 & CIL)	9,822	564	150	100	30
<b>Total Funding</b>	<b>173,162</b>	<b>59,548</b>	<b>27,697</b>	<b>13,875</b>	<b>7,823</b>

## Revenue outturn and balances 2018/19

The Council's net revenue budget was set at £113.271m with an increase of 4.95% in its part of the 2018/19 Council Tax (split 3% for the Adult Social Care precept and a 1.95% general increase). Dedicated Schools Grant funding of £50.966m separately supports expenditure on schools.

Total net spending amounted to £112.456m against a revised budget of £111.533m, giving a year end overspend of £0.923m on the general fund. The overspend has been funded by drawing down from the Revenue Budget Contingency earmarked reserve which is held to fund any in year unmitigated revenue pressures. The use of the Revenue Budget Contingency reserve is within the amount forecast when setting the 2019/20 budget and allowance has been made to replenish the reserve within the 2019/20 revenue budget. The General Fund balance (unearmarked reserves) stands at £12.3m as at 31st March 2019, which is in accordance with the current risk assessed target range approved by the Council in February 2019.

Schools balances have reduced by £0.730m to £0.388m at the year-end, this is mainly due to schools transferring their balances when they converted to academies. The remaining schools have increased their balances overall by £0.092m.

The Council followed well established procedures for monitoring its finances and reporting the position to Senior Management and the Cabinet throughout the year. The final outturn represents an improved position over the forecast £3.2m overspend forecast based on the period covering April to December and reflects the urgent actions taken to implement recovery plans to mitigate budget pressures.

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

Children & Young People - over budget by £1.761m - The overspend relates to continued demand driven pressures mainly relating to children's social care placement costs due to increases in expenditure for supporting individual children, in particular, the support for residential placements, support for fostered (including independent fostering) and court directed parent and baby placements, and inter-agency adoption placements. The centrally held elements of Dedicated Schools grant were over budget and required £2.2m of the Council funded revenue budget allocation to support Special Education Needs expenditure.

Transport & Environment - over budget by £0.813m - The overspend is due to challenging savings in Public and Passenger transport not being fully achieved by year end. There was also a base budget pressure from concessionary fares which has been recognised and provided for in the 2019/20 budget.

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

Economic & Community Regeneration - under budget by £1.050m - The favourable position is mainly attributable to the continued strong performance in Heritage Services across all three visitor attraction locations, leading to an overachievement of net income of £0.755m due to increased service income and service costs being lower than budget. There was also a favourable position in Housing due to staffing underspends and overachievement against income targets.

Adult Care, Health & Wellbeing - under budget by £0.980m - The favourable position mainly relates to an under budget position on the additional Council revenue growth added to the Social Care budget in 2018/19 for social care placements, as some of the new placements and market pressures were funded from the additional £0.46m Social Care Support Grant awarded in 2018/19. The financial position is also attributable to the good progress made in Social Care savings plans with monitoring indicating that cost of care packages are becoming more stable compared to previous years.

Within the Finance & Efficiency Portfolio, the main adverse variance related to the Commercial Estate (£0.886m), due to the timing of new property acquisitions taking place later in the financial year impacting on additional income targets. This was partly offset by the favourable variance in capital financing costs (£0.741m) which was due to lower than forecast borrowing cost following revision to capital spending profiles and the removal of some schemes following the capital programme review that was undertaken during the year.

## NARRATIVE REPORT

The outturn position compared to the budget is as follows:

Service (based on Cabinet Portfolios)	Budget	Actual	(Under)/ Over
	£'000	£'000	Budget £'000
Leader	2,283	2,295	12
Finance & Efficiency	(369)	(311)	58
Transformation & Customer Services	5,720	5,985	265
Adult Care, Health & Wellbeing	61,718	60,738	(980)
Children & Young People	29,200	30,961	1,761
Development & Neighbourhoods	19,276	19,319	43
Economic & Community Regeneration	(4,920)	(5,970)	(1,050)
Transport & Environment	(1,374)	(561)	813
<b>Overall Total</b>	<b>111,533</b>	<b>112,456</b>	<b>923</b>

The Leader Portfolio is made up of Legal & Democratic Services.

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

Transformation & Customer Services Portfolio is made up of Libraries, Customer Services (including Council Connect, Council Tax, Business Rates & Housing Benefits) and Strategy & Performance.

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

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

Development & Neighbourhoods Portfolio is made up of Development Management, Building Control, Parks, Leisure, Waste and Community Safety.

Economic & Community Regeneration Portfolio is made up of Economy & Culture, World Heritage, Heritage Services, Housing, Project Delivery, Regeneration, Skills & Employment.

Transport & Environment is made up of Highways, Parking and Public & Passenger Transport.

### Collection Fund

As part of the 2019/20 budget setting, an estimate was made on the position of the Collection Fund as at 31st March 2019. 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 slight reduction in the surplus on Council Tax is mainly due to reductions in the amount to be collected from Council Tax payers and the favourable movement on the Business Rates Collection Fund is due to a lower than forecast requirement for bad debt and appeals provisions. The difference will be taken into consideration when estimating the closing 2019/20 Collection Fund as part of the 2020/21 budget process.

	Estimated surplus / (deficit) £'000	Actual surplus / (deficit) £'000	Difference £'000
Council Tax	713	691	(22)
Business Rates	(274)	760	1,034
<b>Total</b>	<b>439</b>	<b>1,451</b>	<b>1,012</b>

### Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement includes a number of items that are not required to be included in the General Fund and to be taken into account in setting the Council Tax. The Comprehensive Income and Expenditure Statement included within this Statement of Accounts shows the net cost of services for the year of £142.6m.

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

	£m	£m
Total net spending by departments		112,456
Add:		
Charges related to capital assets:		
- depreciation and impairments	21,363	
- revenue expenditure funded from capital under statute	11,349	
- loss on revaluations	4,792	
		37,504
Offset by:		
Grant funded revenue expenditure funded from capital under statute	4,336	
Unapportioned pensions contributions	1,564	
Levy payments	4,251	
Interest received and paid	(6,444)	
Other movements on funds and balances	6,722	
Net transfers to reserves	(3,081)	
		7,348
Cost of services - continuing operations		<b>142,612</b>

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

## NARRATIVE REPORT

### Capital Expenditure

Capital expenditure in 2018/19 totalled £88.0m. 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:

Cabinet Portfolios

	Planned Spend	Actual Spend	Variation on planned spend
	£'000	£'000	£'000
Finance & Efficiency	52,789	44,546	(8,243)
Transformation & Customer Services	839	560	(279)
Adult Care, Health & Wellbeing	756	323	(433)
Children & Young People	10,582	6,440	(4,142)
Development & Neighbourhoods	14,925	12,987	(1,938)
Economic & Community Regeneration	22,340	10,665	(11,675)
Transport & Environment	14,954	12,522	(2,432)
	<u>117,185</u>	<u>88,043</u>	<u>(29,142)</u>

Capital expenditure was financed by:

	£'000
Capital Receipts	4,159
Grants	21,181
Borrowing	58,872
3rd Party Contributions	622
Revenue	134
S.106 / CIL contributions	3,075
	<u>88,043</u>

Capital spend of £31.1m was incurred on Commercial Estate Investment, £12.2m on Highways Infrastructure and with £4.2m on the waste redesign project. £3m of spend was incurred on improvement and repairs to Schools and £5.1m on upgrading Keynsham Leisure Centre. Economic development scheme spend on Bath Quays North site, South site, Bridge design and Flood Mitigation was £6.6m.

### Property, Plant & Equipment

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

Transfers of £4.3m from Assets Under Construction reflecting projects becoming operational in the year:-

	£'000
Bath Quays - Odd Down Coach Park	1,232
Saw Close Infrastructure	1,173
Highways Maintenance at Hick Gates	1,027
Digital Programme & Other IT	641
Community Libraries	195
Other	47
	<u>4,315</u>

Transfers of £1.515m of former investment properties between Other Land and Buildings to reflect that their purpose is not solely for the purpose of income generation or capital gain, being typically held in support of development and other objectives.

	£'000
62 Walcot Street (Cornmarket) to AHFS)	599
10 York Street to Heritage	919
Other	(3)
	<u>1,515</u>

Net Revaluation Gain of £2.2m for Other Land and Buildings for the following classes of assets:-

	£'000
Car Parks	5,245
Leisure Centres	3,951
Heritage	2,125
Libraries	1,946
Playing Fields	1,072
Land	900
Indexation of all OLB	(5,164)
Community Centres	(2,677)
Children Centres	(2,414)
EPH	(968)
Schools	(864)
Offices / Depots	(659)
Other	(603)
	<u>1,890</u>

### Other Property Assets Values

Investment Properties were subject to new valuations in 2018/19 and reflected a valuation basis of market value.

The valuer reported an £25.1m reduction in Investment Property values since the last full valuation was undertaken (31st March 2018), arising from movements in yields. There was also removal of £5.4m indexation from the 2017/18 balance sheet.

# NARRATIVE REPORT

## Non Financial Performance of the Council

### New Priorities

In November 2018 three new priorities were agreed, reflecting a local desire to be known for excellent health and overall wellbeing of our population. These are:

- Protect and care for our most vulnerable people
- Nurture resident's health, safety and wellbeing
- Provide ways for everyone in the community to reach their potential

Performance of these priorities is summarised through a collection of 'vital signs' indicators, available at the link below. These metrics represent a prioritised list of key metrics and are not indicative of overall activity.

<http://bit.ly/BNESVitalSigns>

The following is a brief narrative overview of these metrics as associated with the council's priorities.

### 'Protect and care for our most vulnerable people'

#### Child Protection

- In common with other local authorities, volume and rates of children in care has shown a steady upward trajectory, with 190 children in care by December 2018. Increasing from 164 in April 2017.
- Alongside this, the number of children on a child protection plan has reduced, to 100 in December 2018 from a high of 173 in March 2018.
- The demand for services within both the Council's Duty Team and across many other agencies remains high, with between 2000 and 2100 contacts per quarter.

#### Adult Social Care

- As at December 2018 Delayed Transfers of Care were on target, at 585 for Q3, against a target of 702 (lower is better). This is against a context of difficult counting rules and changes in definitions.
- Emergency hospital admissions have been increasing over time and at Q3 there had been 1,708 emergency admissions against a target of 1512, although this can in part be attributed to local hospital coding changes for non-elected admissions lagging behind changes to national definitions and may not represent a deterioration in performance.

#### Homelessness

- The number of households in temporary accommodation have been increasing, with 30 households accommodated in December 2018, compared to 15 in December 2017.
- There were 20 rough sleepers recorded in the Autumn 2018 single night snapshot, down from 34 in the 2017 snapshot. This has been attributed to a significant increase in night shelter provision and does not necessarily relate to a reduction in demand.

#### Special Educational Needs

- As at January 2019 there were 1,277 B&NES Council maintained Statements / Education, Health and Care (EHC) Plans for children and young people with Special Educational Needs and/or Disabilities (SEND). There were also a further 3,020 lower need SEND Support pupils in local state-funded mainstream primary and secondary schools (Jan 2018). Whilst B&NES has witnessed a very high relative rate of new first-time LA maintained EHC Plans, the steep increase has started to lessen somewhat.

### 'Nurture resident's health, safety and wellbeing'

#### Wellbeing and Health inequalities

- As with many outcomes, there is an inequality gap in life expectancy at birth, especially for men - with those living in the least deprived areas of B&NES living 8 years longer than men in the most deprived areas of B&NES (2015-17).
- Around 1,600 people normally resident in B&NES die every year, with 1 in 4 being classified as a premature death, i.e. under the age of 75. Just under half (44%) of all premature deaths in B&NES have an underlying cause of cancer, with the next leading underlying cause of premature death being circulatory diseases such as heart disease and stroke.
- Although B&NES has the second lowest rate of childhood obesity in England (among County Council and Upper Tier Local Authorities) for Year 6 pupils, 1 in 4 Year 6 pupils in B&NES schools are classified as overweight (12.2%) or obese (13.1%) [2017/18]. Significant age and socio-economic gradients exist for childhood obesity, i.e. levels of childhood obesity increase with increasing age and worsening levels of deprivation.

#### Waste & Recycling

- In Q3 18/19 55% of domestic waste was reused, recycled or recovered, against a 60% target. Overall rates have remained consistent over time.

### 'Provide ways for everybody in the community to reach their full potential'

#### Education

- The large majority of pupils in Bath and North East Somerset are taught in Good or Outstanding schools and educational outcomes are broadly in line with or above the national average at most key stages. In some cases attainment in B&NES is the best or amongst the best in the South West, for example the proportion of pupils achieving the expected standard at the end of Key Stage 2 is the second best in the South West and attainment at the end of Key Stage 4 is in the top four in the South West. Attainment at Key Stage 5 is high and a higher proportion than national gain the highest grades at A level. Outcomes for Children in Care are above national at all key stages.
- However, the achievement of pupils eligible for Free School Meals is lower than similar pupils nationally at all key stages, and the achievement of some BME groups is low at some key stages.
- For the current 2018/19 academic year, 95% of Reception Year admissions into B&NES's primary schools were to a first preference school (the same as the previous academic year). In 2018/19 academic year, proportionately fewer Year 7 pupils were successful in getting into their preferred secondary schools compared to the previous academic year (2017/18) – 92.8% and 97.4% respectively. Since September 2017 the Council has ensured the delivery of three new primary schools.
- Our three state-funded special schools are at or over capacity.



# NARRATIVE REPORT

## Non Financial Performance of the Council (cont.)

### People who might experience barriers to employment

- In 2017/18 10.4% of adults with Learning Disabilities who are known to the Council were in paid employment. This has increased from 8.9% in 2015/16. The figure for England as a whole is 6.0%, and for the South West it is 5.9%.
- In 2017/18 12.0% of adults in contact with secondary mental health services were in paid employment, an increase from 11.2% in 2015/16. The figure for England is 7.0%, and for the South West it is 11.0%.

### Housing Growth and Development

- There were 1,040 net additional homes built in 2018/19, well above the trajectory target of 709.
- Statutory planning development targets all remain significantly above target for 2018/19, with 91% of major planning decisions made within timescale, compared to a target of 60%.

### Housing benefit and Council tax

- As of October 2018, the total caseload for Housing Benefit was at its lowest level compared to the previous three years, at just over 6,300 recipients. The reduction (seen mainly in the working age population) is likely to be largely down to the ongoing rollout of Universal Credit.
- The total Council Tax Support caseload, while more variable, has also seen a downward trend over the same three year time period, and stood at 9,850 recipients at October 2018.
- For the financial year 2018-19, collection rates for Council Tax and NNDR both exceeded 98%.

### Heritage Visitor Numbers

- Visitors to Council owned heritage attractions continue to be at a historic high and above target, with over 1.2m visitors in 2018/19. A 6.5% increase from 2016/17.

## Corporate Risk Management

The Council's Risk Management Strategy was reviewed and updated during 2018/19 and sets out the framework to manage risk.

Senior Management assess key risks at a strategic level. However risks are being actively managed on a daily basis to respond to the challenges of delivering services in a complex environment.

Key risks have been kept under review during the year and will continue to form an ongoing focus for successful delivery of the Council's plans. Work to manage risk in 2018/19 has focussed on –

- How we plan for and meet the severe Financial Challenge facing the public sector
- Delivering on savings projects by reshaping the Council through its Strategic Review and reducing costs
- Supporting and stimulating Economic Growth and Regeneration such as the Bath Quays projects
- Safeguarding children and vulnerable adults in our community
- Delivering joined up commissioning of social care through the new Virgin Care contract
- Working across the West of England to stimulate housing needs, skills and employment and support major transport projects
- Managing and investing in the key infrastructure and assets of the area and tackling major transport issues

As we move into 2019/20 the Council will be heavily focussed on delivering its savings plans and managing the financial challenge including a continued reduction in staff numbers. It will also build on joint working with the West of England Combined Authority and emerging opportunities in this area, along with a strong focus on improving Community Health and Care Services through its major contract with Virgin Care. All of these feature regularly at Cabinet and Senior Management team level and the Council continues to strive to meet the financial challenges ahead.

# NARRATIVE REPORT

## Pension Fund

As required by the Local Government Pension Scheme (LGPS) Regulations 2013, an actuarial valuation of the Avon Pension Fund was carried out as at 31 March 2016. The market value of the Fund's assets at the valuation date was £3.737m. The Actuary estimated that the value of the Fund was sufficient to meet 86% of its expected future liabilities of £4,355m in respect of service completed to 31 March 2016. This triennial valuation set the employer contribution rates from 1 April 2017. The next triennial valuation will be as at 31st March 2019.

The Actuary has estimated that the funding level as at 31 March 2019 has risen to 97% from 96.2% at 31 March 2018 based on the 2016 valuation financial assumptions.

## Pension Liabilities

The Council itself has a liability of £299.3m 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 2018/19 is mainly due to gains from changes in the Actuary's assumptions in valuing the liabilities, as detailed in Note 41 below.

The Actuary has estimated that the funding level as at 31 March 2019 has risen to 97% from 96.2% at 31 March 2018 based on the 2016 valuation financial assumptions.

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

## Group Accounts

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

## Further Information

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

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

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

Once again the accounts have been produced promptly and to a high standard. This is the second year that the draft accounts have been prepared in accordance with the faster closing timetable, reducing the time available to produce the accounts by a third (from three months to two months) and reflects the exceptional commitment and hard work undertaken by Finance staff across the Council. My thanks go to all Finance staff and to Service Directors for their assistance in the preparation of these accounts and for their support throughout the year.



**Donna Parham**

Director of Finance (Section 151 Officer)

**Date:** 31st May 2019

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2018/19

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

Notes	2017/18 Gross Exp £'000	2017/18 Gross Inc £'000	2017/18 Net Exp £'000	<b>Expenditure on Services</b>	2018/19 Gross Exp £'000	2018/19 Gross Inc £'000	2018/19 Net Exp £'000
	3,224	(755)	2,469	Leader	2,520	(226)	2,294
	64,598	(56,257)	8,341	Finance & Efficiency	59,307	(52,044)	7,263
	107,520	(45,022)	62,498	Adult Care, Health & Wellbeing	117,575	(55,050)	62,525
	118,163	(79,475)	38,688	Children & Young People	98,745	(64,081)	34,664
	33,232	(14,976)	18,256	Development & Neighbourhoods	33,337	(12,139)	21,198
	14,033	(17,826)	(3,793)	Economic & Community Regeneration	15,645	(22,232)	(6,587)
	11,579	(2,482)	9,097	Transformation & Customer Services	8,800	(2,534)	6,266
	23,848	(15,104)	8,744	Transport & Environment	29,489	(14,500)	14,989
	<b>376,197</b>	<b>(231,897)</b>	<b>144,300</b>	<b>Cost of Services - continuing Operations</b>	<b>365,418</b>	<b>(222,806)</b>	<b>142,612</b>
9			25,907	Other Operating Expenditure			12,060
10			(30,640)	Financing and Investment Income & Expenditure			26,394
11			(128,112)	Taxation and Non-Specific Grant Income			(138,417)
			<b>11,455</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>42,649</b>
12, 13 & 14			(20,717)	(Surplus) or Deficit on Upward Revaluation of Non-current Assets			(29,510)
12, 13 & 14			7,421	(Surplus) or Deficit on Downward Revaluation of Non-current Assets			17,095
41			(28,002)	Remeasurement of the net defined benefit liability			22,379
			<b>(41,298)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>9,964</b>
			<b>(29,843)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>52,613</b>

## MOVEMENT IN RESERVES STATEMENT 2018/19

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

<b>Current Year</b>	Unearmarked General Fund Balance £'000	Earmarked General Fund Balance £'000	<b>Total General Fund Balance £'000</b>	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves (Note 23) £'000</b>	Unusable Reserves (Note 24) £'000	<b>Total Authority Reserves £'000</b>
<b>Balance at 31 March 2018</b>	12,473	33,487	<b>45,960</b>	2,770	1,375	<b>50,105</b>	146,199	<b>196,304</b>
Movements During 2018/19:								
Total Comprehensive Income & Expenditure	(42,649)		(42,649)	-	-	(42,649)	(9,964)	(52,613)
Adjustments between accounting basis and funding basis under statutory provisions	45,575		45,575	704	(1,153)	45,126	(45,126)	-
<b>Increase / (Decrease) during year</b>	2,926	-	2,926	704	(1,153)	2,477	(55,090)	(52,613)
Transfers to / (from) earmarked reserves	(3,081)	3,081	-					
<b>Balance at 31 March 2019</b>	<b>12,318</b>	<b>36,568</b>	<b>48,886</b>	<b>3,474</b>	<b>222</b>	<b>52,582</b>	<b>91,110</b>	<b>143,692</b>
<b>Comparative Year</b>	Unearmarked General Fund Balance £'000	Earmarked General Fund Balance £'000	<b>Total General Fund Balance £'000</b>	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves (Note 23) £'000</b>	Unusable Reserves (Note 24) £'000	<b>Total Authority Reserves £'000</b>
<b>Balance at 31 March 2017</b>	12,657	36,300	<b>48,957</b>	2,208	2,737	<b>53,902</b>	112,557	<b>166,459</b>
Movements During 2017/18:								
Total Comprehensive Income & Expenditure	(11,455)		(11,455)	-	-	(11,455)	41,298	29,843
Adjustments between accounting basis and funding basis under statutory provisions	8,455		8,455	562	(1,362)	7,655	(7,655)	-
<b>Increase / (Decrease) during year</b>	(3,000)		(3,000)	562	(1,362)	(3,799)	33,643	29,843
Transfers to / (from) earmarked reserves	2,814	(2,814)	-					
<b>Balance at 31 March 2018</b>	<b>12,473</b>	<b>33,487</b>	<b>45,960</b>	<b>2,770</b>	<b>1,375</b>	<b>50,105</b>	<b>146,199</b>	<b>196,304</b>

## BALANCE SHEET as at 31 MARCH 2019

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

Notes	31 March 2018 £'000		31 March 2019 £'000
<b>12</b>		Property, Plant & Equipment:	
	197,379	Land & Buildings	200,896
	583	Community Assets	917
	97,269	Infrastructure	100,463
	16,830	Vehicles, Plant & Equipment	18,473
	13,006	Assets under Construction	22,193
	2,272	Surplus assets	2,378
<b>13</b>	33,467	Heritage Assets	34,096
<b>14</b>	322,272	Investment Property	319,322
<b>15</b>	790	Intangible Assets	497
<b>19</b>	6,398	Long Term Debtors	13,298
	<u>690,266</u>	<b>Long Term Assets</b>	<u>712,533</u>
<b>16</b>	-	Short Term Investments	15,054
<b>18</b>	441	Inventories	498
<b>19</b>	37,675	Short Term Debtors	31,937
<b>20</b>	38,645	Cash and Cash Equivalents	25,482
<b>17</b>	800	Assets Held for Sale	1,725
	<u>77,561</u>	<b>Current Assets</b>	<u>74,696</u>
<b>16</b>	(18,586)	Short Term Borrowing	(10,065)
<b>21</b>	(52,331)	Short Term Creditors	(49,589)
<b>35</b>	(2,790)	Grants Receipts In Advance - Revenue	(3,554)
<b>35</b>	(14,566)	Grants Receipts In Advance - Capital	(11,129)
	<u>(88,273)</u>	<b>Current Liabilities</b>	<u>(74,337)</u>
<b>22</b>	(6,993)	Provisions	(9,087)
<b>16</b>	(175,886)	Long Term Borrowing	(218,488)
<b>41&amp;42</b>	(277,785)	Other Long Term Liabilities	(311,157)
<b>35</b>	(22,586)	Grants Receipts In Advance - Capital	(30,468)
	<u>(483,250)</u>	<b>Long Term Liabilities</b>	<u>(569,200)</u>
	<u>196,304</u>	<b>Net Assets</b>	<u>143,692</u>
<b>23</b>	50,105	Usable reserves	52,582
<b>24</b>	146,199	Unusable Reserves	91,110
	<u>196,304</u>	<b>Total Reserves</b>	<u>143,692</u>

The draft accounts were authorised for issue on 31st May 2019



**Donna Parham** Director of Finance (s.151 Officer)

Date: 31st May 2019

## 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.

	2017/18 £'000	See Note 25 for further details	2018/19 £'000
	(11,455)	Net surplus or (deficit) on the provision of services	(42,649)
		Adjustment to surplus or deficit on the provision of services	
A	(14,448)	for non cash movements	81,603
		Adjust for items included in the net surplus or deficit on the provision	
A	36,866	of services that are investing and financing activities	(28,446)
	10,963	Operating Activities	10,508
C	(60,093)	Investing Activities	(57,531)
D	64,678	Financing Activities	33,860
	15,548	<b>Net Increase/(decrease) in cash equivalents</b>	<b>(13,163)</b>
E	23,097	<b>Cash &amp; cash equivalents at the beginning of the reporting period</b>	<b>38,645</b>
E	38,645	<b>Cash &amp; cash equivalents at the end of the reporting period</b>	<b>25,482</b>

# NOTES TO MAIN FINANCIAL STATEMENTS

## 1 ACCOUNTING POLICIES

### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts & Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting policies. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), supported by International Financial Reporting Standards (IFRS).

