North Somerset Council

Financial Report 2018 – 2019

North Somerset COUNCIL

Contents

	Pages
Narrative Report	**3 – 24**
Statement of Responsibilities for the Statement of Accounts	**25**
Independent Auditors Report	**27 - 30**
Primary Financial Statements	
• Movement in Reserves Statement	33 – 34
• Comprehensive Income and Expenditure Statement	35
• Balance Sheet	36
• Cash Flow Statement	37
Notes to the Accounts	
• Technical Notes, Judgements and Assumptions	41 – 45
• Notes to the Movement in Reserves Statement	46 – 57
• Notes to the Comprehensive Income and Expenditure Statement	58 – 73
• Notes to the Balance Sheet	74 – 101
• Notes to the Cash Flow Statement	102 – 103
Collection Fund Account and Notes	**104 - 107**
Accounting Policies	**109 – 124**
Annual Governance Statement	**125 – 140**
Glossary of Terms and Abbreviations	**141 – 152**
Index of Notes to the Statement of Accounts	**153**

Narrative Report

What is in the Financial Report?

The Council publishes an annual Financial Report, incorporating the Statement of Accounts for the 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.

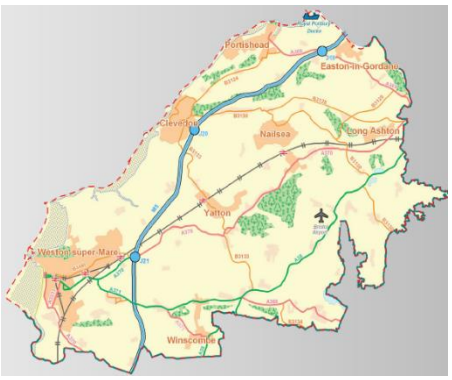
This report provides information about the Council's costs, its income streams, and its reserves and balances. All information included within the report is in draft form, and is subject to review by the Council's auditors.

Narrative Report from the Interim Head of Finance

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, the delivery of its services, and its financial position.

1 An Overview of North Somerset

North Somerset is a unitary authority covering an area of around 37,500 hectares (145 square miles) and currently has a population of approximately 212,800 people. It is strategically placed close to the major cities of Bristol and Cardiff, and has excellent transport links, with the M5 and the mainline railway from Bristol to the South West running north to south through the district, and also remains a popular visitor destination.



Almost 40 percent of North Somerset's residents live in rural communities or 'rural town hubs' such as Clevedon, Portishead and Nailsea. Weston-super-Mare is already the third largest settlement in the West of England, with significant further expansion planned.

Recent forecasts show that the population is projected to grow significantly over the next two decades, from its current level to almost 252,000 by 2041, which is faster than the national average. Additionally the area has proportionately more elderly and young people than other comparative unitary councils, which are also set to increase. Source: ONS Estimates for 2016.

Overall North Somerset is considered prosperous, 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. Source: Index of multiple deprivation 2015.

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.

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

Narrative Report

Council has a key role to play in driving a bright economic future, and as a result is currently investing in various strategic initiatives and commercial investments which will help drive economic growth, and deliver financial returns which will help to protect front line services to the public.

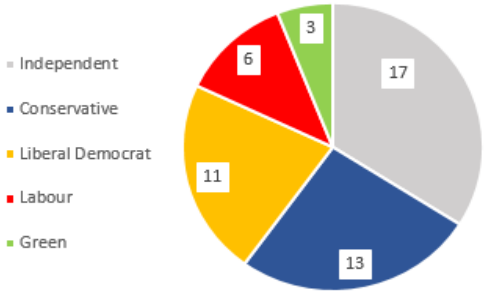
These ambitions, linked with the requirement to improve its financial self-reliance, has resulted in the Council giving greater focus upon locally generated resources from homes and businesses, which is an area which often sits outside of the traditional revenue budget processes.

Our Constitution

The Council has an approved Constitution in place which sets out how it operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution, which can be found at Constitution, is reviewed on a regular basis, with the last significant update being in July 2017, when changes were made to the financial regulations section.

Our Leadership and Workforce

Our 50 elected Councillors represent the people of North Somerset and they set the overall policy of the Council, operating with a Leader and Executive model as the current political management structure.



Following the local elections in May 2019, no single political party or group has overall control. However, an alliance of Independent, Liberal Democrat, Labour and Green Party councillors, are working together to deliver key outcomes. Prior to the election, i.e. for the 2018/19 financial year, the Council had a Conservative Party majority.

The Leader of the Council is responsible for the appointment of members of the Executive, the allocation of portfolios, and the delegation of executive functions. Executive Members are held to account by a system of scrutiny committees which provide local accountability, openness and involvement in decision-making, aiming to improve results for people in North Somerset.

The Audit Committee monitors the effectiveness of the Council's overall governance regime including its risk management arrangements, its systems of internal control, and financial strategy. It monitors the adequacy of the Council's Annual Governance Statement, which provides an overview of the Council's governance arrangements and significant risks, assessing the quality and timeliness of progress in identifying and implementing any required improvements.

Senior officers, led by our Chief Executive and our Directors and Statutory Officers, form our Corporate Management Team (CMT). CMT works closely with the executive members to ensure a corporate approach to delivering the Council's vision, aims and objectives. The role of CMT is to:

- guide the strategic direction of the whole organisation
- help the organisation translate its policies into practice
- support managers and staff in the development and delivery of services

During the year the Council's Chief Executive, Director of Development & Environment, and Head of Finance & Property left the Council. The Chief Executive role was filled on an interim basis from July 2018 to January 2019, when the new Chief Executive, Jo Walker, took up the post. Since that time Lucy Shomali has been appointed as Director of Development & Environment and will start her new role in June 2019. It has proved difficult to recruit to the Director of Finance post however interim arrangements have continued to support the organisation positively whilst a permanent replacement is sought.

The CEO will continue to oversee a focused review of the Council's senior management structures to ensure the necessary leadership capacity is in place, and that roles and responsibilities of senior managers reflect the current and future demands on the organisation.

Narrative Report

The Council employs around 1,630 staff (or 1,075) full-time equivalents (FTEs), who are organised into three Directorates of Corporate Services, Development & Environment, and People & Communities. We also employ a further 789 staff who work in our maintained schools.

Many staff, such as engineers, teachers, social workers, town planners, solicitors and accountants, are extremely experienced in their professional fields of expertise and the Council recognises and values this. It has developed a People Strategy to:

- make sure that the Council is a great place to work and that we can attract and retain the best people;
- develop a culture where everyone is encouraged to be flexible, innovative and have the confidence to challenge the status quo, implementing digital and other solutions to achieve more with less; and
- Encourage a learning culture where everyone is listened to, feels supported when issues arise, feels trusted and respected and does not experience or witness unacceptable behaviour.

Key elements of the strategy include:

- organisational and cultural development,
- people development,
- recruitment, retention & pay; and
- wellbeing, recognition and reward

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. The current Plan, which covers the period 2015-2019 can be found at Corporate Plan.

The Plan shows that the Council, which is responsible for a range of services that impact on residents and the local area every day, has an ambitious vision for the area and for the organisation, how the Council is striving to ensure that the area continues to be ***a great place to live where people, business and communities flourish,*** and continues to provide ***modern, efficient services, and a strong voice for North Somerset***.

It is recognised that flourishing communities become more resilient and are better placed to support themselves. Being a great place to live means that we can ensure three outcomes for the people of North Somerset:

- Prosperity and opportunity
- Health and well-being
- Quality places

We also have four ambitions for the Council as an organisation. These are 'enablers' which cut across all aspects of the Council's work and which we will need to have in place to deliver on our vision and ambitions for the area:

- a transformed council which is modern, innovative and accessible
- skilled and motivated staff who are passionate about making North Somerset even better
- excellence in resource management
- strong outcome-focused partnerships

Our Services

The Council provides a wide range of statutory and discretionary services to the people of North Somerset and include the following core functions;

- Delivered by the People and Communities directorate:
    - Adult's and Children's Support and Safeguarding
    - Strategic Commissioning
    - Statutory Education Services, Housing and Strategy, Public Health
- Delivered by the Development and Environment directorate:
    - Place-making and Growth – including Planning, Economic Development and Highways and Transport

- Operations – including Waste, libraries, sport and leisure, licensing, trading standards, food safety, protection

- Delivered by the Corporate Services directorate:
  - Elections, land charges, community safety, emergency planning
  - In-house internal support services – including legal, democratic services, finance, insurance, property and asset management, procurement, human resources, health and safety, transformation, marketing and communications
  - External support services provided via partners – including ICT, front office and customer services, business support, exchequer services

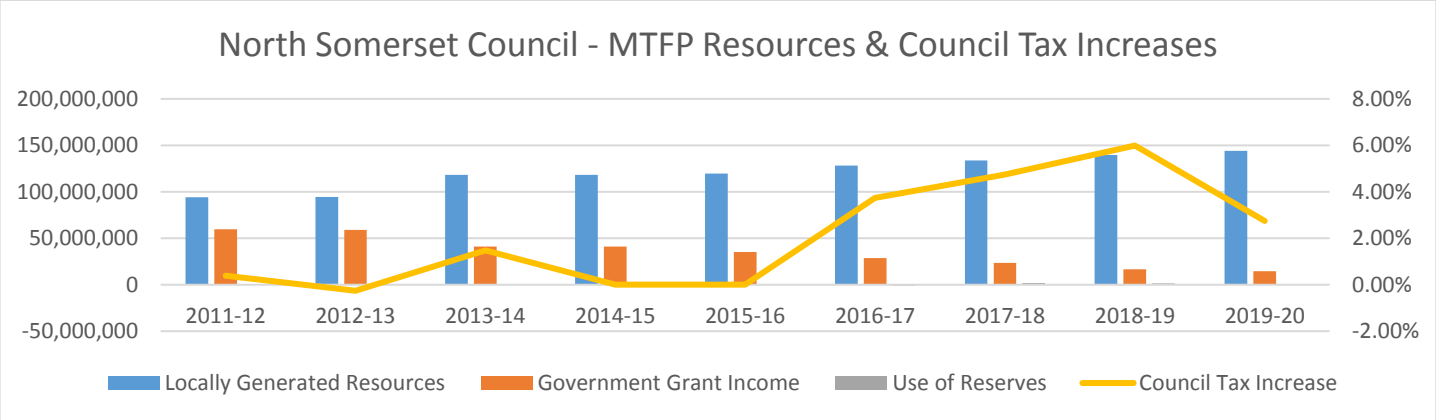
The infographics below gives a flavour of the scale and scope of the Council's responsibilities with just a few examples.

2 Financial Context

Resources Overview

Local Authorities have experienced very significant reductions in Government funding over recent years and as a result the Council's budgets have reflected over £100 million in savings over this period to cope with reductions in funding, as well as increases in demand for services or costs. The largest of these spending pressures are linked to the costs of an aging population and its associated funding, as well as the rising numbers of children requiring social care support and safeguarding.

As can be seen in the chart below, approximately £140m, or 88% of our funding received during the 2018/19 financial year, was raised locally through council tax, business rates and reserves, with just £17m, or 11%, being made up from government grant allocations. This is a continued reduction compared to previous financial years when government funding equated to much higher proportions of our total resources Latest forecasts indicate that by 2020/21 the level of general grant the Council will receive, is projected to fall to just 1% of total funding, which makes achieving local economic growth even more important to ensuring the Council's future financial resilience.



In setting the 2018/19 budget the Council approved an increase of 5.99% on its council tax levels in order to generate additional income. This included an increase of 3% in respect of Adult Social Care precept. Despite this, council tax levels in North Somerset remain the second lowest in the South West, and collection rates for locally generated resources remain high, with both council tax and business rates achieving around 98%.

Local authority funding in England has undergone considerable upheaval over the last 10 years as the Government implemented a series of changes, all of which will continue to have a significant impact on our finances, some of the most significant changes include;

- the introduction of the business rate retention scheme in 2013, as well as the periodic revaluation of business rate thresholds and the frequency of future revaluations,
- reductions in direct funding through the Revenue Support and New Homes Bonus Grants, and
- the introduction of new funding streams for adult social care through the Better, and Improved Better Care Fund.

Further changes are also being planned by the Government, although specific financial impacts cannot be brought into the Council's financial planning forecasts until more details are released. They include;

- changes to the retention of business rates revenue to fund local services, which would increase from the current position of 49% retention and move towards local government retaining 75% of business rate income,
- the Comprehensive Spending Review, which would inform councils on the likely levels of funding which will be received in the future, ideally to cover a four-year period,
- the Fair Funding Review, which will affect how funding is allocated and redistributed between local authorities from 2020 onwards. The Review is expected to use three main 'cost drivers': population, deprivation and sparsity, together with additional cost drivers related to specific local authority services.

It is anticipated that the Government will introduce other changes to the operational management of the business rates system, such as the centralisation of the risk and associated costs of appeals, and also changes to the top-ups, tariffs and levy mechanisms.

The Council has developed a strong strategic approach to its revenue budget and financial planning considerations. The process is on-going and continuously updated. It will continue to focus upon both the internal and external financial challenges and opportunities faced in order to ensure that the Council is fully aware of its current and future financial position and that it has a series of strategies and mitigations available to respond when required.

Risks and Opportunities

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

Risks identified at the strategic level include uncertainties in relation to ongoing service provision, such as:

- safeguarding children and vulnerable adults,
- continuing the transformational activity to support customers and clients of the Council, and
- monitoring the availability, quality and affordability of key resources that the Council depends on to deliver services in the future, such as delivering sustainable solutions to the support our housing needs or providing economic growth within the local area.

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 levering in external grants and other funding, although this is continually reviewed and assessed at key milestones.

The ongoing risk management and monitoring processes enable the Council to identify and develop a series of mitigation measures to offset financial risk and include actions such as;

- mapping the social care needs of service users during their transition from childrens' to adults' services in order to improve the accuracy of future spend forecasts; and
- the introduction of cost and volume based budgeting for key demand led services in adult and childrens' social care services and also waste management, in order to understand what levels the approved budget will fund and what the financial implications are for growth beyond these levels.

Other risk mitigation measures within the Council directly impact on services and their users, and include initiatives such as increasing the availability of Disabled Facilities Grants to allow more elderly residents to stay in their homes, and the introduction of a Social Impact Bond which involves working with families on the edge of care to prevent them coming into care in the future.

Material risks, including those to partnerships and projects, are reviewed by scrutiny panels or included within the Annual Governance Statement where necessary, and whilst there are no significant issues raised in the 2018/19 Annual Governance Statement for these areas, reducing level of public sector funding, alongside the increasing demand on the Council's services and the internal staffing capacity challenges following a period of change, remain the major risks that we face.

Medium term financial strategy, and resource allocation

The Medium Term Financial Plan (MTFP) is the core strategic document which supports the delivery of the Council's Corporate Plan objectives. Our budget setting and medium term financial planning gives regard to delivering the outcomes of our corporate plan, protecting and enhancing front line services whilst generating much needed local income through our Growth agenda.

The Council's financial strategy focusses on delivering local, sustainable growth, which will generate additional income to the Council in the form of retained Business Rates, Council Tax, New Homes Bonus (NHB) and commercial and investment property income.

The Council uses a rolling five-year budget setting and planning process, which fully integrates the financial impacts of both revenue and capital planning. The inherent assumption within the MTFP is that spending departments will absorb the increased cost of service demand and inflation through proactive management action and efficiencies. Exceptionally, where managers are unable to sustain such cost pressures, a clear business case must be approved through CMT for growth in budgets to be incorporated into future year funding allocations.

The largest growth allocations included within the 2019/20 budget relate to Adult and Children's Social Care. These two budget lines amount to in excess of 60% of the Council's net revenue budget. As these are primarily 'demand led' services, the Council has adopted a 'cost and volume' approach to setting their budget, in order to better forecast and monitor activity and unit costs.

As a result of the MTFP process, the Council's has achieved over £100 million in savings and increases in income since 2010 to cope with reductions in funding, and increases in demand or cost, and investment in our services. This process is on-going. The Council's current financial plan covers until 2023/24, and is continuously reviewed as the Council develops a stronger understanding of the financial challenges it faces.

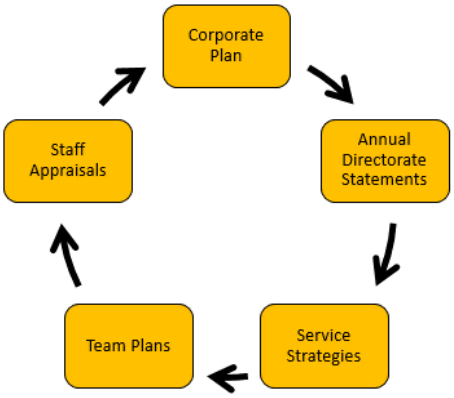
3 Performance of the Council

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, with such activities being undertaken by the Business Intelligence team. They utilise the Performance Management Framework which brings together both national and local statistics and compares these to inputs, activities and outputs within the Council.

