

North Somerset Council  
**Financial Report** 2016 - 2017





# Contents



	<b>Pages</b>
<b>Narrative Statement</b> .....	<b>3 – 15</b>
<b>Statement of Responsibilities for the Statement of Accounts</b> .....	<b>17</b>
<b>Movement in Reserves Statement</b> .....	<b>19 – 20</b>
• Notes to the Movement in Reserves Statement	21 – 32
<b>Comprehensive Income and Expenditure Statement</b> .....	<b>33</b>
• Notes to the Comprehensive Income and Expenditure Statement	34 – 38
<b>Balance Sheet</b> .....	<b>39</b>
• Notes to the Balance Sheet	40 – 50
<b>Additional Disclosures</b>	
• Key Notes for Stakeholders .....	51 – 61
• Technical Notes .....	62 – 83
<b>Cash Flow Statement</b> .....	<b>85</b>
• Notes to the Cash Flow Statement	86 – 87
<b>Collection Fund</b> .....	<b>89</b>
• Notes to the Collection Fund	90 – 92
<b>Accounting Policies and Related Disclosures</b> .....	<b>93 – 111</b>
<b>Governance Statements</b>	
• Annual Governance Statement .....	113 – 128
• Independent Auditor’s Report and Opinion .....	129 – 131
<b>Glossary of Terms and Abbreviations</b> .....	<b>132 – 141</b>
<b>Index of Notes to the Statement of Accounts</b> .....	<b>142</b>



# Narrative Statement



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

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

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

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

During the year the Council has also continued to focus its efforts and attention on making North Somerset an even better place to live. By promoting growth and regeneration it is helping to deliver a thriving economy, which will help people, businesses and communities to flourish and generate income which the Council can use to sustain its vital services. The Council has a key role to play in driving a bright economic future, and as a result is currently investing in various strategic initiatives which will help drive economic growth and ensure that all of our town centres are thriving, and has set-aside resources within earmarked reserves to finance the one-off investment requirements for these initiatives.

This ambition, linked with the requirement to improve its own financial self-reliance, has resulted in the Council giving greater focus upon locally generated resources from homes and businesses, which is an area which often sits outside of the traditional revenue budget processes.

This report provides information about the Council's costs, its income streams, and its reserves and balances.

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

## **The Narrative Statement**

The Statement of Accounts covers the 2016/17 financial year. The Narrative Report is the introductory statement to the Council's accounts. It has been structured in such a way to enable readers to understand North Somerset Council, its operating environment, and key issues which affect the Council and its financial position.

The Sections within the Narrative Statement are:

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

This is followed by an explanation of the financial statements.

# Narrative Statement



## Narrative Statement from the Head of Finance & Property

### 1 An introduction to North Somerset

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



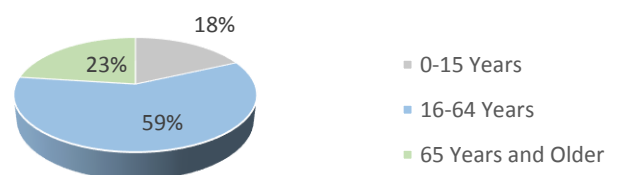
The district has beautiful countryside, 25 miles of stunning coast and distinctive town and villages, each with its own unique character. It contains an international airport, a deep sea west coast port at Portbury, part of the Mendip Hills Area of Outstanding Natural Beauty (AONB), a large area of green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

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

### Population

The population of North Somerset is projected to grow significantly over the next two decades, from around 210,000 people in 2015 to 241,000 by 2031, which is faster than the national average. The district has proportionately more elderly and young people than comparative unitary councils, which puts pressure on social care budgets. In addition, the planned growth, whilst in line with our vision, will result in further demand for services and infrastructure costs.

### Population within North Somerset



Source: ONS Estimates for 2015

# Narrative Statement



## Economy

Overall North Somerset is a prosperous place, with below average unemployment and above average weekly earnings. However, there are big differences between areas and individuals: North Somerset is unusual in including areas in both the most and least deprived 1% in England, giving it the third widest range in deprivation scores between neighbourhoods in the country. The unemployment rate of people aged 16-64 in North Somerset is 3.5% for the year to March 2016 (2015: 4.2%) and is lower than the unemployment rate of 4.1% (2015: 5%) across the South West.. Surveys show that 82% of North Somerset residents (aged 16-64) are economically active. This compares to 80.3% in the South West and 77.8% nationally.

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

North Somerset remains a popular visitor destination. Research shows that in 2015 there were over 8 million visits to the area (2014: 8 million) with visitors spending £365 million (2014: £365 million).

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

## Learning & Skills

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

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

## Housing

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

## Political Structure

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

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

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

# Narrative Statement



## Management Structure

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

## The Council's Corporate Plan

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

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

## SCOPE AND SCALE





# Narrative Statement



## 2 Financial Context

### Resources and National Policy

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

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

In November 2016 the Autumn Statement updated the economic forecast for the country as a whole and confirmed the strategic direction for public expenditure, previous Statements outlined a number of changes to the local government funding regime which would have a significant impact on the Council's finances over time.

These included;

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

The 2017 Spring Budget largely confirmed these changes although some details, including timescales were amended. In addition, the Government also recognised the need for investment in infrastructure and innovation in order to improve long-term productivity, increase housing as well as reducing congestion and upgrading local roads and public transport.

The costs of an aging population, and the associated funding, continue to be a key feature within the Council's ongoing revenue budget and strategic financial planning considerations.

## 3 Financial Performance of the Council

### Monitoring the revenue budget in 2016/17

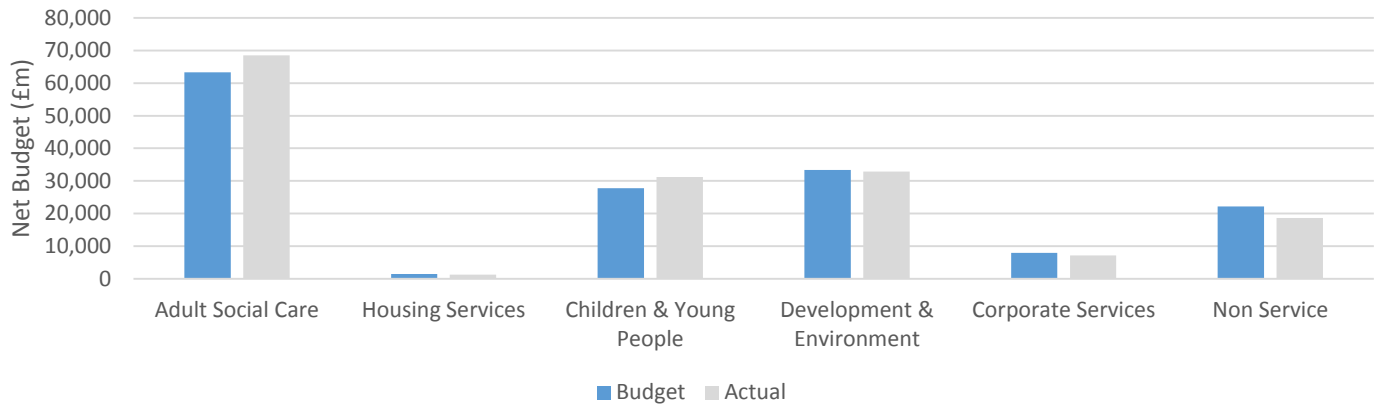
The Comprehensive Income and Expenditure Statement provides an overall summary of the Council's income and expenditure. The Council also records and reports on its financial performance against its operational revenue budget, which is funded by local taxation and government grant and which excludes the technical accounting adjustments. In accordance with good governance, all aspects of the budget are monitored throughout the financial year, with reports being considered by the Council's Executive on a regular basis. These reports can be found on the Council's website.

The Council's net revenue expenditure budget for the 2016/17 financial year totalled £156.087m, including town and parish council precepts of £4.205m. This is made up of the cost of providing services less fees, charges and specific grants. At the end of the year the Council was over spent against its total service revenue expenditure budget by £3.670m, although this is a net position, as some service areas spent more than their budget allocations whilst other areas spent less. The table below shows the main service blocks which form part of the revenue budget, together with the out-turn position for each area.

# Narrative Statement



## Net Revenue Expenditure 2016/17

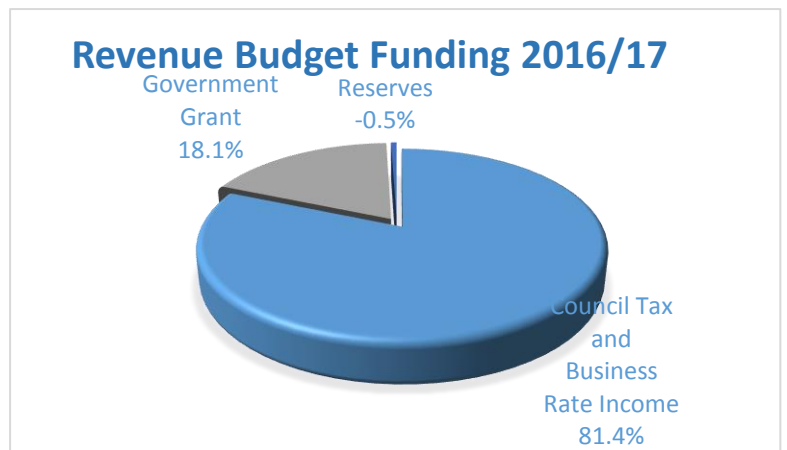


As in previous years, it can be seen that the Council continued to face cost pressures within the budgets for both Adult Social Care Services and Children and Young People, largely as a result of increased care services and a higher reliance on agency and temporary staff compared to the budgetary provision for the year. The Council has introduced additional scrutiny in respect of its monitoring of social care activity by linking information associated with client volumes with the underlying costs of provision. This enables a greater understanding of the key drivers affecting the financial outcomes. This modelling approach formed the basis of calculating the resource requirements within the budget for future years and, as a result, additional resources have been allocated to both adult and children's social care.

One other area of notable movement in the year was a reduction in the amount charged to the revenue budget and set aside as a provision for the repayment of debt. This was as a result of the Council's decision to change the way it calculates the charge in order to introduce a more prudent approach and repay the outstanding debt over a shorter period of time.

### Where does the money come from?

The Council's net budget is funded from two main sources, local taxation and government grants. Total income for the year was £156.801m, which is £0.714m more than budgeted, largely as a result of increased funding from the government for small businesses or empty properties which was announced by the Chancellor within the Autumn Statement and Budget.



The overall overspend for the year of £2.956m was made up of an over-spend against the service revenue budget of £3.670m, less the impact of funding resources exceeding budget by £0.714m. It has been agreed to finance this overspend through a transfer from the Council's earmarked Corporate Risk Reserve, meaning that there was no additional impact on the Council's General Fund revenue reserve at the year-end.

### Looking ahead with the medium term financial planning

For 2017/18 the Council had to make total savings of over £10m, due to issues such as reduced government funding, inflation (contractual and employee), increases in adult and children's social care, as well as changes to the Council's waste contract provision.

# Narrative Statement



As in previous years, the Council is changing the way it does business in order to rise to the financial challenge, and to use the resources it has more efficiently. This change is being managed through the Transformation Programme. The operational transformation will not only lead to a more efficient and cost effective council, but will also change the way in which we are viewed by, and interact with, residents of the district, meaning residents can contribute to supporting their communities and protect vital services.

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

The Council's latest medium-term financial modelling, shown in the table below, which excludes town and parish council precepts, has been updated to reflect the provisional four-year Funding Settlement announced in December 2016 for the years 2017/18 to 2020/21, as well as anticipated cost increases for inflation, national living wage, superannuation and service demands.

	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000
<b>Projected Revenue Resources</b>					
Government Grants	28,567	23,667	14,957	10,315	8,893
Council Tax & Business Rates	122,418	126,503	134,555	139,872	145,118
Other	897	3,902	0	0	0
	<b>151,882</b>	<b>154,072</b>	<b>149,512</b>	<b>150,187</b>	<b>154,011</b>
<b>Net Revenue Budget</b>					
Base Budget	151,498	151,882	154,072	149,512	150,187
Growth items	8,961	12,591	4,210	2,720	3,100
Savings proposals	(8,577)	(10,401)	(8,770)	(2,045)	724
Revised Base Budget	<b>151,882</b>	<b>154,072</b>	<b>149,512</b>	<b>150,187</b>	<b>154,011</b>

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

## Monitoring the capital budget in 2016/17

Capital expenditure is amounts paid to acquire or improve assets such as land or buildings, vehicles, equipment and roads which are expected to have a life or benefit of more than one year. During the year the Council spent over £54m on capital projects across all of its service areas including £38.564m on schemes delivered by Development and Environment and £10.634m on schools and educational facilities.

The total expenditure includes the continuation of significant investment in the highways network in the form of the Local Transport Plan as well as highways improvements and major transport projects such as the South Bristol Link and phase 1 of the Metro West Rail.

Capital expenditure is funded by receipts from the sale of assets, special reserves, grants and contributions or borrowing. At the end of the year the Council financed £38.840m of its total capital expenditure using resources associated with grants and contributions, £2.917m from capital receipts, £0.262m from reserves, £1.492m from direct revenue financing and £10.732m from borrowing.

# Narrative Statement



## Looking ahead with the five-year capital programme

In 2015/16 the Council embarked on an ambitious rolling five year capital programme, partly to deliver the needs of our growing communities, but also to deliver real transformation change within the environment we live and work in. It is believed that investment in strategic infrastructure and the wider public realm will regenerate areas and enable businesses to flourish, resulting in an increase in economic growth through more jobs and housing.

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

	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
	£000	£000	£000	£000	£000	000
<b>Projected Capital Resources</b>						
Grants & Contributions	44,327	45,669	30,722	8,123	7,762	<b>136,603</b>
Borrowing	4,500	1,500	1,500	0	0	<b>7,500</b>
Other	14,868	3,387	4,038	3,800	5,000	<b>31,093</b>
	<b>63,695</b>	<b>50,556</b>	<b>36,260</b>	<b>11,923</b>	<b>12,762</b>	<b>175,196</b>
<b>Funding Allocated to Projects</b>						
Adult Social Care & Housing	2,231	1,780	1,780	1,780	1,780	<b>9,351</b>
Children & Schools	15,102	10,515	19,783	1,810	1,550	<b>48,760</b>
Development & Environment	37,851	40,310	13,078	6,963	6,872	<b>105,074</b>
Corporate Services	800	700	700	700	700	<b>3,600</b>
	<b>55,984</b>	<b>53,305</b>	<b>35,341</b>	<b>11,253</b>	<b>10,902</b>	<b>166,785</b>
Resources Not Yet Allocated	7,711	(2,749)	919	670	1,860	<b>8,411</b>

## Balance Sheet

Despite the in-year performance on the revenue budget resulting in an overspend, and the growing budget pressures likely to be faced in the future, the Council maintains a strong balance sheet with a net worth of over £71 million.

	at 31 March 2016 £000	at 31 March 2017 £000
Non-current assets	440,553	<b>423,722</b>
Net current assets - debtors, stock and cash less short-term creditors and liabilities	60,545	<b>48,880</b>
Long term liabilities and provisions	(349,089)	<b>(401,417)</b>
Net Assets	152,009	<b>71,185</b>
<b>Represented by:</b>		
Useable Reserves	(61,015)	<b>(52,500)</b>
Unusable Reserves	(90,994)	<b>(18,685)</b>
Total Reserves	(152,009)	<b>(71,185)</b>

The total reserves held by the Council at the end of the year were £71.185m, which is a reduction of £80.824m compared to the amount of reserves held at the end of the previous year. The majority of the decrease relates to movements in 'unusable' reserves, these being the technical adjustment accounts operated by the Council rather than cash monies available to spend, this includes the deficit on the Pensions Reserve.

# Narrative Statement



However, the Council's useable reserves, that is the monies which it sets-aside and can spend on services in the future, have also reduced. This reduction reflects the resources that have been used to support front line service provision and schools, together with investments in key projects over the course of the year.

During the year the Council has actively reviewed all useable reserves held to ensure that all such monies will be spent on the Council's most important priorities. The Council has separated its earmarked reserves into sums allocated to directorate priorities from those sums managed on a corporate basis to cover both financial risk and strategic priorities.

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

## Collection Fund

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

As in the previous year, the Council achieved a surplus in respect of its ongoing council tax and business rate activities, due to the prior year surplus being higher than estimated, the taxbase being higher than estimated, higher rates of debtors collection and lower increases in provisions than estimated.

	£000	£000
<b>Balance as 1 April</b>		<b>(6,468)</b>
<b>Approved use of reserves in 2016/17</b>		
To support the revenue budget (Executive, February 2016)	1,737	
Transfer into the Corporate Risk Reserve	3,844	
Transfer into City Deal Agreement	887	
		<b>6,468</b>
<b>(Surplus) or Deficit arising in 2016/17</b>		
Council Tax Income	(1,375)	
Business Rate Income	(663)	
		<b>(2,038)</b>
<b>Balance at 31 March 2017</b>		<b>(2,038)</b>

Preceptors are able to utilise any such surplus balances as funding towards their future year budget strategies. In February 2017 the Executive approved the inclusion of £2.194m as funding spread across the budgets in 2017/18, as this was the anticipated surplus forecast at that time. There is a small movement in the actual out-turn performance compared to this forecast, which will be reflected in the next financial planning update.

## Treasury management, borrowing and cash-flows

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

# Narrative Statement



The current investment strategy is to continue to diversify into more secure and/or higher yielding asset, classes and to move away from the increasing risk and low returns gained from short term unsecured bank and building society investments. In 2016/17 the Council further reduced its exposure to longer-term investments, a change evidenced within the Balance Sheet.

In addition we have also has reduced the amount of short-term investments held, as a result of decisions taken in year to reduce levels of cash balances at a time when investment returns remain at an all-time low.

Whilst the an element of the Council's borrowing requirement within the capital programme was financed internally by utilising short-term cash balances, an external borrowing requirement in respect of the new waste contract remained. As a result new long term borrowing was taken with the Public Works Loan Board to finance this expenditure. With the continuing environment of low interest rates, we will continue to manage cash balances whilst considering the need to incur further external borrowing over the next couple of years.

## Pension assets and liabilities

The deficit recorded within the accounts relating to all pension funds is £264.396m as at 31 March 2017, which is a net increase of £50.573m from the opening balance deficit of £213.823m. This balance reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. The Avon Pension Fund has to be revalued every three years to set future contribution rates chargeable to the revenue budget, the last valuation was in 2016 and reported a funding level of 83%. The Council currently has a deficit recovery plan in place to make additional contributions into the pension fund over a 16-year period, although this may change after the next revaluation outcomes are published.

## Accounting changes in the year and looking ahead

The Council's accounts for the 2016/17 financial year reflect the new presentational requirements included within the Local Authority Accounting Code of Practice, which incorporated the recommendations of CIPFA's 'Telling the Story' review. It is anticipated that the revised presentation, which includes changes to the segmental reporting arrangements for the Comprehensive Income and Expenditure Statement and also the introduction of the new Expenditure and Funding Analysis, will improve promote accountability by providing a direct link to the annual decision making process of the council, its budget and its annual accounts.

The objective of the new Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by councils in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes within the Council and is therefore presented in the same directorate format as the budget monitoring reports considered by the Executive throughout the year.

## Non-financial performance monitoring

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

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

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

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# Narrative Statement



	Type	2015/16 Comparison	2016/17 Target	2016/17 Result	Status	Commentary
Prosperity & Opportunity - Number of affordable homes completed	Local	126	150	130	Not on target	A delay on site has meant that 20 units were completed in 2017/18.
Prosperity & Opportunity - Business rates growth in the Enterprise Area	Local	£278,397	£479,343	£557,946	Better than, or on target	Developments and business activity delivered ahead of time.
Prosperity & Opportunity - The % of adults with learning disabilities in paid employment	National (5.8%)	10.69%	10.00%	10.00%	Better than, or on target	Being 44 out of 439 adults with learning disabilities.
Health & Well-Being - Number of households living in temporary accommodation	Nearest Neighbour (74)	60	59	62	Within tolerance	Continues to be an organisational priority in order to improve outcomes and opportunities.
Health & Well-Being - The % of people who use the Council care and support services who say that those services have made them feel safe and secure	National (85.4%) South West (87.1%)	94.00%	90.00%	93.00%	Better than, or on target	Adult Social Care Survey results (2,393 out of 2,572 users) reflect 2015/16 data.
Health & Well-Being - The % of people that are satisfied with the care and support services they receive	National (64.4%) South West (66.3%)	72.00%	75.00%	69.50%	Not on target	Adult Social Care Survey results (1,788 out of 2,572 users) reflect 2015/16 data.
Health & Well-Being - Stability of placements for looked after children: 3 or more placements during the year	National (10%)	16.20%	20.00%	13.20%	Better than, or on target	30 out of 227 looked after children. Continued improvement although aim to reach national benchmark of 10%.
Health & Well-Being - Number of people in permanent care home placements (over 65)	Local	857	865	834	Better than, or on target	Reflects successful containment of placement following key interventions outlined in cost and volume practices.
Health & Well-Being - The % of care leavers who are NEET (not in education, employment or training)	National (51%) Nearest Neighbour (53.3%)	38.90%	20.00%	50.80%	Not on target	This is 64 care leavers from a cohort of 126.
Health & Well-Being - The average cost of children in care package	Local	£33,589	£31,170	£36,646	Not on target	Average cost increased due to a spike in residential and fostering placements.
Enablers - The % of customer interactions carried out via digital channels for defined services	Local	N/a	62.00%	65.00%	Better than, or on target	From 334,000 customer interactions. Reflects the successful implementation of the Council's digital transformation programme.

# Narrative Statement



## 4 Corporate Risks

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

While there are no significant issues raised in the 2016/17 Annual Governance Statement, the reducing level of public sector funding alongside the increasing demand on the council's services, is cited as the major risk that we face.

The Council currently has a number of significant on-going projects, covering a wide range of services, which can involve working in partnership with others, many of which require considerable levels of one-off and recurrent funding from the Council. There is an inherent risk of revenue reversion as the Council embarks upon more substantial and ambitious transport and infrastructure projects through leveraging in external grants and other funding.

Material risks relating to partnerships and projects are incorporated into the Annual Governance Statement where necessary.

## 5 Summary Position

Despite the challenging economic outlook, the Council's financial and operational performance levels in 2016/17 continues to be maintained. Although the revenue out-turn position reflected a net over spend of £2.956m, this was a significant reduction in previous monitoring forecasts received earlier in the year, and follows strategic corrective actions driven by the Corporate Management Team across all service areas.