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

### 1.2 Qualitative Characteristics of Financial Statements

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

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

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

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

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

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

### 1.3 Underlying Assumptions

#### Accruals Basis

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

#### Going Concern

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

#### Primacy of Legislation Requirements

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

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

### 1.4 Accruals of Income and Expenditure

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

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 1.5 Revenue Recognition

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

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

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

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

Non Domestic Rates (NDR)

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

Council Tax

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

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

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

### 1.7 Provisions

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

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

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

### 1.8 Reserves

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

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



## NOTES TO MAIN FINANCIAL STATEMENTS

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### 1.9 Government Grants and Contributions

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

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

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

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

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

### 1.10 Employee Benefits

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

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

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

#### Post-Employment Benefits

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

- \* The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
  - \* The Local Government Pension Scheme (Avon Pension Fund). The Fund itself is administered entirely by Bath & North East Somerset Council under arrangements made following the abolition of the former Avon County Council on 31 March 1996. Bath & North East Somerset Council is one of over 200 contributing employers into the Avon Pension Fund.
- Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council.

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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### The Local Government Pension Scheme

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

- \* The liabilities of the Avon Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the Projected Unit Method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- \* Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bonds).
- \* The assets of the Avon Pension Fund attributable to the Council are included in the balance sheet at their fair value:
  - Quoted Securities - bid price
  - Unquoted Securities - professional estimate
  - Unlisted Securities - average of the bid and offer rates
  - Property - market value.The change in the net pensions liability is analysed into the following components:

#### Service Costs:

- Current service cost - the increase in the present value of the liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
  - Past service cost - the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the Authority in the number of employees covered by a plan) - debited to the Surplus or Deficit on The Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs
  - Any gain or loss on settlement - arising when an Authority enters into a transaction which eliminates all further legal or constructive obligations for part or all of the benefits provided under a Defined Benefit Plan.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income & Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

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

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

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

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

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

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

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

#### Discretionary Benefits

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 1.11 VAT

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

### 1.12 Overheads and Support Services

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

### 1.13 Property, Plant & Equipment

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

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

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

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

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

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

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

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

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

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

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

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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

Depreciation is calculated on the following bases:

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

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

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

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

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

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

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

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

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

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

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

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

### 1.14 Intangible Assets

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 1.15 Investment Property

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

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

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

### 1.16 Heritage Assets

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

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

#### Museum Collections

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

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

#### Chandeliers

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

#### Statues and Monuments

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

#### Historical Buildings

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

### 1.17 Fair Value Measurement

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

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

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

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

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

Level 3 - unobservable inputs for the asset or liability.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 1.18 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

### 1.19 Cash & Cash Equivalents

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

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

### 1.20 Leases

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

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

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

#### The Authority as Lessee

##### Finance Leases

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

Lease payments are apportioned between:

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

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

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

##### Operating Leases

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

# NOTES TO MAIN FINANCIAL STATEMENTS

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## The Authority as Lessor

### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

### Operating Leases

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

## 1.21 Financial Instruments

### Financial Liabilities

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

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

### Financial Assets

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

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

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

### Financial Assets Measured at Amortised Costs

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

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

### Expected Credit Loss Model

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

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

# NOTES TO MAIN FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

## Instruments Entered into Before 1 April 2006

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

## 1.22 Inventories and Work in Progress

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

## 1.23 Controlled Companies

The Authority has three controlled companies - Aequus Construction Limited, Aequus Developments Limited and Visit Bath (previously Bath Tourism Plus Ltd.). The turnover and assets held by the companies are not considered material and therefore no Group Accounts have been produced.

## 1.24 Contingent Liabilities

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

## 1.25 Accounting for Schools

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

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

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

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

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

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

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

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

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



## NOTES TO MAIN FINANCIAL STATEMENTS

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

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

### 1.26 Group Accounts

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

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

### 1.27 Joint Working Arrangements

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

### 1.28 Pooled Budget Arrangements

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

### 1.29 Events After the Reporting Period

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

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

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

### 1.30 City Region Deal

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

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

#### Income

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

#### Expenditure

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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

The Code of Practice on Local Council Accounting in the United Kingdom 2019/20 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2019. If these had been adopted for the financial year 2018/19 there would be no material changes. These changes are:

**Amendments to IAS40 Investment Property** - Transfers of investment property following changes in use.

**Amendments to IFRS9 Financial Instruments** - Prepayment features with negative compensation.

Annual Improvements to **IFRS Standards 2014-16 Cycle**.

**IFRIC22 Foreign Currency Transactions and Advance Consideration**.

**IFRIC23 Uncertainty Over Income Tax Treatment**.

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

### 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

#### **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 whether 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.

#### **Fair Value of Public Works Loan Board (PWLB) Loans**

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

#### **City Region Deal**

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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

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

The items in the Authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### Pensions Liability

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

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

The liability as at 31st March 2019 is £299.3m.

#### Property, Plant and Equipment Values

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

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

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

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

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

#### 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 2018/19 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 2019. For 2010 rating list the estimate has been calculated using the latest Valuation Office Agency (VOA) list of appeals and analysis of successful appeals to date. For 2017 rating list the process of lodging an appeal has been changed to a three stage process of Check, Challenge & Appeal. Provision for appeals on the 2017 rating list has been estimated at 4.7% of net business rates payable, which is Central Government's forecasted cost of appeals nationally. The Council's share of the balance of business rate appeals provisions held at 31st March 2019 amounted to £8.6m, this has increased by £2.1m from the previous year. The variance is mainly due to making a further year's provision for 2017 rating list appeals, against which, no appeals have been settled as at 31st March 2019. If appeals were to increase by 10% then this could require an increase in the Council's share of its appeals provision by £859k.

### 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 Draft Statement of Accounts was authorised for issue by the Director of Finance (Section 151 Officer) on 31st May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this situation.

#### Academy Schools

These accounts reflect the transfer of assets and liabilities in respect of those schools which became Academies during the 2018/19 financial year. The following schools are expected to convert to Academy status during the financial year 2019/20, although the timeframe for conversion is not fixed:

Cameley Primary	Pensford Primary
Castle Primary	Swainswick Primary
Chew Magna Primary	

## NOTES TO MAIN FINANCIAL STATEMENTS

### 7 EXPENDITURE AND FUNDING ANALYSIS

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

	As reported for Resource Management	Adjustment to arrive at the new amount chargeable to the General Fund Balance (Note 7a)	Net Expenditure charged to the General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
2018/19	£'000	£'000	£'000	£'000	£'000
Leader	2,295	-	2,295	-	2,295
Finance & Efficiency	(311)	6,858	6,547	715	7,262
Adult Care, Health & Wellbeing	60,738	-	60,738	1,786	62,525
Children & Young People	30,961	-	30,961	3,703	34,664
Development & Neighbourhoods	19,319	213	19,532	1,666	21,198
Economic & Community Regeneration	(5,970)	185	(5,785)	(801)	(6,587)
Transformation & Customer Services	5,985	-	5,985	281	6,266
Transport & Environment	(561)	(265)	(826)	15,815	14,989
<b>Net Cost Of Services</b>	<b>112,456</b>	<b>6,991</b>	<b>119,447</b>	<b>23,165</b>	<b>142,612</b>
Other Income & Expenditure	(118,227)	(4,145)	(122,372)	22,409	(99,963)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(5,771)</b>	<b>2,846</b>	<b>(2,925)</b>	<b>45,574</b>	<b>42,649</b>
Opening General Fund Balance at 31 March 2018			45,960		
<b>Closing General Fund Balance at 31 March 2019</b>			<b>48,886</b>		

	As reported for Resource Management	Adjustment to arrive at the new amount chargeable to the General Fund Balance (Note 7a)	Net Expenditure charged to the General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
2017/18	£'000	£'000	£'000	£'000	£'000
Leader	2,469	-	2,469	-	2,469
Finance & Efficiency	49	5,844	5,893	2,448	8,341
Adult Care, Health & Wellbeing	61,654	-	61,654	844	62,498
Children & Young People	29,563	-	29,563	9,124	38,687
Development & Neighbourhoods	20,756	332	21,088	(2,832)	18,256
Economic & Community Regeneration	(4,771)	324	(4,447)	654	(3,793)
Transformation & Customer Services	6,944	-	6,944	2,153	9,097
Transport & Environment	111	(187)	(76)	8,820	8,744
<b>Net Cost Of Services</b>	<b>116,775</b>	<b>6,313</b>	<b>123,088</b>	<b>21,211</b>	<b>144,300</b>
Other Income & Expenditure	(115,039)	(5,052)	(120,091)	(12,754)	(132,845)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,736</b>	<b>1,261</b>	<b>2,997</b>	<b>8,457</b>	<b>11,455</b>
Opening General Fund Balance at 31 March 2017			48,957		
<b>Closing General Fund Balance at 31 March 2018</b>			<b>45,960</b>		

## NOTES TO MAIN FINANCIAL STATEMENTS

### 7a NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2018/19	Rental Income reported at Portfolio Level (a) £'000	Other Income reported at Portfolio Level (a) £'000	Interest Payments reported at Portfolio Level (a) £'000	Other Payments reported at Portfolio Level (a) £'000	Adjustments to the net amount chargeable to the General Fund £'000
Leader					-
Finance & Efficiency	18,957	375	(7,034)	(5,440)	6,858
Adult Care, Health & Wellbeing					-
Children & Young People					-
Development & Neighbourhoods				213	213
Economic & Community Regeneration				185	185
Transformation & Customer Services					-
Transport & Environment				(265)	(265)
<b>Net Cost of Services</b>	18,957	375	(7,034)	(5,307)	6,991
Other Income & Expenditure	(18,957)	(375)	6,819	8,368	(4,145)
<b>Surplus or Deficit</b>	-	-	(215)	3,061	2,846

	Adjustment for capital purposes (b) £'000	Net charges for Pension Fund adjustment (c) £'000	Other Adjustments (d) £'000	Total Adjustments Between Funding & Accounting Basis £'000
Leader	-	-	-	-
Finance & Efficiency	4,761	-	(4,046)	715
Adult Care, Health & Wellbeing	1,802	(12)	(4)	1,786
Children & Young People	3,756	(121)	68	3,703
Development & Neighbourhoods	1,727	(54)	(6)	1,666
Economic & Community Regeneration	(771)	(30)		(801)
Transformation & Customer Services	281			281
Transport & Environment	15,838	(22)		15,815
<b>Net Cost of Services</b>	27,393	(240)	(3,988)	23,165
Other Income & Expenditure	15,448	6,690	271	22,409
<b>Surplus or Deficit</b>	42,841	6,450	(3,717)	45,574

## NOTES TO MAIN FINANCIAL STATEMENTS

2017/18	Rental Income reported at Portfolio Level (a) £'000	Other Income reported at Portfolio Level (a) £'000	Interest Payments reported at Portfolio Level (a) £'000	Other Payments reported at Portfolio Level (a) £'000	Adjustments to the net amount chargeable to the General Fund £'000
Leader					-
Finance & Efficiency	18,184	370	(6,882)	(5,828)	5,844
Adult Care, Health & Wellbeing					-
Children & Young People					-
Development & Neighbourhoods				332	332
Economic & Community Regeneration				324	324
Transformation & Customer Services					-
Transport & Environment				(187)	(187)
<b>Net Cost of Services</b>	18,184	370	(6,882)	(5,359)	6,313
Other Income & Expenditure	(18,184)	(370)	5,888	7,614	(5,052)
<b>Surplus or Deficit</b>	-	-	(994)	2,255	1,261

	Adjustment for capital purposes (b) £'000	Net charges for Pension Fund adjustment (c) £'000	Other Adjustments (d) £'000	Total Adjustments Between Funding & Accounting Basis £'000
Leader				-
Finance & Efficiency	2,946		(498)	2,448
Adult Care, Health & Wellbeing	878	(63)	29	844
Children & Young People	10,379	(838)	(417)	9,124
Development & Neighbourhoods	(2,512)	(256)	(64)	(2,832)
Economic & Community Regeneration	787	(133)		654
Transformation & Customer Services	2,153			2,153
Transport & Environment	8,929	(109)		8,820
<b>Net Cost of Services</b>	23,560	(1,399)	(950)	21,211
Other Income & Expenditure	(19,597)	6,874	(31)	(12,754)
<b>Surplus or Deficit</b>	3,963	5,475	(981)	8,457

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

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

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

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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

2018/19	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance £'000's	Capital Receipts Reserve £'000's	Capital Grants Unapplied £'000's	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Charges for depreciation of Non-Current Assets	21,067			(21,067)
Revaluation gains / Impairments on Property Plant & Equipment	4,792			(4,792)
Movements in the Market Value of Investment Properties	30,482			(30,482)
Amortisation of Intangible Assets	296			(296)
Capital Grants & contributions applied	(4,336)			4,336
Revenue expenditure funded from Capital under Statute	11,349			(11,349)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	9,076			(9,076)
Impairment allowance for capital expenditure loans	118			(118)
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Statutory provision for the financing of capital investment expenditure charged against the General Fund	(5,267)			5,267
Principal repayment of Avon Loan	(494)			494
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(19,388)		19,388	
Application of grants to capital financing transferred to the Capital Adjustment Account			(20,541)	20,541
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,855)	4,855		
Use of the Capital Receipts Reserve to finance new capital expenditure		(4,025)		4,025
Capital expenditure financed from revenue	(134)			134
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	-	-		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		8		(8)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-			-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	(169)			169
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	24,454			(24,454)
Employer's pensions contribution and direct payments to pensioners payable in the year	(18,004)			18,004
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(3,597)			3,597
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	51			(51)
Other movements	133	(134)		1
<b>Total Adjustments</b>	<b>45,574</b>	<b>704</b>	<b>(1,153)</b>	<b>(45,125)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

2017/18	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000's	£'000's	£'000's	£'000's
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Charges for depreciation of Non-Current Assets	20,232			(20,232)
Revaluation gains / Impairments on Property Plant & Equipment	1,478			(1,478)
Movements in the Market Value of Investment Properties	(25,609)			25,609
Amortisation of Intangible Assets	296			(296)
Capital Grants & Contributions Applied	(6,630)			6,630
Revenue expenditure funded from Capital under Statute	13,132			(13,132)
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	21,168			(21,168)
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Statutory provision for the financing of capital investment expenditure charged against the General Fund	(4,236)			4,236
Principal repayment of Avon Loan	(514)			514
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(11,717)		11,717	
Application of grants to capital financing transferred to the Capital Adjustment Account			(13,079)	13,079
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,065)	5,065		
Use of the Capital Receipts Reserve to finance new capital expenditure		(4,264)		4,264
Capital expenditure financed from revenue	(198)			198
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	-	-		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		7		(7)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-			-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	(169)			169
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	22,670			(22,670)
Employer's pensions contribution and direct payments to pensioners payable in the year	(617)			617
	(16,578)			16,578
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(369)			369
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(445)			445
Other movements	1,626	(246)		(1,380)
<b>Total Adjustments</b>	<b>8,455</b>	<b>562</b>	<b>(1,362)</b>	<b>(7,655)</b>



## NOTES TO MAIN FINANCIAL STATEMENTS

### 9 OTHER OPERATING EXPENDITURE

	2018/19	2017/18
	£'000	£'000
(Gain)/Loss on disposal of non-current assets	5,299	19,054
Parish Precepts	2,510	2,404
Levy payments to joint bodies*	4,251	4,449
	<u>12,060</u>	<u>25,907</u>

### 10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2018/19	2017/18
	£'000	£'000
Interest Payable & Premiums	6,819	5,888
Interest & Investment Income	(375)	(370)
Net Deficit/(Surplus) on Trading Services	354	(118)
Income & expenditure in relation to Investment properties and changes in fair value	12,778	(42,914)
Gain/(loss) on Financial Instruments carried at Fair Value through Profit or Loss	128	-
Net Interest on the Net Defined Benefit Liability (Asset)	6,690	6,874
	<u>26,394</u>	<u>(30,640)</u>

### 11 TAXATION AND NON-SPECIFIC GRANT INCOME

	2018/19	2017/18
	£'000	£'000
Council Tax Income	(90,045)	(84,488)
Non -Domestic Rates Income & Expenditure	(28,182)	(30,551)
Capital grants and contributions	(20,190)	(13,073)
	<u>(138,417)</u>	<u>(128,112)</u>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 12 PROPERTY, PLANT & EQUIPMENT

Movement in 2018/19:

	Other Land & Buildings	Community Assets	Infrastructure Assets	Veh'cls, Plant & Equipment	Assets Under Construction	Surplus Assets	Heritage Assets	Total Property Plant & Equipment £'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation as at 1 April 2018</b>	199,286	583	170,490	30,602	13,006	2,286	33,467	449,720
Adjustment to opening balance								-
Additions	6,957	318	12,912	3,159	14,732	57	-	38,135
Revaluations increases/decreases recognised in the Revaluation Reserve	6,517	-	-	-	-	-	629	7,146
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(4,627)	-	-	-	(1,230)	16	-	(5,841)
De-recognition - Disposals	(6,287)	-	(359)	(2,230)	-	(248)	-	(9,124)
Assets reclassified to/from Held for sale	(1,691)	-	-	-	-	-	-	(1,691)
Reclassifications - other	1,457	16	2,406	1,681	(4,315)	270	-	1,515
<b>Valuation as at 31 March 2019</b>	<b>201,612</b>	<b>917</b>	<b>185,449</b>	<b>33,212</b>	<b>22,193</b>	<b>2,381</b>	<b>34,096</b>	<b>479,860</b>
<b>Accumulated Depreciation and Impairment</b>								
Accumulated depreciation as at 1 April 2018	(1,907)	-	(73,221)	(13,772)	-	(14)	-	(88,914)
Depreciation charge in year	(5,748)	-	(12,137)	(3,156)	-	(26)	-	(21,067)
Depreciation written out to the Revaluation Reserve	5,283	-	-	-	-	9	-	5,292
Depreciation written out to the Surplus/Deficit on Provision of Services	1,049	-	-	-	-	17	-	1,066
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services*	-	-	-	-	-	-	-	-
De-recognition - disposals	610	-	372	2,189	-	8	-	3,179
Other Movements in Depreciation & Impairment	(3)	-	-	-	-	3	-	-
<b>Accumulated depreciation at 31 March 2019</b>	<b>(716)</b>	<b>-</b>	<b>(84,986)</b>	<b>(14,739)</b>	<b>-</b>	<b>(3)</b>	<b>-</b>	<b>(100,444)</b>
<b>Balance sheet amount 31 March 2019</b>	<b>200,896</b>	<b>917</b>	<b>100,463</b>	<b>18,473</b>	<b>22,193</b>	<b>2,378</b>	<b>34,096</b>	<b>379,416</b>
<b>Revaluations (GBV)</b>								
Carried at Historic Cost	1,840	917	185,449	33,212	22,193	336		243,947
Heritage Valuations (Insurance or Curatorial)							34,096	34,096
Surplus Properties at Fair Value								-
Valued at Current value as at:								
Y/E 31/03/2019	163,520					25		163,545
Y/E 31/03/2018	18,815					1,645		20,460
Y/E 31/03/2017	8,632							8,632
Y/E 31/03/2016	6,191					375		6,566
Y/E 31/03/2015	2,614							2,614
Y/E 31/03/2014	-							-
Y/E 31/03/2013	-							-
<b>Total Cost or Valuation</b>	<b>201,612</b>	<b>917</b>	<b>185,449</b>	<b>33,212</b>	<b>22,193</b>	<b>2,381</b>	<b>34,096</b>	<b>479,860</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

Comparative Movements in 2017/18:

	Other Land & Buildings	Community Assets	Infrastructure Assets	Veh'cls, Plant & Equipment	Assets Under Construction	Surplus Assets	Heritage Assets	Total Property Plant & Equipment £'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation as at 1 April 2017</b>	209,875	688	142,290	27,976	25,922	2,584	31,301	440,636
Adjustment to opening balance	-	-	-	-	-	-	-	-
Additions	3,629	140	7,417	7,783	11,848	228	-	31,045
Revaluations increases/decreases recognised in the Revaluation Reserve	7,014	-	-	-	-	(109)	2,166	9,071
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(4,783)	(5)	1,037	-	(40)	(47)	-	(3,838)
De-recognition - Disposals	(17,322)	-	(77)	(5,344)	(3,824)	-	-	(26,567)
Assets reclassified to/from Held for sale	(627)	-	-	-	-	-	-	(627)
Reclassifications - other	1,500	(240)	19,823	187	(20,900)	(370)	-	-
<b>Valuation as at 31 March 2018</b>	<b>199,286</b>	<b>583</b>	<b>170,490</b>	<b>30,602</b>	<b>13,006</b>	<b>2,286</b>	<b>33,467</b>	<b>449,720</b>
<b>Accumulated Depreciation and Impairment</b>								
Accumulated depreciation as at 1 April 2017	(2,947)	(11)	(62,548)	(15,495)	-	(24)	-	(81,025)
Adjustment to opening balance	-	-	-	-	-	-	-	-
Depreciation charge in year	(6,123)	-	(10,588)	(3,497)	-	(24)	-	(20,232)
Depreciation written out to the Revaluation Reserve	4,000	-	-	-	-	-	-	4,000
Depreciation written out to the Surplus/Deficit on Provision of Services	2,378	-	-	-	-	34	-	2,412
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services	-	-	-	-	-	-	-	-
De-recognition - disposals	796	-	(85)	5,220	-	-	-	5,931
Other Movements in Depreciation & Impairment	(11)	11	-	-	-	-	-	-
<b>Accumulated depreciation at 31 March 2018</b>	<b>(1,907)</b>	<b>-</b>	<b>(73,221)</b>	<b>(13,772)</b>	<b>-</b>	<b>(14)</b>	<b>-</b>	<b>(88,914)</b>
<b>Balance sheet amount 31 March 2018</b>	<b>197,379</b>	<b>583</b>	<b>97,269</b>	<b>16,830</b>	<b>13,006</b>	<b>2,272</b>	<b>33,467</b>	<b>360,806</b>

### Depreciation

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

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

## NOTES TO MAIN FINANCIAL STATEMENTS

### Revaluations

The Council carries out a recurrent rolling programme that ensures all PPE required to be measured out at least every five years, along with other revaluations as required. New valuations undertaken in 2018/19 were carried out to the value of £163.4m. Along with existing valid valuations, acquisitions and disposals this gave a total valuation of £200.0m. All valuations of land & buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

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

### Capital Commitments

At 31 March 2019 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years estimated to cost £33.558m  
These are detailed below:

	2018/19	2017/18
	£'000	£'000
Leisure Centres	6,289	3,447
Waste and Cleaning Vehicles	810	725
Bath Quays	21,423	-
Education & Children's Services	2,660	1,454
Bath Transport Package	86	256
Resources (Property) Schemes	470	1,071
Other	1,820	33
<b>Total</b>	<b>33,558</b>	<b>6,986</b>

## 13 HERITAGE ASSETS

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

2018/19 Cost or Valuation	Victoria Art Gallery £'000	Roman Baths £'000	Fashion Museum £'000	Chandeliers £'000	Records Office £'000	Library £'000	Total £'000
1st April	14,928	9,084	3,729	1,800	1,303	2,623	33,467
Additions							-
Disposals							-
Revaluations	175		266			188	629
Impairment Losses/(reversals) recognised in the Reval Reserve							-
Impairment Losses/(reversals) recognised in the Surplus or Deficit on Provision of Service							-
<b>31st March</b>	<b>15,103</b>	<b>9,084</b>	<b>3,995</b>	<b>1,800</b>	<b>1,303</b>	<b>2,811</b>	<b>34,096</b>

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

2017/18 Cost or Valuation	Victoria Art Gallery £'000	Roman Baths £'000	Fashion Museum £'000	Chandeliers £'000	Records Office £'000	Library £'000	Total £'000
1st April	14,856	9,084	1,635	1,800	1,303	2,623	31,301
Additions							-
Revaluations	72		2,094				2,166
<b>31st March</b>	<b>14,928</b>	<b>9,084</b>	<b>3,729</b>	<b>1,800</b>	<b>1,303</b>	<b>2,623</b>	<b>33,467</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 14 INVESTMENT PROPERTIES

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

	2018/19	2017/18
	£'000	£'000
Rental Income from Investment Property	18,957	18,184
Direct operating expenses arising from Investment Property	(1,253)	(879)
Net gain/(loss)	<u>17,704</u>	<u>17,305</u>

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

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

	2018/19	2017/18
	£'000	£'000
Balance at start of year	322,272	268,616
Adjustment to opening balance		
Additions of expenditure	31,452	29,007
Disposals	(2,405)	(960)
Net gains/losses from fair value adjustments	(30,482)	25,609
Transfer to/from Property, Plant & Equipment	(1,515)	
<b>Balance at end of the year</b>	<u>319,322</u>	<u>322,272</u>

The Council carries out annual valuations of all investment properties. The valuer's report identified a total valuation of £322.5m, being all level 2 in the hierarchy outlined in policy 1.17, before transfers and disposals of £3.4m and in year capital expenditure is applied. The 2017-18 indexation exercise was also removed, a value of £5.4m. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

### 15 INTANGIBLE ASSETS

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

	2018/19	2017/18
	£'000	£'000
<b>Cost or valuation as at 1 April</b>	1,548	1,544
Purchases	3	4
Transfers	-	-
Disposals	-	-
Net gains/losses from fair value adjustments	-	-
<b>Cost or valuation as at 31 March</b>	<u>1,551</u>	<u>1,548</u>
Accumulated depreciation as at 1 April	758	462
Depreciation for the period	296	296
Depreciation Write Back (Disposals)		
Accumulated depreciation at 31 March	<u>1,054</u>	<u>758</u>
<b>Net Carrying amount at 31 March</b>	<u>497</u>	<u>790</u>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 16 FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	31 March	31 March	31 March	31 March
	2018	2019	2018	2019
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost - loans	174,424	216,578	18,500	10,000
Accrued Interest (1)			1,547	1,974
Financial liabilities at amortised cost trade creditors			21,889	19,460
<b>Total borrowings</b>	<b>174,424</b>	<b>216,578</b>	<b>41,936</b>	<b>31,434</b>

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

	31 March		31 March	
	2018	2019	2018	2019
	£'000	£'000	£'000	£'000
Loans & receivables	-	-	37,700	39,720
Accrued Interest (1)			41	124
Cash			904	692
Loans & receivables - trade debtors			13,418	13,635
<b>Total Investments</b>	<b>-</b>	<b>-</b>	<b>52,063</b>	<b>54,171</b>

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

(2) Impairment of Investments was estimated at £5.6K and not considered material.