The services we provide and perform have an impact on every resident and business in the area. We have a clear and comprehensive mechanism for business planning. Our business planning process sets out how we are going to achieve the ambitions and outcomes we have identified within the Corporate Plan and what resources and skills each directorate, service and team need to do this.

The key components of the business planning process are illustrated and ensure that all staff are clear what their priorities are and how they are helping to contribute to the Corporate Plan, the Transformation Programme and also to achieve any savings within the Medium Term Financial Plan.



The way that the Council manages its business and delivers services to residents is changing rapidly. Our population is growing fast and people are living longer, bringing increased demand for services. Technological change is also having a huge impact on everything from how we work to how we socialise. Achieving our vision for North Somerset requires a new relationship with residents, striking the right balance between providing public services and enabling people to do things for themselves.

The Council's Transformation Programme addresses these challenges and is recognised by many as a comprehensive programme of change. It has helped us identify and unlock financial savings in the last few years, enabling us to prioritise resources for frontline services. We have promoted regeneration and economic growth and improved the way we work within the Council and with our partners.

The Programme approach continues to embrace change and to ensure that the Council remains responsive to new opportunities – it has several core themes:

- **Driving Growth**: encouraging local economic growth,
- **Digital First**: making the most of new technologies,
- **One Council**: operating as a single streamlined organisation,
- **Delivering Together**: working with partners to share services and deliver joint objectives, and
- **Service Change Programmes**, delivering change within directorates.

Following the success of the "Transforming Adult Support and Safeguarding" services programme, a Children's transformation programme has been established which will look to address some of the underlying issues being experienced within the service - indicative work-streams have identified and include;

- Commissioning and market management
- Under 10s intervention service
- Residential step-down
- Prevention and early help offer
- Research and discovery
- Workforce planning and development, and System governance

Performance Outputs

One important way in which we measure and monitor outputs is by reference to activity and unit cost data. This is particularly relevant to key council spend areas such as adults' and children's social care and waste. The 2018/19 out-turn data indicates summary information in these areas.

Adult Social Care

The table below illustrates the number of adult social care clients supported during 2018/19 together with the average weekly unit cost. The expenditure can usefully either be split by the type of care received or in accordance with the clients' primary support reason. The information is shown gross, before any client contributions.

	Average Number of Clients	Average Weekly Unit Cost £	**Gross Expenditure £**
By Care Type			
Residential	727	£774.64	**29,363,241**
Nursing	292	£681.24	**10,371,796**
Supported Living	269	£795.14	**11,152,338**
Direct Payment	331	£440.47	**7,601,800**
Homecare	692	£150.13	**5,416,798**
Day Care	239	£163.62	**2,038,937**
Extra Care	124	£201.71	**1,304,117**
Shared Lives	41	£601.16	**1,285,117**
Short Term Care	70	£1,190.81	**4,315,158**
Est. Gross Spend on Adult Social Care Packages 2018/19	**2,785**	**£501.77**	**72,849,302**
By Primary Support Reason			
Learning Disability	701	£756.66	**27,655,950**
Physical Support	1,454	£352.76	**26,743,103**
Mental Health	237	£692.59	**8,558,412**
Memory & Cognition	393	£483.36	**9,891,837**
Est. Gross Spend on Adult Social Care Packages 2018/19	**2,785**	**£501.77**	**72,849,302**

	Average Number of Clients	Average Weekly Unit Cost £	**Gross Expenditure £**
By Care Type			
Residential	660	£796.88	**27,422,493**
Nursing	305	£688.76	**10,953,076**
Supported Living	347	£579.27	**10,480,412**
Direct Payment	343	£429.05	**7,673,064**
Homecare	674	£162.99	**5,727,852**
Day Care	188	£196.58	**1,926,937**
Extra Care	118	£205.60	**1,264,971**
Shared Lives	40	£484.96	**1,011,431**
Short Term Care	162	£399.52	**3,374,588**
Est. Gross Spend on Adult Social Care Packages 2017/18	**2,837**	**£472.11**	**69,834,824**
By Primary Support Reasaon			
Learning Disability	701	£712.15	**26,029,215**
Physical Support	1,527	£348.32	**27,732,645**
Mental Health	281	£462.51	**6,776,426**
Memory & Cognition	328	£543.60	**9,296,538**
Est. Gross Spend on Adult Social Care Packages 2017/18	**2,837**	**£472.11**	**69,834,824**

Looked After Children

The table below illustrates the number of children's placements made during the year, together with the average annual unit cost of each type of placement.

	Average Number of Placements	Average Annual Unit Cost £	**Net Expenditure £**
By Care Type			
In-house Foster Placements	97	£21,955	**2,120,837**
Independent Foster Agency Placements	59	£39,410	**2,335,046**
Residential Placements	19	£169,452	**3,217,892**
Secure Accommodation	1	£386,963	**402,441**
Parent and Baby	1	£70,090	**98,827**
Supported Independent Living	5	£103,720	**478,148**
Kinship	36	£10,939	**393,808**
Special Gurdianship	67	£7,616	**510,255**
Est. Net Spend on Children's Social Care Packages 2018/19	**285**	**£33,546**	**9,557,254**

	Average Number of Placements	Average Annual Unit Cost £	**Net Expenditure £**
By Care Type			
In-house Foster Placements	96	£18,917	**1,816,035**
Independent Foster Agency Placements	61	£44,435	**2,710,514**
Residential Placements	16	£191,836	**3,069,380**
Secure Accommodation	1	£456,092	**456,092**
Parent and Baby	4	£134,754	**539,015**
Supported Independent Living	4	£130,171	**520,684**
Kinship	31	£13,613	**422,006**
Special Gurdianship	69	£7,758	**535,306**
Est. Net Spend on Children's Social Care Packages 2017/18	**282**	**£35,706**	**10,069,032**

Waste Disposal and Processing

The table below shows the weight and unit cost of waste that was sent to landfill or for other processing in 2018/19. We set ambitious targets to reduce the volume of waste collected over the year and, with targeted action, we managed to exceed these levels and reduce landfill waste per household.

	Number of Tonnes	Weighted Average Cost per tonne £	**Gross Expenditure £**
By Waste Type			
Residual Waste - Landfill	24,385	£110.39	**2,691,840**
Residual Waste - Treatment	17,670	£101.83	**1,862,221**
Food Waste - Treatment	6,747	£61.51	**415,020**
Garden Waste - Treatment	18,077	£21.44	**387,562**
Est. Gross Spend on Waste Disposal 2018/19	**66,879**	**£80.09**	**5,356,643**
By Waste Type			
Residual Waste - Landfill	23,754	£107.25	**2,547,617**
Residual Waste - Treatment	19,742	£101.73	**2,008,299**
Food Waste - Treatment	6,495	£60.65	**393,922**
Garden Waste - Treatment	18,353	£21.15	**388,166**
Est. Gross Spend on Waste Disposal 2017/18	**68,344**	**£78.10**	**5,338,004**

Performance Outputs

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 – the Quarter 4 out-turn report can be found on the Council's website.

Narrative Report

Some of the key performance indicators across the range of activities are shown below, comparators are shown in the following table.

Measure	2018/19 Performance Output
Adult Support and Safeguarding	
People in permanent care home placements age 65+	661.6
Proportion of adults with learning disabilities who live in their own home or with their family	75.10%
Proportion of Adults with Learning Disabilities in paid employment	10.90%
Children's Support and Safeguarding	
Early help interventions	1,151
Children in Need (rate per 10,000)	277.6
Children on a Child Protection Plan (rate per 10,000)	31.7
Children who are Looked After	55
Overweight children in reception	20.40%
KS2: Attainment (combined Reading, Writing and Maths)	64.00%
Overweight children in year six	26.90%
KS1: Attainment (all)	Reading: 76%; Writing 71%, Maths 77%
Economy	
Economically active people	80.60%
Net business rates payable in North Somerset (£m)	64.6
Vacant retail premises in North Somerset town centres	13.90%
The number of business start-ups supported by North Somerset Enterprise Agency	109
The number of apprentices employed by the council	24
Housing	`
Total No. of homes where a significant hazard was removed / repaired through local authority intervention per year	140
Percentage of young people who present as homeless and are prevented from needing to enter long term local authority care	100%
The number of Houses of Multiple Occupancy improved	59
Number of new housing applications received	1,733
Transport and Waste	
The percentage of the principal road network where maintenance should be considered	1.60%
The percentage of the non-principal road network where maintenance should be considered	4.50%
Residual waste collected (kg per household)	430.64
Household waste recycled	58.61%

Narrative Report

Measure	2017/18 Performance Output
Adult Support and Safeguarding	
People in permanent care home placements age 65+	726
Proportion of adults with learning disabilities who live in their own home or with their family	74.16%
Proportion of Adults with Learning Disabilities in paid employment	10.50%
Children's Support and Safeguarding	
Early help interventions	1,131
Children in Need (rate per 10,000)	301.3
Children on a Child Protection Plan (rate per 10,000)	34.8
Children who are Looked After	52
Overweight children in reception	23.90%
KS2: Attainment (combined Reading, Writing and Maths)	59.00%
Overweight children in year six	27.90%
KS1: Attainment (all)	Reading: 79%; Writing 72%, Maths 78%
Economy	
Economically active people	80.50%
Net business rates payable in North Somerset (£m)	63.2
Vacant retail premises in North Somerset town centres	12.07%
The number of business start-ups supported by North Somerset Enterprise Agency	89
The number of apprentices employed by the council	26
Housing	
Total No. of homes where a significant hazard was removed / repaired through local authority intervention per year	152
Percentage of young people who present as homeless and are prevented from needing to enter long term local authority care	100%
The number of Houses of Multiple Occupancy improved	100
Number of new housing applications received	1,712
Transport and Waste	
The percentage of the principal road network where maintenance should be considered	1.10%
The percentage of the non-principal road network where maintenance should be considered	4.70%
Residual waste collected (kg per household)	448.35
Household waste recycled	57.00%

Narrative Report

In addition our financial objectives and measures are laid out in the Medium Term Financial Plan, and our performance against these for 2018/19 is as follows.

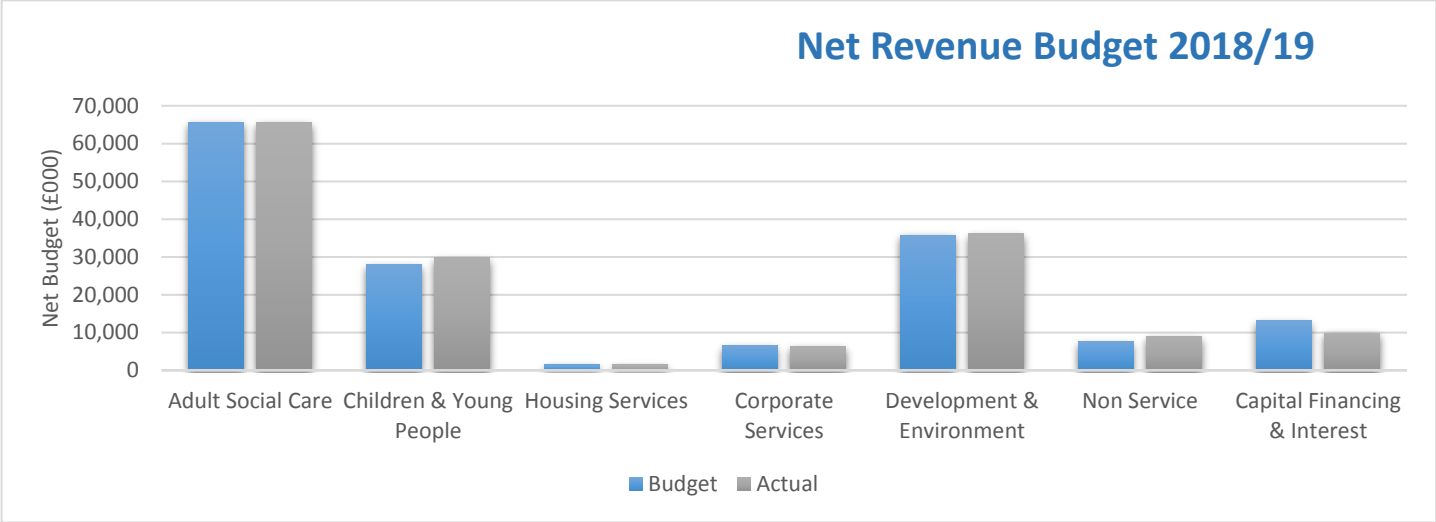
Measure	2018/19 Target	2018/19 Performance
Net revenue budget out-turn	Within 1.5% of budget	Actual out-turn was a balanced budget - reflects transfers into earmarked reserves of £585k
Working balance	Minimum of 5% of net revenue budget	Actual working balance is £9.053m which equates to 5.7% of the net revenue budget
Council Tax increases	Within government guidelines	The overall increase of 4.99% was within the government guidelines and there was no requirement for a referendum
Collection rates:-		
· Council Tax	· 97.3%	· 98.09%
· Business Rates	· 98.2%	· 98.37%
· General Debtors	· 85.0%	· 94.99%
Creditor payments:-		
· General creditors	· 85% within 30 days	· 91.55%
Capital investment programme	5-year rolling programme of £150m	The capital prgramme is forecast to exceed the minumum investment target and is estimated to be in the region of £200m over the 5-year period
Council Tax base growth	As per forecast	The tax base grew by 1.15% compared with a planned 1.03%
Net business rates growth	As per forecast	Planned growth was £0.605m and actual growth was (£0.160m). The difference largely relates to backdated rates reductions at the Port of Bristol
Draw down of funding for West of England projects	In accordance with MTFP	The council has maximised allocations for external funding where possible and draw downs have have been approved by WECA
Contract spend	Significant proportion of contract spend to be within North Somerset	58.6% of supplier spend was with North Somerset suppliers
Investment and borrowing	Within limits prescribed in the Treasury Management policy	All transactions were within the approved borrowing and investments limits and ceilings
Return on new investments	· 1.00%	· 1.13%
Borrowing	Not to exceed net revenue budget	Actual borrowing £118.3m which is below net revenue budget of £157.9m
Revenue costs of borrowing	Not to exceed 10% of the net revenue budget	Actual borrowing costs £10.8m which equates to 6.8% of the net revenue budget
MTFP data	Supported by robust unit cost and activity data	Good progress - adult social care, children's placements and waste disposal expenditure is supported by activity and unit cost data.

Measure	2017/18 Target	2017/18 Performance
Net revenue budget out-turn	Within 1.5% of budget	Actual out-turn was an underspend of £960k which equates to 0.6% of the net revenue budget
Working balance	Minimum of 5% of net revenue budget	Actual working balance is £8.64m which equates to 5.4% of the net revenue budget
Council Tax increases	Within government guidelines	The overall increase of 4.75% was within the government guidelines and there was no requirement for a referendum
Collection rates:-		
· Council Tax	· 97.3%	· 97.96%
· Business Rates	· 98.2%	· 99.02%
· General Debtors	· 85.0%	· 95.09%
Creditor payments:-		
· General creditors	· 85% within 30 days	· 99.08%
Capital investment programme	5-year rolling programme of £150m	The capital prgramme is forecast to exceed the minumum investment target and is estimated to be in the region of £250m over the 5-year period.
Council Tax base growth	As per forecast	The tax base grew by 2.54% compared with a planned 2.11%
Net business rates growth	As per forecast	Planned growth was £974k and actual growth was £834k. Thie difference largely relates to lower than planned growth at Bristol Airport
Draw down of funding for West of England projects	In accordance with MTFP	The council has maximised allocations for external funding where possible and draw downs have have been approved by WECA
Contract spend	Significant proportion of contract spend to be within North Somerset	74.63% (based on Apr 17 to Jan 18 spend - full year not yet available)
Investment and borrowing	Within limits prescribed in the Treasury Management policy	All transactions were within the approved borrowing and investments limits and ceilings
Return on new investments	· 0.65%	· 0.88%
Borrowing	Not to exceed net revenue budget	Actual borrowing £123.3m which is below net revenue budget of £159.2m
Revenue costs of borrowing	Not to exceed 10% of the net revenue budget	Actual borrowing costs £9.7m which equates to 6.1% of the net revenue budget
MTFP data	Supported by robust unit cost and activity data	Good progress - adult social care, children's placements and waste disposal expenditure is supported by activity and unit cost data.

Monitoring the revenue budget in 2018/19

In accordance with good financial governance all aspects of the Council's operational revenue budget are monitored throughout the financial year, with reports being considered by the Council's Executive on a regular basis. All such reports can be found on the Council's website. North Somerset Council.

The monitoring focuses attention on the forecast expenditure and income compared to the budgeted approvals set for the year and also the consequential impact on the Council's reserves and balances should any surpluses or deficits arise. The Council's net expenditure budget was £157.931m and the out-turn position depicted below reflects a net expenditure of **£157.925m**, which represents a minor under spend on the expenditure budget of **£0.006m**.