In addition the capital out-turn was successful in delivering its largest ever spend of over £54m, which equates to over 90% of its planned programme.

In 2016/17, the Council has faced and dealt successfully with significant change, and it is anticipated that this trend will continue, and indeed accelerate, as the government initiatives and changes such as 100% rates retention or the adult social care funding agendas take shape. The Council is well placed to adapt to the challenges and to take advantage of the opportunities offered. Whilst significant financial risks remain, as highlighted above, there are well established and robust risk management processes in place and, together with robust financial management and reporting, the Council is in a strong position as it moves into 2017/18.

## 6 Further Information

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

**Malcolm Coe**  
**Head of Finance & Property**  
**June 2017**



# Narrative Statement



## Explanation of the financial statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2017. It comprises core and supplementary statements, together with disclosure notes. The format of the Accounts follows best practice as defined in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code") and incorporates the requirements of International Financial Reporting Standards. The Code is updated annually to reflect new or updated accounting standards, the most significant change to be applied to the 2016/17 financial year is the adoption of IAS 1 which relates to the presentation of the financial statements. This has required the Council to make changes to the comparator figures previously published in the 2015/16 accounts, known as "retrospective restatement". Where these changes have been made, this is indicated with the word 'restated'. Full details of the changes are in Note 27, page 62.

The Core Statements are:

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

**Comprehensive Income and Expenditure Statement** - shows the cost of providing Council services during the year, adjusted to reflect required accounting transactions such as depreciation and impairment, in accordance with proper accounting practice, rather than the amount funded from council tax and government grants.

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

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

The Supplementary Financial Statements are:

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

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

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



# Statement of Responsibilities



## North Somerset Council's Responsibilities

North Somerset Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Head of Finance and Property.
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- approve the Statement of Accounts.

## The Head of Finance and Property's Responsibilities

The Head of Finance and Property is responsible for the preparation of the Council's Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code") which requires the Council to certify a 'true and fair view' of the financial position of the authority and its income and expenditure for the year ended 31 March 2017.

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

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

The Head of Finance and Property has also:

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

## CERTIFICATE

I hereby certify that the following Statement of Accounts gives a true and fair view of the financial position of North Somerset Council as at 31 March 2017 and hereby authorise the issue of the accounts.

**Malcolm Coe CPFA**  
Head of Finance and Property  
6 September 2017

**Cllr Mrs Blatchford**  
Chairman of Audit Committee  
6 September 2017



# Movement in Reserves Statement



	Note	Usable Reserves									Unusable Reserves							TOTAL RESERVES		
		General Fund Balance	LMS School Balances	Dedicated Schools Grant	Other Schools Balances	Earmarked Revenue Reserves	Earmarked Capital Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation		Adjustment Accounts						Total	
											Revaluation Reserve	Available-for-Sale Financial Instruments Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Accumulated Absences		Collection Fund Adjustment Account	Total Unusable Reserves
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 31 March 2016		(7,680)	(5,219)	446	(843)	(30,369)	(2,325)	(11,462)	(3,564)	(61,015)	(98,144)	251	213,823	(203,643)	(150)	530	2,807	(6,468)	(90,994)	(152,009)
Total Comprehensive Income and Expenditure	C/ES	44,076	-	-	-	-	-	-	-	44,076	(20,824)	147	57,425	-	-	-	-	-	36,748	80,824
Adjustments between accounting basis & funding basis under regulations	1	(37,007)	-	-	-	-	-	(472)	198	(35,561)	19,472	-	(6,852)	19,177	36	(31)	(671)	4,430	35,561	-
Reserves		(7,069)	2,029	1,317	205	3,202	317	-	-	-	-	-	-	-	-	-	-	-	-	-
(Increase) / Decrease in 2016/17	2.1	0	2,029	1,317	205	3,202	317	(472)	1,918	8,515	(1,352)	147	50,573	19,177	36	(31)	(671)	4,430	72,309	80,824
Balance at 31 March 2017 - carried forward	2 / 3	(7,680)	(3,190)	1,763	(638)	(27,167)	(2,008)	(11,934)	(1,646)	(52,500)	(99,496)	398	264,396	(184,466)	(114)	499	2,136	(2,038)	(18,685)	(71,185)

# Movement in Reserves Statement



Restated	Note	Usable Reserves								Unusable Reserves										TOTAL RESERVES
										Revaluation		Adjustment Accounts								
		General Fund Balance	LMS School Balances	Dedicated Schools Grant	Other Schools Balances	Earmarked Revenue Reserves	Earmarked Capital Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Available-for-Sale Financial Instruments Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Accumulated Absences	Collection Fund Adjustment Account	Total Unusable Reserves	
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 31 March 2015		(8,180)	(5,662)	(188)	(923)	(30,962)	(2,043)	(7,552)	(2,398)	(57,908)	(112,052)	-	222,546	(182,459)	(175)	561	2,506	(1,079)	(70,152)	(128,060)
Total Comprehensive Income and Expenditure	C/ES	(16,660)	-	-	-	-	-	-	-	(16,660)	7,563	251	(15,102)	-	-	-	-	-	(7,288)	(23,949)
Adjustments between accounting basis & funding basis under regulations	1	18,629	-	-	-	-	-	(3,910)	(1,166)	13,553	6,345	-	6,379	(21,185)	26	(31)	301	(5,389)	(13,553)	-
Transfers between Usable Reserves		(1,469)	443	634	80	594	(282)	-	-	-	-	-	-	-	-	-	-	-	-	-
(Increase) / Decrease in 2015/16		500	443	634	80	594	(282)	(3,910)	(1,166)	(3,107)	13,908	251	(8,723)	(21,185)	26	(31)	301	(5,389)	(20,841)	(23,949)
Balance at 31 March 2016 - carried forward	2 / 3	(7,680)	(5,219)	446	(843)	(30,368)	(2,325)	(11,462)	(3,564)	(61,015)	(98,144)	251	213,823	(203,643)	(150)	530	2,807	(6,468)	(90,993)	(152,009)

# Notes to the Movement in Reserves Statement



## 1. Adjustments Between Accounting Basis and Funding Basis Under Statutory Provisions

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

2016/2017 ADJUSTMENTS	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(21,876)	-	-	21,876
Revaluation losses on Property, Plant and Equipment	2,328	-	-	(2,328)
Movements in the fair value of Investment Properties	177	-	-	(177)
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	36,266	-	-	(36,266)
Revenue expenditure funded from capital under statute	(8,151)	-	-	8,151
Net gain or loss on sale or de-recognition of non-current assets and non-current assets held for sale	(62,142)	-	-	62,142
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory and voluntary provision for repayment of debt	7,518	-	-	(7,518)
Capital expenditure charged against General Fund Balances	2,242	-	-	(2,242)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	168	-	(168)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	2,086	(2,086)
<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	3,366	(3,366)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	2,917	-	(2,917)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(27)	27	-	-
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	(36)	-	36
Other Adjustments				
Write down of long term debtor on receipt of loan principal	-	(14)	-	14
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	31	-	-	(31)
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(9,226)	-	-	9,226
Employer's pension contributions and direct payments to pensioners payable in the year	16,078	-	-	(16,078)
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amount by which Collection Fund income debited to the Comprehensive Income and Expenditure Statement is different from Collection Fund income calculated for the year in accordance with statutory requirement	(4,430)	-	-	4,430
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	671	-	-	(671)
<b>TOTAL ADJUSTMENTS</b>	<b>(37,007)</b>	<b>(472)</b>	<b>1,918</b>	<b>35,561</b>

# Notes to the Movement in Reserves Statement



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



# Notes to the Movement in Reserves Statement



## 2. Usable Reserves

### 2.1 Summary of Usable Reserves

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

	Balance 1 April 2016	Net Movement in Year	Net Balance 31 March 2017	Further Details
	£000	£000	£000	
<u>General Fund Balance</u>	(7,680)	0	<b>(7,680)</b>	
<u>School Balances</u>				
- LMS Schools	(5,219)	2,029	<b>(3,190)</b>	
- Dedicated Schools Grant	446	1,317	<b>1,763</b>	Note 24
- Other Schools Balances	(843)	204	<b>(639)</b>	
	<u>(5,616)</u>	<u>3,550</u>	<u><b>(2,066)</b></u>	
<u>Earmarked Reserves</u>				
- Earmarked Reserves - Revenue	(21,804)	2,660	<b>(19,144)</b>	
- Earmarked Deposits & Contributions	(8,564)	541	<b>(8,023)</b>	
	<u>(30,368)</u>	<u>3,201</u>	<u><b>(27,167)</b></u>	
- Earmarked Reserves - Capital	(2,325)	317	<b>(2,008)</b>	Note 2.2
	<u>(32,693)</u>	<u>3,518</u>	<u><b>(29,175)</b></u>	
Total General Fund and Earmarked Reserves - Revenue	<u>(45,989)</u>	<u>7,068</u>	<u><b>(38,921)</b></u>	Note 4
<u>Usable Capital Financing Reserves</u>				
- Capital Receipts Reserve	(11,462)	(471)	<b>(11,933)</b>	Note 2.3
- Capital Grants Unapplied	(3,564)	1,918	<b>(1,646)</b>	Note 2.4
	<u>(15,026)</u>	<u>1,447</u>	<u><b>(13,579)</b></u>	
<b>Total Usable Balances &amp; Reserves</b>	<u><b>(61,015)</b></u>	<u><b>8,515</b></u>	<u><b>(52,500)</b></u>	

### 2.2 Earmarked Reserves

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

For each Reserve established the Council identifies

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

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

# Notes to the Movement in Reserves Statement



	Balance 1 April 2016	Transfers between Reserves	Transfers Out	Transfers In	Balance 31 March 2017
	£000	£000	£000	£000	£000
<b>Earmarked Revenue Reserves</b>					
<u>Corporate Reserves</u>					
Insurance Reserves	(3,017)	0	284	(328)	(3,061)
Severance Reserves	(770)	(307)	218	0	(859)
Transformation Programme Reserve - ICT	(157)	0	134	0	(23)
Transformation Programme Reserve - Digital First	(1,876)	325	805	0	(746)
Transformation Programme Reserve - Capacity	(789)	19	454	0	(316)
Transformation Programme Reserve - AIS System	0	(325)	9	(410)	(726)
Economic & Regeneration Reserve	(2,894)	(209)	1,399	(224)	(1,928)
City-Deal Smoothing Reserve	(2,352)	0	2,352	(2,689)	(2,689)
Corporate Risk Reserve	(2,698)	15	4,374	(3,845)	(2,154)
Council Tax Smoothing Reserve	0	0	0	(1,111)	(1,111)
<u>Directorate Reserves</u>					
People & Comm - Adult Social Services	(213)	0	150	0	(63)
People & Comm - Housing Services	(309)	0	58	(1)	(252)
People & Comm - Children & Young People	(576)	0	234	(106)	(448)
People & Comm - Schools	(463)	0	657	(374)	(180)
People & Comm - Public Health	(255)	0	0	(178)	(433)
People & Comm - Housing Property Funds	(648)	0	12	(57)	(693)
Development & Environment	(2,869)	1	1,708	(607)	(1,767)
Corporate Services	(1,918)	(19)	493	(251)	(1,695)
	(21,804)	(500)	13,341	(10,181)	(19,144)
<b>Earmarked Deposits &amp; Contributions</b>	(8,564)	0	1,579	(1,038)	(8,023)
<b>Earmarked Capital Reserves</b>					
General Capital Reserves	(2,311)	500	262	(445)	(1,994)
Earmarked Capital Reserves	(14)	0	0	0	(14)
	(2,325)	500	262	(445)	(2,008)
<b>Total Usable Balances &amp; Reserves</b>	(32,693)	0	15,182	(11,664)	(29,175)

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

Reserve	Purpose
Insurance Reserve	Resources set-aside to fund uninsured risks and losses; movements in claim values; as well as claims which may have occurred but have not yet been reported.
Severance Reserve	To fund severance costs anticipated in future years.
Transformation Reserves	Resources set-aside to fund the one-off investment costs of the Transformation Programme which will improve service delivery and also realise financial benefits in future years. This includes the Digital First and ICT programmes and also resources to supplement internal capacity.

# Notes to the Movement in Reserves Statement



<b>Reserve</b>	<b>Purpose</b>
Economic & Regeneration Reserves	Resources identified to fund potential investment in areas which could stimulate, enhance or yield future economic and financial benefit for the area, together with funding set-aside for the Driving Growth Board programme.
City Deal Smoothing Reserve	Reserve to smooth the financial impact of transactions associated with the City Region Deal arrangement. Balances largely relate to cash contributed by the Council which is yet to be committed by the Pool.
Corporate Risk Reserve	Resources set-aside to finance strategic risks and also to fund one-off invest-to-save proposals or key priorities identified within the Corporate or Medium-Term Financial Plans.
Council Tax Smoothing Reserve	Resources set-aside to smooth the impact on the Council's revenue budget for taxpayers.
People & Communities – Adult Social Services Reserves	Monies set-aside to fund the ICT Connecting Care integration programme.
People & Communities – Housing Reserves	Includes monies set-aside to fund housing related programmes and surveys in future years.
People & Communities – Children & Young Peoples' Services Reserves	Reserves primarily for service transformation and one-off projects, such as Troubled Families which is grant funded.
People & Communities – Schools Reserves	Reserves primarily for pooling arrangements with the schools, including sickness and maternity.
People & Communities – Public Health Reserve	Resources to fund specific costs associated with statutory public health functions.
People & Communities – Housing Property Funds	Monies held in sinking funds to be used for repairs on leasehold properties.
Development and Environment	Funds set aside to finance specific Council investment in service provision to benefit the community such as Highways and Community Reassurance programmes. Monies received from unconditional grants such as; LSTF Public Transport, Lead Local Flood, Local Development Orders and Damaged Road grants. Monies also set-aside for planned future costs including major planning appeals and strategic projects.
Corporate Services – Including Partnership Funds	Includes funds set aside to finance community development projects as well as asset management condition and transfer programmes in future years. Partnership funds are those held under the Council's role as an accountable body.
General Capital Reserve	A general reserve available to finance approved capital expenditure.
Earmarked Capital Reserve	A number of specific capital reserves earmarked for use in delivery of approved capital investment projects.
Earmarked Deposits and Contributions	Monies held by the Council to fund future costs arising from development activity.

# Notes to the Movement in Reserves Statement



## 2.3 Capital Receipts Reserve

	2015/16 £000	2016/17 £000
Balance brought forward - 1 April	(7,552)	<b>(11,462)</b>
Transfer of cash sale proceeds credited as part of the gain/loss on disposal of non-current assets to the Comprehensive Income and Expenditure Statement	(7,304)	<b>(3,366)</b>
Use of Capital Receipts to finance new capital expenditure	3,415	<b>2,917</b>
Financing payment to the Government Housing Capital Receipts Pool	19	<b>27</b>
Transfer from Deferred Capital Receipts Reserve	(26)	<b>(36)</b>
Transfer to the Capital Adjustment Account to finance repayment of long-term debt	0	<b>0</b>
Transfer from the Capital Adjustment Account to reflect write-down of long-term debtor	(14)	<b>(14)</b>
<b>Balance carried forward - 31 March</b>	<b>(11,462)</b>	<b>(11,934)</b>

## 2.4 Capital Grants Unapplied

	2015/16 £000	2016/17 £000
Balance brought forward - 1 April	(2,398)	<b>(3,564)</b>
Transfer to Capital Adjustment Account to finance capital spend	377	<b>2,086</b>
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,543)	<b>(168)</b>
<b>Balance carried forward - 31 March</b>	<b>(3,564)</b>	<b>(1,646)</b>

# Notes to the Movement in Reserves Statement



## 3. Unusable Reserves

### 3.1 Summary of Unusable Reserves

	Balance 1 April 2016	Net Movement in Year	Net Balance 31 March 2017	Further Details
	£000	£000	£000	
<u>Revaluation Balances</u>				
Revaluation Reserve	(98,144)	(1,352)	<b>(99,496)</b>	Note 3.2
Available for Sale Financial Instrument Reserve	251	147	<b>398</b>	Note 3.3
	<u>(97,893)</u>	<u>(1,205)</u>	<b>(99,098)</b>	
<u>Adjustment Accounts</u>				
Capital Adjustment Account	(203,643)	19,178	<b>(184,465)</b>	Note 3.4
Financial Instruments Adjustment Account	530	(31)	<b>499</b>	Note 3.5
Collection Fund Adjustment Account	(6,468)	4,430	<b>(2,038)</b>	Note 3.6
Pensions Reserve	213,823	50,573	<b>264,396</b>	Note 3.7
Accumulated Absences Account	2,807	(671)	<b>2,136</b>	Note 3.8
Deferred Capital Receipts Reserve	(150)	36	<b>(114)</b>	Note 3.9
	<u>6,899</u>	<u>73,515</u>	<b>80,414</b>	
<b>Total Unusable Reserves</b>	<u>(90,994)</u>	<u>72,310</u>	<b>(18,684)</b>	

### 3.2 Revaluation Reserve

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

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

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

# Notes to the Movement in Reserves Statement



	2015/16 £000	2016/17 £000
Balance brought forward - 1 April	(112,052)	<b>(98,144)</b>
Upward revaluation of assets	(18,993)	<b>(23,099)</b>
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	26,556	<b>2,275</b>
Surplus / deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	7,563	<b>(20,824)</b>
Difference between fair value depreciation and historical cost depreciation	2,260	<b>2,256</b>
Accumulated gains on assets sold or scrapped	4,085	<b>17,216</b>
Amount written off to the Capital Adjustment Account	6,345	<b>19,472</b>
<b>Balance carried forward - 31 March</b>	<b>(98,144)</b>	<b>(99,496)</b>

### 3.3 Available For Sale Financial Instrument Reserve

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

	2015/16 £000	2016/17 £000
Balance brought forward - 1 April	0	<b>251</b>
Downwards revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	251	<b>147</b>
<b>Balance carried forward - 31 March</b>	<b>251</b>	<b>398</b>

### 3.4 Capital Adjustment Account

The balance on the Account represents timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

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

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

# Notes to the Movement in Reserves Statement



	2015/16 £000	2016/17 £000
Balance brought forward - 1 April	(182,459)	<b>(203,643)</b>
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u>		
Charges for depreciation of non-current assets	14,791	<b>15,615</b>
Charges for impairment of non-current assets	7,916	<b>6,261</b>
Revaluation losses on Property, Plant and Equipment	7,653	<b>(2,327)</b>
Revenue expenditure funded from capital under statute	3,198	<b>8,151</b>
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	12,015	<b>62,142</b>
	<u>45,573</u>	<b>89,842</b>
<u>Adjusting amounts written out of the Revaluation Reserve</u>		
Amounts written out on disposal or sale of non-current assets	(4,085)	<b>(17,216)</b>
Historical cost depreciation adjustment	(2,260)	<b>(2,256)</b>
	<u>(6,345)</u>	<b>(19,472)</b>
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<u>39,228</u>	<b>70,370</b>
<u>Adjusting Amounts relating to the Capital Receipts Reserve</u>		
Write down of long term debtor	14	<b>14</b>
	<u>14</u>	<b>14</b>
<u>Capital financing applied in the year</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(3,414)	<b>(2,917)</b>
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(38,639)	<b>(36,266)</b>
Application of Grants and Contributions to capital financing from the Capital Grants Unapplied Account	(377)	<b>(2,086)</b>
Statutory provision for the financing of capital investment charged against the General Fund Balance	(8,640)	<b>(7,518)</b>
Capital expenditure charged against the General Fund Balance	(3,529)	<b>(2,242)</b>
	<u>(54,599)</u>	<b>(51,029)</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(5,827)	<b>(177)</b>
<b>Balance carried forward - 31 March</b>	<u>(203,643)</u>	<b>(184,465)</b>

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

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

# Notes to the Movement in Reserves Statement



## 3.5 Financial Instruments Adjustment Account

This Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. In previous years the Council incurred costs when it prematurely repaid some of its long-term borrowing, this account shows that these costs are being charged back to the annual revenue budget.