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

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

#### Financial Instruments Gains & Losses

	Financial Liabilities			Financial Assets		
	31 March 2018	31 March 2018	Total	31 March 2019	31 March 2019	Total
	Liabilities measured at amortised cost	Loans & Receivables		Liabilities measured at amortised cost	Loans & Receivables	
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense *	(5,212)	-	(5,212)	(6,171)	-	(6,171)
Net Gain / (Loss) on Financial Assets Measured at Fair Value Through Profit or Loss			-		(128)	(128)
<b>Interest payable &amp; similar charges</b>	<b>(5,212)</b>	<b>-</b>	<b>(5,212)</b>	<b>(6,171)</b>	<b>(128)</b>	<b>(6,299)</b>
Interest Income	-	370	370	-	375	375
<b>Interest &amp; investment Income</b>	<b>-</b>	<b>370</b>	<b>370</b>	<b>-</b>	<b>375</b>	<b>375</b>
<b>Net gain/(loss) for the Year</b>	<b>(5,212)</b>	<b>370</b>	<b>(4,842)</b>	<b>(6,171)</b>	<b>247</b>	<b>(5,924)</b>

\*The Authority also paid £1.14m (of which £0.49m related to principal), in respect of its share of debt relating to the former Avon County Council which is managed by Bristol City Council.

## NOTES TO MAIN FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

The fair values calculated are as follows:

	31 March 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities - PWLB Loans (Long Term Borrowing)	144,955	172,704	197,627	229,221
Financial Liabilities - Local & Police Authority Loans (Long Term Borrowing)	10,065	10,643	0	0
Financial Liabilities - Market Loans (Long Term Borrowing)	20,866	33,137	20,861	32,640
<b>Total Long Term Borrowing</b>	<b>175,886</b>	<b>216,484</b>	<b>218,488</b>	<b>261,861</b>
Financial Liabilities - Local & Police Authority Loans (Short Term Borrowing)	18,586	18,581	10,065	10,763
Financial Liabilities - trade creditors (see Note 21)	21,889	21,889	19,460	19,460
	<b>216,361</b>	<b>256,954</b>	<b>248,013</b>	<b>292,084</b>

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

The fair value as at 31st March 2019 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 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans & Receivables - investments*	37,741	37,741	39,844	37,741
Cash	904	904	692	692
Loans & Receivables - trade debtors (see Note 19)	13,418	13,418	13,635	13,635

\* The "Loans & Receivables - investments" figures above includes those investments classed as Cash Equivalents, as detailed in Note 20. This equated to **£24.790m** as at 31st March 2019, with £15.054m short term investments, compared with £37.741m Cash Equivalents as at 31st March 2018, with no short term investments.

### Fair Value Hierarchy

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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

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

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

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

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. The Council's approved Treasury Management Strategy (as revised) for 2018/19 sets the minimum credit ratings for the banks and financial institutions with which deposits can be made. The minimum credit ratings were Long Term rating BBB+ or equivalent for UK banks and A for Foreign banks. The Council also set additional criteria in relation to the time limit and amount of monies which will be invested with financial institutions based on the level of their credit rating with a maximum lending limit of £10m restricted to UK banks and foreign banks. For operational reasons, the Treasury Management Strategy for 2018/19 permitted the overnight use of the Council's current bank account provider (NatWest), subject to maintaining a credit rating of not lower than BBB-.

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

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

IFRS9 Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 122% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. At 31st March 2019, £5K of loss allowances related to treasury investments and deemed not material.

In furtherance of the Council's service objectives, it has lent money to the various companies as set out in the table below. The Council manages the credit risk inherent in its loans in line with its published Investment Strategy, and IFRS9 loss allowances have been calculated by reference to the possibility of default in next 12 months using an interest rate margin approach. No loans were written off to the Surplus or Deficit on the Provision of Services in 2018/19.

	Aequus Developm't Limited	Aequus Construction Limited	Aequus Working Capital	Other Loans	Totals
	£'000	£'000	£'000	£'000	£'000
Loans Brought Forward	1,867	2,420	200	278	<b>4,765</b>
New Loan Issued (*)	1,219	5,535	250	350	<b>7,354</b>
Repayments	(28)	-	-	(106)	<b>(134)</b>
<b>Loans Balance at 31st March 2019</b>	<b>3,058</b>	<b>7,955</b>	<b>450</b>	<b>521</b>	<b>11,985</b>
IFRS 9 Loan Impairments	(9)	(102)	(9)	(7)	<b>(128)</b>

(\*) The Aequus Working Capital loans is funded as revenue, the balance of £7.104m being capital expenditure loans



## NOTES TO MAIN FINANCIAL STATEMENTS

	2019 £'000	2018 £'000
Trade Debtors	13,635	13,418
Total debtors at 31st March including trade debtors	31,937	37,675

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

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

The Authority does not generally allow credit for customers, such that the balance of £13.6m outstanding at 31st March 2019 is all past its due date for payment.

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

	2018/19 £'000's	2017/18 £'000's
Less than three months	9,969	9,192
Three to six months	402	658
Six months to one year	770	631
More than one year	2,494	2,937
	<u>13,635</u>	<u>13,418</u>

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

	Amount at 31 March 2019		Amount at 31 March 2018	
	£'000's	%	£'000's	%
<b>Loans &amp; Receivables (Cash on Deposit) by Country Analysis</b>				
UK Debt Management Office	-	0.0%	-	0.0%
UK Local Authorities	-	0.0%	-	0.0%
UK - Other Financial Institutions	29,799	74.8%	36,082	95.6%
Australia	5,019	12.6%	-	0.0%
Singapore	5,021	12.6%	-	0.0%
Sweden		0.0%	1,659	4.4%
<b>Total</b>	<u>39,839</u>	<u>100%</u>	<u>37,741</u>	<u>100%</u>

### Liquidity and Refinancing Risk

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

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

	31 March 2018 £'000	31 March 2019 £'000
Borrowing due for repayment:		
Under 1 year *	38,959	30,453
Between 1 and 2 years		
Between 2 and 5 years	10,000	
Between 10 and 15 years	15,000	15,000
Between 15 and 20 years	20,300	20,300
Between 20 and 25 years	66,699	84,276
Between 25 and 30 years	10,000	9,777
Between 40 and 45 years	25,000	25,000
Between 45 and 50 years	6,966	41,772
	<u>192,924</u>	<u>226,578</u>

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

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

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

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

## NOTES TO MAIN FINANCIAL STATEMENTS

### Market Risk

#### Interest Rate Risk

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

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

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

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

For indication purposes, at 31st March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(315)
Impact on Income and Expenditure Statement	(315)
Decrease in fair value of fixed rate investment assets (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	(31)
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	<b>34,689</b>

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

#### Price Risk

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

#### Foreign Exchange Risk

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

## 17 ASSETS HELD FOR SALE

	<b>Current</b>		<b>Non-Current</b>	
	<b>2018/19</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance outstanding at start of year	<b>800</b>	-	-	-
Assets newly classified as held for sale:	<b>1,691</b>	627	-	-
Property, Plant & Equipment			-	-
Additions			-	-
Revaluation gains/(losses)	<b>(39)</b>	173	-	-
Assets declassified as held for sale:			-	-
Assets sold	<b>(727)</b>		-	-
<b>Balance outstanding at year end</b>	<b>1,725</b>	800	-	-

## 18 INVENTORIES

	Balance 2017/18	Purchases	Recognised as expense in year	Written off Balances	Balance 2018/19
	£'000	£'000	£'000	£'000	£'000
Consumable Stores	441	70	(13)		498
<b>Total Inventories</b>	<b>441</b>	<b>70</b>	<b>(13)</b>	-	<b>498</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 19 DEBTORS

	2018/19	2017/18
	£'000	£'000
Amounts falling due in one year:		
Central Government bodies	2,125	9,496
Other local authorities	5,649	3,297
NHS bodies	1,554	659
Other entities and individuals (Trade Debtors)	13,635	13,418
Other entities and individuals (Non-Trade Debtors)	6,228	7,388
Prepayments	2,746	3,417
<b>Total - Current Assets</b>	<b>31,937</b>	<b>37,675</b>
Amounts falling after one year:	£'000	£'000
Other entities and individuals	13,298	6,398
<b>Total - Long Term Assets</b>	<b>13,298</b>	<b>6,398</b>

### 20 CASH AND CASH EQUIVALENTS

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

	2018/19	2017/18
	£'000	£'000
Cash held by the Authority	106	111
Bank current accounts	586	793
Short-term deposits	24,790	37,741
<b>Total cash and cash equivalents</b>	<b>25,482</b>	<b>38,645</b>

### 21 CREDITORS

	2018/19	2017/18
	£'000	£'000
Central government bodies	1,966	1,936
Other local authorities	3,370	2,392
NHS bodies	469	565
Other entities and individuals (Trade Creditors)	19,460	21,889
Other entities and individuals (Non-Trade Creditors)	18,382	12,587
Income Received in Advance	2,473	8,572
Pensions Fund	3,469	4,390
	<b>49,589</b>	<b>52,331</b>

### 22 PROVISIONS FOR LIABILITIES

Provisions comprise:	31 March 2018 £'000	New Provisions £'000	Utilised in Year £'000	Written Back £'000	31 March 2019 £'000
Provision for Child Care Costs	11				11
Children's Services Provision	32				32
Social Services Pension Provision	327				327
Planning Provision	74				74
NNDR Appeals Provision	6,530	2,499	(436)		8,593
Land Charge Fee Provision	19	31			50
	<b>6,993</b>	<b>2,530</b>	<b>(436)</b>	<b>-</b>	<b>9,087</b>

- \* The provision for child care costs is to provide for fees and charges in relation to a recent court case, the amount of which is unknown.
- \* The Children's Services Provision is for an employee claim.
- \* The Social Services Provision relates to Pension deficit costs relating to the transfer of staff between the Council and a care provider.
- \* The Planning Provision is for a number of Planning Appeals.
- \* The NNDR Appeals Provision is for appeals made to the Valuation Office in respect of NNDR valuations.
- \* The Land Charges Fee Provision is for search fee claims.

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

## NOTES TO MAIN FINANCIAL STATEMENTS

### 23 GENERAL FUND BALANCES AND RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

<b>Unearmarked Reserves</b>	31 March 2018 £'000	transfers to £'000	transfers from £'000	<b>31 March 2019 £'000</b>
General Fund Balances unearmarked	12,473	3,792	(3,947)	12,318
<b>Earmarked Reserves</b>	31 March 2018 £'000	transfers to £'000	transfers from £'000	<b>31 March 2019 £'000</b>
LMS Schools Balances	1,118		(730)	388
Corporate Earmarked Reserves	29,932	3,427	(3,415)	29,944
Service Specific Reserves	849	2,172	(313)	2,708
General Service Earmarked Reserves	1,588	1,990	(50)	3,528
	33,487	7,589	(4,508)	36,568
<b>Total General Fund Balances and Reserves</b>	<b>45,960</b>	<b>11,381</b>	<b>(8,455)</b>	<b>48,886</b>
<b>Other Usable Reserves</b>				
Capital Receipts Reserve	2,770	4,863	(4,159)	3,474
Capital Grants Unapplied Reserve	1,375	20,028	(21,181)	222
<b>Total Usable Reserves</b>	<b>50,105</b>	<b>36,272</b>	<b>(33,795)</b>	<b>52,582</b>

LMS Schools balances will be used by individual schools

<b>Corporate Earmarked Reserves</b>	31 March 2018 £'000	transfers to £'000	transfers from £'000	<b>31 March 2019 £'000</b>
Insurance Fund	1,831	180	(147)	1,864
Capital Financing Reserve	5,930	1,762	(81)	7,611
Revenue Funding of Capital	285	134	(134)	285
Financial Planning & Smoothing Reserve	7,122		(685)	6,437
Revenue Budget Contingency Reserve	2,770	-	(922)	1,848
Invest To Save Reserve	1,649		(393)	1,256
Revenue Grants Unapplied	837	463	(79)	1,221
Transformation Investment Reserve	2,381		(232)	2,149
Restructuring & Severance Reserve	2,227		(44)	2,183
Dedicated Schools Grant Reserve	20		(20)	-
Business Rates Reserve	2,521	581	(500)	2,602
Other	2,359	307	(178)	2,488
	29,932	3,427	(3,415)	29,944

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

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

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

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

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

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

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

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

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

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

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 2018 £'000	transfers to £'000	transfers from £'000	31 March 2019 £'000
<b>General Service Earmarked Reserves</b>				
Information Technology Reserve	533			533
Finance VAT Advice Reserve	317	186	(50)	453
Leisure Reserves	497			497
Waste Reprovision Reserve		772		772
Public Transport Reserve		150		150
CDSM Interpretation Centre Reserve	156			156
Care & Health Reserve		400		400
SEN Children's Services Reserve		462		462
Other Service Reserves	85	20		105
	<u>1,588</u>	<u>1,990</u>	<u>(50)</u>	<u>3,528</u>

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

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

### 24 UNUSABLE RESERVES

	2018/19 £'000	2017/18 £'000
Revaluation Reserve	125,599	119,199
Capital Adjustment Account	274,264	310,632
Deferred Capital Receipts Reserve	414	422
Financial Instruments Adjustment Account	(6,002)	(6,171)
Accumulated Absences Account	(794)	(743)
Pensions Reserve	(304,129)	(275,301)
Collection Fund Adjustment Account	1,758	(1,839)
<b>Total Unusable Reserves</b>	<u>91,110</u>	<u>146,199</u>

#### Revaluation Reserve

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

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

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

	2018/19 £'000	2017/18 £'000
Balance at 1 April	119,199	115,302
Adjustment to opening balance		
Upwards revaluation of assets	29,510	20,717
Downwards revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(17,095)	(7,421)
Impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	-
Transfer of depreciation on re-valued assets	(2,325)	(2,160)
Written Back on asset disposal and transfer	(3,690)	(7,238)
Impairment of fixed assets - transfer		
Balance at 31 March	<u>125,599</u>	<u>119,199</u>

## NOTES TO MAIN FINANCIAL STATEMENTS

### Capital Adjustment Account

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

The account contains accumulated gains and losses on Investment Properties.

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

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

	2018/19 £'000	2018/19 £'000	2017/18 £'000
Balance at 1 April		310,632	304,389
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	(21,067)		(20,232)
Revaluation losses on Property, Plant & Equipment	(4,792)		(1,478)
Amortisation of intangible assets	(296)		(296)
Impairment allowance for capital expenditure loans	(118)		-
Revenue expenditure funded from capital under statute	(11,349)		(13,132)
Grant funding of revenue expenditure funded from capital under statute	4,336		6,630
		(33,286)	(28,508)
Adjusting amounts written out of the Revaluation Reserve			
Transfer of depreciation on re-valued assets		2,325	2,160
Transfer of revaluation reserve balance on asset disposal		3,690	7,238
Net written out amount of the cost of non-current assets consumed in the year		(27,271)	(19,110)
Capital financing applied in the year:			
Use of capital receipts reserve to finance new capital expenditure	4,025		4,264
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	20,541		13,079
Capital expenditure financed from revenue	134		198
Minimum Revenue Provision	5,267		4,236
		29,967	21,777
Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		(30,482)	25,609
Deferred liability - Repayment of Avon Loan Debt		494	514
Carrying value of fixed assets disposed of		(9,076)	(21,168)
Other movements		1	(1,378)
<b>Balance at 31 March</b>		<b>274,264</b>	<b>310,632</b>

### Financial Instruments Adjustment Account

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

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

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

Discounts received have the opposite entries.

	2018/19 £'000	2018/19 £'000	2017/18 £'000
Balance at 1 April		(6,171)	(6,340)
Premiums incurred in year and charged to the Comprehensive Income & Expenditure Statement			
Proportions of Premiums incurred to be charged against General Fund Balance in accordance with statutory requirements	169		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.		169	169
<b>Balance at 31 March</b>		<b>(6,002)</b>	<b>(6,171)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### Pensions Reserve

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

	2018/19 £'000	2017/18 £'000
Balance at 1 April	(275,301)	(297,828)
Remeasurements of the net defined benefit liability / (asset)	(22,379)	28,002
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	(24,454)	(22,670)
Business Combinations	-	617
Employer's pensions contributions and direct payments to pensioners payable in the year	18,004	16,578
<b>Balance at 31 March</b>	<b>(304,129)</b>	<b>(275,301)</b>

### Deferred Capital Receipts Reserve

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

	2018/19 £'000	2017/18 £'000
Balance at 1 April	422	429
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement		
Transfer to the Capital Receipts Reserve upon receipt of cash	(8)	(7)
<b>Balance at 31 March</b>	<b>414</b>	<b>422</b>

### Collection Fund Adjustment Account

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

	2018/19 £'000	2017/18 £'000
Balance at 1 April	(1,839)	(2,208)
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	3,597	369
<b>Balance at 31 March</b>	<b>1,758</b>	<b>(1,839)</b>

### Accumulated Absences Account

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

	2018/19 £'000	2018/19 £'000	2017/18 £'000
Balance at 1 April		(743)	(1,188)
Settlement or cancellation of accrual made at the end of the preceding year	743		1,188
Amounts accrued at the end of the current year	(794)		(743)
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(51)	445
<b>Balance at 31 March</b>		<b>(794)</b>	<b>(743)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 25 CASH FLOW STATEMENT

<b>Note A to the cash flow statement</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Net Surplus or (Deficit) on the Provision of Services	<b>(42,649)</b>	<b>(11,455)</b>
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>		
Depreciation	<b>21,067</b>	20,253
Impairment and downward valuations	<b>4,793</b>	1,478
Amortisation	<b>296</b>	296
Impairment allowance on service loans	<b>128</b>	-
Adjustment for internal interest charged	<b>22</b>	9
Adjustments for effective interest rates	<b>(5)</b>	(5)
Increase/Decrease in Interest Creditors	<b>426</b>	330
Increase/Decrease in Creditors	<b>(6,804)</b>	<b>(36,756)</b>
Increase/Decrease in Interest and Dividend Debtors	<b>1,457</b>	296
Increase/Decrease in Debtors	<b>7,142</b>	4,811
Increase/Decrease in Inventories	<b>(58)</b>	69
Pension Liability	<b>11,487</b>	<b>(4,387)</b>
Pension Fund Gains on Past Service Costs		
Contributions to/(from) Provisions	<b>2,094</b>	3,619
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	<b>9,076</b>	21,148
Movement in investment property values	<b>30,482</b>	<b>(25,609)</b>
Other movements		
Total adjustments on the provision of services for non cash movements	<b>81,603</b>	<b>(14,448)</b>
<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	<b>(23,725)</b>	<b>(18,339)</b>
Net adjustment from the sale of short and long term investments	-	58,900
Proceeds from the sale of property plant and equipment, investment property and intangible assets	<b>(4,721)</b>	<b>(3,695)</b>
Total adjustments on the provision of services that are investing or financing activities	<b>(28,446)</b>	36,866
<b>Net Cash Flows from Operating Activities</b>	<b>10,508</b>	<b>10,963</b>

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

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating activities within the cash flow statement include the following cash flows relating to interest</b>		
Ordinary interest received	<b>375</b>	370
Other adjustments for differences between Effective Interest Rates and actual interest receivable-Long Term I	-	-
Opening Debtor	<b>30</b>	326
Closing Debtor	<b>(124)</b>	<b>(30)</b>
Interest Received	<b>281</b>	666
Interest charge for year	<b>(6,819)</b>	<b>(5,888)</b>
Adjustment for difference between effective interest rates and actual interest payable	<b>(5)</b>	<b>(5)</b>
Adjustment for impairment loss on service loans	<b>128</b>	-
Adjustment for internal interest charged to balance sheet funds	<b>22</b>	9
Opening Creditor	-	-
Closing Creditor	<b>426</b>	330
Interest Paid	<b>(6,248)</b>	<b>(5,554)</b>



## NOTES TO MAIN FINANCIAL STATEMENTS

<b>Note C to the Cash Flow Statement - Cash Flows from Investing Activities</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Property, Plant and Equipment Purchased	(38,138)	(31,051)
Purchase of Investment Properties	(31,452)	(29,007)
Other Capital Payments	-	-
Opening Capital Creditors	(5,154)	(6,349)
Closing Capital Creditors	5,921	5,154
Purchase of Property, Plant and Equipment, investment property and intangible assets	(68,823)	(61,253)
Purchase of short term investments	(35,000)	(15,000)
Long term loans granted		
Proceeds from the sale of property plant and equipment, investment property and intangible assets	4,728	4,942
Proceeds / (Purchase) from short term investments	20,000	-
Proceeds from long term investments	-	-
Other capital cash receipts	27,534	12,441
Capital Grants Received / (Repaid)	(5,970)	(1,223)
Other Receipts / (Payments) from Investing Activities	21,564	11,218
<b>Total Cash Flows from Investing Activities</b>	<b>(57,531)</b>	<b>(60,093)</b>
<b>Note D to the Cash Flow Statement - Cash Flows from Financing Activities</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Cash receipts of long term borrowing	55,000	74,000
Billing Authorities - Council Tax and NNDR adjustments	694	(3,503)
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	-	-
Other receipts from Financing Activities	-	234
Repayment of Short-Term and Long-Term Borrowing	(21,834)	(6,053)
Payments for the reduction of a finance lease liability	-	-
<b>Total Cash Flows from Financing Activities</b>	<b>33,860</b>	<b>64,678</b>
<b>Note E - Makeup of Cash and Cash Equivalents</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Cash and Bank Balances	692	904
Cash Investments - regarded as cash equivalents	24,790	37,741
Bank Overdraft	-	-
	<b>25,482</b>	<b>38,645</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 26 EXPENDITURE & INCOME ANALYSED BY NATURE