As in previous years, it can be seen that the Council continued to face cost pressures within its Children's social care budgets, largely as a result of continued demand pressures for placements compared to the budgetary provision for the year. However it is pleasing to note that the out-turn position for Adult Social Care provided a small underspend compared to the annual budget, which is reflective of the efforts made to stablise and transform the service area and associated monitoring and spending processes over recent years. As a result the overall People and Communities directorate overspent its total budget allocation by £1.7m, which is significantly lower than the £4.5m overspend reached in the previous financial year.

Others services within the Council introduced mitigating plans in order to generate underspends within the revenue budget to alleviate pressures where possible.

Another 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. Previously the Council approved a decision to change the way it calculates the charge in order to introduce a more prudent approach and repay the outstanding debt evenly over a shorter period of time. Towards the end of the 2017/18 financial year the Council took a decision to back-date the revised policy to 2008/09, with the resulting benefit being spread over 8 years. However this decision was taken after the budget for the 2018/19 financial year was set thereby generating an underspend in-year. In accordance with the financial monitoring reports presented to the Executive during the year, the Council has transferred £1.8m of this underspend into its Financial Risk Reserve in order to improve its financial position in future years.

At the end of the financial year the Council made two further transfers into its earmarked reserves, these being £0.400m into the Capital Reserve, and £0.185m into the Digital Reserve, in order to provide sufficient resources to fund planned works to buildings and new digital initiatives.

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 **£157.925m**, which is £0.006m less income than budgeted.

As a result of delivering a balanced budget, no transfer from the Council's General Fund revenue reserve was required.

The in-year budget monitoring reports do not include the statutory or technical accounting adjustments required for inclusion within the Comprehensive Income and Expenditure Statement, which provides an overall summary of the Council's income and expenditure at the end of the financial year in accordance with proper accounting practice. However they do include movements transferred to or from the Council's reserves.

Reconciliation of Budget Monitoring to Expenditure and Funding Analysis

2018/19 REPORTED OUT-TURN POSITION						2018/19 EXPENDITURE & FUNDING ANALYSIS		
Net Out-turn Position Reported to Members £000	Transfers (To) / From Reserves £000	Reallocation of Overheads, Precepts & Capital Fin. £000	Net Expenditure excl Reserves £000		Note	Net Expenditure Chargeable to General Fund Balances £000	Adj Between Funding & Accounting Basis (Note 10.1) £000	Net Expenditure in the CI&ES £000
				People & Communities				
65,540	(291)	195	**65,444**	Adult Social Care		65,444	491	**65,935**
1,446	(99)	21	**1,368**	Housing Services		1,368	56	**1,424**
29,852	(329)	159	**29,682**	Children & Young People		29,681	635	**30,316**
0	104	33	**137**	Public Health		137	36	**173**
0	2,002	(31)	**1,971**	Schools Budgets & Grants		1,970	2,354	**4,324**
96,838	1,387	377	**98,602**			98,600	3,572	**102,172**
6,251	(174)	(357)	**5,720**	Corporate Services		5,720	(3,958)	**1,762**
36,079	905	(20)	**36,964**	Development & Environment		36,964	15,054	**52,018**
6,494	(1,215)	(5,053)	**226**	Non Service		227	3,660	**3,887**
9,879	(1,342)	(8,537)	**0**	Capital Financing & Interest		0	0	**0**
2,384	(2,384)	0	**0**	Contribution into Earmarked Reserves		0	0	**0**
157,925	**(2,823)**	**(13,590)**	**141,512**	**Net Cost of Services**	*CIES*	**141,511**	**18,328**	**159,839**
(158,290)	988	13,590	**(143,712)**	Other Income and Expenditure		(143,712)	10,013	**(133,699)**
365	(365)	0	**0**	Use of General Revenue Reserves		0	0	**0**
0	**(2,200)**	**0**	**(2,200)**	**(Surplus) / Deficit on Provision of Services**	*CIES*	**(2,201)**	**28,341**	**26,140**

The reconciliation table show how the revenue out-turn position reported to Members reconciles to the financial performance reported in the Comprehensive Income and Expenditure Statement (CIES). Transfer to and from reserves, which are included in the out-turn to Members, are removed, as they are separately included within the Movement in Reserves, rather than the CIES. The column for 'reallocations' nets to zero and identifies where items such as interest paid and received, are reflected within both the Council's management accounts, and the statutory accounts.

Looking ahead with the medium term financial planning

For 2018/19 the Council received additional grant income towards funding the cost of adult social care, but still had to make total savings of over £9.8m, due to issues such as reduced government funding, and inflation (contractual and employee), as well as increases in demand for adult and children's social care.

As Government funding falls, income generation becomes a key priority area. The Council plans 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 acquire investment properties with a view to generating a surplus over and above the borrowing costs which can be put into the budget as a way of funding Council services. 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 and generate new business growth to align with the regeneration ambitions of the Council.

The Council's latest medium-term financial modelling for the years 2018/19 to 2022/23, shown in the table below, was published in February 2019. This modelling is reflective of all information released by the Government at that time, as well as the Council's own views with regards to anticipated cost increases for inflation, superannuation and service demands.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000	£000
Projected Revenue Resources						
Government Grants	*16,758*	14,699	10,420	8,886	7,693	7,287
Council Tax & Business Rates	*135,405*	138,998	143,621	148,189	152,801	154,490
Other	*1,096*	279	0	0	0	0
Total Resources	***153,259***	**153,976**	**154,041**	**157,075**	**160,494**	**161,777**
Net Revenue Budget						
Base Budget	*154,888*	153,259	153,976	154,041	157,075	160,494
Growth items	*13,055*	11,571	7,461	4,574	5,533	4,841
Grant Income and Savings Proposals	*(14,684)*	(10,854)	(539)	(330)	(330)	(330)
Savings Requirement	*0*	0	(6,857)	(1,210)	(1,784)	(3,228)
Revised Base Budget	***153,259***	**153,976**	**154,041**	**157,075**	**160,494**	**161,777**

The budget short-fall across the remaining years is currently £13m, with the largest savings target projected to be in 2020/21, although it should be noted that estimates of spending pressures for later years may not be fully quantified because service costs and new burdens from the government are not sufficiently clear. The Council's financial planning regime is an iterative process and has already begun to update these values bringing in the latest information available, including any items that have presented through the 2018/19 monitoring process. We will continue to update and publish such forecasts on a rolling basis. It is anticipated that such updates may increase the financial gap however, the Council has previously demonstrated good financial management, meaning that savings plans have been identified and delivered.

Monitoring the capital budget in 2018/19

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 £29m on capital projects across all of its service areas including £18m on schemes delivered by Development and Environment and £6m on schools and educational facilities. Capital expenditure is funded by receipts from the sale of assets, special reserves, grants and contributions or borrowing.

Looking ahead with the five-year capital programme

In the same way that the Council plans and prepares for its revenue budget, we also have similar plans for our capital programme which looks ahead on a five year horizon. The programme is ambitious and seeks to deliver the needs of our growing communities, but also to deliver real transformation change within the environment we live and work in.

Balance Sheet

Despite some areas within the revenue budget resulting in overspends, and the growing budget pressures likely to be faced in the future, the Council maintains a strong Balance Sheet with a positive net worth of almost £16 million.

	2017/18 £000	2018/19 £000
Non-current assets	425,723	416,745
Net current assets - debtors, stock and cash less short-term creditors and liabilities	30,015	34,891
Long-term liabilities and provisions	(399,112)	(444,473)
Net Assets	56,626	7,163
Represented by:		
Usable Reserves	(51,576)	(55,677)
Unusable Reserves	(5,050)	48,514
Total Reserves	(56,626)	(7,163)

The total reserves held by the Council at the end of the year were £7.163m, which is a reduction of £49.463m compared to the amount held at the end of the previous year. The majority of the change relates to movements in 'unusable' reserves (such as the deficit on the Pensions Reserve), which are technical adjustment accounts operated by the Council rather than cash monies available to spend.

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.

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 £9.053m which equates to approximately 5.7% of the net revenue budget, a level deemed prudent by the Section 151 Officer.

Collection Fund

The Collection Fund Adjustment Account 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 transferred into the General Fund in a subsequent financial period.

At the end of the year the account shows a deficit of £0.864m in respect of the Council's ongoing council tax and business rate activities, due to the both the prior year surplus and the tax base being lower than estimated, and an increase in provisions required at the year-end.

Preceptors are able to utilise any such surplus balances, or recognise any deficit balances within their funding, and incorporate them within their future year budget strategies. In February 2019 the Executive approved the inclusion of £0.279m surplus within its budget for 2018/19, as this was the anticipated position forecast at that time. There is an improvement in the actual out-turn performance compared to this forecast and will therefore 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 Interim Head of Finance to make decisions on the management of the Council's debt and investment of surplus funds. The Strategy for 2018/19 can be found on the Council's website.

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 previous years the Council has invested monies in multi asset funds which provide higher yields than traditional cash based investment, although these are classified as longer-term investments.

Whilst an element of the Council's capital programme generated a borrowing requirement, this was financed internally by utilising short-term cash balances. As a result, no new long term borrowing was taken with the Public Works Loan Board, meaning that interest costs chargeable to the revenue budget were reduced. 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 £259.302m as at 31 March 2019, which is a net increase of £26.576m from the opening balance deficit of £232.726m. 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 by the pension fund.

Accounting changes in the year and looking ahead

There are several changes to the format and content of this year's financial statements over the prior year. The impact on the Council's accounts are explained in more detail in Note 6, and include:

- the adoption of International Financial Reporting Standards (IFRS) 9 Financial Instruments,
- the adoption of International Financial Reporting Standards (IFRS) 15 Revenue from Contracts.

Note 5 of the financial statements details the impact of accounting standards which have not yet adopted into the Code of Local Government accounting on future year's accounts. The implementation of the accounting standards expected in 2019/20 is not expected to materially impact on the Council's accounts.

4 Summary Position

Despite the challenging economic outlook, the Council's financial and operational performance levels continued to be maintained in 2018/19. The balanced out-turn position was reflective of a £1.8m transfer into its financial risk reserve and a further £0.585m into its Capital and Digital reserves, both of which are measures which will bring further financial stability in future years. Clearly the decision to back-date and apply the revised minimum revenue policy over previous years has continued to bring a financial benefit in year. However, the Council has worked hard to reduce the significant overspends projected in previous monitoring reports throughout the year. The overall out-turn position is reflective of the strong mitigating actions driven by the Corporate Management Team across several areas of the budget.

The Council's approach to financial planning over the medium term includes a focus on investment and income generation. It strengthens the position of the Council by developing financial resilience through less exposure to reductions in government funding.

In 2018/19, the Council has faced and dealt successfully with significant external change, and it is anticipated that this trend will continue, and indeed accelerate, as the government initiatives and changes such as rates retention, funding formulae, spending review or the adult social care funding agendas take shape. In addition, the Council has continued to operate successfully despite several senior management changes and vacancies, it is anticipated that the appointments of both the Chief Executive and the Director of Development and Environment will bring stability and ensure that the Council is well

placed to adapt to the ongoing financial challenges as well as changes which may be driven by the change in administration following the recent election results, and also to take advantage of the opportunities offered as it moves into 2019/20.

Updates on the Council's finances are provided throughout the year in the free magazine North Somerset Life. If you have any questions or would like more information please call our Financial Management team on 01934 634619. You can obtain additional copies of this report by writing to: Melanie Watts, Head of Corporate Accountancy, North Somerset Council, Town Hall, Walliscote Grove Road, Weston-Super-Mare, BS23 1UJ.

Richard Penska
Director of Finance
July 2019

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 2019. 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 2018/19 ("the Code"), and incorporates the requirements of International Financial Reporting Standards.

The Code is updated annually to reflect new or updated accounting standards. There are no significant changes to the Code in the current year which impact on the core financial statements. The Core Statements are:

Movement in Reserves Statement (MIRS) - 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 relate to technical accounting adjustments 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 related asset is sold and the full value of the asset realised.

Comprehensive Income and Expenditure Statement (CIES) - 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. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may differ from the accounting cost. The Expenditure and Funding Analysis (Note 10) compares the CIES with income and expenditure taken into account when setting the budget and Council Tax, adjusting for certain amounts which are disregarded by statute. An analysis by nature, often referred to as a subjective analysis, of the CIES is given in Note 16.

Balance Sheet - gives a snapshot of the value of the Council's assets and liabilities at the year-end. These net assets 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 explains the reasons for the changes in the year.

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, the Avon and Somerset Police and Crime Commissioner, and the Avon Fire and Rescue Service. The Business Rate precepting bodies are the Council, Central Government and Avon Fire and Rescue Service. Each year the Council calculates the surplus or deficit on the Collection Fund, and this is distributed proportionately between the relevant precepting bodies.

The **Notes** to the financial statements provide more detail about the Council's accounting policies and individual transactions. The **Annual Governance Statement** sets out the governance structures of the Council and its key internal controls. The **Accounting Policies** set out the policies that have been followed in preparing the accounts, in line with Code requirements.

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

The Council's Accounts are audited by Grant Thornton UK LLP, however their review does not cover any external documents or statements included as electronic hyper-links.

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.

Since the resignation of the Head of Finance and Property in October 2018, these responsibilities are being undertaken by Richard Penska, who is the nominated Interim Head of Finance, and Section 151 Officer.

The Head of Finance and Property's core 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").

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 at the reporting date, and of its expenditure and income for the year ended 31 March 2019, and hereby authorise the issue of the accounts.

Richard Penska FCCA
Director of Finance
25 July 2019

Cllr John Cato
Chairman of Audit Committee
25 July 2019

Independent Auditor's Report and Opinion

Independent auditor's report to the members of North Somerset Council

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of North Somerset Council (the 'Authority') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statementand notes to the financial statements, including the accounting policies. 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 2018/19.
In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance and Property's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance and Property has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The Head of Finance and Property is responsible for the other information. The other information comprises the information included in the Financial Report 2018-2019, the Narrative Report, the Annual Governance Statement, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice
Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice
In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Financial Report 2018-2019, the Narrative Report, the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Head of Finance and Property and Those Charged with Governance for the financial statements
As explained more fully in the Statement of Responsibilities set out on page 25, the Authority 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. 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance and Property determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance and Property is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Independent Auditor's Report and Opinion

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities . This description forms part of our auditor's report.

Report on other legal and regulatory requirements -Conclusion on the Authority's 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 criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority
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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2019.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Independent Auditor's Report and Opinion

Report on other legal and regulatory requirements -Certificate

We certify that we have completed the audit of the financial statements of North Somerset Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

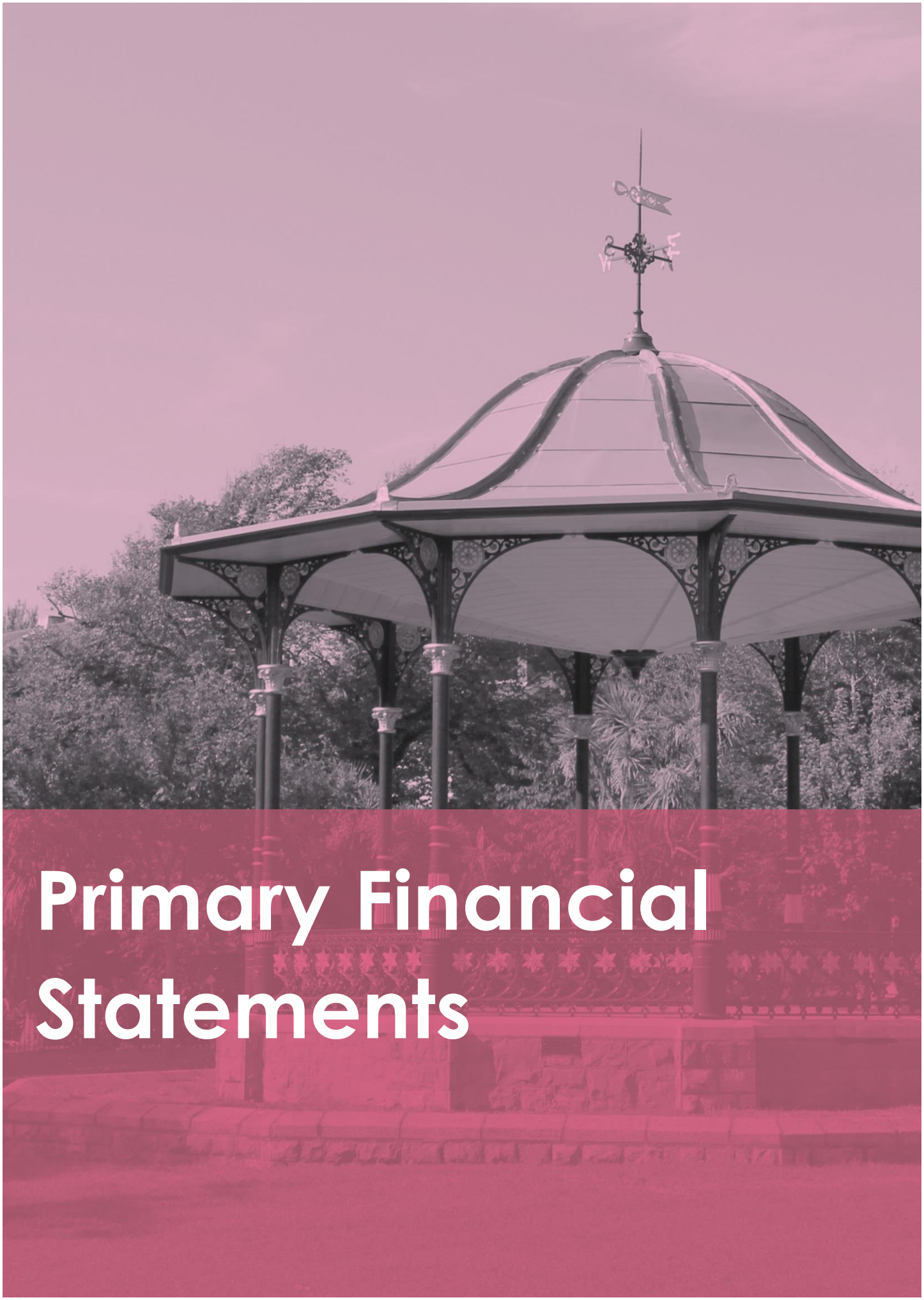
Use of our report
This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments 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.