	2015/16 £000	2016/17 £000
Balance brought forward - 1 April	561	530
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(31)	(31)
<b>Balance carried forward - 31 March</b>	<b>530</b>	<b>499</b>

## 3.6 Collection Fund Adjustment Account

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

	2015/16 £000	2016/17 £000
Balance brought forward - 1 April	(1,079)	(6,468)
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements		
- Council Tax	(876)	13
- Business Rates	(4,395)	4,532
- Business Rates : Disregarded Amount	(118)	(115)
<b>Balance carried forward - 31 March</b>	<b>(6,468)</b>	<b>(2,038)</b>

## 3.7 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.



# Notes to the Movement in Reserves Statement



	2015/16 £000	2016/17 £000
Balance brought forward - 1 April	222,546	213,823
Return on plan assets	17,558	(39,227)
Remeasurements of the net defined benefit liability / (asset)	(32,660)	96,652
Total amounts taken to the Comprehensive Income and Expenditure Statement	(15,102)	57,425
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	21,726	9,226
Employer's pensions contributions and direct payments to pensioners payable in the year	(15,347)	(16,078)
<b>Balance carried forward - 31 March</b>	<b>213,823</b>	<b>264,396</b>

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

	2016/17	
	Local Government Pension Scheme £000	Teachers' Discretionary Benefits £000
Balance brought forward - 1 April	188,790	25,033
Return on plan assets	(39,227)	0
Remeasurements of the net defined benefit liability		
- Experience (Gains) / Losses	(35,552)	(1,502)
- (Gains) / Losses on financial assumptions	133,439	2,894
- (Gains) / Losses on demographic assumptions	(2,328)	(299)
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	8,404	822
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,350)	(1,728)
<b>Balance carried forward - 31 March</b>	<b>239,176</b>	<b>25,220</b>

# Notes to the Movement in Reserves Statement



## 3.8 Accumulated Absences Account

	2015/16 £000	2016/17 £000
Balance brought forward - 1 April	2,506	<b>2,807</b>
Settlement or cancellation of accrual made at the end of the preceding year	(2,506)	<b>(2,807)</b>
Amounts accrued at the end of the current year	2,807	<b>2,136</b>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	301	<b>(671)</b>
<b>Balance carried forward - 31 March</b>	<b>2,807</b>	<b>2,136</b>

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

## 3.9 Deferred Capital Receipts Reserve

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

	2015/16 £000	2016/17 £000
Balance brought forward - 1 April	(175)	<b>(150)</b>
Transfer to the Capital Receipts Reserve upon receipt of cash	25	<b>36</b>
<b>Balance carried forward - 31 March</b>	<b>(150)</b>	<b>(114)</b>

# Comprehensive Income and Expenditure Statement



2015/2016 Restated					2016/2017		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
89,036	(24,770)	64,266	People & Communities		91,363	(22,416)	<b>68,947</b>
36,863	(6,993)	29,870	Adult Social Care		36,771	(7,742)	<b>29,029</b>
4,951	(2,849)	2,102	Children & Young People		4,702	(3,152)	<b>1,550</b>
8,993	(8,702)	291	Housing Services		10,193	(10,372)	<b>(179)</b>
129,539	(110,818)	18,721	Public Health		138,959	(102,529)	<b>36,430</b>
269,382	(154,132)	115,250	Schools Budgets & Grants		281,988	(146,211)	<b>135,777</b>
94,877	(86,084)	8,793	Corporate Services		73,059	(73,704)	<b>(645)</b>
65,847	(16,725)	49,122	Development & Environment		64,265	(15,050)	<b>49,215</b>
868	(23)	845	Non Service		2,830	(1,486)	<b>1,344</b>
<b>430,974</b>	<b>(256,964)</b>	<b>174,010</b>	<b>Cost of Services</b>		<b>422,142</b>	<b>(236,451)</b>	<b>185,691</b>
2,430	0	2,430	Other Operating Expenditure	5	34,306	0	<b>34,306</b>
13,466	(7,673)	5,793	Financing and investment income and expenditure	6	13,199	(1,898)	<b>11,301</b>
0	(198,893)	(198,893)	Taxation and non-specific grant income	7	0	(187,222)	<b>(187,222)</b>
<b>446,870</b>	<b>(463,530)</b>	<b>(16,660)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>8</b>	<b>469,647</b>	<b>(425,571)</b>	<b>44,076</b>
		7,563	(Surplus) / deficit on revaluation of non-current assets	3.2			<b>(20,824)</b>
		251	(Surplus) / deficit on revaluation of available for sale financial assets	3.3			<b>147</b>
		(15,102)	Remeasurements of net defined benefit liability	29			<b>57,425</b>
		<b>(7,288)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>36,748</b>
		<b>(23,948)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>80,824</b>

# Notes to the Comprehensive Income and Expenditure Statement



## 4. Expenditure and Funding Analysis

2015/2016 Restated				2016/2017		
Net Expenditure Chargeable to General Fund Balances £000	Adj Between Funding & Accounting Basis £000	Net Expenditure in the CI&ES £000		Net Expenditure Chargeable to General Fund Balances £000	Adj Between Funding & Accounting Basis £000	Net Expenditure in the CI&ES £000
64,188	78	64,266	People & Communities	68,836	111	68,947
29,616	254	29,870	Adult Social Care	31,191	(2,162)	29,029
1,493	609	2,102	Children & Young People	(1,016)	2,566	1,550
281	10	291	Housing Services	(153)	(26)	(179)
800	17,921	18,721	Public Health	908	35,522	36,430
96,378	18,872	115,250	Schools Budgets & Grants	99,766	36,011	135,777
6,638	2,155	8,793	Corporate Services	8,065	(8,710)	(645)
35,159	13,963	49,122	Development & Environment	35,663	13,552	49,215
1,158	(313)	845	Non Service	1,344	0	1,344
<b>139,333</b>	<b>34,677</b>	<b>174,010</b>	<b>Net Cost of Services</b>	<b>144,838</b>	<b>40,853</b>	<b>185,691</b>
(137,363)	(53,307)	(190,670)	Other Income and Expenditure	(137,769)	(3,846)	(141,615)
<b>1,970</b>	<b>(18,630)</b>	<b>(16,660)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>7,069</b>	<b>37,007</b>	<b>44,076</b>
Total GF and Earmarked Reserves £000	General Fund Reserves £000	Earmarked Revenue Reserves £000		Total GF and Earmarked Reserves £000	General Fund Reserves £000	Earmarked Revenue Reserves £000
(47,958)	(8,180)	(39,778)	Opening Balance at 31 March 2016	(45,989)	(7,680)	(38,309)
1,969	500	1,469	Less (Surplus) / Deficit on Provision of Services	7,069	0	7,069
<b>(45,989)</b>	<b>(7,680)</b>	<b>(38,309)</b>	<b>Closing Balance at 31 March 2017</b>	<b>(38,920)</b>	<b>(7,680)</b>	<b>(31,240)</b>

# Notes to the Comprehensive Income and Expenditure Statement



## 4.1 Note to the Expenditure and Funding Analysis - Adjustments Between Funding and Accounting Basis

2015/2016 Restated					Note	2016/2017			
Adjustment for Capital Purposes (Note 4.2.1) £000	Net Charge for the Pensions Adj (Note 4.2.2) £000	Other Differences (Note 4.2.3) £000	Total Adjustments £000			Adjustment for Capital Purposes (Note 4.2.1) £000	Net Charge for the Pensions Adj (Note 4.2.2) £000	Other Differences (Note 4.2.3) £000	Total Adjustments £000
27	112	(61)	78	People & Communities					
109	151	(6)	254	Adult Social Care		459	(293)	111	
609	14	(14)	609	Children & Young People		13	(2,104)	(2,162)	
0	10	0	10	Housing Services		2,615	(36)	2,566	
19,080	(1,511)	352	17,921	Public Health		0	(24)	(26)	
19,825	(1,224)	271	18,872	Schools Budgets & Grants		36,686	(704)	35,522	
						39,773	(3,161)	36,011	
1,638	491	26	2,155	Corporate Services		1,838	(10,519)	(8,710)	
13,827	132	4	13,963	Development & Environment		13,961	(368)	13,552	
(313)	0	0	(313)	Non Service		0	0	0	
<b>34,977</b>	<b>(601)</b>	<b>301</b>	<b>34,677</b>	<b>Net Cost of Services</b>		<b>55,572</b>	<b>(14,048)</b>	<b>40,853</b>	
(54,868)	6,981	(5,420)	(53,307)	Other Income and Expenditure from the Expenditure and Funding Analysis		(15,440)	7,195	(3,846)	
<b>(19,891)</b>	<b>6,380</b>	<b>(5,119)</b>	<b>(18,630)</b>	<b>Difference Between the General Fund (Surplus) / Deficit and the Comprehensive Income and Expenditure (Surplus) / Deficit on Provision of Services</b>	<b>4</b>	<b>40,132</b>	<b>(6,853)</b>	<b>37,007</b>	

# Notes to the Comprehensive Income and Expenditure Statement



## 4.2 Other Expenditure and Funding Analysis Notes

### 4.2.1 Adjustments for Capital Purposes

- **Cost of services** - adds in depreciation, impairments, revaluation gains and losses into the relevant service line, and
- **Other income and expenditure**, including:
  - **Other operating expenditure** – adjusts for capital disposals, with a transfer of income on disposal of assets, and the amounts written off for those assets.
  - **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
  - **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### 4.2.2 Net Charge for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For Cost of services**, this represents the removal of the employer pension contributions made by the authority as allowed by statute, and their replacement with current service costs and past service costs.
- **Other Income and Expenditure - Financing and investment income and expenditure**– inclusion of the net interest on the defined benefit liability, which is charged to the Comprehensive Income and Expenditure Statement.

### 4.2.3 Other Differences

Other differences between amounts debited or credited to the Comprehensive Income and Expenditure Statement and amount payable or receivable to be recognised under statute:

- **Other income and expenditure:**
  - For **Financing and investment income and expenditure** the 'Other differences' column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
  - The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year, and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

# Notes to the Comprehensive Income and Expenditure Statement



## 5. Other Operating Expenditure

	2015/16 Restated £000	2016/17 £000
Parish Council Precepts	4,207	4,509
Other Precepts and Levies	261	267
Payments to the Government Housing Capital Receipts Pool	19	27
(Gains) / Losses on the Disposal of Non-Current Assets	(2,057)	29,503
<b>Total</b>	<b>2,430</b>	<b>34,306</b>

The gains or losses on the disposal of non-current assets in respect of the 2015/16 comparator has been restated in accordance with Note 27.1.

## 6. Financing and Investment Income and Expenditure

	2015/16 £000	2016/17 £000
Interest payable and similar charges	6,478	6,003
Net interest on net defined benefit pension liability & administration expense	6,981	7,195
Interest receivable and similar income	(1,846)	(1,720)
Income and expenditure in relation to Investment Properties and changes in their fair value	(5,827)	(177)
Other financing & investment income and expenditure	7	0
<b>Total</b>	<b>5,793</b>	<b>11,301</b>

## 7. Taxation and Non Specific Grant Income

	2015/16 £000	2016/17 £000
<b>Income from Taxation</b>		
Council Tax Income	(91,389)	(96,484)
Business Rate Income	(33,579)	(31,869)
	(124,968)	(128,353)
<b>Non-specific Government Grants and Capital Contributions</b>		
Non-ringfenced government grants	(35,561)	(28,704)
Capital grants and contributions	(38,364)	(30,164)
	(73,925)	(58,868)
<b>Total</b>	<b>(198,893)</b>	<b>(187,221)</b>

# Notes to the Comprehensive Income and Expenditure Statement



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

	2015/16 £000	2016/17 £000
Revenue Support Grant	(26,488)	(19,199)
Local Services Support Grant	(218)	0
Council Tax Freeze Grant	(948)	0
Transitions Grant	0	(953)
New Homes Bonus Grant	(5,530)	(6,649)
Business Rates Tarriff / Top-Up	(319)	(322)
Small Business Rate Relief Grant	(507)	(1,091)
Business Rates Adjustment Grant	(1,054)	(454)
Other Section 31 Grant	(485)	(24)
Council Tax Family Annexe Grant	(12)	(12)
<b>Total</b>	<b>(35,561)</b>	<b>(28,704)</b>

## 8. Expenditure and Income Analysed by Nature

	2015/16 Restated £000	2016/17 £000
<b>Expenditure</b>		
Employee Benefits Expenses	131,976	109,879
Other Services Expenses	264,055	261,395
Support Service Recharges	0	0
Depreciation, Amortisation and Impairment	30,360	19,549
Interest Payments	8,110	7,094
Precepts and Levies	4,468	4,777
Payments to the Housing Capital Receipts Pool	19	27
(Gains) / losses on the disposal of non-current assets	4,684	58,776
Revenue Expenditure Financed by Capital Under Statute	3,198	8,151
	<b>446,870</b>	<b>469,648</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(75,681)	(77,372)
Interest & Investment Income	(7,756)	(1,917)
Income from Council Tax, Non-Domestic Rates	(124,968)	(128,353)
Government Grants & Contributions	(252,285)	(215,161)
Internal Recharges	(2,840)	(2,769)
	<b>(463,530)</b>	<b>(425,572)</b>
<b>(Surplus) / Deficit on Provision of Services</b>	<b>(16,660)</b>	<b>44,076</b>



# Balance Sheet



31 March 2016 £000		Note	31 March 2017 £000
279,312	Property, Plant and Equipment		
117,498	Other Land and Buildings	9	240,907
4,395	Infrastructure Assets		129,816
7,528	Community Assets		4,429
5,645	Vehicles, Plant, Furniture and Equipment		13,669
450	Assets Under Construction		10,832
288	Intangible Assets		400
17,332	Heritage Assets		288
6,828	Investment Property	10	17,509
1,277	Long Term Investments	30.1	4,652
	Long Term Debtors		1,220
<b>440,553</b>	<b>Long Term Assets</b>		<b>423,722</b>
2,446	Cash and Cash Equivalents	CFS	3,398
82,148	Short Term Investments	30.1	75,709
0	Assets Held for Sale	11	0
57	Inventories		34
45,869	Short Term Debtors	12	43,220
<b>130,520</b>	<b>Current Assets</b>		<b>122,361</b>
0	Cash and Cash Equivalents (Bank Overdraft)	CFS	0
(8,940)	Short Term Borrowing	30.1	(21,550)
(45,602)	Short Term Creditors	13	(38,723)
(4,016)	Provisions	14	(2,683)
(11,417)	Capital Grants Receipts in Advance	23	(10,524)
<b>(69,975)</b>	<b>Current Liabilities</b>		<b>(73,480)</b>
(2,037)	Provisions	14	(1,547)
(115,649)	Long Term Borrowing	30.1	(118,405)
(15,026)	Long Term Borrowing - Ex Avon Debt	16	(14,425)
(213,822)	Pensions Liabilities	29.1	(264,396)
(2,555)	Other Long Term Liabilities	32.1	(2,645)
<b>(349,089)</b>	<b>Long Term Liabilities</b>		<b>(401,418)</b>
<b>152,009</b>	<b>Net Assets</b>		<b>71,185</b>
(61,015)	Usable Reserves	2.1	(52,500)
(90,994)	Unusable Reserves	3.1	(18,685)
<b>(152,009)</b>	<b>Total Reserves</b>		<b>(71,185)</b>

# Notes to the Balance Sheet



## 9. Property, Plant and Equipment and Intangibles

### 9.1 Movements on Balances

Movements in 2016/2017	Land & Buildings £000	Infrastructure Assets £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	Total Property, Plant & Equip. £000	Intangible Assets £000	TOTAL £000
<b>Cost or Valuation</b>								
At 1 April 2016	304,693	177,405	5,962	28,777	5,645	522,482	500	<b>522,982</b>
Additions	9,621	23,004	41	8,240	5,187	46,093	0	<b>46,093</b>
Revaluations - Revaluation Reserve	513	0	55	0	0	568	0	<b>568</b>
Revaluations - CI&ES	2,327	0	0	0	0	2,327	0	<b>2,327</b>
Derecognition - Disposals	(62,145)	0	0	(201)	0	(62,346)	0	<b>(62,346)</b>
Reclassified (to) / from Held for Sale and/or Investment Property	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2017</b>	<b>255,009</b>	<b>200,409</b>	<b>6,058</b>	<b>36,816</b>	<b>10,832</b>	<b>509,124</b>	<b>500</b>	<b>509,624</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2016	(25,381)	(59,907)	(1,567)	(21,249)	0	(108,104)	(50)	<b>(108,154)</b>
Depreciation for the year	(8,992)	(4,462)	(32)	(2,079)	0	(15,565)	(50)	<b>(15,615)</b>
Depreciation written out - Revaluation Reserve	20,333	0	0	0	0	20,333	0	<b>20,333</b>
Impairment (Losses) / Reversals - Revaluation Reserve	(77)	0	0	0	0	(77)	0	<b>(77)</b>
Impairment (Losses) / Reversals - CI&ES	(8)	(6,224)	(30)	0	0	(6,262)	0	<b>(6,262)</b>
Derecognition - Disposals	23	0	0	182	0	205	0	<b>205</b>
Assets reclassified (to) / from Investment Property	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2017</b>	<b>(14,102)</b>	<b>(70,593)</b>	<b>(1,629)</b>	<b>(23,146)</b>	<b>0</b>	<b>(109,470)</b>	<b>(100)</b>	<b>(109,570)</b>
<b>Net Book Value at 1 April 2016</b>	<b>279,312</b>	<b>117,498</b>	<b>4,395</b>	<b>7,528</b>	<b>5,645</b>	<b>414,378</b>	<b>450</b>	<b>414,828</b>
<b>Net Book Value at 31 March 2017 - Current Value</b>	<b>240,907</b>	<b>129,816</b>	<b>4,429</b>	<b>13,670</b>	<b>10,832</b>	<b>399,654</b>	<b>400</b>	<b>400,054</b>
<b>Net Book Value at 31 March 2017 - Historic Cost Value</b>	<b>183,450</b>	<b>117,498</b>	<b>3,180</b>	<b>7,528</b>	<b>5,645</b>	<b>317,301</b>	<b>450</b>	<b>317,751</b>

# Notes to the Balance Sheet



Movements in 2015/2016	Land & Buildings £000	Infrastructure Assets £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	Total Property, Plant & Equip. £000	Intangible Assets £000	TOTAL £000
<b>Cost or Valuation</b>								
At 1 April 2015	334,706	148,930	4,049	28,142	0	515,827	500	<b>516,327</b>
Additions	11,138	28,475	1,100	662	5,645	47,020	0	<b>47,020</b>
Revaluations - Revaluation Reserve	(20,033)	0	777	0	0	(19,256)	0	<b>(19,256)</b>
Revaluations - CI&ES	(6,894)	0	0	0	0	(6,894)	0	<b>(6,894)</b>
Derecognition - Disposals	(11,860)	0	0	(27)	0	(11,887)	0	<b>(11,887)</b>
Reclassified (to) / from Held for Sale and/or Investment Property	(2,328)	0	0	0	0	(2,328)	0	<b>(2,328)</b>
Other movements in cost or valuation	(36)	0	36	0	0	0	0	<b>0</b>
<b>At 31 March 2016</b>	<b>304,693</b>	<b>177,405</b>	<b>5,962</b>	<b>28,777</b>	<b>5,645</b>	<b>522,482</b>	<b>500</b>	<b>522,982</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2015	(29,828)	(49,261)	(748)	(18,814)	0	(98,651)	0	<b>(98,651)</b>
Depreciation for the year	(8,583)	(3,663)	(32)	(2,462)	0	(14,740)	(50)	<b>(14,790)</b>
Depreciation written out - Revaluation Reserve	12,523	0	102	0	0	12,625	0	<b>12,625</b>
Impairment (Losses) / Reversals - Revaluation Reserve	(103)	0	0	0	0	(103)	0	<b>(103)</b>
Impairment (Losses) / Reversals - CI&ES	(41)	(6,983)	(889)	0	0	(7,913)	0	<b>(7,913)</b>
Derecognition - Disposals	495	0	0	27	0	522	0	<b>522</b>
Assets reclassified (to) / from Investment Property	156	0	0	0	0	156	0	<b>156</b>
<b>At 31 March 2016</b>	<b>(25,381)</b>	<b>(59,907)</b>	<b>(1,567)</b>	<b>(21,249)</b>	<b>0</b>	<b>(108,104)</b>	<b>(50)</b>	<b>(108,154)</b>
<b>Net Book Value at 1 April 2015</b>	<b>304,878</b>	<b>99,669</b>	<b>3,301</b>	<b>9,328</b>	<b>0</b>	<b>417,176</b>	<b>500</b>	<b>417,676</b>
<b>Net Book Value at 31 March 2016 - Current Value</b>	<b>279,312</b>	<b>117,498</b>	<b>4,395</b>	<b>7,528</b>	<b>5,645</b>	<b>414,378</b>	<b>450</b>	<b>414,828</b>
<b>Net Book Value at 31 March 2016 - Historic Cost Value</b>	<b>183,450</b>	<b>117,498</b>	<b>3,180</b>	<b>7,528</b>	<b>5,645</b>	<b>317,301</b>	<b>450</b>	<b>317,751</b>

# Notes to the Balance Sheet



## 9.2 Depreciation

Depreciation has been charged in year to the following services:

	2015/16 £000	2016/17 £000
Development and Environment	6,704	7,850
People and Communities:		
- Children & Young People's Services	6,648	6,345
- Adult Social Services	193	111
- Housing General Fund	15	9
Corporate Services	1,231	1,301
<b>Total</b>	<b>14,791</b>	<b>15,616</b>

## 9.3 Effects of Changes in Estimates

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

The results of this work, together with revaluations undertaken as part of the rolling revaluation programme have been reflected in the movements disclosed (see Note 9.4 below). In using professionally qualified staff, both employed in-house and also contracted, the Council considers that the opportunity for material error relating to assets valuations is minimal.

## 9.4 Revaluations

The Council carries out a rolling programme of valuations, with re-valuations undertaken at least every 5 years, ensuring that all Property, Plant and Equipment required to be measured at current value is revalued sufficiently regularly to ensure that their carrying amount is not materially different from their carrying value at the year-end. This process also allows for any significant operational or accounting changes to be reflected in current valuations.

Similarly, assets recorded within the Investment Property and Held for Sale categories are subject to a revaluation review on an annual basis to ensure that their carrying values are reflective of the latest market value conditions. The basis for all of the Council's valuations are set out in the Accounting Policies (see Note A1, xiv on page 102).

All valuations are arranged by the Council's Property Estates and Regeneration Manager A.R.I.C.S. In 2014/15 the Council's in-house team appointed professionally qualified staff from the District Valuation Office, with experience relevant to the location and categories of assets held, to undertake a revaluation programme covering the majority of Property, Plant and Equipment assets over a shorter two-year period, to enable the Council's non-current assets to be more reflective of current valuation levels and market conditions.

The revaluations undertaken in 2016/17 have been carried out by professionally qualified staff from within the Council's in-house team. In addition, as part of their ongoing role the Council's property, these specialists continue to review the asset portfolio where revaluations have not been undertaken at the year end, in order to consider the impact of valuation indices and cost factors relevant to the local area, and compare these to the carrying values of assets held in the Asset Register. Their latest exercise, undertaken in Spring 2017, resulted in an indexation gain of £15.7m. A revaluation adjustment has been made to the value of the building assets to reflect this indexation, in order to ensure that their carrying value in the accounts materially reflects their current value.

# Notes to the Balance Sheet



The table below reflects the current value of the assets valued in each of the five years, together with those assets carried at historic cost. The assets subject to indexation in the year are included as revalued in 2016/17.

	Land & Buildings £000	Infrastructure Assets £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	Total Property, Plant & Equip. £000	Investment Properties £000	Heritage Assets £000	Intangible Assets £000
Valued at Historical Cost	726	129,816	1,662	13,669	10,832	156,705	0	0	400
Valued at Current Value in year									
2016/17	190,444	0	715	0	0	191,159	17,509	0	0
2015/16	27,311	0	597	0	0	27,908	0	0	0
2014/15	22,339	0	967	0	0	23,306	0	0	0
2013/14	6	0	0	0	0	6	0	0	0
2012/13	0	0	0	0	0	0	0	0	0
2011/12 or prior	81	0	488	0	0	569	0	288	0
<b>Total</b>	<b>240,907</b>	<b>129,816</b>	<b>4,429</b>	<b>13,669</b>	<b>10,832</b>	<b>399,653</b>	<b>17,509</b>	<b>288</b>	<b>400</b>

As can be seen, the majority of the Council's Land & Buildings assets are held at carrying value, with a small proportion held at Historical cost as they are either new asset purchases or newly built assets transferred in from the Assets Under Construction category. These assets will be incorporated into the annual rolling revaluation programme but for 2016/17 have been reviewed by the professional valuation staff to ensure that the asset values are not materially mis-stated, and will not be subject to material impairment when revalued.

The Council's Land and Building and Community assets that were revalued during the year included asset groups such as halls, community and entertainment centres and libraries centres amongst others.