	2018/19 £'000	2017/18 £'000
<b>Expenditure</b>		
Employee benefits expenses	99,917	119,452
Other service expenses	239,955	234,751
Depreciation amortisation & impairment	26,155	22,006
Loss on disposal of non-current assets	5,299	19,054
Net Loss on Trading Operations	354	-
Decrease in Investment Estate Fair Value	30,482	-
Interest payments (Inc. Net Interest on Net Defined Benefit Liability)	13,509	12,762
Precepts and levies	6,761	6,853
	<b>422,432</b>	<b>414,878</b>
<b>Income</b>		
Fees and charges and other service income (including Contributions)	(101,151)	(95,752)
Income from Council Tax & Business Rates	(118,227)	(115,039)
Gain on disposal of non-current assets	-	-
Surplus from Trading Operations	-	(118)
Income from Investment Estate	(17,704)	(17,305)
Increase in Investment Estate Fair Value	-	(25,609)
Government Grants & Contributions	(142,326)	(149,230)
Interest & Investment Income	(375)	(370)
	<b>(379,783)</b>	<b>(403,423)</b>
<b>Deficit on provision of services</b>	<b>42,649</b>	<b>11,455</b>

### 26a SEGMENT REPORTING

	2018/19 £'000	2017/18 £'000
<b>Depreciation amortisation &amp; impairment</b>		
Leader	-	-
Finance & Efficiency	2,893	3,943
Adult Care, Health & Wellbeing	1,733	528
Children & Young People	3,266	5,832
Development & Neighbourhoods	1,551	2,953
Economic & Community Regeneration	722	(89)
Transformation & Customer Services	183	(8)
Transport & Environment	15,807	8,847
<b>Total</b>	<b>26,155</b>	<b>22,006</b>
<b>Revenues from external customers / Contributions</b>		
Leader	(108)	(528)
Finance & Efficiency	(6,427)	(6,367)
Adult Care, Health & Wellbeing	(41,345)	(31,839)
Children & Young People	(7,185)	(9,532)
Development & Neighbourhoods	(10,951)	(14,307)
Economic & Community Regeneration	(20,505)	(17,711)
Transformation & Customer Services	(1,234)	(1,068)
Transport & Environment	(13,396)	(14,400)
<b>Total</b>	<b>(101,151)</b>	<b>(95,752)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 27 TRADING OPERATIONS

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

	2018/19 Income £'000	2018/19 Expenditure £'000	Deficit/ (Surplus) £'000	2017/18 £'000
School and Other Catering	(554)	958	404	304
Cleaning Services	(34)	27	(7)	(11)
Fleet Management	(226)	150	(76)	(142)
Passenger Transport Services	(40)	305	265	187
Trade Refuse Collection	(809)	672	(137)	(190)
Print Services	(1)	91	90	58
Bath Museum Shops	(2,159)	1,974	(185)	(324)
<b>Surplus for Year</b>	<b>(3,823)</b>	<b>4,177</b>	<b>354</b>	<b>(118)</b>

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

	2018/19 £'000	2017/18 £'000
Net surplus on trading operations	354	(118)
Services to the public included in Expenditure of Continuing Operations	(57)	(327)
Support services recharged to Expenditure of Continuing Operations	411	209
Net Surplus credited to Other Operating Expenditure	<u>354</u>	<u>(118)</u>

### 28 POOLED FUNDING

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

#### Adult Learning Difficulties

	2018/19 £'000	2017/18 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	21,731	20,496
NHS Bath & North East Somerset Clinical Commissioning Group	6,638	6,139
Income from Client Contributions	2,765	1,796
<b>Total Funding</b>	<b>31,134</b>	<b>28,431</b>
<b>Total Expenditure</b>	<b>31,038</b>	<b>29,929</b>
<b>Net (Underspend) / Overspend</b>	<b>(96)</b>	<b>1,498</b>
<b>Overspend Recharged</b>		
Bath & North East Somerset Council		1,148
NHS Bath & North East Somerset Clinical Commissioning Group		350

#### Community Equipment

	2018/19 £'000	2017/18 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	203	203
Bath & North East Somerset Council - Additional Capital Grant		81
NHS Bath & North East Somerset Clinical Commissioning Group	473	473
Income from Client Contributions	93	
<b>Total Funding</b>	<b>769</b>	<b>757</b>
<b>Total Expenditure</b>	<b>769</b>	<b>757</b>
<b>Net (Underspend) / Overspend</b>	<b>0</b>	<b>0</b>
<b>Overspend Recharged</b>		
Bath & North East Somerset Council	-	-
NHS Bath & North East Somerset Clinical Commissioning Group	-	-

## NOTES TO MAIN FINANCIAL STATEMENTS

### Better Care Fund

	2018/19 £'000	2017/18 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	32,050	6,062
Bath & North East Somerset Council - YCYW	-	19,669
NHS Bath & North East Somerset Clinical Commissioning Group	37,994	11,205
NHS Bath & North East Somerset Clinical Commissioning Group - YCYW	-	24,182
NHS Bath & North East Somerset Clinical Commissioning Group - Risk Share	-	500
<b>Total Funding</b>	<b>70,044</b>	61,618
Spend on Better Care Fund schemes	70,044	13,161
Spend on YCYW		48,457
<b>Total Expenditure</b>	<b>70,044</b>	61,618

### Mental Health

	2018/19 £'000	2017/18 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	3,078	3,885
NHS Bath & North East Somerset Clinical Commissioning Group	2,983	3,114
<b>Total Funding</b>	<b>6,061</b>	6,999
<b>Total Expenditure</b>	<b>6,226</b>	7,733
<b>Net (Underspend) / Overspend</b>	<b>165</b>	734
<b>Overspend Recharged</b>		
Bath & North East Somerset Council	(172)	-
NHS Bath & North East Somerset Clinical Commissioning Group	337	-

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

	2018/19 £'000	2017/18 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	2,486	2,537
Bath & North East Somerset Primary Care Trust	392	392
<b>Total Funding</b>	<b>2,878</b>	2,929
<b>Total Expenditure</b>	<b>3,078</b>	3,495
<b>Net (Underspend) / Overspend</b>	<b>200</b>	566
<b>Overspend Recharged</b>		
Bath & North East Somerset Council	173	490
Bath & North East Somerset Clinical Commissioning Group	27	76

## NOTES TO MAIN FINANCIAL STATEMENTS

### 29 MEMBERS' ALLOWANCES

The total cost of Members Allowances for 2018/19 including employers national insurance, pensions contributions and expenses was £860,460 (£857,659 in 2017/18).

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

		Basic & Special Allowance	Expenses	Total
		£	£	£
ANKETELL-JONES	PM	12,048	-	12,048
APPLEYARD	R	12,048	-	12,048
BALL	TM	8,305	-	8,305
BARRETT	CV	8,305	68	8,373
BEATH	CE	9,336	72	9,408
BECKER	J	8,305	-	8,305
BEVAN	SF	17,194	273	17,467
BLACKBURN	C	8,305	-	8,305
BULL	JA	16,103	6	16,109
BUTTERS	TN	8,305	-	8,305
CLARKE	AK	8,305	-	8,305
COCHRANE	M	10,612	-	10,612
CRAIG	S	6,117	-	6,117
CROSSLEY	PN	8,305	352	8,657
DANDO	C	8,305	-	8,305
DAREY	F	8,305	-	8,305
DAVIES	M	8,305	-	8,305
DAVIS	S	22,339	-	22,339
DEACON	DE	8,305	32	8,337
DIXON	E	8,305	-	8,305
EVANS	M	8,305	214	8,519
FURSE	AJ	8,305	-	8,305
GERRISH	CD	27,407	32	27,440
GILCHRIST	IA	8,305	-	8,305
GLADWYN	E	8,305	-	8,305
GOODMAN	R	27,407	1,411	28,818
HAEBERLING	F	16,103	-	16,103
HALE	AD	8,305	39	8,344
HARDMAN	EJ	8,305	198	8,503
HEDGES	SP	8,866	-	8,866
HORSTMANN	D	8,305	-	8,305
JACKSON	EM	10,635	139	10,774
JEFFRIES	S	8,305	-	8,305
KEW	LJ	13,258	955	14,213
LONGSTAFF	M	8,305	-	8,305
MACRAE	BJ	8,305	-	8,305
MAY	P	27,407	2,135	29,543
McGALL	S	12,048	252	12,300
MILLAR	A	16,102	90	16,192
MOSS	R	13,358	838	14,196
MYERS	P	27,407	-	27,407
NORTON	M	8,305	-	8,305
O'BRIEN	B	14,454	263	14,718
O'DOHERTY	M	8,305	-	8,305
ORGAN	BS	8,305	-	8,305
PATTERSON	L	8,305	-	8,305
PEARCE	C	866	-	866
PLAYER	J	8,305	-	8,305
PRITCHARD	VL	27,407	2,041	29,448
RAYMENT	J	8,305	-	8,305
RICHARDSON	EA	8,305	-	8,305
ROBERTS	CM	8,305	31	8,336
ROBERTS	N	8,305	-	8,305
ROMERO	UM	15,290	75	15,365
SAMUEL	R	8,305	-	8,305
SANDRY	WA	16,103	-	16,103
SHELFORD	M	27,407	492	27,900
SIMMONS	B	8,305	-	8,305
TURNER	P	8,305	-	8,305
VEAL	M	8,305	-	8,305
VEALE	DJ	13,258	90	13,348
WALKER	K	16,892	990	17,881
WARD	G	8,305	46	8,351
WARREN	T	40,115	1,258	41,372
WARRINGTON	K	27,407	848	28,256
WATT	C	8,305	-	8,305
<b>Total</b>		<b>812,281</b>	<b>13,240</b>	<b>825,521</b>

# NOTES TO MAIN FINANCIAL STATEMENTS

## 30 SENIOR OFFICER REMUNERATION

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

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

# The £19,531 compensation for loss of office figure reported for this post is the difference between the estimate of £136,162 reported in 2017/18, and the final payment of £155,693 that was actually made in the 2018/19 financial year. Of the associated actual strain on pension fund costs totalling £147,813 paid to the Avon Pension Fund in 2018/19, the estimate of £136,954 was reported in 2017/18, with the difference of £10,859 being reported in 2018/19 (included in Employer Pension Contributions figure). It is a requirement of the Pension Regulation that this payment is made.

## The £14,085 compensation for loss of office figure reported for this post is the difference between the estimate of £91,557 reported in 2017/18, and the final payment of £105,642 that was actually made in the 2018/19 financial year.

<b>Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2018</b>						
Post Holder	Salary	Expenses	Benefits in Kind e.g. Relocation, Subscriptions	Employer Pension Contrib'ns	Total	
	£	£	£	£	£	
Chief Executive - Ashley Ayre	153,015	234		34,428	<b>187,677</b>	
<b>Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2018</b>						
Post Holder	Salary (incl. Honorarium)	Expenses	Benefits in Kind e.g. Relocation, Subscriptions	Compensation for Loss of Office	Employer Pension Contrib'ns	Total
	£	£	£	£	£	£
Strategic Director - People & Communities	118,282	374			26,613	<b>145,269</b>
Strategic Director - Resources*	122,412	332	848	136,162	164,496	<b>424,250</b>
Strategic Director - Place**	122,412	20	-	91,557	27,542	<b>241,531</b>
Director of Public Health	122,654	728	-		17,637	<b>141,019</b>
Head of Legal & Democratic Services	96,069	55	-		21,615	<b>117,739</b>
Divisional Director - Business Support (to 12/07/17)	32,620		231		7,339	<b>40,190</b>
Divisional Director - Business Support (from 20/06/17)	59,688		-		13,429	<b>73,117</b>
Director Integrated Health & Care Commissioning	101,211				22,772	<b>123,983</b>
Divisional Director - Environmental Services	101,211	-			22,772	<b>123,983</b>

\* The £136,162 compensation for loss of office figure for this post, along with the associated strain on pension fund costs of £136,954 (included in Employer Pension Contributions figure), were not due to be paid until the 2018/19 financial year.

\*\* The £91,557 compensation for loss of office figure for this post was not due to be paid until the 2018/19 financial year.

## 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	2018/19		2018/19	2017/18		2017/18
	Teachers	Others	Total	Teachers	Others	Total
£50,000 - £54,999	8	30	38	11	27	38
£55,000 - £59,999	6	28	34	11	23	34
£60,000 - £64,999	5	7	12	7	7	14
£65,000 - £69,999	1	5	6	-	5	5
£70,000 - £74,999	-	2	2	1	3	4
£75,000 - £79,999	-	9	9	-	4	4
£80,000 - £84,999	-	10	10	-	12	12
£85,000 - £89,999	-	5	5	-	7	7
£90,000 - £94,999	-	4	4	-	-	-
£95,000 - £99,999	-	4	4	-	3	3
£100,000 - £104,999	-	3	3	-	2	2
£105,000 - £109,999	-	1	1	-	-	-
£110,000 - £114,999	-	2	2	-	-	-
£115,000 - £119,999	-	1	1	-	2	2
£120,000 - £124,999	-	2	2	-	3	3
£125,000 - £129,999	-	-	-	-	-	-
£130,000 - £134,999	-	-	-	-	-	-
£135,000 - £139,999	-	1	1	-	-	-
£140,000 - £144,999	-	-	-	-	-	-
£145,000 - £149,999	-	-	-	-	-	-
£150,000 - £154,999	-	-	-	-	1	1
£155,000 - £159,999	-	1	1	-	-	-
£160,000 - £164,999	-	-	-	-	-	-
£165,000 - £169,999	-	-	-	-	-	-
£170,000 - £174,999	-	1	1	-	-	-
£175,000 - £179,999	-	-	-	-	-	-
	<b>20</b>	<b>116</b>	<b>136</b>	<b>30</b>	<b>99</b>	<b>129</b>

The above totals include 28 staff who would not have been included in the note if it were not for one-off severance payments (5 staff in 2017/18). This included 0 in the Teacher category (0 in 2017/18) and 28 in the Others category (5 in 2017/18).

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 2018/19, incurring liabilities of £3.137m (£3.786m in 2017/18). This amount recognises the on-going impact of the financial challenge across the Council as it seeks to deliver the savings required to balance its budget. Any Exit Packages over £100,000 are agreed by the Council's Restructure Implementation Committee.

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

Exit Package Cost Band (incl. Special Payments)	2018/19		2018/19	2017/18		2017/18
	Number of	Number of	Total	Number of	Number of	Total
	Compulsory Redundancies	Other Exits Agreed	Cost £	Compulsory Redundancies	Other Exits Agreed	Cost £
£0 - £20,000	41	55	590,158	7	32	253,968
£20,001 - £40,000	10	7	471,654	1	16	482,818
£40,001 - £60,000	3	5	395,262	-	18	891,930
£60,001 - £80,000	1	3	287,939	-	5	343,827
£80,001 - £100,000	-	3	269,936	-	4	356,513
£100,001 - £150,000	2	2	473,281	-	6	716,895
£150,001 - £200,000	-	2	346,505	-	3	466,973
£200,001 - £250,000	-	-	0	-	-	0
£250,001 - £300,000	-	-	0	-	1	273,117
£300,001 - £350,000	-	1	302,735	-	-	0
	<b>57</b>	<b>78</b>	<b>3,137,470</b>	<b>8</b>	<b>85</b>	<b>3,786,040</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 33 EXTERNAL AUDIT COSTS

The Council has incurred the following fees payable to its auditors, Grant Thornton UK LLP	<b>2018/19</b> <b>£'000</b>	2017/18 £'000
Fees payable with regard to external audit services	<b>95</b>	124
Fees payable for the certification of grant claims and returns	<b>29</b>	16
Fees payable for other services during the year	<b>5</b>	4
	<b>129</b>	<b>144</b>

### 34 DEDICATED SCHOOLS GRANT

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

Details of the deployment of DSG receivable for 2018/19 are as follows:

	2018/19 Central Expenditure £'000	2018/19 Individual Schools Budget £'000	2018/19 Total £'000	2017/18 Total £'000
Final DSG for before Academy recoupment			<b>135,598</b>	128,708
Academy figure recouped			<b>84,652</b>	66,743
Total DSG after Academy recoupment			<b>50,946</b>	61,965
<i>plus</i> Brought forward from previous year			<b>20</b>	2,014
<i>less</i> Carry forward into future year agreed in advance				
Final budget distribution	30,212	20,754	<b>50,966</b>	63,979
<i>less</i> Actual central expenditure	32,614		<b>32,614</b>	30,057
<i>less</i> Actual ISB deployed to schools	-	20,575	<b>20,575</b>	33,902
plus Local Authority contribution for year	2,223		<b>2,223</b>	-
Carry forward	(179)	179	-	20

### 35 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

<b>Credited to Taxation and Non Specific Grant Income</b>	<b>2018/19</b> <b>£'000</b>	2017/18 £'000
Council Tax Income	<b>90,045</b>	84,488
Revenue Support grant	-	-
Contribution from the Non-Domestic Rate Pool / Non-Domestic Rate Income	<b>28,182</b>	30,551
Department for Education	<b>1,067</b>	1,457
Department of Transport	<b>2,888</b>	1,680
Department of Health & Social Care	<b>323</b>	254
West of England Combined Authority	<b>13,056</b>	6,512
Other	<b>34</b>	1,395
Third party contributions	<b>473</b>	39
Section 106 Developer / CIL Contributions	<b>2,349</b>	1,736
	<b>138,417</b>	<b>128,112</b>



## NOTES TO MAIN FINANCIAL STATEMENTS

### Credited to Services

Education Services Grant	-	270
Education Funding Agency (incl. Universal Infant Free School Meals)	1,602	1,947
Pupil Premium Grant	1,732	2,238
Mandatory rent allowances	34,047	40,725
Public Health Grant	8,930	9,166
Department of Health & Social Care	216	1,722
Department for Education	2,141	2,017
Department of Transport	314	574
West of England Combined Authority	1,670	20
DCLG / MHCLG	14,230	11,480
New Homes Bonus Grant	4,790	5,325
Other	4,861	4,464
Third party contributions	149	372
Section 106 Developer / CIL Contributions	726	502
	<b>75,408</b>	<b>80,822</b>

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

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

### Current Liabilities

	2018/19	2017/18
	£'000	£'000
<b>Grants Receipts In Advance (Capital Grants &amp; Contributions)</b>		
Section 106 Developer & 3rd Party Contributions	3,327	3,826
Various Capital Grants	7,802	10,740
<b>Total</b>	<b>11,129</b>	<b>14,566</b>
<b>Grants Receipts In Advance (Revenue Grants)</b>		
Various Service Grants	3,554	2,790
<b>Total</b>	<b>3,554</b>	<b>2,790</b>

### Long-Term Liabilities

	2018/19	2017/18
	£'000	£'000
<b>Grants Receipts In Advance (Capital Grants &amp; Contributions)</b>		
Section 106 Developer & 3rd Party Contributions	17,959	16,496
Various Capital Grants	12,509	6,090
<b>Total</b>	<b>30,468</b>	<b>22,586</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 36 RELATED PARTIES

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

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

#### Central Government

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

#### Pension Fund

Details of Contributions to the Avon Pension Fund are shown in note 41. As administering body to the Fund, the Council charged the fund for the direct costs of £1,934,497 (£1,671,166 2017/18) and support services costs of £527,427 (£528,520 2017/18). Five B&NES Councillors are voting members on the Pensions Committee.

#### Visit Bath (previously Bath Tourism Plus)

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

#### Aequus Developments Ltd (ADL)

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

#### Aequus Construction Ltd (ACL)

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

#### Members & Officers

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

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

Eleven Members are Parish / Town Councillors

Two Members of the Council are on the West of England (WECA) Overview & Scrutiny Committee

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

The Council made payments of £1,441,176 (£1,224,879 in 2017/18) to voluntary bodies and organisations where members have an interest (either due to a Council nomination or in an independent capacity).

	2018/19
	£
B&NES Citizens Advice	310,450
Bath Festivals Trust	7,271
Bath & North East Somerset Carers Centre	58,796
Bath Royal Literary & Scientific Association	1,144
Buro Happold	13,263
Community@67 Association	119
Cross Manufacturing (1938) Ltd.	462
Developing Health & Independence	585,511
Genesis Trust	27,430
Holbourne Museum of Art	1,420
Julian House	303,394
Keynsham & District Dial-A-Ride	98,185
MHA Care Group	17,615
Radstock Museum Society	1,258
Sarah Ann Trust	56
South West Councils	14,497
Warren Equestrian (Young Stars Awards)	305
	<u>1,441,176</u>

#### Clinical Commissioning Group

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

#### Adoption West

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

## NOTES TO MAIN FINANCIAL STATEMENTS

### 37 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

<b>Capital expenditure on fixed assets was as follows:</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Commercial Estate Investment	31,106	28,158
Highways, Transport, Road Safety & Bridge Strengthening	12,191	7,374
Bath Quays: North South & Bridge	6,230	3,081
School Improvements	3,036	2,434
Keynsham Leisure Centre Modernisation	5,105	653
Waste Project	4,155	7,622
Capitalised Buildings Maintenance	1,705	998
Bath Western Riverside	1,105	866
Bath Quays Flood Mitigation	423	1,347
Housing Delivery Schemes	275	1,242
Saw Close Development Works	244	1,173
Keynsham Redevelopment Project	213	545
Sydney Gardens	177	167
Other	3,625	4,399
	<b>69,590</b>	<b>60,059</b>

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

<b>Capital Expenditure was categorised as follows:</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Property, plant and equipment	23,403	19,200
Investment properties	31,452	29,007
Intangible assets	3	4
Assets under construction	14,732	11,848
Capital Loans	7,104	3,107
Revenue expenditure funded from capital under statute (*)	11,349	13,132
Total expenditure	<b>88,043</b>	<b>76,298</b>

\* This includes £3.453m of transformation and severance costs funded under the Government's flexible use of capital receipts scheme (£3.124m in 2017/18). These costs will contribute to ongoing revenue savings in line with the Council's approved Efficiency Strategy.

<b>Sources of finance:</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Capital Receipts	4,159	4,510
Grants	21,181	17,059
Borrowing	58,872	51,889
3rd Party Contributions	622	403
S.106 / CIL contributions	3,075	2,239
Revenue	134	198
Total financing	<b>88,043</b>	<b>76,298</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### Capital Financing Requirement

	2018/19 £'000	2017/18 £'000
Opening Capital Financing Requirement	247,107	200,147
Capital Investment	88,043	76,298
Other Adjustments to CFR (including revenue reversion of prior years spend)		(212)
Sources of Finance:		
Capital Receipts	(4,159)	(4,991)
Government grants & other contributions	(24,878)	(19,701)
Sums set aside from revenue (including MRP)	(5,401)	(4,434)
Closing Capital Financing Requirement	<u>300,712</u>	<u>247,107</u>
Increase in underlying need to borrow unsupported by Government financial assistance	58,872	51,677
Repayments received in respect of Capital Expenditure Loans	(134)	(481)
Less minimum revenue provision repayment	(5,267)	(4,236)
Increase / (decrease) in Capital Financing Requirement	<u>53,471</u>	<u>46,960</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:

	2018/19 £'000	2017/18 £'000
Other Land & Buildings	3,869	2,690
Vehicles, Plant & Equipment	-	-
	<u>3,869</u>	<u>2,690</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 2018/19 were £1,235,547 (£3,227,495 in 2017/18).