Barrie Morris

Barrie Morris, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

30 July 2019



Primary Financial Statements

Movement in Reserves Statement

	Note	Usable Reserves									Unusable Reserves										TOTAL RESERVES
											Revaluation		Adjustment Accounts							Total	
		General Fund Balance £000	LMS School Balances £000	Dedicated Schools Grant £000	Other Schools Balances £000	Earmarked Revenue Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	*Total Usable Reserves £000*	Revaluation Reserve £000	Available-for-Sale Financial Instruments Reserve £000	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Pensions Reserve £000	Accumulated Absences account £000	Deferred Capital Receipts Reserve £000	Pooled Funds Adjustment Account £000	*Total Unusable Reserves £000*	£000
Balance at 1 April 2018		**(8,638)**	**(1,337)**	**1,420**	**(447)**	**(29,111)**	**(2,423)**	**(9,598)**	**(1,442)**	**(51,576)**	**(83,132)**	**304**	**(156,700)**	**467**	**45**	**232,726**	**1,334**	**(95)**	**0**	**(5,051)**	**(56,627)**
Re-statement of opening balances	*6*	(778)	0	0	0	(874)	0	0	0	**(1,652)**	0	(304)	0	0	0	0	0	0	304	**0**	**(1,652)**
Revised balance at 1 April 2018		**(9,416)**	**(1,337)**	**1,420**	**(447)**	**(29,985)**	**(2,423)**	**(9,598)**	**(1,442)**	**(53,228)**	**(83,132)**	**0**	**(156,700)**	**467**	**45**	**232,726**	**1,334**	**(95)**	**304**	**(5,051)**	**(58,279)**
Total Comprehensive Income and Expenditure	*CIES*	26,140	0	0	0	0	0	0	0	**26,140**	1,805	0	0	0	0	23,171	0	0	0	**24,976**	**51,116**
Adjustments between accounting basis & funding basis under regulations	*7*	(28,341)	0	0	0	0	0	(166)	(82)	**(28,589)**	14,671	0	9,557	(31)	819	3,405	207	16	(55)	**28,589**	**0**
Transfers between Usable Reserves	*8.1*	2,564	870	956	85	(3,174)	(1,301)	0	0	**0**	0	0	0	0	0	0	0	0	0	**0**	**0**
(Increase) / Decrease in 2018/19	*8, 9*	**363**	**870**	**956**	**85**	**(3,174)**	**(1,301)**	**(166)**	**(82)**	**(2,449)**	**16,476**	**0**	**9,557**	**(31)**	**819**	**26,576**	**207**	**16**	**(55)**	**53,565**	**51,116**
Balance at 31 March 2019 -	*8, 9*	**(9,053)**	**(467)**	**2,376**	**(362)**	**(33,159)**	**(3,724)**	**(9,764)**	**(1,524)**	**(55,677)**	**(66,656)**	**0**	**(147,143)**	**436**	**864**	**259,302**	**1,541**	**(79)**	**249**	**48,514**	**(7,163)**

North Somerset COUNCIL

Movement in Reserves Statement

	Note	Usable Reserves									Unusable Reserves									
											Revaluation		Adjustment Accounts						Total	
		General Fund Balance £000	LMS School Balances £000	Dedicated Schools Grant £000	Other Schools Balances £000	Earmarked Revenue Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	*Total Usable Reserves £000*	Revaluation Reserve £000	Available-for-Sale Financial Instruments Reserve £000	Pensions Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts £000	Financial Instruments Adjustment Account £000	Accumulated Absences £000	Collection Fund Adjustment Account *£000*	*Total Unusable Reserves £000*	TOTAL RESERVES £000
Balance at 31 March 2017		**(7,680)**	**(3,190)**	**1,763**	**(638)**	**(27,167)**	**(2,008)**	**(11,934)**	**(1,646)**	**(52,500)**	**(99,496)**	**398**	**264,396**	**(184,465)**	**(114)**	**499**	**2,136**	**(2,038)**	**(18,684)**	**(71,184)**
Total Comprehensive Income and Expenditure	*CIES*	52,200	0	0	0	0	0	0	0	**52,200**	(13,624)	(94)	(23,924)	0	0	0	0	0	**(37,642)**	**14,558**
Adjustments between accounting basis & funding basis under regulations	*7*	(53,816)	0	0	0	0	0	2,336	204	**(51,276)**	29,988	0	(7,746)	27,765	19	(31)	(802)	2,083	**51,276**	**0**
Transfers between Usable Reserves	*8.1*	656	1,854	(343)	192	(1,944)	(415)	0	0	**0**	0	0	0	0	0	0	0	0	**0**	**0**
(Increase) / Decrease in 2017/18	*8 / 9*	**(960)**	**1,854**	**(343)**	**192**	**(1,944)**	**(415)**	**2,336**	**204**	**924**	**16,364**	**(94)**	**(31,670)**	**27,765**	**19**	**(31)**	**(802)**	**2,083**	**13,634**	**14,558**
Balance carried forward - at 31 March 2018	*8 / 9*	**(8,640)**	**(1,336)**	**1,420**	**(446)**	**(29,111)**	**(2,423)**	**(9,598)**	**(1,442)**	**(51,576)**	**(83,132)**	**304**	**232,726**	**(156,700)**	**(95)**	**468**	**1,334**	**45**	**(5,050)**	**(56,626)**

Comprehensive Income and Expenditure Statement

2017/2018 Gross Expenditure £000	2017/2018 Gross Income £000	2017/2018 Net Expenditure £000		Note	2018/2019 Gross Expenditure £000	2018/2019 Gross Income £000	2018/2019 Net Expenditure £000
			People & Communities				
94,459	(27,685)	66,774	Adult Social Care		96,420	(30,485)	**65,935**
4,674	(3,364)	1,310	Housing Services		4,653	(3,229)	**1,424**
35,690	(5,189)	30,501	Children & Young People		35,935	(5,619)	**30,316**
10,044	(10,071)	(27)	Public Health		10,052	(9,879)	**173**
100,017	(83,195)	16,822	Schools Budgets & Grants		60,622	(56,298)	**4,324**
244,884	(129,504)	115,380			207,682	(105,510)	**102,172**
59,843	(68,542)	(8,699)	Corporate Services		66,985	(65,223)	**1,762**
68,697	(14,974)	53,723	Development & Environment		67,351	(15,333)	**52,018**
2,035	(1,314)	721	Non Service		5,456	(1,569)	**3,887**
375,459	**(214,334)**	**161,125**	**Cost of Services**	*10*	**347,474**	**(187,635)**	**159,839**
53,500	0	53,500	Other Operating Expenditure	*11*	31,432	0	**31,432**
12,453	(1,512)	10,941	Financing and investment income and expenditure	*12*	12,967	(2,628)	**10,339**
0	(173,366)	(173,366)	Taxation and non-specific grant income	*13*	0	(175,470)	**(175,470)**
441,412	**(389,212)**	**52,200**	**(Surplus) / Deficit on Provision of Services**	*10,16*	**391,873**	**(365,733)**	**26,140**
		(13,624)	(Surplus) / deficit on revaluation of non-current assets	*9.2*			**1,805**
		(94)	(Surplus) / deficit on revaluation of available for sale financial assets	*6, 9.3*			**0**
		(23,924)	Remeasurements of net defined benefit liability	*9.7*			**23,171**
		(37,642)	**Other Comprehensive Income and Expenditure**				**24,976**
		14,558	**Total Comprehensive Income and Expenditure**				**51,116**

Balance Sheet

31 March 2018 £000		Note	31 March 2019 £000
	Property, Plant and Equipment		
193,403	Other Land and Buildings	*24.1*	157,731
130,452	Infrastructure Assets	*24.1*	128,363
4,396	Community Assets	*24.1*	4,336
12,139	Vehicles, Plant, Furniture and Equipment	*24.1*	10,819
15,507	Assets Under Construction	*24.1*	25,539
0	Surplus assets	*24.1*	629
350	Intangible Assets	*24.1*	300
288	Heritage Assets		288
56,403	Investment Property	*25*	75,562
9,748	Long Term Investments	*31.1*	9,845
3,037	Long Term Debtors	*31.1*	3,333
425,723	**Long Term Assets**		**416,745**
3,236	Cash and Cash Equivalents	*CFS,31.1*	7,577
56,150	Short Term Investments	*31.1*	70,683
610	Assets Held for Sale		0
34	Inventories		1,691
31,590	Short Term Debtors	*27,31.1*	42,046
91,620	**Current Assets**		**121,997**
(643)	Short Term Borrowing	*31.1*	(1,547)
(45,087)	Short Term Creditors	*28,31.1*	(56,303)
(3,528)	Provisions	*29*	(5,818)
(12,347)	Grants Receipts in Advance - Capital	*14*	(23,438)
(61,605)	**Current Liabilities**		**(87,106)**
(1,539)	Provisions	*29*	(1,384)
(148,305)	Long Term Borrowing	*31.1*	(147,305)
(13,848)	Long Term Borrowing - Ex Avon Debt	*33*	(13,294)
(232,726)	Pensions Liabilities	*35.1*	(259,303)
(2,694)	Other Long Term Liabilities	*31.1, 36.1*	(23,187)
(399,112)	**Long Term Liabilities**		**(444,473)**
56,626	**Net Assets**		**7,163**
(51,576)	Usable Reserves	*8.1*	(55,677)
(5,050)	Unusable Reserves	*9.1*	48,514
(56,626)	**Total Reserves**		**(7,163)**

Richard Penska, Director of Finance
25 July 2019

Cash Flow Statement

2017/2018 £000		Note	£000	2018/2019 £000
(52,200)	Net surplus / (deficit) on the provision of services	CIES		**(26,140)**
83,526	Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements	37.1		**63,720**
(29,442)	Adjustments for items included in the net surplus / (deficit) on provision of services that are investing or financing activities	37.2		**(27,557)**
1,884	**Net cash flows from Operating Activities**			**10,023**
	Investing Activities			
(67,522)	Purchase of Property, Plant and equipmment, Investment propery and Intangible Assets		(28,589)	
4,089	Proceeds from sale of Property, Plant and equipmment, Investment propery and Intangible Assets		3,654	
				(24,935)
(292,702)	Purchase of short and long term investments		(376,562)	
307,200	Proceeds from sale of short and long term investments		362,060	
				(14,502)
(1,856)	Other payments for Investing Activities		4,397	
37,307	Other receipts from Investing Activities		28,780	
				33,177
(13,484)	**Net cash flows from Investing Activities**			**(6,260)**
	Financing Activities			
46,672	Cash receipts from short and long term borrowing		4	
(38,247)	Repayments of short and long term borrowing		(654)	
				(650)
0	Finance lease repayments		(525)	
3,013	Other net (payments) / receipts for Financing Activities		1,753	
				1,228
11,438	**Net cash flows from Financing Activities**			**578**
(162)	**Net increase / (decrease) in cash and cash equivalents**			**4,341**
3,398	Cash and cash equivalents at the beginning of the reporting period			**3,236**
3,236	**Cash and cash equivalents at the end of the reporting period comprising:**			**7,577**
3,236	Cash held by the Council	37.4		**7,577**
3,236				**7,577**

Notes to the Accounts

Technical Notes, Judgements and Assumptions

1. Critical judgements in applying accounting policies

In applying its accounting policies, 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:

- Funding - There continues to be uncertainty about future levels of funding for the Council and local government. 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.

- Better Care Funding - The Section 75 agreement by which Better Care resources have been agreed between the Council and North Somerset CCG has been assessed against the appropriate standards, mainly IFRS 10 and IFRS11. Following consideration of the control and governance arrangements of the underlying transaction streams, officers have judged that the arrangement should be classified as a 'joint operation'. As such, the Council and CCG accounts for the assets, liabilities, revenues and expenses relating to their involvement in the joint operation. Further details are set out in Note 25.

- Accounting for schools non-current assets –The Council recognises the local authority maintained schools land and buildings on its Balance Sheet where it directly owns the assets, and the building assets of schools where the owning entity has transferred rights to use the assets to the Council. 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 subsequent accounting treatment of the land and building assets.

- Fair value of PWLB borrowing – The Council has determined that the appropriate basis for assessing the fair value of its PWLB borrowing is to apply observed rates of return for comparable replacement borrowing.

- Group accounting – The Council has interests in entities which fall within the group boundary of the Council on the grounds of control under the Code. However these interests do not significantly impact on the Council's overall net assets or the Comprehensive Income and Expenditure Statement. The Council's view is therefore that these do not warrant producing consolidated group financial statements, on the grounds of materiality, both from a quantitative and qualitative perspective. Narrative disclosures regarding these relationships have been made in the related party transactions note (Note 23).

- Investment Property - The Council holds material amounts of investment property, including a material addition in the current year. The classification of these assets as Investment property, rather than as operational Property, Plant and Equipment is based on the Council's judgement that these assets are held solely to earn rentals or for capital appreciation or both, rather than delivery of services.

- Financial Instruments classification - The Council has made a judgement that its long term investments in CCLA and multi-asset funds are 'puttable' (ie repayable on demand). They therefore do not qualify for designation as being held at 'Fair Value through Other Comprehensive Income', and have been classified as at 'Fair Value through Profit or Loss'.

- Financial Instruments - assessment of credit loss allowances. The Council has made a judgement that receivables due from NHS bodies are covered by the Code exemption requiring a credit loss allowance not to be recognised on financial assets where the counterparty is central government, as it judges that NHS bodies are subject to financial support from central government such that they are unlikely to default on debtors due to financial failure.

Materiality has been applied in all judgements which significantly affect the financial statements.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 these estimates. There have been no significant changes to the basis of these estimates compared to the previous year. The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment - Depreciation

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. However, the impact of any expected change in useful lives would is not considered likely to be material.

Property, Plant and Equipment - Valuation

The Council's portfolio of assets 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. As a consequence the balance of properties valued differs from year to year.

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 £3.3m (2017/18 £4.0m).

The Authority is required to review whether there is any indication of material impairment to property values at the Balance Sheet date, and that the net book value of PPE assets in the accounts is materially in line with their current (market) value. To satisfy this requirement the Council's has undertaken a desktop re-valuation of the asset portfolio using national indices (notably IPD and BCIS) and also considered other local factors. This confirmed that there has been no material impairment to property values, and consequently no adjustments have been required.

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 of changes in individual assumptions can have a significant impact on the value of the net pensions liability. 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 (LGPS) of £11.8m (2017/18 £11.1m), and a decrease of £0.2m (2017/18 £0.2m) of the Teachers Unfunded Discretionary Benefits.

Fair Value Measurements

Investment properties and surplus assets are measured at Fair Value in line with accounting policies. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, estimation techniques are required in establishing fair values. These estimates 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 25 and 31.

3. Material items of income and expenditure

There are no material items of income and expenditure that are not disclosed elsewhere within the Statement of Accounts.

4. Events after the reporting period

The Statement of Accounts are due to be authorised for issue by the Chief Financial Officer on 25 July 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

5. Accounting standards not yet adopted

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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.

New or amended international accounting standards that have been issued and will be adopted by the Code in 2019/20 are:

- amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

None of these changes are expected to have a significant effect on the Council's Statement of Accounts from 1 April 2019.

6. Prior Period Adjustments

6.1 Library Book Stock

The Council has changed its accounting policy for accounting for its library book stock. It now recognises the Council's library books as an inventory balance in the Balance Sheet, and writes them down to the Consolidated Income and Expenditure Statement as they are consumed, rather than writing the library books off to expenditure when they are purchased. This change is considered likely to provide a more meaningful representation of the consumption of the Council's library book stock, as the library books are consumed over a number of years.

Prior year comparators have not been re-stated. Instead the opening balance of inventory as at 1 April 2018 has been re-stated. This re-statement also impacts on the opening balances on the General Fund and Earmarked Revenue Reserves. These as detailed in the Movement in Reserves Statement, the Usable Reserves Note 8.1, and the Earmarked Reserves note 8.2.