In the previous financial year Land and Building and Community assets also revalued included asset groups such as the Council's depots, nurseries and children's centres, meaning that the Council has revalued a significant proportion of its Land and Building assets in the past two years. It is believed that revaluing these assets within a relatively recent period of time provides for a current valuation and reduces the risk of material mis-statement across the asset portfolio.

Some of the assets revalued during the year increased in value as a result of the revaluation programme, and the increase in these non-current assets resulted in £23.099m being credited to the Revaluation Reserve. However a proportion of other assets revalued decreased in value resulting in £2.198m being charged against balances held in the Revaluation Reserve, along with impairment losses of £0.077m. Where no balance was held in the Revaluation Reserve, then revaluation losses totalling £2.327m have been charged to the Comprehensive Income and Expenditure Statement.

## 9.5 Disposal of Non-Current Assets

### Academy Schools

During the year nine primary schools and two secondary schools transferred from the Council's control to Academy status which means that the school assets were written out of the accounts and reflected as a disposal. All such asset disposals are reflected at nil consideration resulting in a loss being charged to the Council's Comprehensive Income and Expenditure Statement.

### Other Disposals

Other assets were disposed of during the year including sheltered leasehold housing properties and the Winter Gardens, which will be redeveloped by Weston College and form part of their Law and Professional Services Academy.

# Notes to the Balance Sheet



	Date of Conversion	Net Book Value 1 April 2016 £000
Crockerne Primary School	01 November 2016	3,105
High Down Infants School	01 September 2016	2,582
High Down Junior School	01 September 2016	4,157
Portishead Primary School	01 September 2016	4,308
St George's Primary School	01 September 2016	2,667
St John The Evangelist Primary School	01 July 2016	2,212
St Marks Primary School	01 September 2016	2,506
St Mary's Primary School	01 September 2016	786
St Peter's Primary School	01 September 2016	5,680
St Katherines Secondary School	01 June 2016	12,349
Worle Community Secondary School	01 March 2017	12,270

## 10. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Rental income from investment property received in the year was £0.557m (2015/16 - £0.568m). There are no direct operating expenses arising from these properties.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year:

	2015/16 £000	2016/17 £000
Balance at 1 April	11,005	17,332
Net gains / losses from fair value adjustments	5,872	177
Net gains / losses from Property, Plant & Equipment adjustments	(1,718)	0
Transfers from Property, Plant & Equipment	2,173	0
<b>Balance at 31 March</b>	<b>17,332</b>	<b>17,509</b>

Investment Properties are revalued as part of the Council's asset revaluation programme, and are recorded using their fair values. Fair value being defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. All revaluations carried out are assessed and categorised in accordance with the accounting policy shown on page 102. When the fair value cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation techniques:

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

Details of the Council's investment properties for the 2016/17 financial year are as follows, together with a comparative summary for the previous financial year, there were no transfers between the levels during the year:

# Notes to the Balance Sheet



	Fair Value 31 March 2016			Fair Value 31 March 2017		
	Other significant observable inputs	Significant unobservable inputs	Total	Other significant observable inputs	Significant unobservable inputs	Total
	Level 2 £000	Level 3 £000	£000	Level 2 £000	Level 3 £000	£000
Smallholdings	2,607	7,450	10,057	2,761	7,611	10,372
Commercial Units	1,046	6,229	7,275	1,142	5,995	7,137
<b>Total</b>	<b>3,653</b>	<b>13,679</b>	<b>17,332</b>	<b>3,903</b>	<b>13,606</b>	<b>17,509</b>

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

	2015/16 £000	2016/17 £000
Balance at 1 April	8,293	13,679
Net gains / losses from fair value adjustments	5,386	(73)
Net gains / losses from Property, Plant & Equipment adjustments	0	0
Transfers from Property, Plant & Equipment	0	0
<b>Balance at 31 March</b>	<b>13,679</b>	<b>13,606</b>

## Level 3 Fair Value Investment Property Assets

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

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

## Level 2 Fair Value Investment Property Assets

Six of the commercial properties and five of the smallholdings have been categorised as level 2 with their fair value being measured using a combination of the market approach and the income approach. The market approach uses comparable market evidence in arriving at values, whilst the income approach uses an all risk yield to capitalise the income, to arrive at the value. This yield is based on comparable market yields. These investment properties are categorised as Level 2 in the fair value hierarchy as the measurement technique uses inputs that are observable for the asset, either directly or indirectly, and there is no reasonably available information that indicates the market participants would use different assumptions.

## Highest and Best Use of Investment Property Assets

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is not the current use for two of the smallholdings; Locking Head Cottage Farm and Locking Head Farm. In each case the highest and best value reflects the fact that a part of each farm is allocated for development as part of the Parklands Village

# Notes to the Balance Sheet



development area and the valuations therefore reflect this future development potential. These properties are not presently in their highest and best use, because they are subject to protected tenancies.

## Valuation Techniques

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

## Valuation Process

The fair value of the authority's investment properties is measured annually at each reporting date. All of the investment property valuations were carried out internally in accordance with the Royal Institution of Chartered Surveyors Red Book. The authority's valuation experts work closely with finance officers reporting directly to the Chief Financial Officer on a regular basis regarding all valuation matters.

	Fair Value 31 March 2017 £000	Valuation Technique Used to Measure Fair Value	Unobservable Inputs	Range (weighted average)	Sensitivity
Commercial Units	5,995	Combination of income and market approach	Yield Rate % of MV attributable to Land Discount Rate	5% - 6.75% 91% - 100% 5%	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets
Smallholdings	7,611	Combination of income and market approach	Discount Rate Development Land Values Deferment Period	5% £100 per acre 7 - 10 years	
<b>Total</b>	<u>13,606</u>				

## 11. Assets Held For Sale

	Current Assets	
	2015/16 £000	2016/17 £000
Balance at 1 April	567	0
Revaluation gains / (losses)	83	0
Assets sold	(650)	0
<b>Balance at 31 March</b>	<u>0</u>	<u>0</u>



# Notes to the Balance Sheet



## 12. Debtors

	2015/16 £000	2016/17 £000
Central Government Bodies	4,303	4,863
Other Local Authorities	4,746	11,090
NHS Bodies	2,596	1,001
Public Corporations and Trading Funds	2,836	326
Academies	181	287
Other Entities and Individuals	24,082	18,536
<b>Total Short Term Debtors</b>	<b>38,744</b>	<b>36,103</b>
Prepayments	7,124	7,117
<b>Total Short Term Debtors and Prepayments</b>	<b>45,868</b>	<b>43,220</b>

## 13. Creditors

	2015/16 £000	2016/17 £000
Central Government Bodies	(2,871)	(3,191)
Other Local Authorities	(5,987)	(5,558)
NHS Bodies	(540)	(428)
Public Corporations and Trading Funds	(68)	(10)
Academies	0	(6)
Other Entities and Individuals	(36,097)	(29,517)
<b>Total Short Term Creditors</b>	<b>(45,563)</b>	<b>(38,710)</b>
Finance lease obligations due within 12 months	(39)	(13)
<b>Total Short Term Creditors including finance lease obligations</b>	<b>(45,602)</b>	<b>(38,723)</b>

# Notes to the Balance Sheet



## 14. Provisions

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

	Balance 1 April 2016 £000	Additional Provisions Made £000	Amounts Used & Reversed £000	Balance 31 March 2017 £000
Insurance Provisions				
- General Fund	(2,112)	(428)	908	(1,632)
- Sheltered Leasehold	(54)	(15)	40	(29)
- Ex Avon	(40)	0	0	(40)
NNDR Appeals Provision	(1,980)	0	469	(1,511)
Severance Cost Provision	(561)	(448)	527	(482)
MMI Provision	(340)	0	56	(284)
NNDR Revaluation Provisions	(263)	0	79	(184)
Waste Provision	(210)	0	210	0
Land Charges Provision	(198)	0	198	0
Youth Services Provision	(185)	0	185	0
Planning Appeals Provision	(65)	0	0	(65)
Housing Legal Costs	(44)	0	41	(3)
Homelessness Review	(1)	0	1	0
<b>Total Provisions</b>	<b>(6,053)</b>	<b>(891)</b>	<b>2,714</b>	<b>(4,230)</b>
<b>Expected future timing of associated outflows of economic benefit:</b>				
Less than 1 year	(4,016)			(2,683)
Over 1 year, less than 5 years	(1,771)		(1,239)	
Over 5 years	(266)		(308)	(1,547)
	<u>(6,053)</u>			<u>(4,230)</u>

### Provisions over £250k

### Description

Insurance Provisions	Provisions set-aside to finance the estimated costs of reported insurance claims.
NNDR Revaluation Provision	To finance the costs associated with the delivery of past NNDR Revaluations.
Severance Provision	To finance severance costs relating to decisions made prior to Balance Sheet date to terminate officer employments.
MMI Provision	To finance the liabilities arising from the run-off of known claims made against Municipal Mutual Insurance (MMI), the former insurer for both Woodspring DC and Avon CC
NNDR Appeals Provision	To finance the estimated costs of current NNDR appeals which have been lodged with the Valuation Office

# Notes to the Balance Sheet



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

Provision has also been made within the accounts for NNDR appeals which have been lodged with the Valuation Office, but which have not yet been settled, and which in all probability may well result in a payment from the Council to the appellant. In order to quantify such a provision a number of factors relating to previously settled appeals and potential future categories of appeals were assessed and the appeals provision for 2016/17 was based upon the statistical averages of such successful appeals and also rateable values lost on those successful appeals, together with an allowance for known potential future claims.

## 15. Insurance Provisions and Reserves

The insurance provisions and reserves balance stood at £4.762m as at 31 March 2017 (31 March 2016 £5.129m). Identified outstanding potential commitments at this date stand at approximately £1.701m (31 March 2016 £2.112m), and are reflected in the insurance provisions shown in Note 14 above. However, as always with insurance claims, they can take time to materialise and therefore the Council has set-aside reserves totalling £3.061m (31 March 2016 £3.017m) (Note 2.2, page 24) to meet any further potential claims yet to be reported.

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

The Council's insurance arrangements do include a measure of financial risk mitigation through the use of stop-losses which effectively cap the Council's financial exposure for each insurance year. The stop-loss levels during 2016/17 for both the property and liability policies were £300,000 and £1,100,000 respectively.

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

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

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

# Notes to the Balance Sheet



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

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

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

	2015/16 £000	2016/17 £000
<u>North Somerset Share of LGR Debt Outstanding</u>	14,671	<b>14,084</b>
Total Interest Paid in Year	745	<b>715</b>
Avon Debt Repayments - Minimum Revenue Provision	611	<b>587</b>
<u>NSC Share of Converted Debt Rescheduling Costs</u>	355	<b>341</b>
Interest Paid in Year	18	<b>17</b>
Avon Debt Restructuring Repayments - Minimum Revenue Provision	15	<b>14</b>
<u>NSC Share of Other Debt Rescheduling Costs Outstanding</u>		
Interest Paid in Year	32	<b>31</b>
Premiums & Discounts in Year	15	<b>14</b>
Share of Post 1996 Probation Advances	2	<b>2</b>
<b><u>Total for both LGR and Debt Restructuring</u></b>		
North Somerset Debt Outstanding	15,026	<b>14,425</b>
Interest Paid in Year	795	<b>763</b>
Premiums & Discounts in Year	15	<b>14</b>
Debt Repayments - Minimum Revenue Provision	626	<b>601</b>
Post 1996 Probation Advances	2	<b>2</b>

# Additional Disclosures – Key Notes for Stakeholders



## 17. Events After the Reporting Period

Since 31 March 2017, up to the date when the Council's accounts were authorised, there have been no events that require any adjustment to be made. All information in respect of existing conditions and issues which was known at 31 March 2017 have been fully reflected within the financial statements and disclosures.

## 18. Contingent Liabilities and Contingent Assets

### 18.1 Contingent Liabilities

Each Director has to produce an Annual Assurance Statement for their Directorate and within these Statements, they are required to identify whether there is any potential litigation or claims that may affect the financial statements. There are 2 significant risks to the financial statements.

#### National Non Domestic Rating – Unlodged Appeals

As at the 31st March 2017 there were over 6,000 properties on the Council's NNDR Rating List which have rateable values ranging from approximately £60 to over £5m. The Rating List gives the Council a possible obligation, as any one of these properties could potentially lodge an appeal with the Valuation Office against their liability, which could then result in a payment from the council to the appellant should it be found to be successful.

The Council has made a provision for the cost of ongoing appeals made to the Valuation Office (see Note 14, page 48). However, it has not been possible to reliably measure the obligation for future appeals, as there are no reliable statistics on when such appeals may be made, how many appeals will be successful, the rateable value of the appealed property or the value of payments that will be made to successful appellants.

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

#### National Non Domestic Rating - NHS Charities

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

If the Hospital Trusts and Ambulance Service Trusts that operate within North Somerset were to submit claims for charitable relief which were successful, it is expected that the claims would be backdated to 1 April 2010 and would cost North Somerset Council £2m.

### 18.2 Contingent Assets

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

## 19. Members' Allowances

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

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

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

# Additional Disclosures – Key Notes for Stakeholders



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

	2015/16 £	2016/17 £
Basic Allowances	412,823	<b>408,050</b>
Special Responsibility Allowances	197,882	<b>201,961</b>
Employers National Insurance	29,014	<b>30,178</b>
Travel Expenses & Subsistence	22,075	<b>21,390</b>
	<b>661,794</b>	<b>661,579</b>

## 20. Officer Remuneration

### 20.1 Senior Officer Remuneration

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

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

At North Somerset Council the disclosures relate to the Chief Executive Officer and those officers that form the Council's Corporate Management Team, plus the Director of Public Health in accordance with the Accounts and Audit (England) Regulations 2015. No bonuses or benefits in kind were paid to Senior Officers in the year.

# Additional Disclosures – Key Notes for Stakeholders



Post	Salary (incl. fees & allowances) £	Payments made in respect of Elections £	2016/2017		Total Remuneration incl. pension contributions £
			Total Remuneration excl. pension contributions £	Pension Contributions £	
Chief Executive	148,470	1,000	149,470	37,043	186,513
Director of People & Communities	123,656	0	123,656	30,852	154,508
Director of Development & Environment	108,174	0	108,174	26,989	135,163
Director of Public Health <sup>1</sup>	58,985	0	58,985	8,608	67,593
Head of Finance and Property	96,447	0	96,447	23,465	119,912
Head of Performance Improvement & HR	84,597	1,338	85,935	21,107	107,042
Head of Legal & Democratic Services	77,259	9,564	86,823	19,276	106,099
	<b>697,588</b>	<b>11,902</b>	<b>709,490</b>	<b>167,340</b>	<b>876,830</b>

<sup>1</sup> The new Director of Public Health took up office on 1 August 2016.

Post	Salary (incl. fees & allowances) £	Payments made in respect of Elections £	2015/2016 Restated		Total Remuneration incl. pension contributions £
			Total Remuneration excl. pension contributions £	Pension Contributions £	
Chief Executive	147,000	1,775	148,775	34,178	182,953
Director of People & Communities	122,432	225	122,657	28,465	151,122
Director of Development & Environment <sup>1</sup>	108,544	0	108,544	24,855	133,399
Director of Development & Environment <sup>2</sup>	2,591	315	2,906	603	3,509
Director of Public Health <sup>3</sup>	0	0	0	0	0
Head of Finance and Property <sup>4</sup>	95,516	0	95,516	21,649	117,165
Head of Performance Improvement & HR	83,759	718	84,477	19,474	103,951
Head of Legal & Democratic Services	76,494	9,421	85,915	17,785	103,700
	<b>636,336</b>	<b>12,453</b>	<b>648,789</b>	<b>147,009</b>	<b>795,798</b>

<sup>1</sup> The Director of Development and Environment left the organisation on 31 March 2016.

<sup>2</sup> The new Director of Development and Environment took up office on 23 March 2016.

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

<sup>4</sup> The postholder holds the S.151 responsibilities of the Chief Financial Officer and is in receipt of a temp additional allowance. This note has been restated to reflect payments made in respect of election duties.

In some years the Chief and Deputy Returning Officers and other senior officers receive payments for election duties. Payments in respect of Parliamentary, Parish, Police and Crime Commissioner and European election expenses are not considered as remuneration for employment by North Somerset Council and are funded by other sources. Payments made in respect of District elections are considered to be remuneration for employment by the Council.

## 20.2 Other Remuneration

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

# Additional Disclosures – Key Notes for Stakeholders



Remuneration Band	No. of Employees		Remuneration Band	No of Employees	
	2015/16	2016/17		2015/16	2016/17
£50,000 - £54,999	62	41	£90,000 - £94,999	1	2
£55,000 - £59,999	29	35	£95,000 - £99,999	0	0
£60,000 - £64,999	20	11	£100,000 - £104,999	0	0
£65,000 - £69,999	12	10	£105,000 - £109,999	1	1
£70,000 - £74,999	11	10	£110,000 - £114,999	0	0
£75,000 - £79,999	6	5	£115,000 - £119,999	0	0
£80,000 - £84,999	5	2	£120,000 - £124,999	1	1
£85,000 - £89,999	0	2	£145,000 - £149,999	1	1

## 21. Termination Benefits

### 21.1 Redundancy and compensation

An amount of £0.757m (2015/16 £0.707m) has been reflected within the Comprehensive Income and Expenditure Statement in respect of severance payments during the year. All payments are within the limits permitted by statute and the superannuation and compensation regulations, applicable at the time of the payment. The balance shown in Creditors in the Balance Sheet for these transactions was £0.257m (2016/17 £0.072m).

### 21.2 Pension Strain

During 2016/17, a sum of £0.320m (2015/16 £0.773m) was charged to services in the Comprehensive Income and Expenditure Statement in respect of pension strain costs, and at the year-end, the balance shown in Creditors in the Balance Sheet for these transactions was £0.096m (2015/16 £0.258m). Any additional contributions (strain contributions and augmentation contributions) that are due to be paid in the year by the Council under any agreement with the pension fund are recognised immediately as an expense.

	2015/2016		2016/2017	
	No. of Packages	£000	No. of Packages	£000
Charged and Accrued for within the Comprehensive Income & Expenditure Statement				
- Severance Payments		707		757
- Pension Strain Costs		773		320
	58	<u>1,480</u>	64	<u>1,077</u>

### 21.3 Exit Packages

The total cost of £1.077m (2015/16 £1.480m) shown above reflects the value of the exit packages which have been agreed, accrued and provided for and charged to the Council's Comprehensive Income and Expenditure Statement for the current year.

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



# Additional Disclosures – Key Notes for Stakeholders



	2015/2016		2016/2017	
	No. of Packages	£000	No. of Packages	£000
Up to £20,000	37	221	46	299
£20,001 to £40,000	8	249	10	289
£40,001 to £60,000	6	275	5	244
£60,001 to £80,000	2	133	2	128
£80,001 to £100,000	1	87	0	0
£100,001 to £150,000	4	515	1	117
	58	<u>1,480</u>	64	<u>1,077</u>

## 22. Capital Expenditure and Financing

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

	2015/16 £000	2016/17 £000
<b>Opening Capital Financing Requirement</b>	<b>135,941</b>	<b>131,563</b>
<b>Capital Investment in Year</b>		
Property, Plant and Equipment	47,024	46,093
Revenue Expenditure Funded from Capital Under Statute	3,198	8,151
	<u>50,222</u>	<u>54,244</u>
<b>Source of Finance</b>		
Capital Receipts and Reserves	(3,414)	(2,917)
Government Grants and Contributions	(39,211)	(38,841)
Revenue Provisions and Reserves	(3,335)	(1,754)
Minimum Revenue Provision and Voluntary Set Aside	(8,640)	(7,518)
	<u>(54,600)</u>	<u>(51,030)</u>
<b>Net Increase / (Decrease) in Capital Financing Requirement</b>	<b>(4,378)</b>	<b>3,214</b>
<b>Closing Capital Financing Requirement</b>	<b>131,563</b>	<b>134,777</b>
<b>Explanation of movement in year:</b>		
Increase in underlying need to borrow unsupported by Government assistance	4,262	10,732
Minimum Revenue Provision and Voluntary Set Aside	(8,640)	(7,518)
	<u>(4,378)</u>	<u>3,214</u>

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

# Additional Disclosures – Key Notes for Stakeholders



	2015/16 £000	2016/17 £000
Minimum Revenue Provision	(4,629)	<b>(3,428)</b>
Avon Loan Debt Minimum Revenue Provision	(626)	<b>(601)</b>
Voluntary Revenue Provision	(3,385)	<b>(3,489)</b>
	<b>(8,640)</b>	<b>(7,518)</b>

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

	2015/16 £000	2016/17 £000
Disabled Facilities Grants and Private Sector Renewal	1,515	<b>1,630</b>
Assistance to Housing Associations	720	<b>976</b>
Academy Schools & Colleges	962	<b>3,169</b>
Aids & Adaptations	0	<b>446</b>
Roads	0	<b>1,897</b>
Capital Works and Grants - Non Council Property (incl. Youth Centres)	1	<b>33</b>
	<b>3,198</b>	<b>8,151</b>

# Additional Disclosures – Key Notes for Stakeholders



## 23. Grant Income

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement in 2016/17.