The future payments required under these leases are £3,038,000, comprising the following elements:

	2018/19 £'000	2017/18 £'000
Not later than one year	274	1,103
Later than one year and not later than five years	1,125	605
Later than five years	1,640	1
	<u>3,038</u>	<u>1,709</u>

The Council continues to hold no Property Leases as operating leases as per 2017/18.

## NOTES TO MAIN FINANCIAL STATEMENTS

### Authority as Lessor

#### Finance Leases

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

#### Operating Leases

The Authority leases out a large number of investment properties.

Rental income receivable from operating property leases on investment properties totalled £19,931,165 (£16,635,166 in 2017/18).

The net book value of these properties is £319,321,563 (£315,578,153 in 2017/18).

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

	2018/19	2017/18
	£'000	£'000
Not later than one year	18,176	13,907
Later than one year and not later than five years	57,615	44,128
Later than five years	203,428	185,285
	<u>279,219</u>	<u>243,320</u>

Rental income receivable from Property Plant and Equipment leases totalled £1,166,159 (£1,171,676 in 2017/18).

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

	2018/19	2017/18
	£'000	£'000
Not later than one year	683	856
Later than one year and not later than five years	1,466	2,443
Later than five years	2,472	3,926
	<u>4,621</u>	<u>7,225</u>

### 39 EXCEPTIONAL ITEMS

There were no exceptional items in 2018/19.

### 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 2018/19 the council paid £1.840m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.5% of pensionable pay. The figures for 2017/18 were £3.101m and 16.6%. There were no contributions remaining payable at the year end.

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

## NOTES TO MAIN FINANCIAL STATEMENTS

### 41 PARTICIPATION IN PENSIONS SCHEMES

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

The Council participates in two pension schemes:

- The Teachers' Pension Scheme, as detailed in Note 40, and,
- The Local Government Pension Scheme via the Avon Pension Fund. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into the fund which are calculated at a level intended to balance the pension liabilities with investment assets, and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

· Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

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

In 2017/18, the Council made an up-front payment of the LGPS deficit contributions for the three years 2017/18 - 2019/20 totalling £14.837m (net of academy conversions). The up-front payment took advantage of the independent actuary's calculation of the return these contributions could achieve once invested by the Pension Fund. The discount calculated by the actuary for making the up-front payment (net of academy conversions) rather than the normal approach of monthly payments in arrears over the three year period was £1.034m, reducing total payments from £15.871m to £14.837m. The return was judged to be far greater than could have been achieved by investing the amounts as part of the Council's treasury management strategy and the approach represented good value for money for the Council.

The actual payment made in 2017/18 (net of academy conversions) was £14.837m, and the actuary calculated the Equivalent Discounted annual Lump Sums Certified across the 3 years as follows:

£4.975m relating to 2017/18,  
£4.947m relating to 2018/19, and  
£4.915m relating to 2019/20.

The Pension Liability as at 31st March 2018 was reduced by the total £14.837m payment, and the full amount was reflected in the actuarial valuation as at 31st March 2018. The £4.975m relating to 2017/18 was charged to the General Fund in the 2017/18 Statement of Accounts, and £4.947m was charged in 2018/19, with the 2019/20 charge to be credited to the Pension Reserve and charged to the General Fund in 2019/20 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 2019/20, by when the full £14.837m 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	
	2018/19	2017/18	2018/19	2017/18
<b>Comprehensive Income and Expenditure Statement</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Cost of Services:</i>				
Current Service Costs	17,635	21,111	-	-
Past Service Cost	-	-	-	-
Settlement and Curtailment (Gain) / Loss	(141)	(5,614)	-	-
Administration Expenses	270	299	-	-
<i>Financing and Investment Income &amp; Expenditure:</i>				
Net Interest Expense	6,123	6,294	567	580
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>23,887</b>	<b>22,090</b>	<b>567</b>	<b>580</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</i>				
Remeasurement of the net defined benefit liability:				
Return on plan assets (excluding the amount included in the net interest expenses)	-	-	-	-
Actuarial (gains) and losses arising on changes in demographic assumptions	-	-	966	(498)
Actuarial (gains) and losses arising on changes in financial assumptions	42,447	(30,808)	-	-
Total Remeasurements	42,447	(30,808)	966	(498)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>66,334</b>	<b>(8,718)</b>	<b>1,533</b>	<b>82</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	23,887	22,090	567	580
<b>Actual amount charged against General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	11,461	24,924	-	-
less upfront deficit payment for 2018/19 & 2019/20	-	(9,862)	-	-
add upfront deficit payment recognised in year (paid 2017/18)	5,037	-	-	-
	(298)	(853)	-	-
Retirement benefits payable to pensioners			<b>22,569</b>	<b>22,542</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

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

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

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		(Teachers) Discretionary Benefits	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Present value of defined benefit obligation	870,912	813,854	22,569	22,542
Fair value of plan assets	(594,176)	(570,957)	-	-
<b>Net liability arising from defined benefits obligation</b>	<b>276,736</b>	<b>242,897</b>	<b>22,569</b>	<b>22,542</b>

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		(Teachers) Discretionary Benefits	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Opening Balance at 1 April	813,854	809,137	22,542	23,976
Current service cost	17,635	21,111	-	-
Interest cost	20,807	20,457	567	580
Contributions from scheme participants	3,871	4,039	-	-
Actuarial gains and losses	42,447	(30,808)	966	(498)
Benefits paid	(26,587)	(21,514)	(1,506)	(1,516)
Business Combinations	-	19,235	-	-
Past service costs	2,754	354	-	-
Past service gain	(3,869)	(8,157)	-	-
<b>Closing Balance at 31 March</b>	<b>870,912</b>	<b>813,854</b>	<b>22,569</b>	<b>22,542</b>

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

	Local Government Pension Scheme	
	2018/19 £'000	2017/18 £'000
Opening Fair Value of scheme assets at 1 April	570,957	535,285
Interest on Plan Assets	14,684	14,163
Remeasurement Gain (Loss)	21,034	(3,304)
Administration Expenses	(270)	(299)
Business Combinations	-	19,852
Settlements	(974)	(2,189)
Contributions from employer	11,461	24,924
Contributions from employees into the scheme	3,871	4,039
Benefits paid	(26,587)	(21,514)
<b>Closing Balance at 31 March</b>	<b>594,176</b>	<b>570,957</b>

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

The actual return on scheme assets in the year was £35.718m (2017/18 £10.859m).

### Scheme History

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:						
Local Government Pension Scheme	(573,606)	(683,245)	(664,807)	(809,137)	(813,854)	(870,912)
Discretionary Benefits	(23,075)	(24,383)	(22,793)	(23,976)	(22,542)	(22,569)
Fair value of assets in the Local Government Pension Scheme	417,686	481,219	464,682	535,285	570,957	594,176
Surplus/(deficit) in the scheme:						
Local Government Pension Scheme	(155,920)	(202,026)	(200,125)	(273,852)	(242,897)	(276,736)
Discretionary Benefits	(23,075)	(24,383)	(22,793)	(23,976)	(22,542)	(22,569)
<b>Long Term Liability in Balance Sheet</b>	<b>(178,995)</b>	<b>(226,409)</b>	<b>(222,918)</b>	<b>(297,828)</b>	<b>(265,439)</b>	<b>(299,305)</b>



## NOTES TO MAIN FINANCIAL STATEMENTS

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £299m 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 2019/20 are estimated to be £9.4m. Estimated contributions to the Discretionary Benefits scheme are £1.5m.

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent triennial valuation was carried out as at 31 March 2016, which showed a shortfall of assets against liabilities of £0.62 billion as at that date, equivalent to a funding level of 86%. The fund's employers are paying additional contributions over a period of up to 16 years in order to meet the shortfall. The next triennial valuation will be as at 31st March 2019.

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

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both scheme liabilities have been assessed by an independent firm of actuaries Mercer Ltd, estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

	Avon Pension Fund		Discretionary Benefits (Teachers) Scheme	
	2018/19	2017/18	2018/19	2017/18
<b>Mortality assumptions :</b>				
Longevity for current pensioners:				
	<u>at 65</u>		<u>at 75</u>	
Men	23.7	23.6	14.7	14.5
Women	26.2	26.1	16.7	16.6
Longevity for future pensioners:				
Men	26.3	26.2		
Women	29.0	28.8		
Rate of inflation	2.2%	2.1%	2.3%	2.1%
Rate of increase in salaries	3.7%	3.6%		
Rate of increase in pensions	2.3%	2.2%	2.4%	2.2%
Rate for discounting scheme liabilities	2.4%	2.6%	2.4%	2.6%

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)	16,939	(16,939)
Rate of Inflation (increase or decrease by 1%)	14,883	(14,883)
Rate of increase in salaries (increase or decrease by 1%)	1,624	(1,624)
Rate of discounting scheme liabilities (increase or decrease by 1%)	(14,632)	14,632

## 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 2019		Assets at 31 March 2018	
	£'000	%	£'000	%
Equity investments	240,047	40.4%	233,522	40.9%
Government Bonds	71,895	12.1%	61,663	10.8%
Other Bonds	69,519	11.7%	69,657	12.2%
Other	212,715	35.8%	206,115	36.1%
<b>Total</b>	<b>594,176</b>	<b>100%</b>	<b>570,957</b>	<b>100.0%</b>

### History of experience gains and losses

Actuarial losses identified as movements on the Pensions Reserve in 2018/19 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2019.

	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
<b>Difference between the expected and actual return on scheme assets:</b>						
amount (£'000)	21,034	(3,304)	64,055	(20,621)	39,638	(2,697)
percentage	3.5	0.6	12.0	4.4	8.2	0.6
<b>Experience gains and losses on liabilities</b>						
amount (£'000)	-	-	-	-	-	-
percentage	0.0	0.0	0.0	0.0	0.0	0.0
	<b>21,034</b>	<b>(3,304)</b>	<b>64,055</b>	<b>(20,621)</b>	<b>39,638</b>	<b>(2,697)</b>
<b>Cumulative gains / losses recognised</b>	<b>98,105</b>	<b>77,071</b>	<b>80,375</b>	<b>16,320</b>	<b>36,941</b>	<b>(2,697)</b>

## 42 AVON COUNTY COUNCIL DEBT

Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment. The amount of residual debt outstanding at 31 March 2019 apportioned to this Council is £11.85m (£12.35m in 2017/18). The debt has now been included in the Council's Balance Sheet as a deferred liability which will reduce each year due to principal repayments.

	31 March 2018	Principal Repaid	31 March 2019
	£000	£000	£000
Ex- Avon loan debt principal repayment	12,346	(494)	11,852

# NOTES TO MAIN FINANCIAL STATEMENTS

## 43 MINIMUM REVENUE PROVISION (MRP)

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

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

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

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

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

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

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

The net amount charged to revenue in compliance with the statutory requirement to set aside a Minimum Revenue Provision for the repayment of external debt is £5.267m calculated as follows:

	2018/19	2017/18
	£000	£000
Provision for capital expenditure incurred before 1st April 2008	553	542
Provision based on estimated useful life of new assets since 2008	4,714	3,694
<b>Total Minimum Revenue Provision (MRP)</b>	<b>5,267</b>	<b>4,236</b>

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

## NOTES TO MAIN FINANCIAL STATEMENTS

### 44 TRUST FUNDS

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

The only Trusts with material assets are:

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

\* Includes external investments valued at £18,341

	2017/18 Exp. £'s	2017/18 Income £'s	2017/18 Assets £'s	2017/18 Liabilities £'s
Alice Park Trust	39,207	(17,225)	155,210 *	
<b>Total</b>	<b>39,207</b>	<b>(17,225)</b>	<b>155,210</b>	<b>0</b>

\* Includes external investments valued at £18,366.

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:

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

	2017/18 Exp. £'s	2017/18 Income £'s	2017/18 Assets £'s	2017/18 Liabilities £'s
Educational Funds		(157)	46,930	
Graves/memorial maintenance		(43)	12,492	
Client accounts	94,000		0	
Twinning Fund	88	(91)	26,091	
Bequests		(125)	35,746	
<b>Total</b>	<b>94,088</b>	<b>(416)</b>	<b>121,259</b>	<b>0</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 45 CONTROLLED COMPANIES

#### Visit Bath (previously Bath Tourism Plus Ltd)

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

The Company's un-audited accounts to 31st March 2019 show a turnover of £2,444,087, a net loss of £45,299 and net current liabilities of £83,533 (turnover of £2,777,592, a net profit of £76,107 and net current liabilities of £117,720 in 2017/18). The turnover and assets / Liabilities held by this company are not considered significant enough to produce Group Accounts.

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

#### Aequus Developments Ltd (ADL)

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

The Company's draft un-audited accounts to 31st March 2019 show a turnover of £239,256, a net profit of £22,802, net current liabilities of £83,882 and net non-current assets of £211,736. (Turnover of £253,220, a net profit of £240,352, net current liabilities of £45,229 and net non-current assets of £158,257 in 2017/18). These figures include loans made to the company by the Council of £3,308,251 (£2,017,443 2017/18). The turnover and assets held by this company are not considered significant enough to produce Group Accounts.

#### Aequus Construction Ltd (ACL)

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

The Company's draft un-audited accounts to 31st March 2019 show a turnover of £192,209, a net loss of £377,423, net current assets of £7,523,245 and net non-current liabilities of £8,039,500 (a turnover of £nil, a net loss of £138,932, net current assets of £2,306,115 and net non-current liabilities of £2,444,947 in 2017/18). These figures include outstanding loans made to the company by the Council of £8,154,876.

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

### 46 WEST OF ENGLAND PARTNERSHIP

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

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

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

The table below reflects the revenue expenditure incurred by Bath and North East Somerset on behalf of the West of England Authorities in 2018/19:

#### West of England Pooled Revenue Expenditure 2018-19

Expenditure	£'000	Acting As
Joint Spatial Plan	328	
Feasibility Studies	723	
<b>Total Expenditure</b>	<b>1,051</b>	
<b>Funding</b>		
Local Authority Contributions	352	Agent
WECA Grant	699	Agent
<b>Total Income</b>	<b>1,051</b>	

## NOTES TO MAIN FINANCIAL STATEMENTS

### 47 CONTINGENT LIABILITIES

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

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

#### Roman Baths Museum

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

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

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

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

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

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

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

The collections are valued for insurance purposes. Valuations are carried out in the main by the museums curator, where this is not possible advice is sought from an external source, with the latest valuation carried out in 2015/16 by Bonham's for insurance purposes.

#### Bath Record Office

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

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

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

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

#### Fashion Museum

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

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

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

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

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

## NOTES TO MAIN FINANCIAL STATEMENTS

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### **Victoria Art Gallery**

The Victoria Art Gallery's collections of fine and decorative art date from the 16th century to the present day. To a significant extent they tell the story of art in the city of Bath and the surrounding area. Most of the 15,350 items in the collection were acquired by way of gift and bequest. The latest complete valuation was carried out externally in 2015/16 by Bonhams for insurance purpose.

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

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

### **Library Service**

The collection of Library Service heritage assets is defined as items available for consultation but not available for loan either due to their local cultural or historical significance, or because they were bequeathed to the library by local citizens. The collection is divided into 4 categories:

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

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

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

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

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

Title to the collection of civic regalia and silver of the former Bath City Council was transferred to the Charter Trustees on Local Government re-organisation in 1996 and is therefore not included in the Council's Balance Sheet.

## NOTES TO MAIN FINANCIAL STATEMENTS

### 49 CITY REGION DEAL

#### Background

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

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

#### Transactions

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

- Tier 1:** to ensure that no individual Authority is any worse off than it would have been under the national local government finance system,
- Tier 2:** to an Economic Development Fund (EDF) for reinvestment within the designated areas through approved programmes,
- Tier 3:** for the relief of demographic and service pressures associated with growth.

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

	Cash Transactions		Revenue & Expenditure	
	Business Rates Pool Total £'000	of which the Council's Share £'000	Council Expenditure £'000	Council Revenue £'000
Funds held by BRP at 1 April 2018	(20,328)	(915)	0	0
Receipts into the Pool in-year:				
- Growth sums payable by Councils to BRP in-year	(19,487)	(714)	407	0
Distributions out of the Pool in-year:				
- Tier 1 no worse off	6,924	256	0	(256)
- BRP Management Fee	81	20	0	0
- EDF Management Fee	67	17	0	0
- Tier 2 EDF funding	1,676	43	0	(228)
- Tier 3 Demographic and service pressures	1,981	71	0	(212)
<b>Funds held by the BRP at 31 March 2019</b>	<b>(29,086)</b>	<b>(1,222)</b>		
Analysed between:				
Uncommitted cash (Tier 2 incl. Contingency)	(25,534)	(1,072)	319	n/a
Committed cash not yet allocated	(3,552)	(150)	(12)	n/a
	<b>(29,086)</b>	<b>(1,222)</b>		
<b>Expenditure / (Revenue) recognised</b>			<b>714</b>	<b>(696)</b>

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

The Council's share of this committed and uncommitted cash balance held by the BRP (£1.222m) has been recognised in the accounts and is held in an earmarked reserve to smooth the impact of City Region Deal transactions, and match the release of revenue support and charges for projects. The BRP has made several payments totalling £1.677m on behalf of the EDF in 2018/19.

The council itself has recognised revenue income of £696,000 (2017/18: (£326,000)) from the BRP and expenditure of £714,000 (2017/18: £123,000) to the BRP for the year.



## COLLECTION FUND 2018/19

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	2018/19 £'000	2017/18 £'000
<b>INCOME</b>				
Council Tax	2	(107,524)		(100,881)
Income collectable from business ratepayers	3	(70,228)		(66,870)
			(177,752)	(167,751)
<b>EXPENDITURE</b>				
Council Tax - Precepts and demands				
Bath & North East Somerset		89,242		84,596
Avon & Somerset Police	1	12,471		11,635
Avon Fire	1	4,591		4,434
			106,304	100,665
National Non-Domestic Rates (NNDR)				
Central share payment to Government		-		-
Local share payment to Bath & North East Somerset		61,879		60,418
Local share payment to WECA		3,291		3,214
Local share payment to Avon Fire Authority		658		643
Transfer of City Deal Growth Disregard to General Fund	6	654		354
Transfer of Renewable Energy Growth Disregard to General Fund		29		23
Cost of Collection Allowance		261		259
			66,772	64,911
Impairments of debts	4			
Write off of uncollectable amounts			553	549
Increases / (decreases) in allowance for impairment				30
Provision for NNDR Appeals	5		2,630	2,437
Contributions				
Contribution towards previous year's estimated Collection Fund Surplus/(Deficit)			(2,678)	(3,455)
			173,582	165,137
(Surplus)/Deficit for the Year			(4,170)	(2,614)
(Surplus)/Deficit Brought Forward as at 1 April			2,538	5,152
<b>(Surplus)/Deficit as at 31 March</b>	7		(1,632)	2,538
Council Tax Surplus / (Deficit) to be refunded to Police & Fire Authorities			133	(29)
NNDR Surplus / (Deficit) to be refunded / charged to Government, WECA & Fire Authority			49	(882)
<b>Bath &amp; North East Somerset (Surplus)/Deficit</b>			(1,451)	1,627

## NOTES TO THE COLLECTION FUND

### 1 The Collection Fund

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

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

	<b>Precept</b>	<b>Surplus / (Deficit)</b>	<b>Precept</b>	<b>Surplus / (Deficit)</b>
	<b>2018/19</b>	<b>2018/19</b>	<b>2017/18</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
The Avon & Somerset Police Authority	<b>12,471</b>	<b>(6)</b>	11,635	105
The Avon Fire Authority	<b>4,591</b>	<b>(2)</b>	4,434	40

### 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 64,346.64 (63,996.16 for 2017/18). This amount of Council Tax for a Band D property £1,652.06 (£1,572.898 - 2017/18) is multiplied by the proportion specified for the particular band to give an individual amount due.

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

	<b>Discounted Properties</b>	<b>Ratio to Band D</b>	<b>Band D Equivalents</b>
Band A - Disabled Relief	8	5/9	5
Band A	6,390	6/9	4,260
Band B	16,299	7/9	12,677
Band C	17,289	8/9	15,368
Band D	12,150	9/9	12,150
Band E	8,528	11/9	10,423
Band F	4,989	13/9	7,206
Band G	4,367	15/9	7,279
Band H	364	18/9	728
			70,096
Overall Adjustment for Council Tax Support and Technical Changes			<b>(5,749)</b>
<b>Council Tax Base</b>			<b><u>64,347</u></b>

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

The income for 2018/19 is receivable from the following sources:-

	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
Billed to Council Tax payers	<b>(107,487)</b>	<b>(100,879)</b>
Localism Act Discounts funded from General Fund	<b>(2)</b>	<b>(4)</b>
DWP Benefits funded from General Fund	<b>(4)</b>	2
Foster Carers Locally Defined Discount funded from General Fund	<b>(11)</b>	
Care Leavers Locally Defined Discount funded from General Fund	<b>(20)</b>	
	<b><u>(107,524)</u></b>	<b><u>(100,881)</u></b>

## NOTES TO THE COLLECTION FUND

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

The Council collects NNDR for its area based on local rateable values multiplied by a uniform business rate set nationally by Central Government. The national multipliers for 2018/19 were 48 pence for qualifying small businesses and 49.3 pence for all other businesses, subject to transitional arrangements. The NNDR income after reliefs of £70.228 million for 2018/19 (£66.870 million in 2017/18) resulted from a total rateable value at 31 March 2019 of £184.235 million.

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

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

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

The closing surplus on the business rates retention scheme in 2018/19 is £0.809m (£2.354m deficit in 2017/18). The surplus is to be allocated to the Council (94%), WECA (5%) and Fire Authority (1%) based on the proportional shares agreed under the 100% retention pilot.

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

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

	2018/19 £'000	2017/18 £'000
<b>Council Tax</b>		
Balance at 1 April	624	536
Write-offs during the year	(257)	(257)
Contributions to provisions during the year	262	345
Net Increase/(Decrease) in Provision	5	88
Balance at 31 March	<u>629</u>	<u>624</u>
<b>NNDR</b>		
Balance at 1 April	407	465
Write-offs during the year	(236)	(292)
Contributions to provisions during the year	291	234
Net Increase/(Decrease) in Provision	55	(58)
Balance at 31 March	<u>462</u>	<u>407</u>
<b>Total</b>		
Balance at 1 April	1,031	1,001
Write-offs during the year	(493)	(549)
Contributions to provisions during the year	553	579
Net Increase/(Decrease) in Provision	60	30
Balance at 31 March	<u>1,091</u>	<u>1,031</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 2018.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	6,946	5,940
Cost of Appeals settled during the year	(436)	(1,431)
Contributions to provisions during the year	2,630	2,437
Net Increase/(Decrease) in Provision	2,194	1,006
Balance at 31 March	<u>9,140</u>	<u>6,946</u>

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

## NOTES TO THE COLLECTION FUND

### 6 City Deal Growth Disregard

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

### 7 Balance of Fund & Distribution

As at 31 March 2019, the balance on the Collection Fund stood at an overall surplus of £1.633m.

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

	<b>Council Tax</b>	<b>NNDR</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Central Government	-	(1)	(1)
Bath & North East Somerset	(691)	(760)	(1,451)
West of England Combined Authority (WECA)	-	(40)	(40)
Avon & Somerset Police	(97)	-	(97)
Avon Fire Authority	(36)	(8)	(44)
	<b>(824)</b>	<b>(809)</b>	<b>(1,633)</b>

Surpluses declared by the Collection Fund are apportioned to the precepting bodies in subsequent financial years.  
Deficits likewise, are proportionately charged to the precepting bodies in following financial years.