		31/03/2018 £000	Re-statement £000	01/04/2018 Re-stated £000
Change of accounting policy - Library book stock				
Inventories (Balance Sheet)	Balance Sheet	34	1,652	1,686
Reserves:				
General Fund	MIRS, Note 8.1	(8,640)	(778)	(9,418)
Earmarked Revenue Reserves	MIRS, Note 8.2	(29,111)	(874)	(29,985)

6.2 Financial Instruments

The 2018/19 Code requires accounts to apply International Financial Reporting Standards (IFRS) 9 Financial Instruments. Implementation of this change of accounting policy is made prospectively, and so comparators are not re-stated. Instead opening balances as at 1 April 2018 have been re-stated.

Financial assets previously classified as 'Available For Sale ' have been reclassified as held at 'Fair value through Profit / Loss'.

The comparators in Note 31 Financial Instruments have been re-stated to reflect the revised classifications of financial instruments under IFRS9. A reconciliation between the totals included in the prior year's accounts and the revised classifications detailed in the note are detailed below:

	Non-Current			Current		
	31/03/2018 £000	Re-statement £000	**01/04/2018 Restated £000**	31/03/2018 £000	Re-statement £000	**01/04/2018 Restated £000**
Re-classification of Financial Assets:						
Investments						
Loans and receivables	2	(2)	**0**	56,150	(56,150)	**0**
Available for Sale financial assets	9,696	(9,696)	**0**	0	0	**0**
Unquoted equity investment at cost	50	(50)	**0**	0	0	**0**
Amortised cost	0	2	**2**	0	56,150	**56,150**
Fair value through Profit / Loss	0	9,746	**9,746**	0	0	**0**
Total Investments	9,748	0	**9,748**	56,150	0	**56,150**
Debtors						
Loans and receivables	3,037	(3,037)	**0**	0	0	**0**
Financial assets carried at contract amounts	0	0	**0**	10,782	(10,782)	**0**
Amortised Cost	0	917	**917**	0	6,822	**6,822**
Total Debtors	3,037	(2,120)	**917**	10,782	(3,960)	**6,822**
Cash and cash equivalents	0	0	**0**	3,236	0	**3,236**
Total Financial Assets	12,785	(2,120)	**10,665**	70,168	(3,960)	**66,208**
Non Financial Asset - Debtors	0	2,120	**2,120**	20,808	3,960	**24,768**

	Non-Current			Current		
	31/03/2018 £000	Re-statement £000	**01/04/2018 Restated £000**	31/03/2018 £000	Re-statement £000	**01/04/2018 Restated £000**
Re-classification of Financial liabilities:						
Borrowing						
Financial liabilities at amortised cost	(148,305)	0	**(148,305)**	(643)	0	**(643)**
Creditors						
Financial liabilities carried at contract amounts	0	0	**0**	(16,468)	16,468	**0**
Amortised cost	0	0	**0**	0	(16,468)	**(16,468)**
Total Creditors	0	0	**0**	(16,468)	0	**(16,468)**
Total Financial Liabilities	(148,305)	0	**(148,305)**	(17,111)	0	**(17,111)**

The table includes pooled investment funds, which are not held solely for payments of principal or interest, and the business model for holding the investment is collection of dividend income, rather than collecting contractual cash flows and selling the assets.

As a result of this re-classification, the opening balance on the Available-for-Sale Financial Instruments Reserve was transferred to the Pooled Funds Adjustment Account, as follows:

		31/03/2018 £000	Re-statement £000	**01/04/2018 Re-stated £000**
Change of accounting policy - IFRS 9 Financial Instruments				
Reserves:				
Available-for-Sale Financial Instruments Reserve	MIRS, Note 9.1 and 9.3	304	(304)	**0**
Pooled Funds Adjustment Account	MIRS, Note 9.1 and 9.10	0	304	**304**

Notes to the Movement in Reserves Statement

7. Adjustments between accounting basis and funding basis under statutory provisions

This note details the adjustments made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2018/2019 ADJUSTMENTS	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):				
Charges for depreciation of non-current assets	(13,107)	0	0	13,107
Charges for impairment of non-current assets	(5,722)			5,722
Revaluation losses on Property, Plant and Equipment	(1,354)	0	0	1,354
Movements in the fair value of Investment Properties	(1,845)	0	0	1,845
Revenue expenditure funded from capital under statute	(5,071)	0	0	5,071
Net gain or loss on sale or de-recognition of non-current assets and non-current assets held for sale	(31,220)	0	0	31,220
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	23,756	0	0	(23,756)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	164	0	(164)	0
Impairment of Financial Assets	(50)	0	0	50
Financial instruments (transferred to the Financial Instruments Adjustments Account)	31	0	0	(31)
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(819)	0	0	819
Pensions costs (transferred to or from the Pensions Reserve)	(3,406)	0	0	3,406
Holiday pay (transferred to or from the Accumulated Absences Reserve)	(206)	0	0	206
Remeasurement of pooled Financial Instruments (transferred to the Pooled Funds Adjustment Account)	55	0	0	(55)
Total Adjustments to Revenue Resources	**(38,794)**	**0**	**(164)**	**38,958**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds credited as part of the gain/loss on disposal from revenue to the Capital Receipts Reserve	3,639	(3,639)	0	0
Payments to the Government capital receipts pool (funded by a transfer from the Capital Receipts Reserve)	(12)	12	0	0
Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	5,636	0	0	(5,636)
Capital expenditure financed from General Fund revenue balances (transfer from the Capital Adjustment Account)	1,190	0	0	(1,190)
Total Adjustments between Revenue and Capital Resources	**10,453**	**(3,627)**	**0**	**(6,826)**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	3,497	0	(3,497)
Application of capital grants to finance capital expenditure	0	0	82	(82)
Write down of long term debtor on receipt of loan principal	0	(20)	0	20
Cash receipts in relation to deferred capital receipts	0	(16)	0	16
Total Adjustments to Capital Resources	**0**	**3,461**	**82**	**(3,543)**
TOTAL ADJUSTMENTS	**(28,341)**	**(166)**	**(82)**	**28,589**

Notes to the Movement in Reserves Statement

2017/2018 ADJUSTMENTS	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):				
Charges for depreciation of non-current assets	(14,360)	0	0	14,360
Charges for impairment of non-current assets	(7,015)			7,015
Revaluation losses on Property, Plant and Equipment	(523)	0	0	523
Movements in the fair value of Investment Properties	(409)	0	0	409
Revenue expenditure funded from capital under statute	(9,774)	0	0	9,774
Net gain or loss on sale or de-recognition of non-current assets and non-current assets held for sale	(64,335)	0	0	64,335
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	25,133	0	0	(25,133)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	240	0	(240)	0
Financial instruments (transferred to the Financial Instruments Adjustments Account)	31	0	0	(31)
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(2,084)	0	0	2,084
Pensions costs (transferred to (or from) the Pensions Reserve)	7,746	0	0	(7,746)
Holiday pay (transferred to the Accumulated Absences Reserve)	802	0	0	(802)
Total Adjustments to Revenue Resources	**(64,548)**	**0**	**(240)**	**64,788**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds credited as part of the gain/loss on disposal from revenue to the Capital Receipts Reserve	4,070	(4,070)	0	0
Payments to the Government capital receipts pool (funded by a transfer from the Capital Receipts Reserve)	(14)	14	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	4,924	0	0	(4,924)
Capital expenditure financed from General Fund revenue balances	1,752	0	0	(1,752)
Total Adjustments between Revenue and Capital Resources	**10,732**	**(4,056)**	**0**	**(6,676)**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	6,425	0	(6,425)
Application of capital grants to finance capital expenditure	0	0	444	(444)
Write down of long term debtor on receipt of loan principal	0	(15)	0	15
Cash receipts in relation to deferred capital receipts	0	(19)	0	19
Total Adjustments to Capital Resources	**0**	**6,391**	**444**	**(6,835)**
TOTAL ADJUSTMENTS	**(53,816)**	**2,335**	**204**	**51,277**

Notes to the Movement in Reserves Statement

8. Usable Reserves

8.1 Summary of Usable Reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement. 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 2018 Re-stated £000	Net Movement in Year £000	**Balance 31 March 2019 £000**	Further Details
General Fund Balance	(9,418)	365	**(9,053)**	
School Balances				
- LMS Schools	(1,337)	870	**(467)**	
- Dedicated Schools Grant	1,420	956	**2,376**	Note 15
- Other Schools Balances	(447)	85	**(362)**	
Earmarked Revenue and Capital Reserves	(32,408)	(4,475)	**(36,883)**	Note 8.2
Total General Fund and Earmarked Reserves	(42,190)	(2,199)	**(44,389)**	Note 10
Usable Capital Financing Reserves				
- Capital Receipts Reserve	(9,598)	(166)	**(9,764)**	Note 8.3
- Capital Grants Unapplied	(1,442)	(82)	**(1,524)**	Note 8.4
Total Usable Capital Financing Reserves	(11,040)	(248)	**(11,288)**	
Total Usable Reserves	(53,230)	(2,447)	**(55,677)**	

General Fund Balance
The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

Capital Receipts Reserve
The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied
The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

8.2 Earmarked Reserves

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

Notes to the Movement in Reserves Statement

	Balance 1 April 2017 £000	Transfers between Reserves £000	Transfers Out £000	Transfers In £000	Balance 31 March 2018 £000	**Balance 1 April 2018 Re-stated £000**	Transfers between Reserves £000	Transfers Out £000	Transfers In £000	**Balance 31 March 2019 £000**
Earmarked Revenue Reserves										
Insurance Reserves	(3,061)	80	40	(296)	(3,237)	**(3,237)**	0	0	(180)	**(3,417)**
Severance Reserves	(859)	0	164	(305)	(1,000)	**(1,000)**	0	0	(50)	**(1,050)**
Transformation Reserves	(1,811)	(359)	607	(144)	(1,707)	**(1,707)**	75	1,157	(2)	**(477)**
Economic & Regeneration Reserve	(1,928)	(16)	799	(310)	(1,455)	**(1,455)**	(16)	286	(20)	**(1,205)**
City-Deal Smoothing Reserve	(2,689)	0	2,689	(3,503)	(3,503)	**(3,503)**	0	3,374	(4,177)	**(4,306)**
Financial Risk Reserve	(2,154)	475	856	(1,361)	(2,184)	**(2,184)**	300	74	(1,799)	**(3,609)**
Council Tax Smoothing Reserve	(1,111)	0	1,111	(470)	(470)	**(470)**	0	323	(1,090)	**(1,237)**
People & Comm - Adult Social Services	(63)	0	63	(1,662)	(1,662)	**(1,662)**	0	745	(1,066)	**(1,983)**
People & Comm - Housing Services	(252)	0	29	(248)	(471)	**(471)**	0	113	(194)	**(552)**
People & Comm - Children & Young People	(448)	0	47	(60)	(461)	**(461)**	0	309	(743)	**(895)**
People & Comm - Schools	(180)	0	164	(170)	(186)	**(186)**	0	47	(43)	**(182)**
People & Comm - Public Health	(433)	0	0	(149)	(582)	**(582)**	(34)	112	(8)	**(512)**
People & Comm - Housing Property Funds	(693)	0	0	(63)	(756)	**(756)**	0	4	(72)	**(824)**
Development & Environment	(1,767)	16	925	(1,463)	(2,289)	**(3,163)**	(250)	783	(830)	**(3,460)**
Corporate Services	(1,695)	(196)	431	(588)	(2,048)	**(2,048)**	(75)	409	(805)	**(2,519)**
Earmarked Deposits & Contributions	(8,023)	0	1,211	(288)	(7,100)	**(7,100)**	0	1,346	(1,177)	**(6,931)**
Total Earmarked Revenue Reserves	(27,167)	0	9,136	(11,080)	(29,111)	**(29,985)**	0	9,082	(12,256)	**(33,159)**
Earmarked Capital Reserves										
General Capital Reserves	(1,994)	0	275	(690)	(2,409)	**(2,409)**	445	102	(648)	**(2,510)**
Earmarked Capital Reserves	(14)	0	0	0	(14)	**(14)**	(445)	0	(755)	**(1,214)**
Total Earmarked Capital Reserves	(2,008)	0	275	(690)	(2,423)	**(2,423)**	0	102	(1,403)	**(3,724)**
Total Earmarked Revenue & Capital Reserves	(29,175)	0	9,411	(11,770)	(31,534)	**(32,408)**	**0**	**9,184**	**(13,659)**	**(36,883)**

North Somerset COUNCIL

Notes to the Movement in Reserves Statement

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; and claims which may have occurred but have not yet been reported to the Council.
Severance Reserve	To fund severance costs anticipated in future years.
Transformation Reserves	Resources set-aside to fund the one-off investment costs of Transformation programmes and initiatives which will improve service delivery and also realise financial benefits in future years. This includes the Digital First programme and also resources to replace the adult social care records system.
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.
Financial 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 – Including Housing Property Funds	Monies set-aside to fund Adult Social Care programmes, Housing related surveys, service transformation projects such as Troubled Families, school pooling arrangements and resources to fund specific costs associated with statutory public health functions. Also reflects 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.
Earmarked Deposits and Contributions	Monies held by the Council to fund future costs arising from development activity.
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.

Notes to the Movement in Reserves Statement

8.3 Capital Receipts Reserve

	2017/18 £000	**2018/19 £000**
Balance brought forward - 1 April	(11,934)	**(9,598)**
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	(4,069)	**(3,639)**
Use of Capital Receipts to finance new capital expenditure	6,425	**3,497**
Financing payment to the Government Housing Capital Receipts Pool	14	**12**
Transfer from Deferred Capital Receipts Reserve	(19)	**(16)**
Transfer from the Capital Adjustment Account to reflect write-down of long-term debtor	(15)	**(20)**
Balance carried forward - 31 March	(9,598)	**(9,764)**

8.4 Capital Grants Unapplied

	2017/18 £000	**2018/19 £000**
Balance brought forward - 1 April	(1,646)	**(1,442)**
Transfer to Capital Adjustment Account to finance capital spend	444	**82**
Capital Grants and Contributions unapplied, credited to the Comprehensive Income and Expenditure Statement	(240)	**(164)**
Balance carried forward - 31 March	(1,442)	**(1,524)**

Notes to the Movement in Reserves Statement

9. Unusable Reserves

9.1 Summary of Unusable Reserves

	Balance 1 April 2018 Re-stated £000	Net Movement in Year £000	**Balance 31 March 2019 £000**	Further Details
Revaluation Balances				
Revaluation Reserve	(83,132)	16,476	**(66,656)**	Note 9.2
Available for Sale Financial Instrument Reserve	0	0	**0**	Note 9.3
Adjustment Accounts				
Capital Adjustment Account	(156,700)	9,557	**(147,143)**	Note 9.4
Financial Instruments Adjustment Account	468	(32)	**436**	Note 9.5
Collection Fund Adjustment Account	46	818	**864**	Note 9.6
Pensions Reserve	232,725	26,577	**259,302**	Note 9.7
Accumulated Absences Account	1,334	207	**1,541**	Note 9.8
Deferred Capital Receipts Reserve	(95)	16	**(79)**	Note 9.9
Pooled Investment Funds Adjustment Account	304	(55)	**249**	Note 9.10
Total Unusable Reserves	**(5,050)**	**53,564**	**48,514**	

9.2 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

	2017/18 £000	**2018/19 £000**
Balance brought forward - 1 April	(99,496)	**(83,132)**
Upward revaluation of assets	(16,804)	**(3,171)**
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	3,180	**4,976**
Surplus / deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(13,624)	**1,805**
Difference between fair value depreciation and historical cost depreciation	2,165	**1,911**
Accumulated gains written out on disposal or sale of non-current assets	27,823	**12,760**
Amount transferred to the Capital Adjustment Account	29,988	**14,671**
Balance carried forward - 31 March	(83,132)	**(66,656)**

Notes to the Movement in Reserves Statement

9.3 Available for Sale Reserve

The Available for Sale Reserve previously contained the gains or losses made by the Council arising from increases or decreases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost, or
- disposed of and the gains are realised.

Following the adoption of IFRS 9 Available For Sale financial assets have been re-classified, and the balance of this reserve has been transferred to the Pooled Funds Adjustment Account.