2015/16 Restated Total Grants & Contns. £000		2016/17			Total Grants & Contns. £000
		Government Grants £000	Capital Grants & Contns. £000	Other Grants & Contns. £000	
	<b>Credited to Taxation and Non-Specific Grant Income (Note 7)</b>				
(35,561)	Non-ringfenced Government Grants	(28,704)	0	0	(28,704)
(38,364)	Capital Grants and Contributions	0	(30,164)	0	(30,164)
(73,925)		<b>(28,704)</b>	<b>(30,164)</b>	<b>0</b>	<b>(58,868)</b>
	<b>Credited to Cost of Services</b>				
(63,240)	Housing Benefit Subsidy	(61,048)	0	0	(61,048)
(913)	Housing Benefit Subsidy Administration	(730)	0	0	(730)
(258)	Local Council Tax Support - Administration & New Burdens	(245)	0	0	(245)
(250)	Discretionary Housing Benefits	(334)	0	0	(334)
(33)	Local Welfare Provision	0	0	0	0
(137)	Property Searches - New Burdens	(10)	0	0	(10)
(55)	Electoral Registraton	(104)	0	0	(104)
(88)	Adult & Community Learning	0	0	(187)	(187)
(8,976)	Other Corporate Services Grants & Contributions	(241)	0	(1,010)	(1,251)
(94,888)	Dedicated Schools Grant	(84,971)	0	0	(84,971)
(4,973)	Pupil Premium Grant	(4,338)	0	0	(4,338)
(2,236)	Universal Infant Free School Meals	(2,169)	0	0	(2,169)
(311)	Primary School PE & Sport Funding	(471)	0	0	(471)
(872)	Further Education Funding (+19)	(460)	0	0	(460)
0	Other Schools & Education Services Grants & Contributions	(6)	(63)	(4,929)	(4,998)
(2,087)	Education Services / Early Intervention Grant	(1,679)	0	0	(1,679)
(127)	Asylum Seekers Grant	(241)	0	0	(241)
(317)	Troubled Families	(425)	0	0	(425)
(82)	Adoption Reform Grant	(144)	0	0	(144)
(219)	Special Educational Needs Reform Grant	(171)	0	0	(171)
(310)	Youth Justice Board	0	0	(280)	(280)
(4,324)	Other Children's & Education Services Grants & Contributions	(366)	0	(2,216)	(2,582)
(223)	Local Reform & Community Voices	(126)	0	0	(126)
(1,465)	Care Bill Implementation	0	0	0	0
(6,308)	NHS North Somerset Clinical Commissioning Group	0	0	(5,004)	(5,004)
(299)	Independent Living Fund	(379)	0	0	(379)
(2,647)	Other Adult Social Care Services Grants & Contributions	0	0	(2,304)	(2,304)
(405)	Other Housing Services Grants & Contributions	(55)	0	(2,582)	(2,637)
(582)	Local Sustainable Transport Fund & DfT Highways	0	0	(360)	(360)
(5,083)	Other Development & Environment Grants & Contributions	(193)	(213)	(1,853)	(2,259)
(8,677)	Public Health Services Grants	(10,061)	0	(29)	(10,090)
0	Other Grants & Contributions	0	0	(1,434)	(1,434)
(210,385)		<b>(168,967)</b>	<b>(276)</b>	<b>(22,188)</b>	<b>(191,431)</b>

# Additional Disclosures – Key Notes for Stakeholders



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

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

	2015/16 £000	2016/17 £000
Capital Maintenance	(1,576)	<b>(753)</b>
Devolved Formula Grant	(866)	<b>(748)</b>
Basic Need Grant	(1,930)	<b>(4,139)</b>
Early Years Childcare	0	<b>(1,045)</b>
DfT Major Schemes	(3,746)	<b>(70)</b>
DfT Transport Grant	(878)	<b>(1,836)</b>
Other	(2,421)	<b>(1,933)</b>
	<b>(11,417)</b>	<b>(10,524)</b>

## 24. Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2016/17 and the balances carried over as at 31 March 2017 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2016/17 before Academy Recoupment	28,756	113,246	<b>142,002</b>
Academy Figure recouped for 2016/17	0	(57,031)	<b>(57,031)</b>
<i>Total DSG after Academy recoupment for 2016/17</i>	28,756	56,215	<b>84,971</b>
Surplus / (Deficit) brought forward from 2015/16	(511)	65	<b>(446)</b>
<i>Final Budgeted Distribution in 2016/17</i>	28,245	56,280	<b>84,525</b>
Actual central expenditure for the year	(30,255)	0	<b>(30,255)</b>
Actual ISB deployed to schools in year	0	(56,033)	<b>(56,033)</b>
<i>Expenditure in 2016/17</i>	(30,255)	(56,033)	<b>(86,288)</b>
<b>Surplus / (Deficit) Carried Forward to 2017/18</b>	<b>(2,010)</b>	<b>247</b>	<b>(1,763)</b>

At its meeting on 8<sup>th</sup> March 2017, the Strategic Schools Forum agreed to the carry forward of the deficit on DSG funding at the end of the 2016/17 financial year and into future years, subject its recovery from future years' DSG allocations to schools over a five-year period.

# Additional Disclosures – Key Notes for Stakeholders



## 25. Pooled Budgets and Joint Funding Arrangements

April 2015 saw the introduction of the Better Care Fund, which is a high-profile policy initiative aimed at enabling health bodies and local authorities to work collaboratively together to address specific health and social care issues by joining resources and government funding allocations. The establishment of joint working arrangements between NHS bodies and local authorities can take many forms which could include localised jointly funded projects, the establishment of pooled budget arrangements or the adoption of a Section 75 or a Section 256 agreement. The accounting requirements for the Better Care Fund pooled resources depend on the nature of the Section 75 Agreement entered into by the parties as it identifies the rights, obligations and powers conferred on members and also where the control for the individual funds lie.

In 2016/17 the Council signed a Section 75 agreement with the North Somerset Clinical Commissioning Group in respect of the Better Care Funding and has considered in detail both the nature of the contractual terms and also the underlying substance and form of the commissioning practices when deciding upon the appropriate accounting treatment for the arrangement. This review concluded that neither party has overall control of the pooled funds and that a joint operation exists, which means that each member will recognise their own assets, liabilities, income and expenditure within their accounts. The following table summarises the following local authority and health agreements in respect of local authority and health functions:

	2015/16 £000	2016/17 £000
Section 75 Agreement - Funding for services commissioned by the Council and included within the Council's Comprehensive Income and Expenditure Statement:		
- Reablement Funding	952	952
- Integrated Community Equipment (ICES) Contribution	859	859
- Integrated Health and Social Care Teams	368	368
- Support to People with Mental Health Needs	1,820	1,820
- Support to Carers	1,020	1,020
- 7-Day working for Health and Social Care	318	321
- Home from Hospital Partnership	552	552
- Single Point of Access	594	594
- Enabling Elderly People to Stay Well at Home	2,208	2,390
- Contingency Allocation	194	194
	8,885	9,070
Section 75 Agreement - Funding for services commissioned by the NSCCG - not included within the Council's Comprehensive Income and Expenditure Statement:		
- Reablement Funding	566	1,058
- Integrated Community Equipment (ICES) Contribution	1,362	1,407
- Integrated Health and Social Care Teams	41	42
- Support to People with Mental Health Needs	2,446	2,446
- Support to Carers	120	121
- 7-Day working for Health and Social Care	947	957
- Community Rehabilitation Service	1,787	1,495
- Specialist Older People Team	393	397
- Pay for Performance	1,050	777
- Contingency Allocation	194	194
	8,906	8,894
<b>Total Funding Identified within Section 75 Agreement</b>	<b>17,791</b>	<b>17,964</b>

# Additional Disclosures – Key Notes for Stakeholders



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

A Section 256 agreement was also in place during the 2016/17 financial year to enable the joint commissioning of services in respect of Free Nursing and Continuing Health Care on behalf of the North Somerset Clinical Commissioning Group.

	2015/16 £000	2016/17 £000
Section 256 Agreement - Funding for services commissioned on behalf of NSCCG - not included within the Council's Comprehensive Income and Expenditure Statement:		
- Continuing Health Care (CHC) Commissioning	7,658	8,650
- Funded Nursing Care (FNC) Funding	4,156	4,150
<b>Total - Funding identified within Section 256 Agreement</b>	<b>11,814</b>	<b>12,800</b>

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

	2015/16 £000	2016/17 £000
Section 75 Agreement:		
- Funding from North Somerset Council	2,116	2,116
- Funding from Department for Communities and Local Government	936	1,632
- Funding from Department of Health	8,253	7,487
- Funding from North Somerset Clinical Commissioning Group	6,486	6,729
	<b>17,791</b>	<b>17,964</b>
Section 256 Agreement:		
- Funding from North Somerset Clinical Commissioning Group	11,814	12,800
	<b>11,814</b>	<b>12,800</b>
<b>Total</b>	<b>29,605</b>	<b>30,764</b>

Expenditure included within the Council's Comprehensive Income and Expenditure Account includes £9.248m (2015/16 £9.256m) in respect of the direct costs incurred for social care activities, in areas such as staffing and contracted services, as well the indirect expenditure incurred on the provision of Disabled Facilities Grants initially charged through the capital programme.

Any additional costs incurred for health related functions in excess of the £12.800m identified within the Section 256 agreement remain the liability of the North Somerset Clinical Commissioning Group with any such balances being reflected within the Council's balance sheet. Similarly, any surplus balances remaining where expenditure has been lower than the estimated funding provision given, will be returned after the year-end.

# Additional Disclosures – Key Notes for Stakeholders



## 26. External Audit Costs

In 2016/17 North Somerset Council incurred the following fees relating to external audit and inspection.

	2015/16 £000	2016/17 £000
Fees payable to Grant Thornton LLP with regard to the external audit and services carried out by the appointed auditor	113	112
Fees payable for the certification of statutory grant claims and returns	20	14
Fees payable for the certification of other grant claims and returns	4	8
<b>Total Audit Costs</b>	<b>137</b>	<b>134</b>

# Additional Disclosures – Technical Notes



## 27. Changes in Accounting Policy: IAS 1 Presentation of the Financial Statements

Following the “Telling the Story” changes to the CIPFA Code of Practice on Local Authority Accounting 2016/17 a number of amendments have been made to the Council’s core financial statements and supporting disclosure notes. This includes a simplified Movement in Reserves Statement and a Comprehensive Income and Expenditure Statement presented in the Council’s internal reporting format where previously the Net Cost of Services has been reported by SeRCOP classification.

The Council has restated its 2015/16 Comprehensive Income and Expenditure Statement following the change in requirements in the Code and in line with International Financial Reporting Standards.

The net cost of services is now disclosed in the Council’s own local reporting format, which is by Directorate. The table below shows the re-statement of the comparator entries in the Net Cost of Services between SeRCOP and Directorate formats.

### 27.1 Restatement following correction of a material error

When the Council disposes of assets it owns it is required to reflect the net gain or loss at the end of the year as ‘Other Operating Expenditure’ within the Comprehensive Income and Expenditure Statement. However if the Council disposes of a school asset following the transfer to academy status that it has previously recognised under Appendix E of the CIPFA Code of Practice on Local Authority Accounting, then such disposals should be reflected as a loss of control, and therefore included within the relevant cost of service.

The Council has corrected a previously unadjusted mis-statement identified in the 2015/16 financial statements, through restatement of the comparators shown below. This reflects the loss of control of £6.768m for schools assets not owned by the Council, on transfer to academy status. This loss was previously included as a loss on disposal in Other Operating Expenditure in Note 5, in error.



# Additional Disclosures – Technical Notes



Note	2015/16 Accounts			Adult Social Care £000	Children & Young People £000	Housing Services £000	Public Health £000	Corporate Services £000	Development & Environment £000	Technical Adjustments £000	2015/16 Restated		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000								Gross Expenditure £000	Gross Income £000	Net Expenditure £000
<b>SeRCOP Classification - Original</b>													
Adult Social Care	87,156	(26,712)	60,444	(60,228)	0	0	0	0	0	(216)	0	0	0
Central Services to the Public	5,072	(2,633)	2,439	0	0	0	0	(2,439)	0	0	0	0	0
Children's and Education Services	169,233	(127,404)	41,829	0	(41,829)	0	0	0	0	0	0	0	0
Cultural and Related Services	16,030	(4,182)	11,848	0	0	0	0	0	(11,848)	0	0	0	0
Environmental and Regulatory Services	24,098	(7,626)	16,472	0	0	0	0	0	(16,472)	0	0	0	0
Planning Services	5,736	(4,256)	1,480	0	0	0	0	0	(1,480)	0	0	0	0
Highways and Transport Services	28,042	(8,113)	19,929	0	0	0	0	0	(19,929)	0	0	0	0
Housing Services	74,651	(68,198)	6,453	0	0	(6,453)	0	0	0	0	0	0	0
Public Health Services	8,993	(8,712)	281	0	0	0	(281)	0	0	0	0	0	0
Corporate & Democratic Core	12,560	(9,363)	3,197	0	0	0	0	(3,197)	0	0	0	0	0
Non Distributed Cost	2,874	(4)	2,870	0	0	0	0	(2,870)	0	0	0	0	0
<b>Cost of Services - reclassified</b>	<b>434,445</b>	<b>(267,203)</b>	<b>167,242</b>	<b>(60,228)</b>	<b>(41,829)</b>	<b>(6,453)</b>	<b>(281)</b>	<b>(8,506)</b>	<b>(49,729)</b>	<b>(216)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Directorate Reporting - Revised</b>													
People & Communities	0	0	0										
Adult Social Care	0	0	0	60,228	(3)	4,040	0	0	1	0	89,036	(24,770)	64,266
Children & Young People	0	0	0	0	41,032	0	0	0	0	(11,162)	36,863	(6,993)	29,870
Housing Services	0	0	0	0	0	1,886	0	0	1	215	4,951	(2,849)	2,102
Public Health	0	0	0	0	0	0	281	0	0	10	8,993	(8,702)	291
Schools Budgets & Grants	0	0	0	0	800	0	0	0	0	17,921	129,539	(110,818)	18,721
	0	0	0	60,228	41,829	5,926	281	0	2	6,984	269,382	(154,132)	115,250
Corporate Services	0	0	0	0	0	527	0	8,156	110	0	94,877	(86,084)	8,793
Development & Environment	0	0	0	0	0	0	0	0	49,122	0	65,847	(16,725)	49,122
Non Service	0	0	0	0	0	0	0	350	495	0	868	(23)	845
<b>Cost of Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60,228</b>	<b>41,829</b>	<b>6,453</b>	<b>281</b>	<b>8,506</b>	<b>49,729</b>	<b>6,984</b>	<b>430,974</b>	<b>(256,964)</b>	<b>174,010</b>
Other Operating Expenditure	27.1	9,198	0	9,198	0	0	0	0	0	(6,768)	2,430	0	2,430
Financing and investment I&E		13,466	(7,673)	5,793	0	0	0	0	0	0	13,466	(7,673)	5,793
Taxation and non-specific grant income		0	(198,893)	(198,893)	0	0	0	0	0	0	0	(198,893)	(198,893)
<b>(Surplus) / Deficit on Provision of Services</b>		<b>457,109</b>	<b>(473,769)</b>	<b>(16,660)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>446,870</b>	<b>(463,530)</b>	<b>(16,660)</b>

# Additional Disclosures – Technical Notes



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

### 28.1 Teachers' Pension Scheme

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

The Scheme is a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and the performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17 the Council paid £4.692m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.42% of pensionable pay. The figures for 2015/16 were £4.248m and 15.39% respectively. Contributions of £0.327m were payable at the year-end.

The Council is also responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 29.3, page 71.

### 28.2 NHS Pension Scheme

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

As the NHS bodies account for the scheme as a defined contribution plan, the Council is unable to identify the underlying scheme assets and liabilities in the NHS pensions scheme for the staff transferred. For the purposes of this Statement of Accounts, it is therefore accounted for as a defined contribution scheme.

In 2016/17 the Council paid £0.055m to NHS Pensions in respect of public health staff retirement benefits, representing 14.00% of pensionable pay. The figures for 2015/16 were £0.046m and 13.46% respectively. Contributions of £0.005m were payable at the year-end (2015/16 £0.004m).

## 29. Defined Benefit Pension Schemes

### 29.1 Participation in Schemes

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

The Council participates in two schemes:

- the Local Government Pension Scheme, known as the Avon Pension Fund, administered by Bath & North-East Somerset Council;
- arrangements for the award of discretionary post-retirement benefits upon early retirement; this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

# Additional Disclosures – Technical Notes



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

	2015/16			2016/17		
	Funded £000	Unfunded £000	Total £000	Funded £000	Unfunded £000	Total £000
Local Government Pension Scheme	(170,315)	(18,474)	(188,789)	<b>(220,076)</b>	<b>(19,099)</b>	<b>(239,175)</b>
Unfunded Teachers' Discretionary Benefits	0	(25,033)	(25,033)	<b>0</b>	<b>(25,220)</b>	<b>(25,220)</b>
	<u>(170,315)</u>	<u>(43,507)</u>		<u><b>(220,076)</b></u>	<u><b>(44,319)</b></u>	
<b>Net liability arising from defined benefit obligation</b>			<u><b>(213,822)</b></u>			<u><b>(264,395)</b></u>

## 29.2 Local Government Pension Scheme

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

### Transactions Relating to Post-Employment Benefits

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

# Additional Disclosures – Technical Notes



	2015/16 £000	2016/17 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
- Current Service Cost	14,350	12,279
- (Gains) / Losses from Settlements & Curtailments	301	(10,248)
<i>Financing and Investment Income and Expenditure</i>		
- Net Interest Cost	5,965	6,118
- Administration Expense	213	255
<b>Net Charge to Surplus or Deficit on Provision of Services</b>	20,829	8,404
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of the net defined benefit liability comprising:		
- Return on Plan Assets, excluding the amount included in the net interest expense	17,558	(39,227)
- Experience (Gains) / Losses	0	(35,552)
- Actuarial (Gains) / Losses arising on changes in financial assumptions	(31,897)	133,439
- Actuarial (Gains) / Losses arising on changes in demographic assumptions	0	(2,328)
	(14,339)	56,332
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	6,490	64,736
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(20,829)	(8,404)
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>		
Employers' contributions payable to the scheme	13,554	14,350

## Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2015/16		2016/17	
	Funded £000	Unfunded £000	Funded £000	Unfunded £000
Present value of the defined benefit obligation	(566,988)	(18,474)	(665,780)	(19,099)
Fair value of plan assets	396,673	0	445,704	0
<b>Net liability arising from defined benefit obligation</b>	(170,315)	(18,474)	(220,076)	(19,099)

# Additional Disclosures – Technical Notes



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

	2015/16 £000	2016/17 £000
Opening Fair Value of Scheme Assets	404,184	396,673
Interest Income	12,973	13,919
Administration Expenses	(213)	(255)
Remeasurement Gains / (Losses)		
- The return on plan assets, excluding any amount in the net interest expense	(17,558)	39,227
Employers' Contributions	13,554	14,350
Employee Contributions	3,435	3,249
Settlements	(94)	(1,776)
Benefits Paid	(19,608)	(19,683)
<b>Closing Balance at 31 March</b>	<b>396,673</b>	<b>445,704</b>

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

	2015/16		2016/17	
	Funded £000	Unfunded £000	Funded £000	Unfunded £000
Opening Balance at 1 April	(580,354)	(19,589)	(566,988)	(18,474)
Current Service Cost	(14,350)	0	(12,279)	0
Interest Cost	(18,328)	(610)	(19,409)	(628)
Contributions by Scheme participants	(3,435)	0	(3,249)	0
Remeasurement Gains / (Losses);				
- Experience Gains / (Losses)	0	0	33,817	1,735
- Gains / (Losses) on financial assumptions	31,258	639	(130,585)	(2,854)
- Gains / (Losses) on demographic assumptions	0	0	2,271	57
Benefits Paid	18,522	1,086	18,618	1,065
Settlements / Curtailments	(301)	0	12,024	0
<b>Closing Balance at 31 March</b>	<b>(566,988)</b>	<b>(18,474)</b>	<b>(665,780)</b>	<b>(19,099)</b>

The accounting effect of the transfers of staff to academies during the year is shown under the settlement figures above.

# Additional Disclosures – Technical Notes



## Composition of Scheme Assets

	Quoted (Y / N)	2015/16 £000	2016/17 £000
<b>Cash and Cash Equivalents:</b>			
- Cash Accounts	Y	5,157	<b>5,348</b>
<b>Equity Instruments:</b>			
- UK	Y	65,051	<b>65,964</b>
- Global	Y	31,734	<b>40,559</b>
- North America	Y	36,891	<b>38,331</b>
- Japan	Y	11,504	<b>10,251</b>
- Europe ex-UK	Y	25,784	<b>22,285</b>
- Pacific Rim ex- Japan	Y	8,330	<b>10,697</b>
- Emerging Markets	Y	34,114	<b>43,679</b>
<b>Bonds:</b>			
- UK Government Fixed	Y	7,140	<b>0</b>
- UK Government Gilt Futures	Y	24,594	<b>0</b>
- UK Government Indexed	Y	0	<b>53,484</b>
- Overseas Government Fixed	Y	12,297	<b>0</b>
- Sterling Corporate Bonds	Y	36,891	<b>35,211</b>
<b>Property:</b>			
- UK Property Funds	Y	20,627	<b>18,720</b>
- Overseas Property Funds	Y	16,264	<b>20,057</b>
<b>Alternatives:</b>			
- Hedge Funds	Y	21,024	<b>24,068</b>
- Diversified Growth Funds	Y	39,271	<b>39,668</b>
- Infrastructure	Y	0	<b>17,382</b>
<b>Closing Balance at 31 March</b>		<b>396,673</b>	<b>445,704</b>

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions including, for example mortality rates and salary levels. The liabilities have been assessed by Mercer Limited, an independent firm of actuaries, providing estimates for the Avon Pension Fund based on the latest full valuation of the scheme as at 31 March 2016. The estimated duration of liabilities (at later of 31 March 2016 and admission date) is 17 years.

# Additional Disclosures – Technical Notes



The main assumptions used in their calculations have been:

	2015/16 £000	2016/17 £000
Rate of CPI inflation	2.0%	<b>2.3%</b>
Rate of increases in salaries	3.5%	<b>3.8%</b>
Rate of increases in pensions	2.0%	<b>2.3%</b>
Rate for discounting scheme liabilities	3.5%	<b>2.5%</b>
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners	Years	<b>Years</b>
Men	23.5	<b>23.5</b>
Women	26.0	<b>26.0</b>
Longevity at 65 for future pensioners in 20 years time	Years	<b>Years</b>
Men	25.9	<b>26.0</b>
Women	28.9	<b>28.7</b>

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

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

<b>Impact of the Defined Benefit Obligation in the Scheme:</b>	<b>£000</b>
Longevity - 1 year increase in life expectancy	<b>13,308</b>
Rate of inflation - 0.1% increase	<b>11,765</b>
Rate of increase in salaries - 0.1% pay growth	<b>1,959</b>
Rate for discounting Scheme Liabilities - 0.1% increase in discounting rate	<b>(11,566)</b>

## Governance and Risk Management

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

# Additional Disclosures – Technical Notes



## *Impact on the Council's Cashflows*

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

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation as at 31 March 2016, showed a shortfall of assets against liabilities of £0.80 billion, equivalent to a funding level of 83%.

The Council's contribution rate for 2016/17 was 14.2% and, along with other employers in the Fund, is paying additional contributions (equivalent to 10.75% for 2016/17) over a period of up to 16 years in order to meet the shortfall. The Council estimates its employer contributions to the Fund for 2017/18 will be £12.351m, including £5.397m (equivalent to 11.40% of pensionable pay) in respect of deficit recovery.

## *Risks and Investment Strategy*

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

To achieve its investment objective the Fund invests across a diverse range of assets such as equities, bonds, property and other alternative instruments, and uses a number of investment managers. The risk management process identifies and mitigates the risks arising from the Fund's investment strategy and policies, which are reviewed regularly to reflect changes in market conditions. As a result of its investment strategy, the Fund is exposed to a variety of financial risks, including market risk (market price, interest rate and currency risk), credit risk and liquidity risk.