## PENSION FUND ACCOUNTS 2018/19

### Fund Account

For the Year Ended 31 March 2019

	Notes	2018/19 £'000	RESTATED 2017/18 £'000
<b>Dealings with members, employers and others directly involved in the fund</b>			
Contributions Receivable	4	153,929	224,764
Transfers In		9,035	8,613
		<b>162,964</b>	<b>233,377</b>
Benefits Payable	5	171,863	163,014
Payments to and on account of Leavers	6	9,722	7,939
		<b>181,585</b>	<b>170,953</b>
<b>Net additions / (withdrawals) from dealings with member</b>		<b>(18,621)</b>	<b>62,424</b>
Management Expenses	7	22,858	32,270
		<b>(41,479)</b>	<b>30,154</b>
<b>Net (withdrawals) / additions from dealings with members</b>			
<b>Returns on Investments</b>			
Investment Income	8	37,012	28,008
Profits and losses on disposal of investments and change in value of investments	9	221,369	188,985
<b>Net Returns on Investments</b>		<b>258,381</b>	<b>216,993</b>
<b>Net Increase in the net assets available for benefits during the year</b>		<b>216,902</b>	<b>247,147</b>
<b>Opening Net Assets of the Fund</b>		<b>4,600,925</b>	<b>4,353,778</b>
<b>Closing Net Assets of the Fund</b>		<b>4,817,827</b>	<b>4,600,925</b>

### Net Assets Statement at 31 March 2019

	Notes	31 March 2019 £'000	%	31 March 2018 £'000	%
<b>INVESTMENT ASSETS</b>					
Equities		554,790	11.5	1,075,449	23.4
Property Pooled Investment vehicles		428,751	8.9	410,899	8.9
Non Property Pooled Investment Vehicles		3,718,768	77.2	2,907,105	63.2
Cash Deposits		105,377	2.2	204,037	4.4
Other Investment balances		3,486	0.1	5,096	0.1
Derivative Contracts (Foreign Exchange hedge)		7,984	0.2	13,840	0.3
Long Term Investments		395	0.0	840	0.0
<b>INVESTMENT LIABILITIES</b>					
Derivative Contracts: FTSE Futures		349	0.0	(598)	(0.0)
Other Investment balances		(147)	(0.0)	(8,361)	(0.2)
<b>TOTAL NET INVESTMENT ASSETS</b>	10	<b>4,819,753</b>		<b>4,608,307</b>	
Long Term Debtors	12a	70	-		
<b>Net Current Assets</b>					
Current Assets	12	13,079	0.3	11,961	0.3
Current Liabilities	12	(15,075)	(0.3)	(19,343)	(0.4)
<b>Net assets of the scheme available to fund benefits at the period end</b>		<b>4,817,827</b>	<b>100.0</b>	<b>4,600,925</b>	<b>100.0</b>

#### Analysis of Other Managed Funds

Diversified Growth Funds	597,717	602,103
Infrastructure	342,723	283,594
Liability Driven Investments	580,817	521,212
Multi Asset Credit	410,444	482,296
Derivative Contract: OTC Equity index Options	(12,585)	15,010
Hedge Funds	232,127	210,133
Secured Income	16,695	0
Equity	1,464,662	710,633
Bonds	86,168	82,124
	<b>3,718,768</b>	<b>2,907,105</b>

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2019. The actuarial present value of these liabilities is disclosed in note 15.

**Notes to Accounts - Year Ended 31 March 2019**

**1 INTRODUCTION & STATEMENT OF ACCOUNTING POLICIES**

**1.1 Description of Fund**

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

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

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

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

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

**Introduction to the Statement of Accounts**

1.2 This statement comprises the Statement of Accounts for the Avon Pension Fund (the Fund). The accounts cover the financial year from 1 April 2018 to 31 March 2019.

1.3 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting ('Code of Practice') in the United Kingdom 2018/19 based on International Financial Reporting Standards as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis, except for certain transfer values as described at 'Statement of Accounting Policies' – item 2.7. They do not take account of liabilities to pay pensions and other benefits in the future.

**1.4 Actuarial Valuations**

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

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

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

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

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

1.8 The Actuary has estimated that the funding level as at 31 March 2019 has risen to 97% from 96.2% at 31 March 2018 based on the 2016 valuation financial assumptions.

1.9 There is a potential for an increase in the liabilities pending the outcome of a legal case which is considering whether the transitional protections put in place when the LGPS was reformed in 2015 constituted unlawful age discrimination. The Scheme Actuary has assessed that a judgement against the scheme could increase liabilities by 0.5-1.0%. A specific provision has not been included in the accounts. Once the outcome is known, employer contributions will be adjusted in line with guidance from the Scheme Advisory Board.

1.10 Note 15 to the accounts shows the actuarial present value of promised retirement benefits for the purposes of IAS26 using the assumptions and methodology of IAS 19. The discount rate referenced for IAS19 is the Corporate Bond yield. The discount rate used for the Actuarial Valuation references the Fund's investment strategy.

1.11 The Fund's Funding Strategy Statement can be found on the Fund's website [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk) (search Funding Strategy Statement) and is summarised within the Fund's Annual Report. The purpose of the Funding Strategy Statement is to set out a clear and transparent funding strategy that will identify how each employer's pension liabilities are to be met going forward.

## Investment Strategy Statement

1.12

The Fund's Investment Strategy Statement (ISS) as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 can be found on the Fund's website [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk) (search Investment Strategy Statement) and is summarised within the Fund's Annual Report. The ISS was last updated in December 2018.

1.13

The Fund's assets are currently managed externally by investment managers appointed and monitored by the Fund. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require funds to pool their investments assets from 1 April 2018. As a consequence the Fund is a member of Brunel Pension Partnership, a pool of 10 LGPS funds, which has established an FCA regulated company, Brunel Pension Partnership Limited (Brunel), to manage the assets of the pool. Each fund in the pool is a shareholder owning an equal share of the company. The Fund's assets are gradually transitioning to Brunel (transition commenced in July 2018). Once the assets have transferred, Brunel will be responsible for appointing and monitoring managers and other investment related operational aspects of the Fund. The Investment Strategy Statement will be updated during this transition to reflect the changing responsibilities.

1.14

The Fund has implemented two investment strategies to manage specific risks within the asset portfolio. These strategies are held within a Qualified Investment Fund (QIF) managed by Blackrock.

(i) A Liability Driven Investment strategy has been implemented to provide a hedge against changes in the value of the pension liabilities within the asset portfolio. This strategy consists of bonds (specifically Index link gilts) and derivatives such as gilt repurchase agreements and interest and inflation swaps, structured to achieve the desired hedge profile.

(ii) Additionally within the QIF is a strategy to lock in the gains in equity markets ahead of the 2019 actuarial valuation. Using Over The Counter (OTC) equity index option contracts this strategy protects the Fund's developed markets equity assets from a fall in global markets into 2020.

## Statement of Accounting Policies

### Basis of Preparation

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

### Investments

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

- i) Quoted Securities have been valued at 31 March 2019 by the Fund's custodian using internationally recognised pricing sources (bid-price or 'last trade') where a quotation was available on a recognised stock exchange or the unlisted securities market. Some UK property funds have been valued at mid price as opposed to bid price with unaudited valuations used as the latest available for the accounting date. Unquoted securities are included at fair value based on the Fund Manager's valuation. All these valuations are subject to the custodian's and fund manager's internal control reports and their external auditors.
- ii) Fixed interest securities exclude interest earned but not paid over at the year end, which is included separately within investment debtors.
- iii) Pooled investments are stated at their bid price or at the Net Asset Value quoted by their respective managers at 31 March 2019. The basis of valuation is explained further in note 24.
- iv) Foreign currency transactions are recorded at the prevailing rate at the date of transaction. Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates ruling as at 31 March 2019.
- v) Open futures contracts are included in the Net Asset Statement at their fair market value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract. The amounts included in the change in market value are the realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.
- vi) Over the Counter (OTC) Equity Index options are included in the Net Asset Statement at their fair market value, which is the unrealised profit or loss at the current value of the contract. The amounts included in the change in market value are the realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts
- vii) Overseas properties are valued as at 31 December 2018 with adjustments made for any reduction or addition to the level of investment.
- viii) Forward foreign exchange contracts outstanding at the year- end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. Foreign currency transactions are recorded at the prevailing rate at the date of transaction.
- ix) The only Long Term Investment is shares in Brunel Pension Partnership Ltd. Its fair value is based on the value of equity in Brunel Pension Partnership Ltd accounts.
- x) Acquisition costs of investments (e.g. stamp duty and commissions) are treated as part of the investment cost.
- xi) Investment debtors and creditors at the year- end are included in investment assets in accordance with the CIPFA code of practice on local authority accounting.
- xii) The Fund's surplus cash is managed separately from the surplus cash of Bath and North East Somerset Council (B&NES) and is treated as an investment asset.

### Contributions

1.17 Contributions represent those amounts receivable from the employing bodies in respect of their own and their pensionable employees' contributions. Employers' contributions are determined by the Actuary on the basis of triennial valuations of the Fund's assets and liabilities and take into account the Funding Strategy Statement set by the administering authority. The last such valuation was at 31 March 2016. Currently employer contribution rates range from 7.0% to 30.8%. Employees' contributions have been included at the rates prescribed by the Local Government Pension Scheme Regulations 2013 (as amended). The employee contribution rates range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2019.

1.18

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

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

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

1.20

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

1.21

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.

1.22

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

### Investment Income

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

### Investment Management & Administration

- 1.24 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 permit Bath & North East Somerset Council to charge administration costs to the Fund. A proportion of relevant Council costs has been charged to the Fund on the basis of time spent on Pension Fund business.
- 1.25 The fees of the Fund's external investment managers reflect their differing mandates. Fees are linked to the market value of the Fund's investments and therefore may increase or reduce as the value of the investment changes. Management fees are recognised in the year in which the management services are provided. A provision has been made for performance fees that have been incurred but are subject to phased payments or are not to be paid until the realisation of the related investments. These remain subject to change as a consequence of future performance. Fees are also payable to the Fund's global custodian and other advisors.

### Taxation

- 1.26 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.

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

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

### Events After the Balance Sheet Date

- 1.28 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

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

### Critical Judgements in Applying Accounting Policies

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

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the Actuary and have been summarised in Note 1.6 above.

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

Following consultation the judgement has been made that the Fund does not have significant influence over the Brunel Pensions Partnership and consequently it is not considered to be a joint venture.



## PENSION FUND ACCOUNTS 2018/19

### 2 MEMBERSHIP

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

	31 March 2019	31 March 2018
<b>Employed Members</b>	<b>36,894</b>	36,479
<b>Pensioners</b>	<b>32,137</b>	30,734
<b>Members entitled to Deferred Benefits</b>	<b>42,114</b>	43,012
<b>TOTAL</b>	<b><u>111,145</u></b>	<b><u>110,225</u></b>

A further estimated 738 (847 in 2017/18) ex-members whose membership was for up to 2 years before 1 April 2014 or up to 3 months after that date are due refunds of contributions. It is not possible to put an exact value on this liability until these ex-members have been traced and their entitlement verified.

### 3 TAXATION

#### (i) Value Added Tax

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

#### (ii) Income Tax

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

#### (iii) Capital Gains Tax

No capital gains tax is chargeable.

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

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

### 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable are analysed below:-

	2018/19 £'000	2017/18 £'000
<b>Employers' normal contributions</b>		
Scheduled Bodies	78,070	71,831
Administering Authority	8,569	8,768
Admission Bodies	7,832	8,097
	<u>94,471</u>	<u>88,696</u>
<b>Employers' deficit funding</b>		
Scheduled Bodies	14,593	76,439
Administering Authority	(180)	14,837
Admission Bodies	637	2,912
	<u>15,050</u>	<u>94,188</u>
<b>Total Employer's normal &amp; deficit funding</b>	<b><u>109,521</u></b>	<b><u>182,884</u></b>
<b>Employers' contributions - Augmentation</b>		
Scheduled Bodies	1,950	3,089
Administering Authority	2,230	278
Admission Bodies	308	107
	<u>4,488</u>	<u>3,474</u>
<b>Members' normal contributions</b>		
Scheduled Bodies	32,892	30,998
Administering Authority	3,754	3,947
Admission Bodies	2,720	2,856
	<u>39,366</u>	<u>37,801</u>
<b>Members' contributions toward additional benefits</b>		
Scheduled Bodies	429	484
Administering Authority	82	92
Admission Bodies	43	29
	<u>554</u>	<u>605</u>
<b>Total</b>	<b><u>153,929</u></b>	<b><u>224,764</u></b>

Deficit funding contributions have been paid by employers in respect of the recovery of their deficit relating to past service. In 2017/18 the deficit funding contributions included £82,254k of discounted contributions that the actuary had calculated to cover the required deficit contributions for the three years commencing 2017/18. In 2018/19 Unitary councils received £1,109k in deficit rebates relating to payments for Academies who transferred in 2018/19 (£180k of which related to the Administering Authority).

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 Aviva on behalf of the individual members concerned. These contributions are not part of the Pension Fund and are not therefore reflected in the Fund's accounts. A statement of the value of these investments is given in note 18.

## PENSION FUND ACCOUNTS 2018/19

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### 5 BENEFITS PAYABLE

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

	2018/19 £'000	2017/18 £'000
Retirement Pensions	142,405	135,003
Commutation of Pensions and Lump Sum Retirement Benefits	25,802	24,655
Lump Sum Death Benefits	3,656	3,356
	<u>171,863</u>	<u>163,014</u>

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

	2018/19 £'000	2017/18 £'000
Scheduled & Designating Bodies	140,228	134,704
Administering Authority	18,312	15,942
Admission Bodies	13,323	12,368
	<u>171,863</u>	<u>163,014</u>

### 6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

#### Leavers

	2018/19 £'000	2017/18 £'000
Refunds to members leaving service	866	744
Individual Cash Transfer Values to other schemes	8,856	7,195
Group Transfers	0	0
	<u>9,722</u>	<u>7,939</u>

## PENSION FUND ACCOUNTS 2018/19

### 7 MANAGEMENT EXPENSES

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

	2018/9	RESTATED 2017/18
	£'000	£'000
Administrative Costs	2,177	1,829
Investment Management Expenses	19,303	29,005
Oversight & Governance Costs	1,377	1,436
	<u>22,857</u>	<u>32,270</u>

#### Further Analysis of Management Expenses:-

##### Administrative Costs

Management Costs	1,450	1,215
Administration and Processing	420	565
Service from Administrating Body	497	473
Fees and Income	(190)	(424)
	<u>2,177</u>	<u>1,829</u>

##### Investment Management Expenses

Fund Manager Base Fees	20,635	19,345
Fund Manager Performance Fees	(3,330)	3,681
Investment Transaction Costs	1,916	5,896
Global custody	82	83
	<u>19,303</u>	<u>29,005</u>

##### Oversight & Governance Costs

Management costs	535	527
Specialist advice and Governance	1,068	1,182
Actuarial recharges	(266)	(311)
Audit Fees	40	38
	<u>1,377</u>	<u>1,436</u>
	<u>22,857</u>	<u>32,270</u>

Fund manager base fees have been restated for 2017/18 to £19.345m (originally £13.449m). These were originally understated due to transaction costs being deducted from them. Also management expenses have been restated from £26.374m to £32.270m.

In 2017/18 fees and income included £0.236m rebate of Brunel Pensions Partnership development costs that are included in the Fund Manager base fees for that year.

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

The provision for performance fees relate mainly to pooled funds and they are estimated from the information available. Fund manager performance fees for 18/19 represent a reduction in provision of £3.330m. This relates to management fees which had not previously been recognised as paid (2.958m) and reduction in provision (£0.372m).

The management fees include fees that should have been paid before a fee holiday (£0.069m). The fee holiday has been included within transaction costs. Also included within management fees is £0.998m paid to Brunel Pension Partnership for core investment services.

Investment transaction costs do not include the underlying transaction costs within pooled funds. Transaction costs include the costs of transitioning assets to the portfolios managed by Brunel.

Management costs in Oversight & Governance Costs include investments, actuarial and accounting staff costs. Audit fees include; £0.030m external audit fee as set out in the Audit Plan (2017/18 £0.029m), £0.008m internal audit charge (2017/18 £0.008m) and £0.001m additional external fee relating to information provided to the actuary regarding individual employers' IAS19 disclosures (2017/18 £0.001m).

## PENSION FUND ACCOUNTS 2018/19

### 8 INVESTMENT INCOME

	2018/19 £'000	2017/18 £'000
Dividends from equities	18,954	20,772
Income from Bonds		-
Income from pooled Property Investments	13,017	6,583
Income from other pooled investment vehicles	3,977	312
Interest on cash deposits	912	272
Other - stock lending	152	69
<b>TOTAL</b>	<b>37,012</b>	<b>28,008</b>

The Fund has an arrangement with its custodian (State Street Trust and Bank) to lend eligible securities from its portfolio to third parties in return for which the third parties pay fees to the fund. The third parties provide collateral to the Fund which is held during the period of the loan. The Fund may terminate any loan of securities by giving notice of not less than the standard settlement time for those securities.

The value of the stock on loan as at 31 March 2019 was £15.6m (31 March 2018 £29.9m), comprising of equities and sovereign debt. This was secured by collateral worth £16.9m comprising equities and sovereign debt. The Fund does not sell collateral unless there is a default by the owner of the collateral.

### 9 CHANGE IN TOTAL NET ASSETS

Change in Market Value of Investments	Value at	Purchases	Sales	Change in	Value at
	31/03/18	at Cost	Proceeds	Market	31/03/19
	£'000	£'000	£'000	Value	£'000
Equities	1,075,449	321,072	(855,828)	14,097	554,790
Long Term Investments	840			(445)	395
Bonds	-				-
Pooled Investments-					
- Property	410,899	202,717	(196,868)	12,004	428,752
- Non Property	2,907,105	1,914,192	(1,330,941)	228,411	3,718,767
Derivatives	13,243	89,542	(42,438)	(52,014)	8,333
<b>Sub Total</b>	<b>4,407,536</b>	<b>2,527,523</b>	<b>(2,426,075)</b>	<b>202,053</b>	<b>4,711,037</b>
Cash Deposits	204,037	295,606	(387,589)	(6,677)	105,377
Net Purchases & Sales		2,823,129	(2,813,664)	9,465	
Investment Debtors & Creditors	(3,266)			6,605	3,339
Total Investment Assets	4,608,307				4,819,753
Long Term Debtors				70	
Current Assets	(7,382)			5,386	(1,996)
Less Net Revenue of Fund				4,467	
<b>Total Net Assets</b>	<b>4,600,925</b>			<b>221,369</b>	<b>4,817,757</b>

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

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

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

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

The Net Revenue of Fund figure in the above table includes the investment transaction costs as specified below. These are the costs that it has been possible to identify. Additional costs will have been absorbed within pooled investments. The Net Revenue of Fund equals the Net Withdrawals / additions from dealings with members (-£39,493k) plus Investment income (£37,012k) as shown in the Fund account.

## PENSION FUND ACCOUNTS 2018/19

### Change in Total Net Assets 2017/18

Change in Market Value of Investments	Value at	Purchases	Sales	RESTATED	Value at
	31/03/17	at Cost	Proceeds	Change in	31/03/18
	£'000	£'000	£'000	Market	£'000
				Value	
				£'000	
Equities	750,053	2,090,656	(1,768,355)	3,095	1,075,449
Long Term Investments		840			840
Bonds	509,172	5,745	(491,453)	(23,464)	-
Pooled Investments-					
- Property	380,909	101,446	(94,623)	23,167	410,899
- Non Property	2,639,401	2,383,505	(2,208,506)	92,705	2,907,105
Derivatives	5,023	45,790	(106,068)	68,498	13,243
<b>Sub Total</b>	<b>4,284,558</b>	<b>4,627,982</b>	<b>(4,669,005)</b>	<b>164,001</b>	<b>4,407,536</b>
Cash Deposits	67,712	601,694	(506,869)	41,500	204,037
Net Purchases & Sales		5,229,676	(5,175,874)	53,802	
Investment Debtors & Creditors	5,505			(8,771)	(3,266)
Total Investment Assets	4,357,775				4,608,307
Current Assets	(3,997)			(3,385)	(7,382)
Less Net Revenue of Fund				(58,162)	
<b>Total Net Assets</b>	<b>4,353,778</b>			<b>188,985</b>	<b>4,600,925</b>

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

### Investment Transaction Costs

	2018/19	2017/18
	£'000	£'000
Commission	1,315	2,711
Tax	601	3,185
<b>Total</b>	<b>1,916</b>	<b>5,896</b>

Investment transaction costs for 18/19 include the costs of transitioning assets to the portfolios managed by Brunel.

## 10 INVESTMENT ASSETS

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

	31 March		Restated	
	2019	£'000	31 March	2018
				£'000
<b>UK Equities</b>				
Quoted	190,348		342,303	
Pooled Investments	194,418		30,188	
FTSE Futures	349	385,115	(598)	371,893
<b>Overseas Equities</b>				
Quoted	364,442		733,146	
Pooled Investments	1,270,243		680,444	
Equity Index Options	(12,585)	1,622,100	15,010	1,428,600
<b>UK Bonds</b>				
Quoted		-	-	-
<b>Sterling Bonds (excluding Gilts)</b>				
Pooled Investments	86,168	86,168	82,124	82,124
<b>Diversified Growth Funds</b>				
Overseas Pooled Investments	597,717	597,717	602,104	602,104
<b>Infrastructure</b>				
Overseas Pooled Investments	342,723	342,723	283,594	283,594
<b>Liability Driven Investment</b>				
UK Pooled Investments	580,817	580,817	521,212	521,212
<b>Multi Asset Credit</b>				
Overseas Pooled Investments	410,444	410,444	482,296	482,296
<b>Hedge Funds</b>				
Overseas Pooled Investments	232,127	232,127	210,133	210,133
<b>Property</b>				
UK Pooled Investments	227,565		209,579	
Overseas Pooled Investments	201,187	428,752	201,320	410,899
<b>Secured Income</b>				
UK Pooled Investments	16,695	16,695		-
<b>Long Term Investments</b>				
Brunel Share Capital	395	395	840	840
<b>Cash Deposits</b>				
Sterling	68,871		185,001	
Foreign Currencies	36,506	105,377	19,036	204,037
<b>Investment Debtors/Creditors</b>				
Investment Income	3,486		5,096	
Sales of Investments			227,692	
Foreign Exchange Hedge	7,984		13,840	
Purchases of Investments	(147)	11,323	(236,053)	10,575
<b>TOTAL INVESTMENT ASSETS</b>		<b>4,819,753</b>		<b>4,608,307</b>

## PENSION FUND ACCOUNTS 2018/19

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

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

OTC Equity Index Options are used to protect the developed equity assets from a fall in equity markets. At 31 March 2019 the unrealised loss on this strategy was £12.5m.

Both strategies are held within the same pooled vehicle, a Qualified Investment Fund (QIF) managed by Blackrock on a bespoke basis for the Fund; the QIF had a value of £1,008m at March 2019.

### DERIVATIVES ANALYSIS

#### Open Forward Currency Contracts

Settlement	Currency Bought		Currency Sold		Asset Value £'000	Liability Value £'000
	Local Value 000		Local Value 000			
Up to one month	EUR	63,205	GBP	54,551	-	(35)
Up to one month	JPY	1,247,800	GBP	8,643	17	-
Up to one month	USD	184,638	GBP	141,735	-	(238)
Up to one month	GBP	8,500	JPY	1,247,800	-	(160)
Up to one month	GBP	56,532	EUR	63,205	2,017	-
Up to one month	GBP	139,871	USD	184,638	-	(1,626)
One to six months	EUR	9,787	GBP	8,604	-	(145)
One to six months	JPY	152,900	GBP	1,059	4	-
One to six months	USD	19,639	GBP	15,238	-	(234)
One to six months	GBP	270,591	EUR	304,752	6,901	-
One to six months	GBP	40,397	JPY	5,793,900	87	-
One to six months	GBP	687,376	USD	899,199	1,285	-
Six to twelve months	GBP	51,172	EUR	58,993	-	(42)
Six to twelve months	GBP	7,865	JPY	1,128,200	-	(8)
Six to twelve months	GBP	133,800	USD	175,912	161	-
<b>Total</b>					<b>10,472</b>	<b>(2,488)</b>
<b>Net forward currency contracts at 31st March 2019</b>						<b>7,984</b>
Open forward currency contracts at 31 March 2018					15,267	(1,427)
<b>Net forward currency contracts at 31st March 2018</b>						<b>13,840</b>

#### Equity Options

	Original Notional (GBP) £'000's	Notional at 31 March £'000's	Gain/(Loss) at 31 March £'000's
S&P 500 Index Options	790,885	873,023	(34,706)
Nikkei 225 Index Options	157,262	153,871	4,991
FTSE 100 Index Options	395,692	389,626	7,750
EuroStoxx50 Index Options	236,732	215,081	8,735
<b>Total</b>	<b>1,580,571</b>	<b>1,631,601</b>	<b>(13,230) *</b>
<b>Equity Options at 31 March 2018</b>	-	-	<b>15,011</b>

\* BlackRock carry a small amount of cash in this fund for immediate collateral requirements which is added to the total value. For March 2019 the cash balance was £643,752.00.