	2017/18 £000	**2018/19 £000**
Balance brought forward - 1 April	398	**304**
Restatement of opening balance - transfer to Pooled Funds Adjustment Account	0	**(304)**
Re-stated balance brought forward - 1 April	398	**0**
Upwards revaluation of investments	(193)	**0**
Downwards revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	99	**0**
Balance carried forward - 31 March	304	**0**

Notes to the Movement in Reserves Statement

9.4 Capital Adjustment Account

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

	2017/18 £000	**2018/19 £000**
Balance brought forward - 1 April	(184,465)	**(156,700)**
Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for Depreciation of Non Current Assets	14,360	**13,107**
Charges for Impairment of Non Current Assets	7,015	**5,722**
Revaluations Losses on Property, Plant and Equipment	523	**1,354**
Movements in the Market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	409	**1,845**
Revenue Expenditure Financed by Capital Under Statute	9,774	**5,071**
Amounts of non-current assets written off on disposal or sale as part of the Gain or Loss on Disposal to the Comprehensive Income and Expenditure Statement	64,335	**31,220**
Charges for Impairment of Financial Assets	0	**50**
	96,416	**58,369**
Amounts relating to the Revaluation Reserve		
Accumulated gains written out on disposal or sale of non-current assets	(27,823)	**(12,760)**
Difference between fair value depreciation and historical cost depreciation	(2,165)	**(1,911)**
	(29,988)	**(14,671)**
Net written amount out of the cost of non-current assets consumed in the year	66,428	**43,698**
Amounts relating to the Capital Receipts Reserve		
Write down of long-term debtor	15	**20**
	15	**20**
Capital Financing Applied in the year		
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(25,133)	**(23,756)**
Use of Capital Receipts Reserve to finance new capital expenditure	(6,425)	**(3,497)**
Application of Grants and Contributions to capital financing from the Capital Grants Unapplied Account	(444)	**(82)**
Statutory provision for the financing of capital investment charged against the General Fund Balance	(4,924)	**(5,636)**
Capital expenditure charged against the General Fund Balance	(1,752)	**(1,190)**
	(38,678)	**(34,161)**
Balance carried forward - 31 March	(156,700)	**(147,143)**

Notes to the Movement in Reserves Statement

9.5 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from discounts and premia on premature debt redemption, and similar financial transactions.

	2017/18 £000	**2018/19 £000**
Balance brought forward - 1 April	499	**468**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(31)	**(32)**
Balance carried forward - 31 March	468	**436**

9.6 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.

	2017/18 £000	**2018/19 £000**
Balance brought forward - 1 April	(2,038)	**46**
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	1,366	**(126)**
- Business Rates	485	**467**
- Business Rates: Disregarded Amount	233	**477**
	2,084	**818**
Balance carried forward - 31 March	46	**864**

9.7 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 amounts shown below bring together adjustments for the Local Government Pension Scheme and Unfunded Teachers' Discretionary Benefits (see Note 35.1).

	2017/18			**2018/19**		
	LGPS	Teachers' Discretionary Benefits	Total	**LGPS**	**Teachers' Discretionary Benefits**	**Total**
	£000	£000	£000	**£000**	**£000**	**£000**
Balance brought forward - 1 April	239,176	25,220	264,396	**209,099**	**23,626**	**232,725**
Remeasurements of the net defined benefit liability:						
- Return on plan assets	2,598	0	2,598	**(11,686)**	**0**	**(11,686)**
- (Gains) / Losses on financial assumptions	(26,028)	(494)	(26,522)	**33,906**	**951**	**34,857**
Total Remeasurements of the net defined benefit liability	(23,430)	(494)	(23,924)	**22,220**	**951**	**23,171**
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	5,973	609	6,582	**15,408**	**592**	**16,000**
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,619)	(1,709)	(14,328)	**(10,884)**	**(1,710)**	**(12,594)**
Amount by which Pension costs charged to the Comprehensive Income Statement is different from that chargeable in accordance with statutory requirements	(6,646)	(1,100)	(7,746)	**4,524**	**(1,118)**	**3,406**
Balance carried forward - 31 March	209,100	23,626	232,726	**235,843**	**23,459**	**259,302**

Notes to the Movement in Reserves Statement

9.8 Accumulated Absences Account

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

	2017/18 £000	**2018/19 £000**
Balance brought forward - 1 April	2,136	**1,334**
Settlement or cancellation of accrual made at the end of the preceding year	(2,136)	**(1,334)**
Amounts accrued at the end of the current year	1,334	**1,541**
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	(802)	**207**
Balance carried forward - 31 March	1,334	**1,541**

9.9 Deferred Capital Receipts Reserve

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

	2017/18 £000	**2018/19 £000**
Balance brought forward - 1 April	(114)	**(95)**
Transfer to the Capital Receipts Reserve upon receipt of cash	19	**16**
Balance carried forward - 31 March	(95)	**(79)**

9.10 Pooled Funds Adjustment Account

The Pooled Funds Adjustment Account holds fair value movements on Pool Investment Funds. Under statutory arrangements these movements are not charged against the General Fund. Following the adoption of IFRS 9 Available For Sale financial assets have been re-classified and related balances transferred here from the Available for Sale Reserve.

	2017/18 £000	**2018/19 £000**
Balance brought forward - 1 April	0	**0**
Re-statement of opening balance from Available for Sale Reserve	0	**304**
Re-stated balance brought forward - 1 April	0	**304**
Fair value movements on Pooled Investment Funds to be charged against the General Fund	0	**(55)**
Balance carried forward - 31 March	0	**249**

Notes to the Comprehensive Income and Expenditure Statement

10. Expenditure and Funding Analysis

2017/2018 Net Expenditure Chargeable to General Fund Balances £000	2017/2018 Adj Between Funding & Accounting Basis (Note 10.1) £000	2017/2018 Net Expenditure in the CI&ES £000		Note	2018/2019 Net Expenditure Chargeable to General Fund Balances £000	2018/2019 Adj Between Funding & Accounting Basis (Note 10.1) £000	2018/2019 Net Expenditure in the CI&ES £000
			People & Communities				
66,119	655	66,774	Adult Social Care		65,444	491	**65,935**
1,168	142	1,310	Housing Services		1,368	56	**1,424**
30,118	383	30,501	Children & Young People		29,681	635	**30,316**
(91)	64	(27)	Public Health		137	36	**173**
1,776	15,046	16,822	Schools Budgets & Grants		1,970	2,354	**4,324**
99,090	16,290	115,380			98,600	3,572	**102,172**
4,995	(13,694)	(8,699)	Corporate Services		5,720	(3,958)	**1,762**
37,124	16,599	53,723	Development & Environment		36,964	15,054	**52,018**
836	(114)	722	Non Service		227	3,660	**3,887**
142,045	**19,081**	**161,126**	**Net Cost of Services**	*CIES*	**141,511**	**18,328**	**159,839**
(143,660)	34,735	(108,925)	Other Income and Expenditure		(143,712)	10,013	**(133,699)**
(1,615)	**53,816**	**52,201**	**(Surplus) / Deficit on Provision of Services**	*CIES*	**(2,201)**	**28,341**	**26,140**

General Fund Reserves £000	Earmarked Revenue Reserves £000	Total GF and Earmarked Reserves £000			General Fund Reserves £000	Earmarked Revenue Reserves £000	Total GF and Earmarked Reserves £000
			Opening balance at 1 April		**(8,640)**	**(31,897)**	**(40,537)**
			Re-statement of opening balances	*6*	(778)	(875)	(1,653)
(7,680)	**(31,240)**	**(38,920)**	Opening Balance at 1 April (re-stated)		**(9,418)**	**(32,772)**	**(42,190)**
(960)	(657)	(1,617)	Net movement in year		365	(2,565)	(2,200)
(8,640)	**(31,897)**	**(40,537)**	**Closing Balance at 31 March**	*8.1*	**(9,053)**	**(35,337)**	**(44,390)**

North Somerset COUNCIL

Notes to the Comprehensive Income and Expenditure Statement

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

2017/2018						2018/2019			
Adjustment for Capital Purposes (Note 10.2.1) £000	Net Charge for the Pensions Adj (Note 10.2.2) £000	Other Statutory Adjustments (Note 10.2.3) £000	Total Statutory Adjustments (Note 10) £000		*Note*	Adjustment for Capital Purposes (Note 10.2.1) £000	Net Charge for the Pensions Adj (Note 10.2.2) £000	Other Statutory Adjustments (Note 10.2.3) £000	Total Statutory Adjustments (Note 10) £000
				People & Communities					
56	529	70	655	Adult Social Care		107	316	68	**491**
64	74	4	142	Housing Services		(6)	48	14	**56**
(215)	656	(57)	384	Children & Young People		103	374	158	**635**
0	53	10	63	Public Health		0	28	8	**36**
16,716	(783)	(887)	15,046	Schools Budgets & Grants		3,947	(1,422)	(171)	**2,354**
16,621	529	(860)	16,290			4,151	(656)	77	**3,572**
1,650	(15,366)	22	(13,694)	Corporate Services		1,679	(5,703)	66	**(3,958)**
15,849	714	37	16,600	Development & Environment		14,611	379	64	**15,054**
(114)	0	0	(114)	Non Service		0	3,660	0	**3,660**
34,006	**(14,123)**	**(801)**	**19,082**	**Net Cost of Services**		**20,441**	**(2,320)**	**207**	**18,328**
26,305	6,378	2,052	34,735	Other Income and Expenditure from the Expenditure and Funding Analysis		3,554	5,726	733	**10,013**
60,311	**(7,745)**	**1,251**	**53,817**	**Difference Between the General Fund (Surplus) / Deficit and the Comprehensive Income and Expenditure (Surplus) / Deficit on Provision of Services**	*10*	**23,995**	**3,406**	**940**	**28,341**

10.2 Other Expenditure and Funding Analysis Notes

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how net expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

10.2.1 Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **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.

10.2.2 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:

- **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**– the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

10.2.3 Other Statutory Adjustments

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

- **Cost of services** - the 'Other Statutory Adjustments' column recognises adjustments to the General Fund for the timing differences re accumulated absences
- **Other income and expenditure**, including:
    - For **Financing and investment income and expenditure,** the 'Other Statutory Adjustments' 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

11. Other Operating Expenditure

	2017/18 £000	**2018/19 £000**
Parish Council precepts	4,540	**4,775**
Other precepts and levies	273	**277**
Payments to the Government Housing Capital Receipts Pool	14	**59**
(Gains) / losses on the disposal of non-current assets	48,673	**26,321**
Total	53,500	**31,432**

12. Financing and Investment Income and Expenditure

	2017/18 £000	**2018/19 £000**
Interest payable and similar charges	5,666	**5,342**
Impairment losses re financial instruments	0	**54**
Net interest on net defined benefit pension liability & administration expense	6,378	**5,726**
Changes in the fair value of investment property	409	**1,845**
Interest receivable and similar income	(1,512)	**(2,628)**
Total	10,941	**10,339**

13. Taxation and Non Specific Grant Income

	2017/18 £000	**2018/19 £000**
Council Tax Income	(102,414)	**(109,048)**
Business Rate Income	(29,565)	**(29,625)**
	(131,979)	**(138,673)**
Non-ringfenced government grants:		
Revenue Support Grant	(11,697)	**(6,919)**
Transitions Grant	(931)	**0**
New Homes Bonus Grant	(5,094)	**(3,653)**
Section 31 Grants re Business Rates and Council Tax	(5,425)	**(6,700)**
Adult Social Care Support Grant	(928)	**(577)**
	(24,075)	**(17,849)**
Capital grants and contributions	(17,312)	**(18,948)**
	(41,387)	**(36,797)**
Total	(173,366)	**(175,470)**

14. Grant Income

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement:

2017/18 Total Grants & Cont'ns £000		2018/19 Government Grants £000	Capital Grants £000	Other Grants & Cont'ns £000	Total Grants & Cont'ns £000
	Credited to Cost of Services				
	People & Communities				
	Adult Social Care:				
(4,861)	NHS NS CCG Better Care Fund	0	0	(4,977)	**(4,977)**
(3,760)	Improved Better Care Fund	(4,918)	0	0	**(4,918)**
(4,192)	Other Adult Social Care Services Grants & Contributions	(1,470)	(579)	(2,278)	**(4,327)**
	Children and Young People:				
(361)	Education Services / Early Intervention Grant	0	0	0	**0**
(3,009)	Other Children's & Education Services Grants & Contributions	(1,496)	(10)	(1,989)	**(3,495)**
(2,575)	Housing Services Grants & Contributions	(458)	(1,724)	(168)	**(2,350)**
(9,870)	Public Health Services Grants	(9,583)	0	(33)	**(9,616)**
	Schools budgets and grants:				
(66,299)	Dedicated Schools Grant	(48,498)	0	0	**(48,498)**
(2,806)	Pupil Premium Grant	(1,197)	0	0	**(1,197)**
(1,572)	Universal Infant Free School Meals	(642)	0	0	**(642)**
(8,312)	Other Schools & Education Services Grants & Contributions	(934)	(2,435)	(1,113)	**(4,482)**
	Corporate Services				
(55,690)	Housing Benefit Subsidy	(48,988)	0	0	**(48,988)**
(638)	Housing Benefit Subsidy Administration	(579)	0	0	**(579)**
(2,325)	Other Corporate Services Grants & Contributions	(1,095)	0	(950)	**(2,045)**
(1,977)	Development & Environment	(590)	(123)	(1,699)	**(2,412)**
(1,200)	Non Service	0	0	(1,079)	**(1,079)**
(169,447)	**Total grants credited to Cost of Services**	**(120,448)**	**(4,871)**	**(14,286)**	**(139,605)**
	Non-specific Grants and Capital Contributions (Note 13)				
(24,075)	Non-ringfenced grants and contributions	(17,849)	0	0	**(17,849)**
(17,312)	Capital grants and contributions	0	(18,948)	0	**(18,948)**
(41,387)		**(17,849)**	**(18,948)**	**0**	**(36,797)**
(210,834)	**Total grants and contributions**	**(138,297)**	**(23,819)**	**(14,286)**	**(176,402)**

The Council has received a number of capital 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 grants and contributions Receipts in Advance at the year-end are as follows:

	2017/18 £000	**2018/19 £000**
Local Transport Plan Grant	(913)	**(1,924)**
Early Years Child Care Grant	(119)	**(99)**
Basic Need Education Grant	(7,871)	**(13,842)**
Capital Maintenance Education Grant	(833)	**(1,176)**
Other Grants	(2,611)	**(6,397)**
Total Capital Grants Received in Advance	(12,347)	**(23,438)**

15. 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 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG for 2018/19 and the balances carried forward at the year-end are as follows:

	Central Expenditure £000	Individual Schools Budget £000	**Total £000**
Final DSG for 2018/19 before Academy Recoupment	32,770	119,057	**151,827**
Academy figure recouped for 2018/19	0	(103,329)	**(103,329)**
Total DSG after Academy and high needs recoupment for 2018/19	32,770	15,728	**48,498**
Surplus / (Deficit) brought forward from 2017/18	(1,663)	243	**(1,420)**
2018/19 planned contribution to the DSG deficit recovery	0	427	**427**
Agreed initial / final budgeted distribution in 2018/19	31,107	16,398	**47,505**
Actual central expenditure for the year	(33,399)	0	**(33,399)**
Actual Individual Schools Budget (ISB) deployed to schools in year	0	(16,482)	**(16,482)**
Expenditure in 2018/19	(33,399)	(16,482)	**(49,881)**
Surplus / (Deficit) Carried Forward to 2019/20	(2,292)	(84)	**(2,376)**

At their meeting in March 2018, the Strategic Schools Forum (SSF) continued to commit to removing the deficit over a 5-year period and this was reflected in the 2018/19 budget that was set. However, whilst the deficit was planned to reduce during the current financial year, the deficit has increased from £1.420m to £2.376m due to continued pressure in the high needs block. The SSF has agreed to support the transfer of a minimum of £500k each year from the schools' block to the high needs block to contribute to the deficit recovery and, all other things being equal, this would repay the deficit over a 5-year period. The Council also has a number of other plans in place to mitigate pressure on the high needs block, including a significant expansion in special school provision in the area.

16. Expenditure and Income Analysed by Nature

	2017/18 £000	**2018/19 £000**
Expenditure		
Employee Benefits Expenses	85,149	**72,572**
Other Services Expenses	252,234	**250,621**
Depreciation, Amortisation and Impairment	22,307	**21,973**
Interest paid	6,709	**7,544**
Precepts and Levies	5,319	**5,568**
Payments to the Housing Capital Receipts Pool	14	**59**
(Gains) / losses on the disposal of non-current assets	60,227	**27,555**
Revenue Expenditure Financed by Capital Under Statute	9,774	**5,071**
	441,733	**390,963**
Income		
Fees, Charges and Other Service Income	(42,626)	**(45,214)**
Interest & Investment Income received	(1,072)	**(1,395)**
Income from Council Tax, Non-Domestic Rates	(131,978)	**(138,673)**
Government Grants & Contributions	(210,834)	**(176,402)**
Internal Recharges	(3,023)	**(3,139)**
	(389,533)	**(364,823)**
(Surplus) / Deficit on Provision of Services	52,200	**26,140**

16.1 Revenue from contracts with service recipients

	2017/18 £000	**2018/19 £000**
Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:		
Revenue from contracts with service recipients	(29,394)	**(25,591)**

The Council typically satisfies its performance obligations as services are rendered, or upon completion of a service. Hence no significant contract assets or liabilities have been recognised.

The total of receivables relating to Revenue from contracts with service recipients which are included in debtors (Note 27), are disclosed in the Financial Instruments note (Note 31).

17. Members' Allowances

	2017/18 Re-stated £000	**2018/19 £000**
Basic Allowances	409	**420**
Special Responsibility Allowances	204	**208**
Travel expenses & subsistence	21	**19**
Total Members' Allowances	634	**647**

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

18. Officer Remuneration

18.1 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 who report to that post. No bonuses, compensation for loss of office or benefits in kind were paid to senior officers in either year.