- **Market Risk** – the objective of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return. Volatility in market risk is managed through diversification across asset class and investment managers.
- **Credit Risk** – as the market values of investments reflect an assessment of creditworthiness in their pricing, the risk of loss is implicitly provided for in the carrying value of the assets and liabilities.
- **Liquidity Risk** – the investment strategy and cash management policy ensure that the pension fund has adequate cash to meet its working requirements. The Fund has immediate access to its cash holdings and a substantial portion of the Fund's investments consist of readily realisable securities, in particular equities and fixed income investments. The main liabilities of the Fund are the benefits payable as they fall due over a long period and the investment strategy reflects the long term nature of these liabilities.

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



# Additional Disclosures – Technical Notes



## 29.3 Unfunded Teachers' Discretionary Benefits

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year in relation to unfunded Teachers' Discretionary Benefits:

	2015/16 £000	2016/17 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Financing and Investment Income and Expenditure</i>		
- Net Interest Cost	803	822
<b>Net Charge to Surplus or Deficit on Provision of Services</b>	803	822
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of the net defined benefit liability comprising:		
- Experience (Gains) / Losses	0	(1,502)
- (Gains) / Losses arising on changes in demographic assumptions	0	(299)
- (Gains) / Losses arising on changes in financial assumptions	(763)	2,894
	(763)	1,093
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	40	1,915
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(803)	(822)
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>		
Employers' contributions payable to the scheme	1,793	1,728

### Pension Assets and Liabilities Recognised in the Balance Sheet

The present value of the defined benefit obligation in the Balance Sheet as at 31 March 2017 is £25.220m. There are no assets associated with the scheme.

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

	2015/16 £000	2016/17 £000
Opening Balance at 1 April	(26,786)	(25,033)
Interest Cost	(803)	(822)
Remeasurement Gains / (Losses)	763	(1,093)
Benefits Paid	1,793	1,728
<b>Closing Balance at 31 March</b>	(25,033)	(25,220)

# Additional Disclosures – Technical Notes



## Basis for Estimating Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions include, for example, mortality rates and salary levels. The liabilities have been assessed by Mercer Limited, an independent firm of actuaries, providing estimates for the Avon Pension Fund, based on the latest full valuation of the scheme as at 31 March 2016. The estimated duration of liabilities (at later of 31 March 2016 and admission date) is 10 years.

The main assumptions used in their calculations have been:

	2015/16 Restated £000	2016/17 £000
Rate of CPI inflation	2.0%	<b>2.3%</b>
Rate of increases in pensions	2.0%	<b>2.3%</b>
Rate for discounting scheme liabilities	3.4%	<b>2.5%</b>
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners	Years	<b>Years</b>
Men	13.5	<b>14.4</b>
Women	16.0	<b>16.5</b>

In 2015/16 the actuary provided longevity assumptions based upon age 65, the prior year comparator has been restated to reflect the change to 75 years.

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

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

<b>Impact on the Defined Benefit Obligation in the Scheme:</b>	<b>£000</b>
Longevity - 1 year increase in life expectancy	844
Rate of inflation - 0.1% increase	261
Rate for discounting Scheme Liabilities - 0.1% increase in discounting rate	(260)

## Governance and Risk Management

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

# Additional Disclosures – Technical Notes



## *Impact on the Council's Cashflows*

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

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

## *Risks Strategy*

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

## 30. Financial Instruments

### 30.1 Categories of Financial Instruments

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

	Long Term		Current	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
<b>Financial Assets</b>				
Loans and receivables	2,078	50	82,148	75,709
Available-for-sale financial assets	4,749	4,602	0	0
Long term debtors	1,277	1,220	0	0
Cash and cash equivalents	0	0	2,446	3,398
	<u>8,104</u>	<u>5,872</u>	<u>84,594</u>	<u>79,107</u>
<b>Financial assets carried at contract amounts</b>				
Loans and receivables	0	0	15,216	13,698
<b>Total Financial Assets</b>	<u>8,104</u>	<u>5,872</u>	<u>99,810</u>	<u>92,805</u>
<b>Financial Liabilities held at amortised cost</b>				
Borrowings	(115,649)	(118,405)	(8,940)	(21,550)
<b>Financial Liabilities carried at contract amounts</b>				
Short term creditors	0	0	(16,044)	(13,618)
Cash and cash equivalents (bank overdraft)	0	0	0	0
	<u>0</u>	<u>0</u>	<u>(16,044)</u>	<u>(13,618)</u>
<b>Total Financial Liabilities</b>	<u>(115,649)</u>	<u>(118,405)</u>	<u>(24,984)</u>	<u>(35,168)</u>

# Additional Disclosures – Technical Notes



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

	2015/16		2016/17	
	Debtors £000	Creditors £000	Debtors £000	Creditors £000
Total Short Terms Debtors / Creditors on Balance Sheet	32,851	(45,602)	43,220	(38,723)
Statutory & Government Debtors / Creditors	(10,511)	12,703	(22,406)	12,768
Payments / Receipts in Advance	(7,124)	6,785	(7,116)	5,776
Bonds and Deposits	0	10,031	0	6,548
Short Term Finance Lease Liabilities	0	39	0	13
<b>Total Financial Assets</b>	<b>15,216</b>	<b>(16,044)</b>	<b>13,698</b>	<b>(13,618)</b>

## 30.2 Income, Expense, Gains and Losses

2015/2016			2016/2017		
Financial Assets		Financial Liabilities	Financial Assets		Financial Liabilities
Loans & Rec. £000	A-f-Sale £000	£000	Loans & Rec. £000	A-f-Sale £000	£000
0	0	6,362	0	0	5,931
7	251	0	0	147	0
7	251	6,362	0	147	5,931
(1,286)	(79)	0	(1,007)	(245)	0
(1,286)	(79)	0	(1,007)	(245)	0
(1,279)	172	6,362	(1,007)	(98)	5,931

## 30.3 Fair Values of Assets and Liabilities

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

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

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

# Additional Disclosures – Technical Notes



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

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.
- N/A – the fair value of short-term assets and liabilities including trade receivables, long term debtors and payables is not materially different from the carrying amount.

The fair value of liabilities is shown below:

		31 March 2016		31 March 2017	
	Fair Value Level	Balance Sheet £000	Fair Value (market valuation) £000	Balance Sheet £000	Fair Value (market valuation) £000
<b>Financial Liabilities</b>					
<i>Financial Liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	(115,649)	(136,159)	<b>(118,405)</b>	<b>(155,495)</b>
Short-term financial liabilities	2	(24,984)	(24,984)	<b>(35,168)</b>	<b>(35,168)</b>
<b>Total Financial Liabilities</b>		<b>(140,633)</b>	<b>(161,143)</b>	<b>(153,573)</b>	<b>(190,663)</b>
<i>Recorded on Balance Sheet as:</i>					
Long-term borrowings		(115,649)		<b>(118,405)</b>	
Short-term borrowings		(8,940)		<b>(21,550)</b>	
Short-term creditors		(16,044)		<b>(13,618)</b>	
Cash and cash equivalents		0		0	
<b>Total Financial Liabilities</b>		<b>(140,633)</b>		<b>(153,573)</b>	

## Level 2 Fair Value Liabilities

Fair value is an unbiased estimate of the potential market price of an asset and the measurement assumes that a financial liability is transferred to a market participant responsible for fulfilling the obligation. The Council's financial liabilities relate to borrowing that has fixed or determinable payments, and are not quoted on active markets. The fair value of the Council's long term PWLB borrowing uses observed rates of return for comparable replacement liabilities. As discounting is not appropriate, the fair value of Other short term financial liabilities is not materially different from their carrying value.

# Additional Disclosures – Technical Notes



The fair value of assets is shown below:

	Fair Value Level	31 March 2016		31 March 2017	
		Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<i>Financial Assets held at fair value:</i>					
Bonds, equity and property funds	1	4,749	4,749	4,602	4,602
Shares in unlisted company	3	50	50	50	50
		<u>4,799</u>	<u>4,799</u>	<u>4,652</u>	<u>4,652</u>
<i>Financial assets held at amortised cost:</i>					
Long-term bank deposits	2	2,029	2,038	0	0
		<u>2,029</u>	<u>2,038</u>	<u>0</u>	<u>0</u>
Assets for which fair value is not materially different from carrying value	2	101,087	101,087	94,025	94,025
<b>Total Financial Assets</b>		<u>107,915</u>	<u>107,924</u>	<u>98,677</u>	<u>98,677</u>
<i>Recorded on Balance Sheet as:</i>					
Short-term investments		82,148		75,709	
Short-term debts		15,216		13,698	
Long-term investments		6,828		4,652	
Long-term debtors		1,277		1,220	
Cash and cash equivalents		2,446		3,398	
<b>Total Financial Assets</b>		<u>107,915</u>		<u>98,677</u>	

## Level 2 Fair Value Assets

These assets relate largely to short term assets, and long term debtors. Their fair value is calculated at cost, amortised at their effective interest rate. This is not materially different from their carrying value.

## Level 3 Fair Value Assets

This relates to unquoted equity instruments measured at cost, where fair value cannot be reliably measured. The Council has a shareholding in The Local Capital Finance Company, representing less than 1% of the company's capital. The shares are carried at a cost of £50k, as a fair value cannot be reliably measured. The company was formed in February 2014 and as such has no established trading history. There are no established companies with similar aims in the Council's area whose shares are traded and which might provide comparable market data. The Council has no current intention of disposing of this shareholding.

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

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

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments

# Additional Disclosures – Technical Notes



- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

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

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

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

	Amount at 31 March 2017 £000 (A)	Historical experience of default % (B)	Historical experience adj for market conditions % (C)	Estimated max exposure to default and non- collectability £000 (A x C)
<i>Financial Assets</i>				
Loans & Receivables	75,709	0.5%	0.5%	375
Long term debtors	1,220	0.0%	0.0%	0
Cash and cash equivalents	3,398	0.0%	0.0%	0
<i>Financial assets carried at Contract Amounts</i>				
Customers (Trade Debtors)	7,274	15.0%	15.0%	1,088
Other Debtors (Accruals)	6,424	0.0%	0.0%	0
<b>As at 31 March 2017</b>	<b>94,025</b>			<b>1,463</b>
As at 31 March 2016	103,116			2,955

The Council does not generally allow credit for customers, such that £7.274m of the Trade Debtor balance shown above is past its due date as follows:

	2015/16 £000	2016/17 £000
Less than 30 days	995	3,277
30 to 60 days	3,432	618
Over 60 days	3,795	3,379
<b>Total</b>	<b>8,222</b>	<b>7,274</b>

The historical experience of default for banks and financial institutions has been provided by Moody's, one of the credit rating organisations used by the Council. Whilst the current market conditions have raised the overall possibility of default, the Council maintains strict criteria for investment counterparties in order to mitigate this risk wherever possible.

# Additional Disclosures – Technical Notes



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

## Liquidity Risk

As the Council has ready access to borrowing from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial liabilities. Instead, the risk is that the Council may be bound to replenish its borrowings at a time of unfavourable interest rates. The Council's strategy is to ensure that no more than £8m of loans are due to mature within any one year through a combination of careful planning of the timing of new loans taken out, and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

	PWLB £000	Other £000	Total £000
Less than one year	5,004	16,546	<b>21,550</b>
Between one and two years	100	0	<b>100</b>
Between two and five years	5,422	0	<b>5,422</b>
Between five and ten years	26,761	0	<b>26,761</b>
More than ten years	86,123	0	<b>86,123</b>
<b>Totals</b>	<b>123,410</b>	<b>16,546</b>	<b>139,956</b>

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

## Interest Rate Risk

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

- borrowings at fixed rates – the interest expense charged to the Surplus or Deficit on the Provision of Services would rise; a 1% increase would result in additional costs of £1.4m (2015/16 £1.2m)
- borrowings at fixed rates – the fair value of the liabilities will fall; a 1% increase in the average interest rate would result in a £45.5m reduction in the fair value (2015/16 £14.0m)
- investments at fixed rates - the interest income credited to the Surplus or Deficit on the Provision of Services would rise; a 1% increase would result in a £0.9m increase in income (2015/16 £1.3m)
- investments at fixed rates – the fair value of the assets would fall; a 1% increase in the average interest rate would result in a £69.8m reduction in the fair value (2015/16 £40.4m).

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

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



# Additional Disclosures – Technical Notes



## Price Risk

The council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £5m. A 5% fall in commercial property prices would result in a £0.25m charge to Other Comprehensive Income & Expenditure. However, as the investment is carried at cost, this would have no impact on the Surplus or Deficit on the Provision of Services until the investment was sold.

## Foreign Exchange Risk

As at 31 March 2017 the Council held no investments which may be exposed to the risk of foreign exchange movements.

## 32. Leases

### 32.1 Authority as Lessee

#### Finance Leases

The Council has acquired property, vehicles and print room equipment under finance leases. The net book value of these assets, and the related finance lease liabilities included in the Balance Sheet are not material.

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

	2015/16 £000	2016/17 £000
Finance Lease Liabilities		
- Current	39	13
- Non Current	2,273	2,245
Finance costs payable in future years	15,930	15,485
<b>Minimum Lease Payments</b>	<b>18,242</b>	<b>17,743</b>

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

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2015/16 £000	2016/17	2015/16	2016/17 £000
Not later than one year	484	453	39	13
Later than one year and not later than five years	1,783	1,750	37	10
Later than five years	15,975	15,540	2,236	2,235
<b>Minimum Lease Payments</b>	<b>18,242</b>	<b>17,743</b>	<b>2,312</b>	<b>2,258</b>

# Additional Disclosures – Technical Notes



## Operating Leases

The Council utilises a number of administrative buildings and its fleet of vehicles by entering into operating leases, with typical lives of five years for vehicles and equipment and 164 years for property. The future minimum lease payments due under non-cancellable leases in future years, and related charges to the Cost of Services in the Comprehensive Income and Expenditure Statement, are not material.

## **32.2 Authority as Lessor**

### Finance Leases

The Council does not own any significant property that it leases out under finance leases with the exception of the 125-year leases entered into upon the conversion of authority owned schools to academies as described in Note 9.5, page 43.

### Operating Leases

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

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

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

	2015/16 £000	2016/17 £000
Not later than one year	1,613	986
Later than one year and not later than five years	1,806	1,705
Later than five years	6,644	6,401
<b>Total</b>	10,063	9,092

The gross value of assets which were held for use in operating leases was £20.774m valued at 31 March 2017 (31 March 2016 - £20.573m).

# Additional Disclosures – Technical Notes



## 33. Business Rate Arrangements

### 33.1 City Region Deal

#### Background

Under the City Region Deal, Bristol City, Bath & North East Somerset, North Somerset and South Gloucestershire councils (“the Authorities”) are part of a Business Rates Retention Scheme, introduced by the government in April 2013 which allowed authorities to retain a proportion of the business rates collected locally.

The Authorities are allowed to retain 100% of the growth in business rates raised in the City Regions network of Enterprise Areas over a 25 year period ending on 31/3/2039, to create an Economic Development Fund for the West of England and to manage local demographic and service pressures arising from economic growth.

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

#### Transactions

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

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

# Additional Disclosures – Technical Notes



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

	CASH TRANSACTIONS		EXPENDITURE & REVENUE	
	Business Rates Pool Total £000	of which the Council's Share £000	Council Expenditure £000	Council Revenue £000
Funds held by BRP at 1 April	(9,453)	(2,202)	0	0
Analysed between:				
- Uncommitted cash (Tier 2 including contingency)	(9,453)	(2,202)		
- Committed cash not yet allocated	0	0		
Receipts into the Pool in-year:				
- Growth sums payable by councils to BRP in-year	(12,717)	(2,052)	1,565	0
Distributions out of the Pool in-year:				
- Tier 1 no worse off	5,125	1,011	0	(1,011)
- BRP management fee	44	11	0	0
- EDF management fee	55	14	0	0
- Tier 2 EDF funding	2,144	367	0	(50)
- Tier 3 demographic and service pressures	1,178	162	0	(200)
Total Distributions out of the Pool in-year	8,546	1,565		
<b>Funds held by BRP at 31 March</b>	<b>(13,624)</b>	<b>(2,689)</b>		
Analysed between:				
- Uncommitted cash (Tier 2 including contingency)	(10,325)	(2,038)	435	n/a
- Committed cash not yet allocated	(3,299)	(651)	52	n/a
	<b>(13,624)</b>	<b>(2,689)</b>		
<b>Expenditure / (Revenue) recognised</b>			<b>2,052</b>	<b>(1,261)</b>

As stated under the accounting policy note A1 xxi on page 106, 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. Any remaining cash is recognised by each council as a debtor.

The BRP has made several payments totalling £2.144m on behalf of the EDF in 2016/17, of which the Council received £0.050m.

The uncommitted and unallocated cash of £2.689m (2015/16 £2.201m) contributed by the Council and held by the BRP is recognised by the Council as a debtor and is held in an earmarked reserve to smooth the impact of City Region Deal transactions, and match the release of revenue support and charges for projects. The differences between the cash sums paid by the Council of £2.052m (2015/16 £6.879m) and the expenditure recognised of £1.565m (2015/16 £4.714m) is equivalent to the £0.487m (2015/16 £2.165m) increase in uncommitted and unallocated funds included in reserves.

# Additional Disclosures – Technical Notes



Under the terms of the EDF agreement, annual EDF payments from the business rates pool will only be made subject to there being sufficient cash held in the Fund in the relevant year, and will be pro-rated in the event of a shortfall. Until the EDF payments become physically due each year, the cash is retained in the business rates pool and held as "Committed Cash not yet allocated". These allocations will fluctuate significantly as overall levels of cash in the Fund change and as additional EDF-funded projects are approved. EDF income to the Council in respect of future year payments from the EDF is not considered sufficiently certain in terms of timing or amount to recognise a debtor at year end, and therefore is contingent. Based on the current cash held and status of approved schemes, the contingent future allocation of the committed cash to the Council is £0.651m (2015/16 £Nil) , of the total £3.299m (2015/16 £Nil) committed pool balance.

The Council itself has recognised revenue income of £1.261m (2015/16: £4.362m) from the BRP and expenditure of £1.565m (2014/15 £4.714m) to the BRP for the year. The decrease compared to previous years is due to the 2015/16 transfer of the Port of Bristol's rating assessment from the Enterprise Area in Bristol into North Somerset. The transfer included a one-off backdated element equivalent to £5m.

## 33.2 Somerset Business Rates Pool

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

The Levy rate can be reduced by being part of a Business Rates Pool. The Somerset Business Rates Pool was established with effect from 1st April 2015. North Somerset Council is a member of the Pool which consists of Somerset County Council, Bath and North East Somerset Council and four other Districts. Membership of the Pool has reduced the overall levy paid by £2.425m. A set percentage of this gain is paid to North Somerset for participating in the Pool which amounted to £0.190m in 2016/17 (2015/16 £0.135m).



# Cash Flow Statement



31 March 2016 £000		Note	31 March 2017 £000
16,660	Net surplus / (deficit) on the provision of services	CIES	(44,076)
39,718	Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements	34.1	73,383
(47,486)	Adjustments for items included in the provision of services that are investing or financing activities	34.2	(39,799)
<b>8,892</b>	<b>Net cash flows from Operating Activities</b>		<b>(10,492)</b>
	<b>Investing Activities</b>		
(42,655)	Purchase of non-current assets		(47,331)
7,329	Proceeds from sale of non-current assets		3,402
			<b>(43,929)</b>
(381,000)	Purchase of short and long term investments		(320,100)
374,517	Proceeds from sale of short and long term investments		328,100
			<b>8,000</b>
(1,111)	Other payments for Investing Activities		(597)
37,958	Other receipts from Investing Activities		32,167
			<b>31,570</b>
<b>(4,962)</b>	<b>Net cash flows from Investing Activities</b>		<b>(4,359)</b>
	<b>Financing Activities</b>		
28,263	Cash receipts from short and long term borrowing		54,022
(29,156)	Repayments of short and long term borrowing		(39,261)
			<b>14,761</b>
(70)	Finance lease repayments		(68)
(1,707)	Other net (payments) / receipts for Financing Activities		1,110
			<b>1,042</b>
<b>(2,670)</b>	<b>Net cash flows from Financing Activities</b>		<b>15,803</b>
<b>1,260</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>952</b>
1,186	Cash and cash equivalents at the beginning of the reporting period		2,446
<b>2,446</b>	<b>Cash and cash equivalents at the end of the reporting period comprising:</b>		<b>3,398</b>
2,446	Cash held by the Council	34.4	3,398
0	Bank Current Accounts		0
<b>2,446</b>			<b>3,398</b>

# Notes to the Cash Flow Statement



## 34. Notes to the Cash Flow Statement

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

	2015/16 £000	2016/17 £000
Depreciation and impairment	30,360	19,549
Increase / (decrease) in creditors	7,745	(6,341)
(Increase) / decrease in debtors	(11,981)	6,862
(Increase) / decrease in inventories	10	23
Movement in Pension liability	6,379	(6,852)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	12,015	62,142
Increase / (decrease) in provisions	1,060	(1,823)
Movements in the value of investment properties	(5,827)	(177)
Other non-cash items charged to the net surplus or deficit on the provision of services	(43)	0
<b>Net adjustments for non-cash movements</b>	<b>39,718</b>	<b>73,383</b>

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

	2015/16 £000	2016/17 £000
Capital grants applied to the financing of capital expenditure	(40,182)	(36,433)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,304)	(3,366)
<b>Net adjustments for investing and financing activities</b>	<b>(47,486)</b>	<b>(39,799)</b>



# Notes to the Cash Flow Statement



## 34.3 Operating Activities

The cash flows for operating activities include the following:

	2015/16 £000	2016/17 £000
Interest received	1,528	1,720
Interest paid	(6,564)	(6,239)

## 34.4 Cash Offsetting Arrangements

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those areas that have been offset in the balance sheet.