#### Exchange Traded Derivatives held at 31 March 2019:-

Contract Type	Expiration	Book Cost £'000	Unrealised Gain £'000
FTSE equity futures	June 2019	21,297	350

#### Exchange Traded Derivatives held at 31 March 2018:-

FTSE equity futures	June 2018	73,279	(598)
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A derivative is a financial contract between two parties, the value of which is determined by the underlying asset. Investment in derivatives may only be made if they contribute to a reduction of risks and facilitate efficient portfolio management.

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

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

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

## PENSION FUND ACCOUNTS 2018/19

### Investment Assets by Manager

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

	31 March 2019		31 March 2018	
	£'000	%	£'000	%
<b>Investments managed by Brunel Pension Partnership:</b>				
LGIM Low Carbon Global Equities	520,926	10.8		
Brunel Infrastructure Portfolio	11,152	0.2		
Brunel Secured Income Portfolio	16,695	0.3		
Brunel UK Equity Portfolio	187,270	3.9		
	<b>736,043</b>	<b>15.3</b>	-	-
<b>Investments managed outside Brunel Pension Partnership:</b>				
Blackrock	1,166,378	24.2	1,471,348	31.9
Standard Life	-	-	240,709	5.2
Record	29,631	0.6	86,436	1.9
Jupiter Asset Management	205,588	4.3	196,870	4.3
Genesis Investment Management	117,600	2.4	113,788	2.5
Partners Group	228,326	4.7	218,347	4.7
Loomis (Natixis)	410,444	8.5	482,296	10.5
Pyrford International	218,582	4.5	135,269	2.9
TT International	305	0.0	184,557	4.0
Signet Capital Management	-	-	1,633	0.0
IFM Investors	331,571	6.9	283,594	6.2
Ruffer	379,136	7.9	226,126	4.9
Unigestion (UK) Ltd	110,931	2.3	107,920	2.3
Schroder Investment Management	630,378	13.1	578,585	12.6
JP Morgan	232,127	4.8	210,133	4.6
General Cash	14,409	0.3	61,427	1.3
Long Term Investment	395	0.0	840	0.0
Treasury Management	7,909	0.2	8,429	0.2
	<b>4,083,710</b>	<b>84.7</b>	<b>4,608,307</b>	<b>100.0</b>
<b>TOTAL INVESTMENT ASSETS</b>	<b>4,819,753</b>	<b>100.0</b>	<b>4,608,307</b>	<b>100.0</b>

During 2018/19, the assets managed by TT International (UK Equities) and Blackrock (passively managed Global Low Carbon Equities) transitioned to the Brunel asset pool. Further transitions are expected later in 2019/20 for the Emerging Market and Global Equities mandates. In addition, new allocations to Renewable Infrastructure and Secured Income were invested via Brunel portfolios.

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

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

Investments	March 2019	Asset	March 2018	% of Net Asset
	£'000		£'000	
Blackrock Liability SOL Mutual Fund	1,008,422	20.93%	536,222	11.63%
LGIM Low Carbon Global Equity	520,926	10.81%	-	-
NATIXIS Investment Solutions	410,444	8.52%	482,296	10.46%
CF Ruffer Absolute Return Fund	379,136	7.87%	226,126	4.91%
IMF Global Infrastructure (UK)	331,571	6.88%	283,594	6.15%
Blackrock ACS World Low Carbon Equity	0	0.00%	458,736	9.95%
Standard Life Global Absolute	0	0.00%	240,709	5.22%

## PENSION FUND ACCOUNTS 2018/19

### 12 CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2019. Debtors and creditors included in the accounts are analysed below:-

	31 March 2019 £'000		31 March 2018 £'000	
<b>CURRENT ASSETS</b>				
Contributions Receivable				
- Employers	7,981		6,801	
- Members	3,128		2,717	
Transfer Values Receivable	-		-	
Discretionary Early Retirement Costs	129		936	
Other Debtors	1,841	<u>13,079</u>	1,507	<u>11,961</u>
<b>CURRENT LIABILITIES</b>				
Management Fees	(1,647)		(2,339)	
Provision for Performance Fees	(10,918)		(14,248)	
Transfer Values Payable	-		-	
Lump Sum Retirement Benefits	(1,203)		(1,073)	
Other Creditors	(1,307)	<u>(15,075)</u>	(1,683)	<u>(19,343)</u>
<b>NET CURRENT ASSETS</b>		<u>(1,996)</u>		<u>(7,382)</u>

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

### 12a LONG TERM DEBTORS

Provision has been made in the accounts for long term debtors known to be outstanding at 31 March 2019.

	31 March 2019 £'000		31 March 2018 £'000	
Reimbursement of lifetime tax allowances	70			
		<u>70</u>		<u>-</u>

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

### 13 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2019. (31 March 2018 = NIL)

### 14 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2019 that require any adjustment to these accounts.



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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2019 (the 31 March 2018 assumptions are included for comparison):

	<b>31st March 2019</b>	31st March 2018
Rate of return on investments (discount rate)	<b>2.4% per annum</b>	2.6% per annum
Rate of pay increases*	<b>3.7% per annum</b>	3.6% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension) / Deferred revaluation	<b>2.3% per annum</b>	2.2% per annum
Rate of CPI Inflation / CARE Benefit revaluation	<b>2.2% per annum</b>	2.1% per annum

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

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields decreased slightly, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.4% p.a. versus 2.6% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.2%. Both of these factors served to increase the liabilities over the year.

The value of the Fund’s promised retirement benefits for the purposes of IAS 26 as at 31 March 2018 was estimated as £6,453 million. Interest over the year increased the liabilities by c£169 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£72 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then an increase in liabilities of £368 million due to “actuarial gains” (i.e. the effect of changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund’s promised retirement benefits as at 31 March 2019 is therefore £7,062 million.

**The McCloud Case**

In December 2018 the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to “McCloud”), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. The Government is attempting to appeal the cases, but it is not known at this stage whether an appeal will even be possible. If the Government ultimately loses these cases then remedial action in the form of increases in benefits for some members is likely to be required. There may well also be knock-on effects for the other public service schemes, and the LGPS might therefore also be required to take some action. At this stage it is uncertain whether remedial action will be required, nor is it clear what the extent of any potential remedial action might be.

The LGPS Scheme Advisory Board has commissioned the Government Actuary’s Department (GAD) to calculate some indicative costs on an LGPS-wide basis so that Funds can give some consideration to the overall issue and form a view on whether any more detailed work is required. Whilst GAD have not yet reported on their findings, initial indications are that the impact on liabilities could be of the order of 0.5% to 1% of liabilities. This is well within the approximations inherent in the liability calculation shown above, which is based on a “roll-forward” of the 2016 actuarial valuation results rather than being a full recalculation, and in any case is within normal acceptable tolerances for this type of work given the general approximations which need to be made. Therefore a specific provision has not been included for the potential additional liabilities arising from the McCloud case.

**GMP Equalisation**

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the “Barber” judgment) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the 26 October 2018 Lloyds Bank court judgement has now provided further clarity in this area. However, in response to this judgement HM Treasury stated that “public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgment”, clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgement itself will not affect the benefits. Therefore, the natural conclusion for the main public service pension schemes including the Local Government Pension Scheme is that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgment, at least at the present time, and so no allowance has been made for any additional liabilities within the above figures at this stage. However, in due course there may be a further cost to the LGPS in connection with equalisation/indexation, when the Government confirms the overall approach which it wishes to adopt in this area following its consultation.

## PENSION FUND ACCOUNTS 2018/19

### 16 TRANSFERS IN

During the year ending 31 March 2019 there were no group transfers in to the fund.

### 17 AGENCY SERVICES

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

	2017/18 £'000	2016/17 £'000
<b>Benefits Paid and Recharged</b>	<u>5,882</u>	<u>5,895</u>

The Fund also administers £25.6m pension payments on behalf of the Fire Service and the Teachers' pension schemes. (£21.8m in 2017/18, including a large number of Retirement Lump Sum payments). These are not funded by the Fund and are recharged in full. They are not included in the Fund Account. The Fire Service and Teachers' employers also pay for the cost of providing this service.

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

Scheme members may make Additional Voluntary Contributions that are invested in insurance policies with The Equitable Life Assurance Society or Aviva, the Fund's nominated AVC providers. Additional Voluntary Contributions received from employees and paid to The Equitable Life Assurance Society during 2018/19 were £55 (2017/18 - £55). Additional Voluntary Contributions received from employees and paid to Aviva during 2018/19 were £375,694 (2017/18 - £288,295).

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

	31 March 2019 £'000	31 March 2018 £'000
<u>Equitable Life</u>		
With Profits Retirement Benefits	315	352
Unit Linked Retirement Benefits	317	339
Building Society Benefits	-	-
	<u>632</u>	<u>691</u>
Death in Service Benefit	<u>53</u>	<u>53</u>
<u>Friends Life</u>		
With Profits Retirement Benefits	79	97
Unit Linked Retirement Benefits	3,763	4,114
Cash Fund	378	208
	<u>4,220</u>	<u>4,419</u>

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

## PENSION FUND ACCOUNTS 2018/19

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### 19 RELATED PARTIES

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

In 2018/19 £38,250 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£40,557 in 2017/18). Six voting members and two non-voting members of the Avon Pension Fund Committee (including three B&NES Councillor Members) were members of the Local Government Pension Scheme during the financial year 2018/19. (Six voting members and two non-voting members in 2017/18, including three B&NES Councillor Members)

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

Three Independent Members were paid allowances of £14,817, £12,246 and £1,679 respectively during the year for their work in relation to the Pension Fund Committee and the Investment Panel. One Member was paid in respect of the full year, two were paid in respect of part of the year each. 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 2018/19 the Fund paid B&NES Council £436,428 for administrative services (£437,520 in 2017/18). Various Employers paid the fund a total of £191,825 for pension related services including pension's payroll and compiling data for submission to the actuary (£258,817 in 2017/18).

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

The Pension Board came in to operation in July 2015. In 2018/19 £7,843 was charged to the Fund in respect of Allowances and expenses paid to the Members of the Pension Board (£7,129 in 2017/18). Five members of the Pension Board were members of the Local Government Pension Scheme during the financial year 2018/19. (Five members in 2017/2018).

#### **Officer and Manager related:-**

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

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

#### **Brunel Pension Partnership Limited**

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

Each of the 10 local authorities, including Bath & North East Somerset Council own 10% of BPP Ltd. In 2018/19 the Pension Fund paid BPP £998,932 (2017/18 £840,000).

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

### 20 KEY MANAGEMENT REMUNERATION

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 Head of Business Finance and Pensions salary, fees and allowances £29,833 (2017/18 £29,833) and their post employment benefits (pensions) £8,600 (2017/18 £8,600).
- part of the Divisional Director Risk and Assurance's salary, fees and allowances £6,300 (2017/18 £6,300) and their post employment benefits (pensions) £1,820 (2017/18 £1,820).

The method of calculating the above figures has been revised. Previous year's figures overstated salaries by including of overheads, and disclosed employer contributions instead of pension benefits accrued. In 2017/18 salaries (including overheads) were disclosed as £50,167 and £10,600. Employer's pension contributions were disclosed as £9,498 and £2,000.

### 21 OUTSTANDING COMMITMENTS

As at the 31 March 2019 the Fund had outstanding commitments relating to investments in Property, Infrastructure and Secure Income funds that will be drawn down in tranches by the Investment Managers totalling £333,320,665. (31 March 2018 £113,752,557). The increase is due to the new commitments made in the year to Secured Income and Infrastructure.

## PENSION FUND ACCOUNTS 2018/19

### 22 FINANCIAL INSTRUMENTS

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

2018/19	Fair Value through Profit and Loss £'000	Loans & receivables £'000	Financial liabilities at amortised cost £'000
<b>Financial Assets</b>			
Equities	554,790		
Long Term Investments	395		
Pooled Investments (Non-Property)	3,150,535		
Liability Driven Pooled investments	580,817		
Pooled Property Investments	428,752		
Derivative Contracts FX Hedge	7,984		
Derivative Contracts Equity Options	349		
Cash		105,230	
Other investment balances	3,486		
Debtors		13,149	
<b>Total Financial Assets</b>	<b>4,727,108</b>	<b>118,379</b>	<b>-</b>
<b>Financial Liabilities</b>			
Derivative contracts			
Other investment balances	(12,585)		
Creditors			(15,075)
<b>Total Financial Liabilities</b>	<b>(12,585)</b>	<b>-</b>	<b>(15,075)</b>
<b>Total Net Assets</b>	<b>4,714,523</b>	<b>118,379</b>	<b>(15,075)</b>

2017/18	Fair Value through Profit and Loss £'000	Loans & receivables £'000	Financial liabilities at amortised cost £'000
<b>Financial Assets</b>			
Equities	1,075,449		
Long Term Investments	840		
Pooled Investments (Non-Property)	2,370,883		
Liability Driven Pooled investments	521,212		
Pooled Property Investments	410,899		
Derivative Contracts FX Hedge	13,840		
Derivative Contracts Equity Options	15,010		
Cash		195,676	
Other investment balances	5,096		
Debtors		11,961	
<b>Total Financial Assets</b>	<b>4,413,229</b>	<b>207,637</b>	<b>-</b>
<b>Financial Liabilities</b>			
Derivative contracts	(598)		
Other investment balances			
Creditors			(19,343)
<b>Total Financial Liabilities</b>	<b>(598)</b>	<b>-</b>	<b>(19,343)</b>
<b>Total Net Assets</b>	<b>4,412,631</b>	<b>207,637</b>	<b>(19,343)</b>

#### Net gains and losses on Financial Instruments

	31st March 2019 £'000	RESTATED 31st March 2018 £'000
<b>Financial assets</b>		
Fair value through profit & loss	254,512	164,001
Amortised Cost - realised gains on derecognition of assets		
Amortised cost - unrealised gains	19,316	24,984
<b>Financial Liabilities</b>		
Fair value through profit & loss	(52,459)	
Amortised Cost - realised losses on derecognition of assets		
Amortised cost - unrealised losses		
	<b>221,369</b>	<b>188,985</b>

### 23 FINANCIAL RISK MANAGEMENT DISCLOSURE

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

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

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

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

As the Fund's assets transition to Brunel Pension Partnership (Brunel) over the next few years, the current roster of external managers will reduce as Brunel takes over responsibility for managing the portfolios. At 31 March 2019, only the passively managed Low Carbon Global Equity and Actively managed UK Equity assets had transferred to Brunel. In addition Brunel is investing new monies allocated to Secured Income and Renewable Infrastructure.

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

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

#### (a) Market Risk

Market risk is the risk of loss from fluctuations in market prices, interest rates, credit spreads and currencies. The Fund is exposed through its investments portfolio to all these market risks. The level of risk exposure depends on market conditions, expectations of future price and yield movements and asset allocation. The objective of the investment strategy is to identify, manage and control market risk within acceptable parameters, while optimising the return.

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

#### Market Price Risk

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

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

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

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

Assessing the potential impact of Brexit on markets and projecting asset price movements is difficult as each political scenario could have a range of market impacts. However, the positioning of the Fund's investment strategy means that the potential impact of unfavourable market events on the Fund's assets will be moderated. Given a material part of the Fund's overall investment strategy (over 50%) is invested in non-UK assets, the expected risk associated with various Brexit scenarios should be limited. The investment strategy is globally diversified from a currency, country of risk, sector and issuer perspective and this would be expected to reduce volatility in the event of an adverse outcome. Moreover, non-sterling currency exposure from the developed global equities, hedge fund, global property and infrastructure mandates is hedged back to sterling (partially in the case of equities) in order to reduce the impact from currency volatility that may result.

## PENSION FUND ACCOUNTS 2018/19

### 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 2019. This analysis assumes all other variables including interest rates and foreign currency exchange rates remain the same.

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

The equity hedge does not affect the expected volatility of the equity assets. The hedging strategy caps the upside for the equity assets to around 8.3% plus dividends and protects the equity assets if markets fall by more than 10% from the market level when the strategy was implemented. The unrealised gain/loss on the equity index options has been added to the Global Equities value in the table below.

The analysis for the year ending 31 March 2019:

Asset Type	Value	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
UK Equities	385,116	9.4%	421,317	348,915
Global Equities	1,393,569	10.2%	1,535,713	1,251,425
Emerging Market Equities	228,531	16.0%	265,096	191,966
UK Bonds	86,168	5.3%	90,735	81,601
Index Linked Gilts	580,817	12.6%	654,000	507,634
Liability Driven Investments	597,717	5.3%	629,396	566,038
Diversified Growth Funds	410,444	2.8%	421,937	398,952
Multi Asset Credit	428,751	2.1%	437,755	419,747
Property	232,127	3.8%	240,948	223,306
Fund of Hedge Funds	342,723	12.3%	384,878	300,568
Infrastructure	16,695	1.5%	16,946	16,445
Unquoted Equity	395	15.0%	454	336
Cash & Equivalents	116,700	0.1%	116,817	116,583
<b>Total Investment Assets</b>	<b>4,819,753</b>	<b>8.0%</b>	<b>5,215,990</b>	<b>4,423,516</b>

The analysis for the year ending 31 March 2018 is shown below:

Asset Type	Value	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
UK Equities	371,893	9.5%	407,223	336,563
Global Equities	1,206,893	10.2%	1,329,996	1,083,790
Emerging Market Equities	221,709	16.0%	257,182	186,235
UK Bonds	82,124	5.6%	86,723	77,525
Liability Driven Investments	521,211	12.3%	585,320	457,102
Diversified Growth Funds	602,103	5.3%	634,015	570,192
Multi Asset Credit	482,296	3.8%	500,623	463,969
Property	410,899	2.2%	419,939	401,859
Fund of Hedge Funds	210,133	4.0%	218,539	201,728
Infrastructure	283,594	13.0%	320,461	246,727
Long Term Investments	840	15.0%	966	714
Cash & Equivalents	214,612	0.1%	214,827	214,397
<b>Total Investment Assets</b>	<b>4,608,307</b>	<b>8.5%</b>	<b>4,975,814</b>	<b>4,240,801</b>

### Interest Rate Risk

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

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

	31st March 2019 £'000	31st March 2018 £'000
Cash and Cash Equivalents	116,700	214,612
Bonds	666,984	603,335
<b>Total</b>	<b>783,684</b>	<b>817,947</b>

## PENSION FUND ACCOUNTS 2018/19

### Interest Rate Risk - Sensitivity Analysis

Fluctuations in interest rates can affect both income to the Fund and the value of the net assets to pay benefits. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the effect on the value of the bonds as at 31 March 2019 of a 100 basis point (1%) change in interest rates. The analysis assumes that all other variables including foreign currency exchange rates remain constant.

The Fund has implemented a strategy to better match or hedge its liabilities with bond assets (called "Liability Driven Investment"). The primary instruments used in this strategy to hedge the liabilities are physical index linked gilts and index-linked gilt repos, whilst other derivative instruments are used to manage the hedge profile.

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

#### As at 31 March 2019

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

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

The same analysis for the year ending 31 March 2018 is shown below:

#### As at 31 March 2018

	Change in net assets		
	Value £'000	+100 bps £'000	-100 bps £'000
Cash and Cash Equivalents	214,612	-	-
Bonds	603,335	(128,754)	128,754
<b>Total</b>	<b>817,947</b>	<b>(128,754)</b>	<b>128,754</b>

### Currency Risk

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

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

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

Currency risk by asset class:

Currency Exposure - Asset Type	Asset value as at 31st March 2019	Asset value as at 31st March 2018
	£'000	£'000
Global Equities	1,393,569	1,206,893
Global Property	201,187	201,320
Fund of Hedge Funds	232,127	210,133
Infrastructure	342,723	283,594

### Currency Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates has been analysed using the volatility which is broadly consistent with a one-standard deviation movement in the main currencies over the 3 years to 31 March 2019. The analysis reflects the Fund's passive hedging policy of a 50% hedge ratio on the global equity assets, and a 100% hedge ratio on the global property, infrastructure and hedge fund assets. Therefore there is no currency exposure on the assets that are 100% hedged.

A strengthening / weakening of Sterling against the various currencies by one standard deviation (expressed as a percentage) at 31 March 2019 would have increased / decreased the net assets by the amount shown in the tables below and vice versa:

Currency Risk by Asset Type:

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

The same analysis for the year ending 31 March 2018 is shown below:

Currency Risk by Asset Type:

Asset Type	Value (£)	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
Overseas Equities	1,206,893	5.05%	1,267,841	1,145,945

**(b) Credit Risk**

Credit risk is the risk that the counterparty to a financial instrument or transaction will fail to meet an obligation and cause the Fund to incur a financial loss. In addition, the market values of investments will reflect an assessment of creditworthiness in their pricing and therefore the risk of loss is implicitly provided for in the carrying value of the assets and liabilities.

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

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

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

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

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

The cash held under the Treasury Management arrangements and by the custodian as at 31 March 2019 was £22.1m. This was held with the following institutions:

	31st March 2019		31st March 2018	
	Rating	Balance £'000	Rating	Balance £'000
<b>Custodian's Liquidity Fund</b>				
State Street Global Services	AAA	7,735	AAA	61,427
<b>Bank Call Accounts</b>				
Handelsbanken	AA	3,250	AA	10
Bank of Scotland Corporate Deposit Account	A+	90	A+	90
Goldman Sachs Global Treasury Fund	AAA	30	AAA	20
Aberdeen Liquidity Fund (Previously Standard Life)	AAA	810	AAA	7,570
Federated Investors	AAA	9,780	AAA	680
NatWest Special Interest Bearing Account	A+	340	BBB+	-
State Street Global Advisors	AAA	90		
<b>Bank Current Account</b>				
NatWest	A+	8	BBB+	15

A securities lending programme is managed by the Fund's custodian State Street Bank and Trust who manage and monitor the counterparty risk, collateral risk and the overall lending programme. Through its securities lending activities, the Fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon the type of transaction. This level is assessed daily to ensure it takes account of market movements. The current collateral the Avon Pension Fund accepts is AAA rated supranational debt, AA rated sovereign debt and FTSE Equity DBV. Cash collateral is not permitted.

**(c) Liquidity Risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's investment strategy and cash management policy ensure that the pension fund has adequate cash to meet its working requirements including pension payments. Cash flow forecasts are prepared to manage the timing of and changes to the Fund's cash flows. The Fund has access to an overdraft facility for short term cash needs which was not drawn on during the year.

The Fund has immediate access to its cash holdings and a substantial portion of the Fund's investments consist of readily realisable securities, in particular equities and fixed income investments, even though a significant proportion is held in pooled funds. In addition the Fund invests in a range of Exchange Traded Funds that provide a similar liquidity profile to cash so that capital calls from the private market portfolios can be managed efficiently. 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, infrastructure and fund of hedge funds which are subject to longer redemption periods and cannot be considered as liquid as the other investments. As at 31 March 2019 the value of the illiquid assets was £1,021m, or 21.2% of the total Fund assets (31 March 2018: £905m which represented 19.6% of the total Fund assets).



## PENSION FUND ACCOUNTS 2018/19

### 24 FAIR VALUE HIERARCHY

Fair value is the value at which the investments could be realised within a reasonable timeframe. The Fund measures fair values using the following fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. The hierarchy has the following levels:

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

#### Fair Value Hierarchy

The basis of the valuation of each class of investment asset is set out below.