	2018/2019			
Post	**Salary (incl. fees & allowances) £**	**Payments made in respect of NSC elections £**	**Pension Contributions £**	**Total Remuneration incl. pension contributions £**
Chief Executive - Mike Jackson (to 30 June 2018)	39,602	0	0	**39,602**
Chief Executive - Jo Walker (from 16 January 2019)	32,081	0	8,678	**40,759**
Director of People and Communities	127,391	0	34,459	**161,850**
Director of Development and Environment (to 21 May 2018)	19,762	0	5,346	**25,108**
Head of Finance and Property (to 28 October 2018)	64,117	0	17,309	**81,426**
Interim S151 Officer (from 31 October 2018)	37,959	0	10,268	**48,227**
Head of Performance Improvement and HR	87,152	0	23,575	**110,727**
Head of Legal & Democratic Services	79,593	0	21,530	**101,123**
	487,657	**0**	**121,165**	**608,822**

The Chief Executive post was filled on a temporary basis by Helen Bailey who was an agency employee, rather than a directly employed member of the Council staff. The cost payable to the agency was £138,454 and covered the period 1 July 2018 to 11 January 2019.

Post	2017/2018 Salary (incl. fees & allowances) £	Payments made in respect of NSC elections £	Pension Contributions £	Total Remuneration incl. pension contributions £
Chief Executive - Mike Jackson	149,955	0	0	149,955
Director of People & Communities	124,893	0	32,597	157,490
Director of Development & Environment	117,078	0	30,557	147,635
Head of Finance and Property	94,987	0	24,792	119,779
Head of Performance Improvement & HR	85,443	0	22,301	107,744
Head of Legal & Democratic Services	78,032	382	20,366	98,780
	650,388	382	130,613	781,383

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.

18.2 Officers' Remuneration

Council 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 teachers, and include those senior officers detailed in Note 18.1 above.

Remuneration Band	No. of Employees 2017/18	**2018/19**	Remuneration Band	No of Employees 2017/18	**2018/19**
£50,000 - £54,999	36	**28**	£95,000 - £99,999	0	**0**
£55,000 - £59,999	30	**24**	£100,000 - £104,999	1	**0**
£60,000 - £64,999	4	**9**	£105,000 - £109,999	0	**1**
£65,000 - £69,999	10	**5**	£110,000 - £114,999	0	**1**
£70,000 - £74,999	4	**3**	£115,000 - £119,999	1	**0**
£75,000 - £79,999	6	**5**	£120,000 - £124,999	0	**0**
£80,000 - £84,999	4	**2**	£125,000 - £129,999	1	**1**
£85,000 - £89,999	2	**3**	£130,000 - £134,999	0	**0**
£90,000 - £94,999	1	**0**	£145,000 - £149,999	1	**0**

19. Termination Benefits

The total exit packages agreed in the year, and charged to the Comprehensive Income and Expenditure Statement, were:

	2017/2018 No. of Packages	£000	**2018/2019 No. of Packages**	**£000**
Charged and Accrued for within the Comprehensive Income & Expenditure Statement				
- Severance Payments		312		**477**
- Pension Strain Costs		320		**37**
Total	32	632	**28**	**514**

The value of agreed exit packages, all of which were compulsory, are as follows:

	2017/2018 No of redundancies	£000	**2018/2019 No of redundancies**	**£000**
Up to £20,000	20	111	**17**	**101**
£20,001 to £40,000	8	223	**8**	**238**
£40,001 to £60,000	2	98	**2**	**106**
£60,001 to £80,000	1	63	**1**	**69**
£80,001 to £100,000	0	0	**0**	**0**
£100,001 to £150,000	1	137	**0**	**0**
Total	32	632	**28**	**514**

20. External Audit Costs

The Council has incurred the following costs in relation to external audit.

	2017/18 £000	**2018/19 £000**
Fees payable to Grant Thornton UK LLP with regard to the external audit and services carried out as the appointed auditor	112	**86**
Fees payable in respect of any other services provided by the appointed auditor - certification of other grant claims and returns:		
- Housing Benefit subsidy claim	15	**14**
- Teachers Pension claim	4	**4**
PSAA Ltd refund	(17)	**0**
Total external audit costs	114	**104**

21. Joint Funding Arrangements

The Better Care Fund 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 Council has signed a Section 75 agreement with the North Somerset Clinical Commissioning Group (NSCCG) in respect of Better Care Funding. Officers 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 a pooled budget was not in place, and that, as neither party had overall control of the pooled funds, the arrangement should be accounted for as a 'joint operation'. This 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:

	2017/18 £000	**2018/19 £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	1,000	**1,000**
- 7-Day working for Health and Social Care	321	**321**
- Home from Hospital Partnership	552	**667**
- Single Point of Access	594	**594**
- Enabling Elderly People to Stay Well at Home	2,539	**2,687**
- Contingency Allocation	194	**194**
- Improved Better Care Fund	3,760	**2,618**
- Additional Improved Better Care Fund	0	**2,299**
	12,959	**14,379**
Section 75 Agreement - Funding for services commissioned by the NSCCG - not included within the Council's Comprehensive Income and Expenditure Statement:		
- Reablement Funding	1,030	**1,030**
- Integrated Community Equipment (ICES) Contribution	1,529	**1,529**
- Integrated Health and Social Care Teams	42	**42**
- Support to People with Mental Health Needs	2,446	**2,446**
- Support to Carers	121	**121**
- 7-Day working for Health and Social Care	957	**957**
- Community Rehabilitation Service	1,495	**1,495**
- Specialist Older People Team	397	**397**
- Pay for Performance	777	**777**
- Contingency Allocation	194	**194**
	8,988	**8,988**
Total funding identified within Section 75 Agreement	**21,947**	**23,367**

The Section 75 agreement identifies the nominated lead commissioners in respect of the 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 2018/19 financial year to enable the joint commissioning of services in respect of Free Nursing and Continuing Health Care on behalf of the Bristol, North Somerset and South Gloucestershire Clinical Commissioning Group.

	2017/18 £000	**2018/19 £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	8,450	**8,450**
- Funded Nursing Care (FNC) Funding	5,850	**5,850**
Total funding identified within Section 256 Agreement	14,300	**14,300**

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

	2017/18 £000	**2018/19 £000**
Section 75 Agreement:		
- Funding from North Somerset Council	2,116	**2,116**
- Funding from Department for Communities and Local Government	5,540	**6,847**
- Funding from Department of Health	7,459	**7,459**
- Funding from North Somerset Clinical Commissioning Group	6,830	**6,946**
	21,945	**23,368**
Section 256 Agreement:		
- Funding from North Somerset Clinical Commissioning Group	14,300	**14,300**
Total	36,245	**37,668**

Expenditure included within the Council's Comprehensive Income and Expenditure Account includes £14.380m (2017/18 £11.294m) 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 £14.300m (2017/18 £14.300m) 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.

22. Business Rate Arrangements – City Region Deal

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 Region's 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.

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	(20,328)	(3,374)	0	0
Analysed between:				
- Uncommitted cash (Tier 2 including contingency)	(16,731)	(2,785)		
- Committed cash not yet allocated	(3,597)	(589)		
Receipts into the Pool in-year:				
- Growth sums payable by councils to BRP in-year	(19,487)	(1,282)	830	0
Distributions out of the Pool in-year:				
- Tier 1 no worse off	6,924	633	0	(633)
- BRP management fee	81	20	0	0
- EDF management fee	67	17	0	0
- Tier 2 EDF funding	1,677	38	0	(150)
- Tier 3 demographic and service pressures	1,980	123	0	(204)
Total Distributions out of the Pool in-year	10,729	831		
Funds held by BRP at 31 March	**(29,086)**	**(3,825)**		
Analysed between:				
- Uncommitted cash (Tier 2 including contingency)	(25,534)	(3,350)	565	n/a
- Committed cash not yet allocated	(3,552)	(475)	(114)	n/a
	(29,086)	**(3,825)**		
Expenditure / (Revenue) recognised			**1,281**	**(987)**

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 £1.677m on behalf of the EDF (2017/18 £1.705m), of which the Council received £0.150m (2017/18 £0.174m).

The uncommitted and unallocated cash of £3.825m (2017/18 £3.374m) 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 £1.281m (2017/18 £2.029m) and the expenditure recognised of £0.830m (2017/18 £1.343m) is equivalent to the £0.452m (2017/18 £0.686m) increase in uncommitted and unallocated funds included in reserves.

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 £0.475m (2017/18 £0.589m), of the total £3.550m (2017/18 £3.597m) committed pool balance.

The Council itself has recognised revenue income of £0.987m (2017/18 £1.381m) from the BRP and expenditure of £0.830m (2017/18 £1.343m) to the BRP for the year.

23. Related party transactions

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. It provides significant proportions of funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills and award of housing benefit).

Details of grants received from Government departments and carried in the Balance Sheet at 31 March 2018 are shown in Note 14. Short term debtor and creditor balances with Government bodies are shown in Notes 27 and 28.

- Members and senior officers

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 17.

All Members, together with the Council's Corporate Management Team, are required to sign a declaration detailing any relevant transactions entered into by them or close members of their family during the financial year. The Interim S151 Officer, in conjunction with the Monitoring Officer, has reviewed the returned declarations. At the time of completing the accounts one Councillor had been unable to return their declaration due to ill health.

During 2018/19, services to the value of £221k (2017/18 £280k) were commissioned from one company in which a member had an interest. Contracts were entered into in full compliance with the Council's standing orders.

Details of Members interests are recorded in the Register of Members' Interest, open to public inspection by appointment at the Town Hall, and on the Council's website:
http://www.n-somerset.gov.uk/my-council/councillors/councillor/membersinterests/members-interests/

- Pension Funds

The details of the contributions made by the Council to the Avon Pension Fund are provided in Note 35, and Teachers' Pensions in Note 34

- West of England Local Enterprise Partnership (LEP)

The West of England Local Enterprise Partnership (LEP) is a public private partnership that covers the four unitary authorities of Bath and North East Somerset, Bristol City Council, North Somerset, and South Gloucestershire. Its purpose is to influence, advise and support strategic activities which deliver or have a beneficial impact on inclusion economic growth, job creation and quality of life in the West of England region.

The membership of the LEP Board consists of up to fourteen business members, one of whom shall be the LEP Board Chair. Other members include a representative from Higher Education, as well as the Mayor of the West of England Combined Authority, the Mayor of Bristol City Council and the Leaders of Bath and North East Somerset Council, South Gloucestershire Council and North Somerset Council. ("Local Authority Members"). The LEP Board meet up to 6 times a year and consider, debate and shape key decisions and papers for the West of England Combined Authority and the West of England Joint Committee.

Grants received by the Council from the LEP include Economic Development Fund, Local Growth Fund, and Revolving Infrastructure Fund, the majority of which relate to capital projects. These are administered by the West of England Combined Authority (WECA).

The West of England Combined Authority (WECA) is made up of three of the local authorities in the region – Bath & North East Somerset, Bristol and South Gloucestershire. Its aim is to deliver economic growth for the region and address challenges, such as productivity and skills, housing and transport. WECA is chaired by the West of England Mayor. He and the Combined Authority have been given powers over spending, previously held by central government, on the region's transport, housing, adult education and skills.

The Council is not a member authority of WECA, and hence does not have control or significant influence over its decisions.

- Other Partnerships

The Council is a major partner in the West of England City Region Deal, details of which are disclosed in Note 22.

The authority has a Section 75 agreement in respect of Better Care Funding, and a Section 256 agreement in respect of Free Nursing and Continuing Health Care, with the Bristol, North Somerset and South Gloucestershire Clinical Commissioning Group. Income and expenditure are detailed in Note 21.

- Other Public Bodies

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

- Entities controlled or significantly influenced by the Council

Wyvern SW Limited - the Council is the owner of a private limited company which was incorporated on 9 October 2017, with a share capital of 100 ordinary shares of £1 each. The primary aim of Wyvern SW Ltd is the development of building projects to facilitate economic growth in North Somerset.

At the end of the financial year the following Council officers held the following positions: Director – Alex Hearn (Assistance Director of Development and Environment); Company Secretary – Joanne Butcher (Finance Business Partner, Development & Environment). The company has not yet established a business plan, implemented the required operational arrangements or gained approval from full Council meaning that it has yet to commence trading, and therefore the Council had no significant transactions with this company during the year.

North Somerset Inspire Limited - the Council is also the owner of a second private limited company which was incorporated on 1 March 2019, with a share capital of 100 ordinary shares of £1 each. The primary aim of North Somerset Inspire Ltd is to deliver transformational projects and support services to other public sector bodies.

At the end of the financial year the following Council officers held the following positions: Director – Stuart Anstead (Interim Head of Support Services); Company Secretary – Mike Riggall (Client ICT Officer). The company has not yet established a business plan, implemented the required operational arrangements or gained approval from full Council meaning that it has yet to commence trading, and therefore the Council had no significant transactions with this company during the year.

Adoption West - Adoption West is a private company limited by guarantee set up by 6 local authorities (South Gloucestershire, Bath & North East Somerset, North Somerset, Bristol, Wiltshire and Gloucestershire Councils) to co-ordinate and facilitate adoptions across the region. This has involved the transfer of staff and assets to the newly formed company.

Each council has a 1/6th shareholding in the company and is required to fund costs in accordance with membership proportions agreed in the “Commissioning Agreement” between the parties. North Somerset Council’s membership proportion is 12.41%. Decisions require the unanimous consent of the parties sharing control.

The company was incorporated on 9 January 2018, and the service commenced on 1st March 2019. The Council's transactions with this company during the year were not material.

24. Property, Plant and Equipment and Intangibles

24.1 Movements on Balances

Movements in 2018/2019	Land & Buildings £000	Infrastructure Assets £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	Surplus £000	Total Property, Plant & Equip. £000	Intangible Assets £000	TOTAL £000
Cost or Valuation									
At 1 April 2018	198,721	212,289	6,093	35,449	15,507	0	468,059	500	**468,559**
Additions	4,125	8,479	57	1,024	10,368	0	24,053	0	**24,053**
Revaluations - Revaluation Reserve	(4,539)	0	(10)	0	0	(411)	(4,960)	0	**(4,960)**
Revaluations - CI&ES	(1,494)	0	0	0	0	140	(1,354)	0	**(1,354)**
Derecognition - Disposals	(31,998)	0	(40)	(271)	0	0	(32,309)	0	**(32,309)**
Assets reclassified	(564)	0	0	0	(336)	900	0	0	**0**
At 31 March 2019	164,251	220,768	6,100	36,202	25,539	629	453,489	500	**453,989**
Accumulated Depreciation & Impairment									
At 1 April 2018	(5,318)	(81,836)	(1,697)	(23,310)	0	0	(112,161)	(150)	**(112,311)**
Depreciation for the year	(5,660)	(5,066)	(32)	(2,278)	0	(21)	(13,057)	(50)	**(13,107)**
Depreciation written out - Revaluation Reserve	3,602	0	0	0	0	91	3,693		**3,693**
Impairment (Losses) / Reversals - Revaluation Reserve	(538)	0	0	0	0	0	(538)	0	**(538)**
Impairment (Losses) / Reversals - CI&ES	(185)	(5,502)	(34)	0	0	0	(5,722)	0	**(5,722)**
Derecognition - Disposals	1,509	0	0	204	0	0	1,713	0	**1,713**
Assets reclassified	70	0	0	0	0	(70)	0	0	**0**
At 31 March 2019	(6,520)	(92,405)	(1,764)	(25,384)	0	0	(126,072)	(200)	**(126,272)**
Net Book Value at 1 April 2018	**193,403**	**130,453**	**4,396**	**12,139**	**15,507**	**0**	**355,898**	**350**	**356,248**
Net Book Value at 31 March 2019 - Current Value	**157,731**	**128,363**	**4,336**	**10,818**	**25,539**	**629**	**327,417**	**300**	**327,717**

Notes to the Balance Sheet

Movements in 2017/2018	Land & Buildings £000	Infrastructure Assets £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	Surplus Assets £000	Total Property, Plant & Equip. £000	Intangible Assets £000	**TOTAL £000**
Cost or Valuation									
At 1 April 2017	255,008	200,409	6,058	36,816	10,832	0	509,123	500	**509,623**
Additions	10,782	11,880	35	1,172	4,675	0	28,544	0	**28,544**
Revaluations - Revaluation Reserve	(1,413)	0	0	0	0	0	(1,413)	0	**(1,413)**
Revaluations - CI&ES	(483)	0	0	0	0	0	(483)	0	**(483)**
Derecognition - Disposals	(64,524)	0	0	(2,539)	0	0	(67,063)	0	**(67,063)**
Assets reclassified	(649)	0	0	0	0	0	(649)	0	**(649)**
At 31 March 2018	198,721	212,289	6,093	35,449	15,507	0	468,059	500	**468,559**
Accumulated Depreciation & Impairment									
At 1 April 2017	(14,101)	(70,593)	(1,630)	(23,147)	0	0	(109,471)	(100)	**(109,571)**
Depreciation for the year	(6,757)	(5,015)	(32)	(2,505)	0	0	(14,309)	(50)	**(14,359)**
Depreciation written out - Revaluation Reserve	15,088	0	0	0	0	0	15,088	0	**15,088**
Impairment (Losses) / Reversals - Revaluation Reserve	(51)	0	0	0	0	0	(51)	0	**(51)**
Impairment (Losses) / Reversals - CI&ES	(752)	(6,229)	(35)	0	0	0	(7,016)	0	**(7,016)**
Derecognition - Disposals	1,255	0	0	2,342	0	0	3,597	0	**3,597**
Assets reclassified	0	0	0	0	0	0	0	0	**0**
At 31 March 2018	(5,318)	(81,837)	(1,697)	(23,310)	0	0	(112,162)	(150)	**(112,312)**
Net Book Value at 1 April 2017	**240,907**	**129,816**	**4,428**	**13,669**	**10,832**	**0**	**399,652**	**400**	**400,052**
Net Book Value at 31 March 2018 - Current Value	**193,403**	**130,452**	**4,396**	**12,139**	**15,507**	**0**	**355,897**	**350**	**356,247**

24.2 Revaluations

The Council carries out a rolling programme of valuations, with revaluations 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.