	2015/16 Restated £000	2016/17 £000
Cash subject to netting arrangement	15,044	10,675
Overdraft subject to netting arrangement	(14,579)	(8,527)
<b>Net cash subject to netting arrangement</b>	465	2,148
Other cash and cash equivalents	1,981	1,250
<b>Cash and cash equivalents presented in the Balance Sheet</b>	<b>2,446</b>	<b>3,398</b>



# Collection Fund



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

2015/16				Note	2016/17		
Business Rates £000	Council Tax £000	Total £000			Business Rates £000	Council Tax £000	Total £000
			<b>Income</b>				
0	(109,604)	(109,604)	Council Tax Receivable	CF1	0	(115,507)	(115,507)
(69,708)	0	(69,708)	Business Rates Receivable	CF2	(63,968)	0	(63,968)
(69,708)	(109,604)	(179,312)	<b>Total Income</b>		(63,968)	(115,507)	<b>(179,475)</b>
			<b>Expenditure</b>				
			<u>Apportionment of Previous Years' Surplus</u>				
711	0	711	Central Government		4,750	0	4,750
696	439	1,135	North Somerset Council		4,655	927	5,582
0	62	62	Police and Crime Commissioner for Avon & Somerset		0	133	133
14	23	37	Avon Fire Authority		95	51	146
1,421	524	1,945			9,500	1,111	10,611
			<u>Precepts, Demands and Shares</u>				
28,715	0	28,715	Central Government		30,891	0	30,891
28,140	90,074	118,214	North Somerset Council		30,273	95,570	125,843
0	12,933	12,933	Police and Crime Commissioner for Avon & Somerset		0	13,478	13,478
574	4,928	5,502	Avon Fire Authority		618	5,136	5,754
57,429	107,935	165,364			61,782	114,184	175,966
			<u>Charges to the Collection Fund</u>				
(613)	(888)	(1,501)	Write offs of uncollectable amounts	CF3	(385)	(256)	(641)
123	983	1,106	Increase / (Decrease) in Bad Debt Allowances	CF3	255	486	741
1,770	0	1,770	Increase / (Decrease) in Provision for Appeals		1,108		1,108
262	0	262	Cost of Collection		262		262
347	0	347	Disregarded Amounts	CF5	694		694
1,889	95	1,984			1,934	230	2,164
60,739	108,554	169,293	<b>Total Expenditure</b>		73,216	115,525	<b>188,741</b>
(8,969)	(1,050)	(10,019)	<b>(Surplus) / Deficit arising during the year</b>		<b>9,248</b>	<b>18</b>	<b>9,266</b>
(1,269)	(612)	(1,881)	<b>(Surplus) / Deficit brought forward</b>		(10,238)	(1,662)	(11,900)
(10,238)	(1,662)	(11,900)	<b>(Surplus) / Deficit carried forward</b>	CF4	<b>(990)</b>	<b>(1,644)</b>	<b>(2,634)</b>

## CF1. Council Tax System

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

# Notes to the Collection Fund



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

In order to set the council tax, we estimate the number of dwellings in each of eight valuation bands and convert these estimates into an “equivalent number of Band D dwellings”. The table below shows the calculation for 2016/17.

Valuation Bands	Estimated number of taxable dwellings after effect of exemptions and discounts	Ratio	Equivalent number of Band D dwellings
A - up to £40,000	10,701	6/9	7,133.8
B - £40,001 to £52,000	18,029	7/9	14,022.2
C - £52,001 to £68,000	19,957	8/9	17,739.3
D - £68,001 to £88,000	15,461	9/9	15,460.8
E - £88,001 to £120,000	11,469	11/9	14,017.7
F - £120,001 to £160,000	5,860	13/9	8,464.1
G - £160,001 to £320,000	3,077	15/9	5,128.3
H - over £320,001	222	18/9	443.5
	<b>84,774</b>		<b>82,409.7</b>
Reduction for Council Tax Support Scheme			(6,743.3)
Allowance for Losses on Collection			(609.7)
Allowance for New Properties			551.0
			<b>75,607.7</b>

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

The above calculations resulted in an “average Band D Tax” of £1,510.21 per dwelling for 2016/17 (2015/16 - £1,458.66) after taking into account Parish variations and providing a 0.80% provision for unpaid bills, movement in council tax support claimants and new build properties not as planned (2015/16 – 1.35%).

The actual council tax income for 2016/17 was £115,507,617.80, dividing this figure by the “average Band D Tax” results in an actual tax base of 76,484.5 dwellings. The difference between this and the total “equivalent Band D dwellings” of 75,608 reflects:

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

# Notes to the Collection Fund



## CF2. National Non-domestic Rates

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

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

	2015/16	2016/17
Total Non-domestic Rateable Value at 31 March	£154,712,101	<b>£154,768,609</b>
National Non-domestic Rate Multiplier - Standard	49.3p	<b>49.7p</b>
National Non-domestic Rate Multiplier - Small Business	48.0p	<b>48.4p</b>

The Business Rates receivable amount on the face of the Collection Fund Account of £63.968m, is lower than the total of Non-domestic Rateable Value multiplied by the Non-domestic Rate Multiplier due to the award of various reliefs including Small Business Rate Relief and other mandatory and discretionary rate reliefs.

## CF3. Tax Payers' Arrears

	2015/16 £000	2016/17 £000	
Council Tax Arrears	10,521	<b>10,718</b>	
Business Rates Arrears	12,240	<b>4,181</b>	
<b>Gross Tax Payers' Arrears at 31 March</b>	<b>22,761</b>	<b>14,899</b>	
Council Tax Prepayments	(4,181)	<b>(4,990)</b>	
Business Rates Prepayments	(2,272)	<b>(1,809)</b>	
<b>Gross Tax Payers' Prepayments at 31 March</b>	<b>(6,453)</b>	<b>(6,799)</b>	
<b>Net Tax Payers' Arrears as at 31 March</b>	<b>16,308</b>	<b>8,100</b>	
<u>Allowances for Tax Payers' Debts</u>			<b>% of arrears at 31 March</b>
Council Tax	5,992	<b>6,222</b>	<b>58.05%</b>
Business Rates	2,225	<b>2,094</b>	<b>50.08%</b>
<b>Total Allowances for Tax Payers' Debts</b>	<b>8,217</b>	<b>8,316</b>	

# Notes to the Collection Fund



The Business Rates arrears at year-end is significantly less than last year. This is due to the Port Cumulo being moved to North Somerset Council's Rating List in March 2016 (backdated to 1 April 2010), from Bristol City Council's Rating List. An invoice was raised at the end of March 2016 and was paid in early April 2016, meaning that the invoice was therefore no longer outstanding at March 2017.

## CF4. Balance Sheet items Apportionment

	<b>Total £000</b>	North Somerset Council £000	Police & Crime Commissioner £000	Central Government £000	Avon Fire Authority £000
<b>Council Tax</b>					
Debtors	<b>10,718</b>	9,007	1,239	n/a	472
Bad Debt Allowance	<b>(6,222)</b>	(5,229)	(719)	n/a	(274)
Prepayments and Overpayments	<b>(4,990)</b>	(4,194)	(577)	n/a	(219)
(Surplus) / Deficit at 31 March	<b>(1,644)</b>	(1,375)	(195)	n/a	(74)
<b>Business Rates</b>					
Debtors	<b>4,181</b>	2,049	n/a	2,090	42
Bad Debt Allowance	<b>(2,094)</b>	(1,026)	n/a	(1,047)	(21)
Prepayments & Overpayments	<b>(1,810)</b>	(887)	n/a	(905)	(18)
Appeals Provision	<b>(3,084)</b>	(1,511)	n/a	(1,542)	(31)
(Surplus) / Deficit at 31 March	<b>(990)</b>	(485)	n/a	(495)	(10)

## CF5. Business Rates – Disregarded Amounts

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

All such growth is transferred to the Council's General Fund, with the Enterprise Area growth then being pooled with other participating authorities in the City Region Deal (see Note 33.1) to the main financial statements for full details).

	2015/16 £000	2016/17 £000
Renewable Energy	89	168
Enterprise Area - transfer to City Region Deal	258	526
	<b>347</b>	<b>694</b>

# Accounting Policies and Related Disclosures



## A1. Accounting Policies

### i. General Principles

The Statement of Accounts summarises the council's transactions for the financial year 2016/2017 and its position at the year-end of 31 March 2017. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which are required to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) and the Service Reporting Code of Practice 2016/17 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

### ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the the Council.
- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be measured reliably and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Revenue relating to council tax and non-domestic rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates. These transactions are therefore required to be measured at their full amount receivable.

### iii. Cash and Cash Equivalents

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

# Accounting Policies and Related Disclosures



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

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

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

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

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

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

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

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

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

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

## vi. Employee Benefits

### Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu), earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

The accrual is made at the wage or salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.



# Accounting Policies and Related Disclosures



## Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of:

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

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

## Post-Employment Benefits

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

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

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

### a) The Local Government Pension Scheme

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

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

# Accounting Policies and Related Disclosures



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

## Service cost comprising:

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

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

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

## Re-measurement comprising:

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

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

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

Statutory provisions require the General Fund balance to be charged only with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are made to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits, and to 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 therefore reflects the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## b) Discretionary Benefits

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

## c) Somerset and Gloucestershire County Council Schemes

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

# Accounting Policies and Related Disclosures



## vii. Events After the Reporting Period

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

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

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

## viii. Financial Instruments

### Financial Liabilities

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

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

### Financial Assets

Financial Assets are classified into two types:

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

# Accounting Policies and Related Disclosures



## a) Loans and Receivables

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

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

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

## b) Available-for-Sale Assets

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

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

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

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

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

# Accounting Policies and Related Disclosures



If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

## ix. Government Grants and Contributions

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

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

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

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

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

## x. Investment Property

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

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

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

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line, and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not

# Accounting Policies and Related Disclosures



permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement, and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## xi. Joint Operations

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

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

## xii. Leases

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

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

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

### The Authority as Lessee

#### a) Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation, 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, 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.

# Accounting Policies and Related Disclosures



## b) Operating Leases

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

### The Authority as Lessor

#### a) Finance Leases

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

#### b) Operating Leases

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

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

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

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

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

#### Recognition

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

#### *School Assets*

Appendix E to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) confirms that maintained schools are capable of being treated as separate entities for control purposes and that, based on the indicators of control within IFRS10, the balance of control lies with the Local Authority, with control of assets being determined in line with relevant standards.

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

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

# Accounting Policies and Related Disclosures



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

## Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

## Revaluation

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

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

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

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

The Section 151 Officer obtains an annual appraisal of trends in property values from the Council's Property Estates and Regeneration Manager in respect of the Council's assets. Based on this appraisal a judgement will be made as to whether any amendment to the Council's accounts is required or whether an adjustment is needed to its revaluation programme.



# Accounting Policies and Related Disclosures



All Property, Plant and Equipment revaluations are reflected within the accounts at the beginning of each financial year, whilst any indexation amendments to asset values are reflected at the end of the financial year..

## Impairment

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

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

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

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

The Section 151 Officer is provided with an annual statement from the Property Estates & Regeneration Manager of any of the Council's assets that suffered an impairment loss during the year.

## Depreciation

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

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

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

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

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

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

Components could be:

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

# Accounting Policies and Related Disclosures



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

## Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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

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

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the

# Accounting Policies and Related Disclosures



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

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

## Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## Contingent Assets

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

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

## **xvi. Reserves**

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

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

Certain reserves are maintained to manage specific accounting processes for non-current assets, financial instruments, retirement and employee and post-employment benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

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

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

# Accounting Policies and Related Disclosures



## xviii. Accounting for Schools

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

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

## xix. VAT

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

## xx. Interest on Internal Balances

In the main, subject to the principles of materiality, interest on internal balances is only paid where required by statute or where sums have been deposited with the Council for specific purposes, e.g. developers' contributions to developments. The exceptions to this rule are where the Council is acting as the accountable body for a partnership of which it is a member.

## xxi. Allocation between Current and Non-Current

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

## xxii. City Region Deal

The Council has applied the principles of IPSAS23 'Revenue from non-Exchange transactions' (taxes and transfers) in accounting for the transactions and balances relating to the City Region Deal.

City Region Deal business rates growth paid to the accountable body (South Gloucestershire Council) for the Business Rates Pool (BRP) is recognised by the Council as a debtor until such point that the funds are paid out by the BRP or committed and allocated by the Economic Development Fund (EDF) to fund EDF payments in respect of approved programmes.

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

## xxiii. Fair Value Measurement

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

# Accounting Policies and Related Disclosures



The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

## xxiv. Council Tax and Non-Domestic Rates

The Council acts as agent, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principal, collecting Council Tax and NDR for itself. The Council is required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, the Council as billing authority, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

### Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account, and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

## A2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note A1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Better Care Funding - The Section 75 agreement by which Better Care resources have been pooled between the Council and North Somerset CCG has been assessed against the appropriate standards, mainly IFRS 10 and IFRS11. The arrangement has been assessed to be classified as a joint operation given the control and governance

# Accounting Policies and Related Disclosures



arrangements of the pool. As such, each party accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation. Further details are set out in Note 25.

- Funding - There remains uncertainty about future levels of funding for the Council and local government as a whole. The Council has had to consider a range of options on how to continue to provide its services with a reduced level of funding which has included considerations regarding its asset base. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of services provision.
- Accounting for schools non-current assets – The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. This states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the schools land and buildings on its Balance Sheet where it directly owns the assets, and also the building assets of the school where the owning entity has transferred rights to use the assets. The Council has completed a school by school assessment across the different types of schools it controls within the district. Judgements have been made to determine the arrangements in place, and the accounting treatment of the land and building assets.
- City Region Deal – the Council has determined that transactions occurring in respect of the City Region Deal arrangement arise from non-exchange transactions (the collection of Non-Domestic Rates by the council) and so IPSAS 23 may be applied in accounting for them. The Council’s accounting policy and note to the Statement of Accounts are described on pages 106 and 82 respectively.
- Leases - The Council’s finance officers have applied and followed the primary indicators within the Code in determining lease classification between operating lease and finance leases. This assessment requires a degree of professional judgment in determining the classification. It should be noted that materiality has also been applied to assess whether the classification would significantly affect the financial statements.
- Contractual Arrangements – The Council has made judgements on whether its contractual arrangements contain embedded leases (i.e. arrangements that are not legally leases but take the form of payments in return for the use of specific assets).
- Investment property – The Council has made judgements in considering the application of the highest and best use in assessing the fair value of investment property.

## A3. Anticipated Changes to the Financial Statements 2017/18 and beyond

### A3 Accounting Standards Not Yet Adopted

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

There are no new or amended international accounting standards that have been issued will be adopted by the Code in 2017/18, and will be applicable to the Council from 1 April 2017.

Other changes due to annual improvements are minor and are not expected to have a material effect on the Council’s Statement of Accounts.

# Accounting Policies and Related Disclosures



## A4. Assumptions and Other Major Sources of Estimation

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### Property, Plant and Equipment

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

It is estimated that the annual depreciation charge for buildings would increase by approximately £0.265m for each year should useful lives ever be decreased in such a way (2015/16 £0.220m).

### Pensions Liability

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

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension deficit of the Local Government Pension Scheme of £11.566m (2015/16 £10.266m), and a decrease of £0.260m (2015/16 £0.249m) of the Teachers Unfunded Discretionary Benefits.

### Arrears

At 31 March 2017, the Council had a balance of sundry debtors for £8.193m (31 March 2016 £10.361m). Impairment of doubtful debts is provided at varying levels dependent on the age of debt and experience of collection. However, in the current economic climate it is not certain that such an allowance will be sufficient.

If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.087m to be set aside as an allowance (31 March 2016 £1.020m).

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

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

Rent Allowances and Rent Rebate Overpayments – 75% for outstanding debt raised in 2016/17, 80% for outstanding debt of more than 1 year but less than 4 years, and 100% for debts outstanding for more than 4 years.

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

Recovery Stage	Council Tax	Non-Domestic Rates
Bill raised within the last two months	5%	25%
Summons sent, no charging order applied	25%	45%
Liability Order raised	50%	50%
Referred to Bailiffs	81%	71%
No trace of debtor	100%	100%

# Accounting Policies and Related Disclosures



## NDR Appeals Provision

Councils are liable for successful appeals against business rates charged to businesses in 2016/17 and earlier financial years in their proportionate share. Therefore a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2017. In order to quantify such a provision a number of factors relating to previously settled appeals and potential future categories of appeals were assessed and the appeals provision for 2016/17 was based upon the statistical averages of such successful appeals and also rateable values lost on those successful appeals.

If a greater amount of appeals occurs than has been estimated then this will be an increased cost on the Collection Fund, which could negatively impact on any future out-turn position of the Collection Fund. An increase in the appeals provision estimate of 1.0%, would increase the year-end NDR appeals provision by £3.08m (2015/16 £0.404m). Further information on the provision for appeals is included in Note 14.

## Fair Value Measurements

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

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

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

## Property, Plant and Equipment

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

Any revaluation of assets either upward or downward would be reflected in the Council's asset base. It is estimated that a 1% change in net book asset values would result in a change of approximately £4m (2015/16 £4m).

## **A5. Related Parties**

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

## Central Government

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

Details of grants received from Government departments and carried in the Balance Sheet at 31 March 2017 are shown in Note 23. Short term debtor and creditor balances with Government bodies are shown in Notes 12 and 13. In addition the Council has applied the following significant capital grants for the financing of capital expenditure during 2016/17:



# Accounting Policies and Related Disclosures



Awarding Body	Type of Grant	Amount £000
Department for Education	Capital Maintenance	2,738
Department for Education	Basic Need	2,699
Dept. for Communities & Local Government	Disabled Facilities Grants	1,571
Department for Transport	Local Transport Plan, Pothole Action Fun	4,254
Department for Transport	Major Transport Schemes	3,676
Department for Transport	Local Growth Fund	8,368

## Members and Chief Officers

Members of the Council have direct control over the Council's financial and operating policies. All Members, together with the Council's Corporate Management Team, have been asked to sign a declaration detailing any relevant transactions entered into by them or close members of their family during the financial year. At the time of completing the accounts all Councillors had returned their declarations.

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

## Avon Pension Fund

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

## West of England Partnership

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

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

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

From 1st April 2014, the Council is a major partner in the West of England City Region Deal, details of which are disclosed in Note 33.1.

## Other Public Bodies

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

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



# Annual Governance Statement



## 1. Scope of Responsibility

- 1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which includes ensuring a sound system of internal control and effective arrangements for the management of risk.
- 1.3 The Council has adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of our code is available from our website <http://www.n-somerset.gov.uk/>. CIPFA/SOLACE Guidance has been updated during the year and a revised Code will be approved by Council in 2017.
- 1.4 This Statement explains how North Somerset Council has complied with our Local Code of Corporate Governance and also meets the requirements of:
  - The Accounts and Audit (England) Regulations 2015, specifically Regulation 6 (1) in respect of the annual review of the effectiveness of its system of internal control and preparation and publication of an Annual Governance Statement.
- 1.5 The governance framework described in this Statement has been in place at the Council for the year ended 31 March 2017, and up to the date of the approval of the statement of account.

## 2. The Purpose of the Governance Framework

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

## 3. Context for the Annual Governance Statement

- 3.1 The unprecedented financial challenge within the Local Government sector continues unabated and North Somerset Council continues to meet this challenge delivering over £55m of revenue savings since 2010. However, public sector austerity means that further savings and transformation of services are required and a strong framework of governance and internal control will continue to be necessary for the Council to deliver its priorities against this backdrop.
- 3.2 In 2016/17 £8 million of savings or increased income was identified within the budget and in the main these have been delivered successfully without any negative impact on customers. However with further savings more difficult to come by, delivering and maintaining a sustainable local income stream will be crucial to our financial planning model linking with the core strand of 'growth' within the corporate plan.

# Annual Governance Statement



- 3.3 A four year efficiency plan has been agreed with central government which entails delivery of even higher levels of savings resulting from the latest local government finance settlement and this has formed the backdrop to the Council's work in 2016/17 on its medium term financial plan. The Council has therefore recognised its need to continue to transform to meet the financial challenges and its transformation programme plans to deliver significant savings with many areas well advance.
- 3.4 The Council continues its strong approach to financial control and value for money whilst recognising that new technology will increasingly play a large part in future efficiencies, with its digital strategy now forming a central theme to service redesign within the Transformation Programme.
- 3.5 Demographic changes have also meant pressures on social service budgets have continued. The Council has had to work harder than ever to ensure vulnerable groups and individuals remain safe. In particular the number of children and young people in need of care continues to put pressure on services, especially in the area of learning difficulties. However the Council works strongly through its People and Communities Board with its key health partners to use the Better Care fund to jointly commission preventative and early intervention care and support. It has also actively looked at innovation and new ways of thinking to tackle the issues it is facing and has agreed use of a Social Impact Bond where working in partnership with children on the 'edge of care' and their families helps stem demand over the medium term through maintaining security and welfare in the family home.
- 3.6 However key to the Council's future plans is supporting new economic growth and delivering on the Council's new Economic Plan. The town centre is already designated as a Housing Zone by the Government and working with the Homes and Community Agency (HCA) will help provide funding and support to unlock brownfield land for housing development.
- 3.7 The re-development of the Police Station, former Magistrates' Court, Roselawn Terrace, Walliscote Grove Road East Car Park, and their immediate surroundings, will act as catalysts to set a new quality benchmark for the town. Public realm improvements will enhance the setting of the new and existing buildings and establishing the area as a key gateway to the town.
- 3.8 Work is progressing to completion on a £18m scheme to provide a cinema, restaurants, indoor climbing and soft play on part of the former Dolphin Square development and extensive plans have been made to regenerate Hutton Moor Sports Centre. Once completed these schemes will have a major impact on leisure and availability of restaurants in the heart of the town centre and the surrounding areas.
- 3.9 The Council has a strong background in delivering on major projects with a series of major transport schemes at J19, J21 and the Weston Package delivered on time and within budget in previous years. Work also completed during the year on the South Bristol Link road and significant effort has been targeted on progressing the Portishead Rail Link. Additional investment of £10.5m was delivered during the year into the Highways infrastructure as well as good progress on projects within the Enterprise Area.
- 3.10 As well as continuing to maximise external funding and with the help of the HCA and LEP the Council is focussed on future investment and on taking new opportunities, these will include the setting up of its own development companies to deliver on the growth agenda in future years. In addition the strong relationship with Weston College and aspiration to create Weston into a University town has also seen further progress with the regeneration of the Winter Gardens.
- 3.11 Despite the need to transform and redesign services to meet the scale of the financial challenges the Council's ambitions have remain unchanged – to provide a great place to live, where people, businesses and communities flourish. The Corporate Plan developed during the year recognises this with a new focus on Prosperity and Opportunity, Health & Wellbeing and Quality Places to further enhance delivery of our priorities.