Description of Asset	Fair Value Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published closing bid price ruling at year end.	Not required.	Not required.
Exchange traded futures and forward currency contracts	Level 1	Published exchange prices at the year end.	Not required.	Not required.
Pooled equity, credit, bond funds	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published.	NAV based pricing set on a forward looking basis.	Not required.
Diversified Growth Funds and Multi Asset Funds	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published.	NAV based pricing set on a forward looking basis.	Not required.
Pooled property funds	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published.	NAV based pricing set on a forward looking basis.	Not required.
Over the counter Equity Index Options	Level 2	Valued using formula reflecting quoted market and index prices	Inputs to the formula are market prices of quoted securities and derivatives; time value of the contract.	Not required.
Secured Income	Level 3	Closing bid price where bid and offer prices are published; closing single price where single price published.	NAV based pricing set on a forward looking basis.	Valuations can be affected by material events between the date of the financial accounts provided and the pension fund's own reporting date.
Hedge Funds	Level 3	Closing bid price where bid and offer prices are published; closing single price where single price published.	NAV based pricing set on a forward looking basis.	Valuations can be affected by material events between the date of the financial accounts provided and the pension fund's own reporting date, by changes to expected cash flows and by any differences between the audited and unaudited accounts.
Limited Partnerships and closed ended funds	Level 3	Valued using a number of different market and income valuation methods as well as comparable market transactions prices.	Market transactions; market outlook; cash flow projections; last financings; multiple projections.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows and any differences between audited and unaudited accounts.
Infrastructure funds	Level 3	Infrastructure investments are valued at the end of each quarter by independent valuation firms. The valuation method is employed for each asset at the discretion of the appointed independent valuer but must fall within the standards prescribed under AASB 139, US GAAP ASC 820 and ASC 825 (formerly FAS 157 and 159), as appropriate.	Infrastructure investments are typically valued on a discounted cash flow approach, utilising cash flow forecasts. Valuations are cross-checked with public market information and recent transactions.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, significant increases and decreases in the discount rate and any differences between audited and unaudited accounts.
Long Term Investments - Equities	Level 3	Brunel Share Capital is valued at the Equity value as stated in Brunel Pension Partnership Statement of Accounts	Earnings and revenue multiples; discount for lack of marketability; control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows and any differences between audited and unaudited accounts.

## PENSION FUND ACCOUNTS 2018/19

The following sets out the Fund's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31 March 2019.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities - Quoted	626,394	1,380,472		2,006,866
Bonds - Quoted	-	86,168		86,168
Pooled Investments:-				-
Liability Driven Investments	-	580,817		
Fund of Hedge Funds	-		232,127	232,127
Diversified Growth Funds	-	597,717		597,717
Multi Asset Credit	-	410,444		410,444
Property	-	227,565	201,187	428,751
Infrastructure	-	-	342,723	342,723
Secured Income	-	-	16,695	16,695
Long Term Investment	-	-	395	395
Cash	105,377	-	-	105,377
Derivatives: Forward FX	7,984	-	-	
Derivatives: Futures	350	-	-	350
Investment Debtors/Creditors	3,339	-	-	3,339
	<b>743,444</b>	<b>3,283,182</b>	<b>793,127</b>	<b>4,230,953</b>

The fair value hierarchy as at 31 March 2018 was:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities - Quoted	1,075,449	725,643	-	1,801,092
Bonds - Quoted	-	82,124		82,124
Pooled Investments:-				
Liability Driven Investments		521,212	-	521,212
Fund of Hedge Funds	-	-	210,133	210,133
Diversified Growth Funds	-	602,103	-	602,103
Multi Asset Credit	-	482,296	-	482,296
Property	-	209,579	201,320	410,899
Infrastructure	-	-	283,595	283,595
Secured Income	-	-	-	-
Long Term Investment	-	-	840	840
Cash	204,037	-	-	204,037
Derivatives: Forward FX	13,840	-	-	13,840
Derivatives: Futures	(598)	-	-	(598)
Investment Debtors/Creditors	(3,266)	-	-	(3,266)
	<b>1,289,462</b>	<b>2,622,957</b>	<b>695,888</b>	<b>4,608,307</b>

There has been no re-classification of assets between levels of the hierarchy between 31 March 2018 and 31 March 2019.

Level 1 and level 2 assets were sold during the year to fund the investment in Secured Income and Renewable Energy Infrastructure assets.

### Reconciliation of Fair Value measurements within Level 3

Level 3	Market Value 01 April 2018 £'000	Transfer into Level 2 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Unrealised gains / losses £'000	Realised gains / losses £'000	Market value 31 March 2019 £'000
Property	201,320	-	-	-	(133)	-	201,187
Fund of Hedge Funds	210,133	-	-	-	21,994	-	232,127
Infrastructure	283,595	-	11,690	-	47,438	-	342,723
Secure Income	-	-	16,493	-	202	-	16,695
Equities	840	-	-	-	(445)	-	395
	<b>695,888</b>	<b>-</b>	<b>28,183</b>	<b>-</b>	<b>69,056</b>	<b>-</b>	<b>793,127</b>

## PENSION FUND ACCOUNTS 2018/19

### Sensitivity of assets valued at Level 3

Having consulted its investment advisor, and having analysed historical data and market trends, the Fund has determined that the valuation methods used for Level 3 assets are likely to be accurate to within the following ranges on the closing value of the investments held at 31 March 2019. This assessment does not allow for any specific impact from Brexit on investment assets. The assets valued at Level 3 have a bias to non-UK assets with the exception of Secured Income and the Long term Investment and therefore any potential impact should be moderated; however it is possible that in the short term Brexit may cause greater variance in values than indicated in the table.

	Assessed valuation range +/-	Value at 31 March 2019 £'000	Value on increase £'000	Value on decrease £'000
Property	10%	201,187	221,305	181,068
Fund of Hedge Funds	10%	232,127	255,340	208,914
Infrastructure	15%	342,723	394,132	291,315
Secure Income	10%	16,695	18,365	15,026
Long Term Investment	15%	395	454	336
<b>Total</b>		<b>793,127</b>	<b>889,596</b>	<b>696,658</b>

The same analysis for 31 March 2018:

	Assessed valuation range +/-	Value at 31 March 2018 £'000	Value on increase £'000	Value on decrease £'000
Property	10%	201,321	221,452	181,188
Fund of Hedge Funds	10%	210,133	231,147	189,120
Infrastructure	15%	283,594	326,133	241,055
Secured Income	10%	-	-	-
Long Term Investment	15%	840	966	714
<b>Total</b>		<b>695,888</b>	<b>779,698</b>	<b>612,077</b>

## 25 EMPLOYING BODIES

As at 31 March 2018 the following employing bodies had contributing scheme members in the Avon Pension Fund:

### Principal Councils and Service Providers

Avon Fire & Rescue Service	North Somerset Council
Bath & North East Somerset Council	South Gloucestershire Council
Bristol City Council	West of England Combined Authority

### Further & Higher Education Establishments

Bath Spa University	St. Brendan's Sixth Form College
Bath College	University of the West of England
City of Bristol College	Weston College
South Gloucestershire & Stroud College	

### Education Establishments

Abbeywood Community School	Evergreen Primary Academy
Abbot Alphege Academy	Fairfield High School
Ashcombe Primary School	Fairlawn Primary School
Ashton Park School	Farmborough Church Primary School
Ashton Vale Primary School	Farrington Gurney C of E Primary School
Aspire Academy	Federation of Hannah More Infant School
Backwell C of E Junior School	Filton Avenue Primary School
Backwell School	Filton Hill Primary School
Badock's Wood E-ACT Academy	Fishponds Church of England Academy
Bannerman Road Community Academy	Flax Bourton Primary School
Barton Hill Academy	Fonthill Primary School
Bathampton Primary School	Fosse Way School
Batheaston Church School	Four Acres Academy
Bathford Church School	Freshford Church School
Bathwick St Mary Church School	Frome Vale Academy
Becket Primary School	Gatehouse Green Learning Trust
Bedminster Down School	Gordano School
Beechen Cliff School	Greenfield E-ACT Primary Academy
Begbrook Primary Academy	Grove Junior School
Birdwell Primary School	Hanham Woods Academy
Bishop Sutton Primary School	Hans Price Academy
Bournville Primary Academy	Hareclive E-ACT Academy
Bradley Stoke Community School	Hayesfield Girls School
Bridge Learning Campus	Haywood Village Academy
Bristol Cathedral School Trust	Headley Park Primary School
Bristol Free School	Henbury Court Primary Academy
Bristol Futures Academy	Henbury School
Bristol Technology & Engineering Academy	Henleaze Junior School
Broadlands Academy	Heron's Moor Academy
Broadoak Mathematics & Computing College	High Down Infant School
Cabot Learning Federation	High Down Junior School
Callicroft Primary School	High Littleton C of E Primary School
Castle Batch Primary School	Hotwells Primary School
Chandag Infant School	Hutton C of E Primary School
Chandag Junior School	IKB Academy
Charborough Road Primary School	Ilminster Avenue E-ACT Academy
Charfield Primary School	Kings Oak Academy
Cheddar Grove Primary School	Kingshill Church School
Chew Stoke Church School	Knowle DGE Academy
Chew Valley School	Lansdown Park Academy
Christ Church C of E Primary School (Bristol)	Little Mead Primary Academy
Christ Church C of E Primary School (WSM)	Locking Primary School
Churchill Academy	Longvernal Primary School
City Academy	Luckwell Primary School
Clevedon School	Lyde Green Primary School
Clutton Primary School	Mangotsfield School
Colston's Girls' School	Marksbury C of E Primary School
Combe Down C of E Primary School	Marlwood School
Compass Point South Street Primary School	Mary Elton Primary School
Cotham Gardens Primary School	Mead Vale Community Primary School
Cotham School	Meadowbrook Primary School
Court de Wyck Church School	Mendip Green Primary School
Crockerne C of E Primary School	Merchants' Academy
Culverhill School	Midsomer Norton Primary School
Digitech Studio School	Midsomer Norton Schools Partnership
Diocese of Bristol Academy Trust	Milton Park Primary School
Downend School	Minerva Primary Academy
Dundry C of E Primary School	Moorlands Infant School
East Harptree Primary School	Moorlands Junior School
Easton C of E Academy	Mulberry Park Educate Together Primary
Elmlea Junior School	Nailsea School
Endeavour Academy Trust	New Siblands School

North Somerset Enterprise & Technology College  
Northleaze C of E Primary School  
Notton House Academy  
Oasis Academy Bank Leaze  
Oasis Academy Brightstowe  
Oasis Academy Brislington  
Oasis Academy Connaught  
Oasis Academy John Williams  
Oasis Academy Long Cross  
Oasis Academy Marksbury Road  
Oasis Academy New Oak  
Oldfield Park Infant School  
Oldfield Park Junior School  
Oldfield School  
Oldmixon Primary School  
Olympus Academy Trust  
Orchard School Bristol  
Parklands Educate Together Primary  
Parson Street Primary School  
Patchway Community School  
Peasedown St John Primary School  
Perry Court E-ACT Academy  
Portishead Primary School  
Priory Community School  
Ralph Allen School  
Redfield Educate Together Primary Academy  
Roundhill Primary School  
Saltford C of E Primary School  
Severn Beach Primary School  
SGS Pegasus School  
Shoscombe Church School  
Sir Bernard Lovell Academy  
Somerdale Educate Together Primary Academy  
St Andrew's Church School  
St Anne's C of E VA Primary School  
St Bede's Catholic College  
St Georges Church School  
St John the Evangelist Church School  
St John's C of E Primary School (Keynsham)  
St John's C of E Primary School (MSN)  
St Julian's C of E Primary School  
St Katherine's School  
St Mark's Ecumenical Anglican/Methodist Primary School  
St Martin's C of E Primary School  
St Martin's Garden Primary School  
St Mary Redcliffe C of E Primary School  
St Mary's C of E VA Primary School  
St Matthias Academy  
St Michael's C of E Junior Church School  
St Nicholas Chantry C of E VC Primary School  
St Nicholas of Tolentine Catholic School  
St Patrick's Catholic Primary School  
St Peter's C of E Primary School

**Designating Bodies**

Almondsbury Parish Council  
Backwell Parish Council  
Bradley Stoke Town Council  
Bristol Waste Company  
Charter Trustees of the City of Bath  
Clevedon Town Council  
Congresbury Parish Council  
Destination Bristol  
Dodington Parish Council  
Downend and Bromley Heath Parish Council  
Emersons Green Town Council  
Filton Town Council  
Frampton Cotterell Parish Council  
Sodbury Parish Council  
Stoke Gifford Parish Council  
Stoke Lodge & the Common Parish Council  
Thornbury Town Council  
Visit Bath Ltd  
Westerleigh Parish Council

St Philip's C of E Primary School  
St Saviours Infant Church School  
St Saviours Junior Church School  
St Stephen's Primary Church School  
St Teresa's Catholic Primary School  
St Ursula's E-ACT Primary Academy  
Stanton Drew Primary School  
Steiner Academy Bristol  
Stoke Bishop C of E Primary School  
Stoke Lodge Primary School  
Summerhill Academy  
The Bath Studio School  
The Castle School  
The Dolphin School  
The Kingfisher School  
The Meadows Primary School  
Three Ways School  
Tickenham C of E Primary School  
Trinity Anglican Methodist Primary School  
Trinity Church School  
Trust in Learning  
Ubley Primary School  
Venturers' Academy  
Venturers' Trust  
Victoria Park Primary School  
Walliscote Primary School  
Wallscourt Farm Academy  
Wansdyke Primary School  
Waycroft Academy  
Wellsway School  
Welton Primary School  
West Leigh Infant School  
West Town Lane Academy  
Westbury Park Primary School  
Westbury-on-Trym C of E Academy  
Westfield Primary School  
Weston All Saints C of E Primary School  
Wicklea Academy  
Widcombe C of E Junior School  
Widcombe Infant School  
Windwhistle Primary School  
Winford CofE Primary School  
Winterbourne International Academy  
Woodlands Academy  
Worle Community School  
Worle Village Primary School  
Wraxall C of E Voluntary Aided Primary School  
Writhlington School  
Yate Academy  
Yatton C of E Junior School  
Yatton VC Infant School  
Yeo Moor Primary School

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 & Easton in Gordano Parish Council  
Portishead Town Council  
Radstock Town Council  
Saltford Parish Council  
Westfield Parish Council  
Weston Super Mare Town Council  
Whitchurch Parish Council  
Winterbourne Parish Council  
Yate Town Council  
Yatton Parish Council

## PENSION FUND ACCOUNTS 2018/19

### Community Admission Bodies

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

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

### Transferees Admitted Bodies

ABM Catering Limited  
Active Community Engagement Ltd  
Agilisys Limited  
Agilisys Limited 2015

Churchill Contract Services Ltd - South Gloucestershire & Stroud College  
Churchill Contract Services Ltd - Westhaven School  
Circadian Trust  
Compass Contract Services (UK) Ltd - Ashton Park School

Alliance in Partnership Limited - Westbury on Trym C of E Academy  
Alliance Living Care Limited  
Aspens Services Limited - Abbeywood Community School  
Aspens Services Limited - Bannerman Road Community Academy  
Aspens Services Limited - Barrs Court Primary School  
Aspens Services Limited - Beacons Rise Primary School  
Aspens Services Limited - Begbrook Primary Academy  
Aspens Services Limited - Bishop Sutton & Stanton Drew Schools (Federated)  
Aspens Services Limited - Blackhorse Primary School  
Aspens Services Limited - Bradley Stoke Community School  
Aspens Services Limited - Castle Primary School (Keynsham)  
Aspens Services Limited - Castle School Education Trust  
Aspens Services Limited - Charborough Primary School  
Aspens Services Limited - Charfield School  
Aspens Services Limited - Cherry Garden Primary School

Compass Contract Services (UK) Ltd - Bristol Cathedral Choir School  
Compass Contract Services (UK) Ltd - Bristol City Council  
Compass Contract Services (UK) Ltd - Cathedral Schools Trust (BCCfw)  
Compass Contract Services (UK) Ltd - Diocese of Bristol Academies Trust (BCCfw)  
Compass Contract Services (UK) Ltd - Luckwell Primary School  
Compass Contract Services (UK) Ltd - Palladian Academy Trust  
Compass Contract Services (UK) Ltd - South Gloucestershire and Stroud College  
  
Compass Contract Services (UK) Ltd - St Bede's Academy (BCCfw)  
Compass Contract Services (UK) Ltd - St Patrick's Catholic Primary School (BCCfw)  
Compass Contract Services (UK) Ltd - St Teresa's Catholic Primary School (BCCfw)  
Compass Contract Services (UK) Ltd - Westbury Park Primary School (BCCfw)  
Creative Youth Network  
Direct Cleaning Services (South West) Limited - Newbridge Primary School  
Dolce Ltd - Filton Hill Primary School  
Dolce Ltd - Mangotsfield C of E Primary School

Aspens Services Limited - Christchurch Hanham CoFE Primary School  
Aspens Services Limited - Culverhill School  
Aspens Services Limited - Downend School  
Aspens Services Limited - East Hartree Primary School  
Aspens Services Limited - Frampton Cottrell School  
Aspens Services Limited - Frome Vale Academy  
Aspens Services Limited - Hanham Abbots Junior School  
Aspens Services Limited - Hanham Woods Academy  
Aspens Services Limited - Kings' Forest Primary School  
Aspens Services Limited - King's Oak Academy  
Aspens Services Limited - Longwell Green Primary School  
Aspens Services Limited - Mangotsfield School  
Aspens Services Limited - Marlwood School  
Aspens Services Limited - Meadowbrook Primary School  
Aspens Services Limited - Minerva Academy  
Aspens Services Limited - New Horizons Learning Centre  
Aspens Services Limited - Patchway Community College  
Aspens Services Limited - Redland Green Academy  
Aspens Services Limited - Shirehampton Primary School  
Aspens Services Limited - St Barnabus CoFE Primary School  
Aspens Services Limited - Staple Hill Primary School  
Aspens Services Limited - Stoke Lodge and Callicroft  
Aspens Services Limited - Summerhill Academy  
Aspens Services Limited - The Tynings School  
Aspens Services Limited - Ubley Primary School  
Aspens Services Limited - Warmley Park Primary School  
Ategi limited  
BAM Construct UK Ltd  
Bespoke Cleaning Services Limited - Castle School Education Trust (CSET)

Edwards and Ward Ltd - Bath & Wells MAT  
Edwards and Ward Ltd - Chew Stoke Primary Academy  
Edwards and Ward Ltd - Henleaze Academy  
Edwards and Ward Ltd - Paulton Infant School  
Edwards and Ward Ltd - Pensford Primary School  
Edwards and Ward Ltd - St Keyna Primary School  
Edwards and Ward Ltd - St Mark's CoFE Secondary School  
Edwards and Ward Ltd - Twerton Infant School & Nursery  
Fit For Sport - St Peter's C of E Primary School  
Future Cleaning Services Limited - Ashton Park School  
Future Stars Club Limited  
Glen Cleaning Company Limited  
Greenwich Leisure Ltd - Bath & North East Somerset Council  
Greenwich Leisure Ltd - North Somerset Council  
Lex Leisure C.I.C.  
Liberata UK Ltd  
Mentoring Plus Bath & North East Somerset  
Notaro Homecare Limited  
Prestige Cleaning & Maintenance Limited  
Relyon Cleaning Services - Cotham Gardens Primary School  
Ridge Crest Cleaning Ltd - Bristol City Council  
Ridge Crest Cleaning Ltd - Sir Bernard Lovell School  
Shaw Healthcare - The Granary  
SITA Holdings UK Ltd  
Skanska Rasleigh Weatherfoil Ltd  
SLM Community Leisure Trust  
SLM Fitness & Health Ltd  
Sodexo Ltd  
  
Taylor Shaw Limited

Bespoke Cleaning Services Limited - Olympus Academy Trust (OAT)  
Churchill Contract Services Ltd - Cabot Learning Federation  
Churchill Contract Services Ltd - Golden Valley Primary School

The Brandon Trust  
Virgin Care Services Limited

# **STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS**

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## **The Council is required to:**

- \* Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Council has made the Director of Finance responsible for financial administration.
- \* Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- \* Approve the statement of accounts for the year.

## **Director of Finance responsibilities:**

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing this Statement of Accounts, the Director of Finance has:

- \* Selected suitable accounting policies and then applied them consistently
- \* Made judgements which were reasonable and prudent
- \* Complied with the local authority Code of Practice

The Director of Finance has also:

- \* Kept proper and up to date accounting records.
- \* Taken reasonable steps for the prevention and detection of fraud and other irregularities

## **Statement of the Director of Finance**

I hereby certify that this statement of accounts presents a true and fair view of the financial position of the Council at the accounting date and the income and expenditure for the year ended 31 March 2019.

**SIGNED:**



**Director of Finance (s.151 Officer)**

**DATE: 31st May 2019**

**Donna Parham**

**The Draft Statement of Accounts were Authorised for Issue on 31st July 2019.**

## **GLOSSARY OF TERMS**

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### **Accounting Policies**

Rules and practices adopted by the Council that dictate how transactions and events are shown or costed.

### **Accruals**

Income and expenditure are recognised as they are earned or incurred not as money is received or paid.

### **Actuary**

An independent professional who advises on the position on the Pension Fund.

### **Actuarial Valuation**

The Actuary reviews the assets and liabilities of the pension fund every three years.

### **Appropriation**

The assignment of revenue for a specific purpose.

### **Balance Sheet**

Statement of recorded assets and liabilities and other balances at the end of the accounting period.

### **Capital Charges**

A charge made to service revenue accounts, for depreciation to reflect the cost of fixed assets used in the provision of services.

### **Capital Expenditure**

Expenditure on new fixed assets such as land and buildings or on enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

### **Capital Receipts**

Income received from the disposal of land, buildings and other capital assets.

### **Collection Fund**

A fund operated by the billing authority into which all receipts of Council tax and National Non-Domestic Rates (NNDR) are paid.

### **Contingent Liabilities**

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or a present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

### **Council Tax**

A tax on domestic properties introduced 1st April 1993 to replace the community charge.

### **Creditors**

Amounts owed by the Council for goods and services received on or before 31st March.



## **GLOSSARY OF TERMS**

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### **Debtors**

Amounts owed to the Council for goods and services provided on or before 31st March.

### **Deferred Charges**

Items for which expenditure is charged to capital, but there is no tangible asset.

### **Depreciation**

The loss in value of an asset due to age, wear and tear, deterioration and obsolescence.

### **Earmarked Reserves**

Amounts set aside for a specific purpose or a particular service or type of expenditure.

### **Fixed Assets**

Tangible assets that result in benefits to the local authority and the services it provides for more than a year.

### **Fixed Asset Restatement Account**

Balance of surpluses or deficits arising on periodic revaluation of fixed assets.

### **General Fund**

The account that summarises the revenue costs of providing services that are met by the Council's demand on the Collection Fund, specific government grants and other income.

### **Gross Expenditure**

Total expenditure before deducting income.

### **Infrastructure Assets**

Fixed assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of assets.

### **Minimum Revenue Provision**

The minimum amount the Council must charge to its revenue account to provide for repayment of debt.

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

A flat rate in the pound set by government and levied on businesses in the Council area.

### **Net Expenditure**

Gross expenditure less income.

## **GLOSSARY OF TERMS**

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### **Operating Lease**

A lease under which the asset is not the property of the lessee.

### **Outturn**

Actual income and expenditure for the financial year.

### **Precept**

The charge made by one authority to another to finance its net expenditure.

### **Private Finance Initiative (PFI)**

Government initiative under which councils buy the services of the private sector to design, build, finance and operate a public facility.

### **Provision**

Amounts set aside for any liability or loss that is likely to be incurred, but where the exact amount and date is uncertain.

### **Rateable Value**

The value of a property for rating purposes set by the inland revenue. Business rates payable are calculated by multiplying the rateable value of the property by the rate in the pound set by government.

### **Reserves**

The amount held in balances and funds that are free from specific liabilities or commitments.

### **Revenue Expenditure**

The regular day-to-day running costs incurred in providing services.

### **Revenue Support Grant (RSG)**

The main grant paid by central government to a local authority towards the cost of all its services.

### **Statement of Recommended Practice (SORP)**

Recommendations on accounting practices issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) with which the Council must comply.

### **Support Services**

Activities of a professional, technical and administrative nature, which are not local authority services in their own right, but support the front line service.

### **Trading Accounts**

The profit and loss account of any trading organisation that needs to be disclosed separately in the Council's account.