# Annual Governance Statement



## 4. Methodology for Preparing the Annual Governance Statement 2016/17

Independent Assurance	Senior Management	Performance Management	External Review / Assurance	Corporate Assurance Sources
<ul style="list-style-type: none"> <li>• Head of Audit Opinion</li> <li>• Audit Plan &amp; Outcomes of work</li> <li>• Annual Audit Plan</li> <li>• Counter-fraud activity and Investigations</li> <li>• Risk Management</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Management Teams</li> <li>• Financial Strategy Board</li> <li>• Medium Term Financial Plans and Savings</li> <li>• Partnership Working</li> <li>• Client /Contract Management</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Plan</li> <li>• Performance &amp; Risk Management</li> <li>• Internal Management Reviews</li> <li>• KPI and Data Quality</li> <li>• Benchmarking</li> <li>• Programme and Project Management</li> </ul>	<ul style="list-style-type: none"> <li>• External Audit Plans, Letters and Reports</li> <li>• Inspection Reports</li> <li>• Peer Reviews</li> <li>• Commissioned Reviews</li> <li>• Ombudsman</li> </ul>	<ul style="list-style-type: none"> <li>• Consultation / Complaints / Feedback</li> <li>• Scrutiny Process</li> <li>• Audit Committee</li> <li>• Statutory Officers</li> <li>• Legal Services</li> <li>• The Executive</li> <li>• Equality Impact Assessments</li> <li>• Codes of Conduct</li> </ul>



Set out the arrangements for compilation and approval of the Annual Governance Statement 2016/17  
Audit Committee March 2016

Review progress made against any significant issues included in the 2015/16 Annual Governance Statement  
Audit Committee September 2016 - No Significant Issues

Consideration of emerging issues for 2016/17 Annual Governance Statement  
CMT & Statutory Officers Group Continuous up to May 2017



# Annual Governance Statement



## 5. The Governance Framework

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

### 5.1 Principle 1

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

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

#### **Sub Principles**

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

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

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

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

The Council's vision as detailed in the Corporate Plan 2015-19 is for *'A great place to live where people, businesses and communities flourish and modern, efficient services and a strong voice for North Somerset'*. The Corporate Plan underpins the work of the Council and the priorities set out within the document play an important role in directing the resources including staff and money and thereby the governance arrangements.

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

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

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



# Annual Governance Statement



## 5.2 Principle 2

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

#### **Sub Principles**

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

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

The Constitution includes descriptions of how the Council, Executive, Scrutiny and other groups operate and how they work with officers. It describes the rules for how meetings work and how decisions are made. The Constitution is reviewed annually and its outcomes reported back to Council.

#### **5.2.2 INCORPORATING GOOD GOVERNANCE ARRANGEMENTS IN RESPECT OF PARTNERSHIPS AND OTHER GROUP WORKING AND REFLECTING THESE IN THE COUNCIL'S OVERALL GOVERNANCE ARRANGEMENTS.**

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

- North Somerset Community Partnership is an overarching partnership for the area bringing together public, private and voluntary and community sector organisations. The Partnership continues to work hard on new plans to drive further integration and joint working across the different agencies to deliver sustainable benefits for the whole community. Governance arrangements are well established and now include the Infrastructure and Local Economy Board and People and Communities Board. The Partnership is chaired by the Leader of North Somerset Council.
- North Somerset Safeguarding Children's Board and North Somerset Safeguarding Adults Partnership Board work to reduce the risk of abuse and neglect for local people. The Children's Board is governed by statute.
- Schools are important partners and at high level the Council works with local schools including Academy Schools and other providers through the Strategic Schools Forum (SSF) to support children to achieve their full potential.
- The Council works with its three local Unitary Authorities and business partners in the West of England Local Enterprise Partnership. The partnership supports economic growth and works to attract new jobs and investment to the area. The partnership has long established local governance arrangements which were enhanced in response to agreeing the City Region Deal.
- In addition, whilst full Council decided not to join the new West of England Mayoral Combined Authority extensive co-operation and engagement has already been established to ensure North Somerset can maximise where possible opportunities to work across the sub-region on infrastructure, skills, employment and housing.
- The Council entered into a Strategic Partnership with Agilisys in 2010 (Agilisys and Liberata) which was extended in 2015. The partnership delivers much of the Council's support services such as ICT and the revenue and benefits service. Through the partnership the Council has increasingly used private sector expertise and innovation in its day to day business to drive up value for money and deliver better services. Governance is through a Strategic Partnership Board which has Member representation and an Operations Board.

# Annual Governance Statement



## 5.3 Principle 3

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

#### **Sub Principles**

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

The Council's values are defined in the Corporate Plan. They influence the way the Council goes about its business through its strategies, plans and behaviours. The values form the Council's leadership standards. These are promoted to all officers and form part of the induction process. All managers are assessed against the leadership standards within the annual appraisal process and these were refreshed in 2017.

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

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

## 5.4 Principle 4

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

#### **Sub Principles**

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

The Council periodically updates its Constitution, Standing Orders and Financial Regulations. These incorporate the scheme of delegation and describe how decisions are taken.

The Medium Term Financial Plan details how the Council intends to spend its financial resources over the short and medium term. A Procurement Management Strategy and Contract Management Strategy have been in place since 2012, however following the appointment of a new shared procurement manager with South Gloucestershire Council in 2015 these arrangements were refreshed with a new operating model agreed in 2016/17. All contract opportunities are advertised on the website and through the recognised government recommended portals.

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

# Annual Governance Statement



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

The Head of Finance and Property is the Council's Section 151 Officer. He attends the Corporate Management Team meetings. He ensures all decisions are in accordance with the medium term financial strategy and that public money is properly safeguarded. He is also required to ensure that the Council's finance function is adequately resourced and officers have the necessary experience and qualifications to provide an effective financial management service. As part of the Council's transformation activity the Finance Service was restructured during 2016/17 to align key finance roles more closely to the S151 Officer whilst ensuring each Directorate had a clearly defined Business Partner role to support them.

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

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

The Audit Committee comprises five elected Members and two independent (none elected) Members. The Committee's responsibilities are described in its terms of reference which form part of the Council's constitution. The Committee met formally four times during the year and in addition received briefings around specific topics relevant to its terms of reference. The Committee reports annually to Council to detail the work undertaken and demonstrate that it is discharging its responsibilities effectively.

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

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

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

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

The Council's policies and procedures promote a culture of integrity and high standards. The Constitution includes Codes of Conduct for staff and members, and the Anti-Fraud and Corruption Policy Statement. The Council also maintains a Counter Fraud Strategy and an active programme of work aims to prevent and detect any fraud which might affect the Council which were refreshed during 2016/17. The Council also revised and re-launched its Anti-Bribery Policy in 2015.

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

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

# Annual Governance Statement



## 5.5 Principle 5

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

#### Sub Principles

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

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

The appraisal is accompanied by a training and development plan. Mandatory training for managers includes Managing and Leading in North Somerset. A range of mechanisms are in place to meet officer's individual training and development needs including a suite of e-learning activities.

The Council puts on a programme of training and development for Members which is accessible at any time whilst newly elected Members receive more intensive support which was delivered following the elections in May 2015.

## 5.6 Principle 6

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

#### Sub Principles

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

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

Results from consultation exercises and resident's survey have been used to inform the Council's future direction and priorities.

North Somerset Life is an important mechanism for communicating with local people. It is delivered direct to over 91,000 homes and is also available at public buildings and on line. The magazine keeps people informed of what's happening in North Somerset and helps facilitate a dialogue between the Council and local people.

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

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

# Annual Governance Statement



## 6. Review of Effectiveness

### 6.1 PROCESSES FOR MAINTENANCE AND REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The process for the Annual Governance Statement is a continuous process and Senior Officers and the Audit Committee consider emerging issues during the course of the year. This means that controls issues and risks can be addressed more quickly.

Publication of this Annual Governance Statement is the culmination of this work. The Council's chief officers sign the Statement as a summary of the effectiveness of the Council's governance framework.

### 6.2 OTHER CONTRIBUTORY REVIEW / ASSURANCE MECHANISMS

In evaluating the effectiveness of the Council's governance, information is available from a wide range of sources. These include the Internal Audit Service, the Information Governance Group, the External Auditors, inspectorates such as the Care Quality Commission and directorates themselves.

The Head of Audit & Assurance in conjunction with Statutory Officers reviews the effectiveness of the governance framework during the year and the draft Annual Governance Statement. The Statement is signed by the Chief Executive and Leader of Council and formally reviewed by the Audit Committee as part of the Financial Statements.

Key risks have been kept under review during the year and will continue to form an ongoing focus for successful delivery of the Council's plans. Work to manage risk in 2016/17 has included –

- Meeting the Financial Challenge
- Reshaping the Council through its Transformation Programme
- Supporting and stimulating Economic Growth and Regeneration through its new economic plan
- Safeguarding Children and Vulnerable Adults
- Delivering joined up commissioning of social care through the Better Care Fund
- Supporting Council Services through an increase in its digital approach and effective use of IT
- Working across the west of England region to stimulate housing needs, skills and employment
- Managing and Investing in the key infrastructure and assets of the area and wider sub-region

# Annual Governance Statement



## 7. Head of Audit and Assurance Opinion

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

The Annual Audit Assurance Plan 2016/17 was developed to give an independent opinion to the Council on reasonable assurance through a systematic detailed risk assessment of the totality of systems, processes, plans and resources which make up the Council.

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

**Signed:**

A handwritten signature in black ink, appearing to read 'J. Wring'.

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

**Date:** 12 June 2017

# Annual Governance Statement



## 8. Update on Significant Issues raised in the 2015/16 Annual Governance Statement

Issue in 2015/16	Mitigating actions for 2016/17	Update 2016/17
<p>The unprecedented financial challenge continued into its sixth year, with public sector austerity likely to last until at least 2020. The Council has responded positively with over £55m of savings already delivered, however at least £30m of additional savings still need to be delivered over the remaining period.</p> <p>Whilst no significant governance failures have occurred, the Council acknowledge that the level of grant reductions from central government are a significant issue and represent a real challenge in being able to continue to deliver excellent services to the whole community at all times.</p> <p>Whilst all areas of the Council are under scrutiny this is especially important in the area of Health and Social Care where we are not only dealing with our most vulnerable members of the community but we are reliant on working with partners across different sectors, some of whom are also under severe financial stress such as our colleagues in NHS bodies.</p> <p>This puts additional strain on being able to meet the challenge and entails making difficult choices. We therefore need robust governance and</p>	<p>Council has already set out many of its plans to deliver services into the future against the backdrop of these significant financial reductions. Robust governance and sound risk management will continue to be required to ensure that all aspects of delivery are supported and scrutinised to enable the challenge to be met. Actions will include –</p> <ul style="list-style-type: none"> <li>- Using the Corporate Plan to help focus services on doing the right things for the North Somerset Community;</li> <li>- Using the Medium Term Financial Plan to enable sensible prioritisation of resources in the right areas;</li> <li>- Regularly monitoring of delivery against the annual revenue budget, alongside sensible utilisation and management of its reserves;</li> <li>- Working effectively with Key Partners, especially those in Health and across the West of England Area to support the most vulnerable in the community;</li> <li>- Enabling governance boards to monitor delivery of significant savings programmes;</li> </ul>	<p>The Council recognised the scale of the challenge facing it very early in the year and a number of actions as outlined were made to mitigate the significant issue. This included delivery of £8m of savings within the 2016/17 budget.</p> <p>Significant management effort was prioritised on achieving savings plans and managing demand to support the level of savings required. This included introducing strict management controls over staffing costs, training and all goods, works and services over £1,000 during the year.</p> <p>Despite this the Council's end of year position resulted in a £2.9m overall overspend.</p> <p>Primarily the overspend was incurred through additional costs in Adult Social Care and Children's Services and the reasons for this can be summarised as follows –</p> <ul style="list-style-type: none"> <li>- Costs associated with demographic pressures and implementing the National Living Wage;</li> <li>- Increased costs associated with care packages for those with complex needs;</li> <li>- Increasing demand for high dependency residential and nursing care;</li> <li>- Placements of children in high cost residential placements;</li> <li>- Additional agency and staff costs to ensure staffing is at levels to protect vulnerable children;</li> </ul>

# Annual Governance Statement



Issue in 2015/16	Mitigating actions for 2016/17	Update 2016/17
<p>sensible plans to enable services to deliver against all of these challenges.</p> <p>The Council is however well placed to do this but will need the support of the whole of its governance framework to deliver on this effectively.</p>	<ul style="list-style-type: none"> <li>- Using the Strategic Finance Review to strengthen and prioritise the right skills and expertise within the Finance function</li> </ul> <p>Overseeing delivery against this agenda is a key role for the Executive and Senior Management and they will continue to be pro-active in working to ensure that significant risks to the organisation are appropriately mitigated and controlled.</p>	<ul style="list-style-type: none"> <li>- In-year reduction of Education Services Grant by central government</li> </ul>

## 9. Significant Issues for 2016/17

Issue in 2016/17	Commentary & Mitigating actions for 2017/18
<p><b><u>Financial Challenge</u></b></p> <p>As detailed last year the significant issue identified around the financial challenge continues to be severe, with public sector austerity likely to last up to 2025.</p> <p>The Council has responded positively with over £50m of savings already delivered, however at least £21m of additional savings still need to be identified over the remaining period. Therefore the Council has been actively planning to meet this challenge with new savings initiatives already being worked on for the current and future years.</p> <p>Despite this the Council's financial sustainability is being challenged and its outturn position for 2016/17 resulted in a £2.8m overspend with again the major challenges and spend pressures being in the sectors of Adult Social Care and Children's Services.</p>	<p>As with last year the Council has already set out many of its plans to deliver services into the future against the backdrop of these significant financial reductions. Robust governance and sound risk management will continue to be required to ensure that all aspects of delivery are supported and scrutinised. Actions will include –</p> <ul style="list-style-type: none"> <li>- A co-ordinated change programme for adult social care which includes allocating £4.7m of additional growth within the medium term financial plan;</li> <li>- Using the Community Access review to rationalise our resource base within whilst improving accessibility of front line services such as children centres;</li> <li>- Use of the Social Impact Bond where working in partnership with children on the 'edge of care', and their families helps stem demand over the medium term through maintaining security and welfare in the family home;</li> </ul>



# Annual Governance Statement



Issue in 2016/17	Commentary & Mitigating actions for 2017/18
<p>Whilst again no significant governance failures have occurred, the Council acknowledge that the level of grant reductions from central government are a significant issue and represent the most significant set of challenges it has faced in being able to continue to deliver excellent services to the whole community at all times.</p> <p>Nationally the pressures in Social Care have started to be recognised and some temporary funding has been provided for future years. However this does not close the gap and increased health and social care integration and service transformation continues to be necessary.</p> <p>This puts additional strain on being able to meet the challenge not just in Social Care and Children's Services but across all services and entails making difficult choices. We therefore need robust governance and sensible plans to enable services to deliver against all of these challenges</p>	<ul style="list-style-type: none"> <li>- Reviewing the Single Point of Access (SPA) to help reduce demand, (primarily for elderly residents), and enable people to live in their own homes through structured and coordinated support;</li> <li>- Reviewing alternative service provision for high cost learning disability placements and Direct Payment provision.</li> <li>- Continuing the new stringent cost control mechanisms on staff costs, goods, works and services at an operational level whilst using the Corporate Plan and Medium Term Financial Plan to help focus services at a strategic level on doing the right things for the North Somerset Community;</li> <li>- More regular monitoring of delivery against the annual revenue budget, alongside sensible utilisation and management of its reserves;</li> <li>- Working effectively with Key Partners, especially those in Health and across the West of England Area to support the most vulnerable in the community;</li> <li>- Enabling its key governance boards to both support key change projects and monitor delivery of significant savings programmes;</li> </ul> <p>Overseeing delivery against this agenda is a key role for the Executive and Senior Management and they will continue to be pro-active in working to ensure that significant risks to the organisation are appropriately mitigated and controlled</p>

# Annual Governance Statement



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

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

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

Signed: **Mike Jackson**  
Chief Executive Officer

# Independent Auditor's Report and Opinion



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

We have audited the financial statements of North Somerset Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

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

As explained more fully in the Statement of Responsibilities, the Head of Finance and Property is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and Property; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Report, and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

### Opinion on other matters

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

# Independent Auditor's Report and Opinion



## Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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

### Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements. We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

## Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2017. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

# Independent Auditor's Report and Opinion



*Peter Barber*

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

Hartwell House  
55 –61 Victoria Street  
Bristol  
BS1 6FT

11 September 2017

# Glossary and Terms of Abbreviation



## A

### **Accounting Period**

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

### **Accounting Statements**

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

### **Accruals**

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

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

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

### **Amortisation**

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

### **Appointed Auditors**

Currently the appointment of External Auditors to Local Authorities is undertaken by Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee and incorporated by the Local Government Association in August 2014. This role was previously undertaken by The Audit Commission. For 2016/17 the responsibility for the appointment of said external auditor has been devolved to Grant Thornton UK LLP.

### **Approved Institutions**

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

### **Asset**

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

### **Audit of Accounts**

An independent examination of the Council's financial affairs.

## B

### **Billing Authority**

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

### **Budget**

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

## C

### **Capital Expenditure**

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

# Glossary and Terms of Abbreviation



## C

### **Capital Financing**

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

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

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

### **Capital Programme**

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

### **Capital Receipts**

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

### **Collection Fund**

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

### **Community Assets**

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

### **Consistency**

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

### **Contingency**

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

### **Contingent Asset**

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

### **Contingent Liability**

A contingent liability is either:

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

### **Council Tax**

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

# Glossary and Terms of Abbreviation



## C

### **Creditors**

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

### **Current Assets**

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

### **Current Liabilities**

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

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

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

### **Curtailement (Pensions)**

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

## D

### **Debtors**

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

### **Depreciation**

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

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

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

## E

### **Equity**

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

### **Equity Instrument**

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

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

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

### **Exceptional Items**

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



# Glossary and Terms of Abbreviation



## E

### External Audit

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

## F

### Fair Value (FV)

The price an asset could be exchanged for in an orderly transaction between market participants at the measurement date.

### Fees and Charges

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

### Finance Leases

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

### Financial Asset

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

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

### Financial Instruments

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

### Financial Liability

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

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

## G

### General Fund (GF)

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

### Government Grants

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

# Glossary and Terms of Abbreviation



## G

### **Gross Expenditure**

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

### **Growth**

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

## H

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

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

## I

### **Impairment**

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

### **Income**

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

### **Individual Schools Budget**

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

### **Infrastructure Assets**

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

### **Intangible Assets**

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

### **Interest Receivable**

The money earned from the investment of surplus cash.

### **Inventories**

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

### **Investment Property**

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

## J

### **Joint Arrangement**

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

# Glossary and Terms of Abbreviation



## L

### **Liability**

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

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

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

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

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

### **Local Services Support Grant**

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

### **Long-Term Assets**

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

### **Long-Term Liabilities**

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

## M

### **Materiality**

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

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

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

## N

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

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

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

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

### **Net Debt**

The Council's total borrowings less cash investments.

### **Net Expenditure**

Gross expenditure less specific service income.

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

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

.....

# Glossary and Terms of Abbreviation



## N

### **Non-Current Assets**

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

### **Non-Operational Assets**

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

## O

### **Operating Leases**

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

### **Operational Assets**

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

### **Out-turn**

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

## P

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

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

### **Pension Fund**

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

### **Pension Strain**

Pension strain costs occur when there is a shortfall in the assumed level of funding needed to provide a particular pension benefit. This often occurs when a member draws their benefits earlier than expected.

### **Precept**

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

### **Precepting Authorities**

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

### **Prior Period Adjustments**

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

### **Provisions**

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

# Glossary and Terms of Abbreviation



## P

### **Prudence**

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

### **Prudential Code**

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

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

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

## R

### **Rateable Value**

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

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

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

### **Related Parties**

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

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

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

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

### **Related Party Transactions**

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

### **Reserves**

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

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# Glossary and Terms of Abbreviation



## R

### **Retirement Benefits**

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

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

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

### **Revenue Expenditure**

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

### **Revenue Reversion**

Revenue reversion may occur if a capital project is discontinued before the asset is constructed – any previously incurred costs, having produced no asset, cannot be capitalised, and need to be charged to revenue i.e. reverted to revenue.

### **Revenue Support Grant**

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

## S

### **Specific Grants**

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

### **Supported Borrowing**

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

## T

### **Temporary Borrowing**

Money borrowed for a period of less than one year.

### **Total Cost**

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

## U

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

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

## W

### **Work In Progress**

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

# Glossary and Terms of Abbreviation



## Abbreviations used in the Statement of Accounts

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

# Glossary and Terms of Abbreviation



	<b>Note</b>	<b>Page</b>
Accounting Policies	A1	93 – 111
Adjustments Between Accounting Basis and Funding Basis Under Regulations	1	21 – 22
Anticipated Changes to the Financial Statements 2017/18 and beyond	A3	108 - 109
Assets Held for Sale	11	46
Assumptions and Other Major Sources of Estimation	A4	109 – 111
Balance Sheet Items Apportionment	CF4	92
Business Rates – Disregarded Amounts	CF5	92
Business Rate Arrangements	33	81 - 83
Capital Expenditure and Financing	22	55 – 56
Contingent Liabilities and Contingent Assets	18	51 – 52
Council Tax System	CF1	89 – 90
Creditors	13	47
Critical Judgements in Applying Accounting Policies	A2	107 - 108
Debtors	12	47
Dedicated Schools Grant	24	58
Defined Benefit Pension Schemes	29	65 – 74
Events After the Reporting Period	17	51
Ex-Avon County Council Debt (Long-Term Liabilities)	16	50
External Audit Costs	26	61
Expenditure and Funding Analysis	4	36 – 36
Financial Instruments	30	73 – 79
Financing and Investment Income and Expenditure	6	37
Grant Income	23	57 – 58
Insurance Provisions and Reserves	15	49
Investment Properties	10	44 – 46
Leases	32	79 – 80
Members' Allowances	19	51 – 52
National Non Domestic Rates	CF2	91
Nature and Extent of Risks Arising from Financial Instruments	31	76 – 79
Notes to the Cash Flow Statement	34	86 – 89
Officer Remuneration	20	52 – 54
Other Operating Expenditure	5	378
Pension Schemes Accounted for as Defined Contribution Schemes	28	64
Pooled Budgets and Joint Funding Arrangements	25	59 – 60
Prior Period Adjustments	27	62 – 63
Property, Plant and Equipment	9	40 – 44
Provisions	14	48 – 49
Related Parties	A5	110 – 111
Tax Payers' Arrears	CF3	91 – 92
Taxation and Non-Specific Grant Income	7	37 – 38
Termination Benefits	21	54 – 55
Unusable Reserves	3	27 – 32
Usable Reserves	2	23 – 26