All valuations are arranged by the Council's Property Estates and Regeneration Manager, who is A.R.I.C.S. qualified. The revaluations undertaken in 2018/19 have been carried out by professionally qualified staff from within the Council's in-house team, and were applied with a revaluation date of 1 January 2019. In addition, these specialists continue to review the asset portfolio where revaluations have not been undertaken at the year end, considering the impact of valuation indices and cost factors relevant to the local area, and comparing these to the carrying values of assets held in the Asset Register.

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.

	Land & Buildings £000	Infra - structure Assets £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	Surplus Assets £000	Total Property, Plant & Equipment £000	Intangible Assets £000	Heritage Assets £000	Investment Properties £000
Valued at Historical Cost	336	128,363	1,671	10,819	25,539	0	166,728	300	0	0
Valued at Current Value in year										
2018/19	53,753	0	10	0	0	629	54,392	0	0	75,562
2017/18	46,288	0	0	0	0	0	46,288	0	0	0
2016/17	54,892	0	715	0	0	0	55,607	0	0	0
2015/16	2,106	0	574	0	0	0	2,680	0	0	0
2014/15	356	0	920	0	0	0	1,276	0	0	0
2013/14	0	0	0	0	0	0	0	0	288	0
2012/13 or prior	0	0	447	0	0	0	447	0	0	0
Total	**157,730**	**128,363**	**4,337**	**10,819**	**25,539**	**629**	**327,416**	**300**	**288**	**75,562**

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. These are either recently acquired asset purchases or newly built assets transferred in from the Assets Under Construction category, and they will be incorporated into the annual rolling revaluation programme, but for 2018/19 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.

24.3 Disposal of Non-Current Assets

Academy Schools

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

	Date of Conversion	Net Book Value 1 April 2018 £000
Castlebatch Primary School	01 April 2018	3,538
Flax Bourton Primary School	01 October 2018	3,911
Mendip Green Primary School	01 September 2018	5,371
St Anne's Primary School	01 April 2018	5,165
Winford Primary School	01 January 2019	3,161
Wraxall Primary School	01 July 2018	430
Yatton Infant School	01 April 2018	3,736
Yatton Junior School	01 April 2018	3,341
Total		**28,653**

Other assets disposed of during the year were not material.

24.4 Capital Commitments

At 31 March 2019, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2019/20 and future years, budgeted to cost £19.08m. Commitments at 31 March 2018 were not material.

The major commitments were:

	2017/18 £000	**2018/19 £000**
Parklands Primary	575	**4,550**
Yatton Primary	0	**1,238**
Foodworks	0	**874**
North South Link	0	**10,798**
Other	3,087	**1,617**
Total Commitments	3,662	**19,077**

25. Investment Properties

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

	2017/18 £000	**2018/19 £000**
Rental income from investment property	(198)	**(4,004)**
Direct operating expenses arising from investment property	0	**3,408**
Net gain / (loss)	(198)	**(596)**

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

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

	2017/18 £000	**2018/19 £000**
Balance at 1 April	17,509	**56,403**
Additions	40,172	**21,018**
Disposals	(869)	**(14)**
Net gains / (losses) from fair value adjustments	(409)	**(1,845)**
Balance at 31 March	56,403	**75,562**

The increase in year relates to the acquisition of the Sovereign Centre in Weston-super-Mare, financed by way of a long-term lease, which is the second asset arising from the Councils' commercial investment programme.

Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure.

Details of the fair value of the Council's investment properties, and information about their fair value hierarchy, are as follows. There were no transfers between the levels during the year:

	Fair Value 31 March 2018			**Fair Value 31 March 2019**		
	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Total £000	**Other significant observable inputs Level 2 £000**	**Significant unobservable inputs Level 3 £000**	**Total £000**
Smallholdings	2,158	7,015	9,173	**2,382**	**5,080**	**7,462**
Commercial Units	41,449	5,781	47,230	**62,125**	**5,975**	**68,100**
Total	43,607	12,796	56,403	**64,507**	**11,055**	**75,562**

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

	2017/18 £000	**2018/19 £000**
Balance at 1 April	13,607	**12,796**
Net gains / losses from fair value adjustments	(811)	**(1,727)**
Disposals	0	**(14)**
Balance at 31 March	12,796	**11,055**

Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs - Level 2 Fair Value Investment Property Assets

Eight of the commercial properties and five of the smallholdings have been categorised as level 2 in the fair value hierarchy, 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.

Significant Unobservable Inputs - Level 3 Fair Value Investment Property Assets

Four of the commercial units and two smallholdings have been 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).

They 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.

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 value in use for two of the smallholdings; Locking Head Cottage Farm and Locking Head Farm. Parts of both of these farms has been allocated for development as part of the Parklands Village development area. The highest and best value for these properties reflects this future development potential. However, these properties are not currently held at their highest and best use values, as 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 2019 £000	Valuation Technique Used to Measure Fair Value	Unobservable Inputs	Range (weighted average)	Sensitivity
Commercial Units	5,975	Combination of income and market approach	Yield Rate % of MV attributable to Land Discount Rate	4.5% - 6.5% 86% - 100% 7% - 8%	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets
Smallholdings	5,080	Combination of income and market approach	Discount Rate Development Land Values Deferment Period	5% - 80% £90k per acre 7 - 10 years	
Total	**11,055**				

26. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. 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.

	2017/18 £000	**2018/19 £000**
Opening Capital Financing Requirement	134,777	**174,590**
Capital Investment in Year		
Property, Plant and Equipment	28,544	**24,053**
Investment Properties	40,172	**21,018**
Revenue Expenditure Funded from Capital Under Statute	9,774	**5,071**
	78,490	**50,142**
Source of Finance		
Capital Receipts and Reserves	(6,425)	**(3,497)**
Government Grants and Contributions	(25,575)	**(23,837)**
Revenue Provisions and Reserves	(1,753)	**(1,190)**
Minimum Revenue Provision and Voluntary Set Aside	(4,924)	**(5,636)**
	(38,677)	**(34,160)**
Net Increase / (Decrease) in Capital Financing Requirement	39,813	**15,982**
Closing Capital Financing Requirement	174,590	**190,572**
Explanation of movement in year:		
Increase in underlying need to borrow unsupported by Government assistance	44,737	**599**
Minimum Revenue Provision and Voluntary Set Aside	(4,924)	**(5,636)**
Assets aquired under finance leases	0	**21,018**
	39,813	**15,981**

The Minimum Revenue Provision shown above comprises:

	2017/18 £000	**2018/19 £000**
Supported Borrowing Minimum Revenue Provision	(900)	**(900)**
Prudential Borrowing Minimum Revenue Provision	(3,434)	**(3,978)**
Ex-Avon Loan Debt Minimum Revenue Provision	(577)	**(554)**
Finance Leases Minimum Revenue Provision	(14)	**(204)**
Total	(4,925)	**(5,636)**

27. Debtors

	2017/18 £000	**2018/19 £000**
Central Government Bodies	4,402	**3,996**
Other Local Authorities	2,812	**7,668**
NHS Bodies	2,995	**5,260**
Public Corporations and Trading Funds	51	**173**
Academies	352	**63**
Other Entities and Individuals	14,056	**13,642**
Total Short Term Debtors	24,668	**30,802**
Prepayments	6,922	**11,244**
Total Short Term Debtors and Prepayments	31,590	**42,046**

28. Creditors

	2017/18 £000	**2018/19 £000**
Central Government Bodies	(12,379)	**(12,717)**
Other Local Authorities	(3,438)	**(1,637)**
NHS Bodies	(303)	**(928)**
Public Corporations and Trading Funds	(24)	**(263)**
Other Entities and Individuals	(28,934)	**(40,449)**
Total Short Term Creditors	(45,078)	**(55,994)**
Finance lease obligations due within 12 months	(9)	**(309)**
Total Short Term Creditors including finance lease obligations	(45,087)	**(56,303)**

29. Provisions

Provisions are amounts set aside by the Council for an obligation which are likely to lead to a payment, but where the exact amount and timing of the payment is uncertain.

	Balance 1 April 2018 £000	Additional Provisions Made £000	Amounts Used & Reversed £000	**Balance 31 March 2019 £000**
Insurance Provisions	(1,764)	(616)	755	**(1,625)**
NNDR Appeals Provision	(2,687)	(4,440)	2,687	**(4,440)**
Other	(616)	(648)	127	**(1,137)**
Total Provisions	(5,067)	(5,704)	3,569	**(7,202)**
Expected future timing of associated outflows of economic benefit:				
Less than 1 year	(3,528)			**(5,818)**
Over 1 year, less than 5 years	(1,307)			**(1,179)**
Over 5 years	(232)			**(205)**
	(5,067)			**(7,202)**

Significant provisions	***Description***
Insurance Provisions	To finance the estimated costs of known insurance claims, where uncertainties remain over the timing or amounts of likely settlements.
NNDR Appeals	To finance the estimated costs of known NNDR business rate appeals which have been lodged with the Valuation Office, where uncertainties remain over the timing or amounts of likely settlements. The provision is based on the number of appeals received, and an estimate of the likelihood of success of the appeals.

30. Contingent Liabilities

National Non Domestic Rating – Unlodged Appeals

The Council has made a provision for its best estimate of the cost of unlodged NNDR appeals made to the Valuation Office – see Provisions Note 29 . However, there remains uncertainty over any obligation arising future appeals not yet received, including the level of such appeals that may be made, how many appeals would be successful, the rateable value of the appealed property or the value of payments that would be made to successful appellants. The value of any such appeals not provided for is not considered likely to be to be material.

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 £2.2m (2017/18: £2m).

The NHS claim for charitable status is currently being considered by the courts. The length of this process is unknown. In addition, a private members bill has been proposed to make NHS properties exempt from paying business rates. If passed into legislation, have the same impact to the claim for charitable status.

31. Financial Instruments

31.1 Categories of Financial Instruments

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

	Non-Current		Current			2018/19
	Investments	Debtors	Investments	Debtors	Cash	**Total Assets**
	£000	£000	£000	£000	£000	**£000**
Financial Assets						
Fair value through profit or loss	9,843	0	0	0	0	**9,843**
Amortised cost	2	827	70,683	11,101	0	**82,613**
Cash and cash equivalents	0	0	0	0	7,577	**7,577**
Total financial assets	9,845	827	70,683	11,101	7,577	**100,033**
Non-financial Assets:						
Statutory & Government Debtors	0	2,506	0	19,701	0	**22,207**
Payments in advance	0	0	0	11,244	0	**11,244**
Total non-financial assets	0	2,506	0	30,945	0	**33,451**
Total on Balance Sheet	**9,845**	**3,333**	**70,683**	**42,046**	**7,577**	**133,484**

	Non-Current		Current			2018/19
	Borrowing	Creditors	Borrowing	Creditors	Overdraft	**Total Liabilities**
	£000	£000	£000	£000	£000	**£000**
Financial Liabilities						
Amortised cost	(147,305)	0	(1,547)	(19,895)	0	**(168,747)**
Total financial liabilities	(147,305)	0	(1,547)	(19,895)	0	**(168,747)**
Non-financial Liabilities:						
Statutory & Government Creditors	0	0	0	(11,342)	0	**(11,342)**
Receipts in Advance	0	(437)	0	(11,726)	0	**(12,163)**
Bonds and Deposits	0	0	0	(13,031)	0	**(13,031)**
Finance Lease Liabilities	0	(22,749)	0	(309)	0	**(23,058)**
Total non-financial liabilities	0	(23,186)	0	(36,408)	0	**(59,594)**
Total on Balance Sheet	**(147,305)**	**(23,186)**	**(1,547)**	**(56,303)**	**0**	**(228,341)**

Notes to the Balance Sheet

	Non-Current		Current			2017/18
	Investments £000	Debtors £000	Investments £000	Debtors £000	Cash £000	**Total Assets £000**
Financial Assets						
Loans and receivables	0	917	56,150	0	0	**57,067**
Available for sale financial assets	9,698	0	0	0	0	**9,698**
Unquoted equity investment at cost	50	0	0	0	0	**50**
Financial assets carried at contract amounts	0	0	0	6,822	0	**6,822**
Cash and cash equivalents	0	0	0	0	3,236	**3,236**
Total financial assets	9,748	917	56,150	6,822	3,236	**76,873**
Non-financial Assets:						
Statutory & Government Debtors	0	2,120	0	17,846	0	**19,966**
Payments in advance	0	0	0	6,922	0	**6,922**
Total non-financial assets	0	2,120	0	24,768	0	**26,888**
Total on Balance Sheet	**9,748**	**3,037**	**56,150**	**31,590**	**3,236**	**103,761**
	Borrowing 2017/18	Creditors 2017/18	Borrowing 2017/18	Creditors 2017/18	Overdraft	**Total Liabilities 2017/18**
Financial Liabilities						
Amortised cost	(148,305)	0	(643)	(16,468)	0	**(165,416)**
Total Financial Liabilities	(148,305)	0	(643)	(16,468)	0	**(165,416)**
Non-financial Liabilities:						
Statutory & Government Creditors	0	0	0	(11,070)	0	**(11,070)**
Receipts in Advance	0	(457)	0	(10,905)	0	**(11,362)**
Bonds and Deposits	0	0	0	(6,635)	0	**(6,635)**
Finance Lease Liabilities	0	(2,236)	0	(9)	0	**(2,245)**
Total non-financial liabilities	0	(2,693)	0	(28,619)	0	**(31,312)**
Total on Balance Sheet	**(148,305)**	**(2,693)**	**(643)**	**(45,087)**	**0**	**(196,728)**

31.2 Income, Expense, Gains and Losses

	2017/18		**2018/19**	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	**Surplus or Deficit on the Provision of Services**	**Other Comprehensive Income and Expenditure**
	£000	£000	**£000**	**£000**
Net gains / losses on:				
Financial assets measured at fair value through profit or loss	0	(94)	**(55)**	**0**
Financial assets measured at amortised cost	0	0	**55**	**0**
Total net gains / losses	0	(94)	**0**	**0**
Interest income				
Financial assets measures at amortised cost	(632)	0	**(906)**	**0**
Other investment income	0	(422)	**(461)**	**0**
Total interest and other investment income	(632)	(422)	**(1,367)**	**0**
Interest expense	6,110	0	**5,888**	**0**

31.3 Fair Values of Assets and Liabilities

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2018 £000	**31 March 2019 £000**
Fair Value through Profit or Loss				
Property funds	1	Unadjusted quoted prices in active markets for identical units	4,795	**4,950**
Multi-Asset funds	1	Unadjusted quoted prices in active markets for identical units	4,901	**4,893**
Shares in unlisted company	3	Carried at cost, less impairment to recoverable amount	50	**0**
Total			9,746	**9,843**

31.4 The Fair Values of Financial Assets and Financial Liabilities that are not measured at fair value, but for which Fair Value disclosures are required

Except for the financial assets carried at fair value (described in the table above), all other financial assets and financial liabilities held by the Council are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows:

		31 March 2018		**31 March 2019**	
	Fair Value Level	Carrying value £000	Fair Value £000	**Carrying £000**	**Fair Value £000**
Financial Assets					
Financial assets held at Amortised cost					
Short term investments	2	56,150	56,150	**70,683**	**70,683**
Non-current investments	2	2	2	**2**	**2**
Current debtors	2	6,822	6,822	**11,101**	**11,101**
Non-current debtors	2	917	917	**827**	**827**
Cash and cash equivalents	1	3,236	3,236	**7,577**	**7,577**
Total Assets		67,127	67,127	**90,190**	**90,190**

These assets relate largely to short term assets, long term bank deposits 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.

		31 March 2018		**31 March 2019**	
	Fair Value Level	Balance Sheet £000	Fair Value £000	**Balance £000**	**Fair Value £000**
Financial Liabilities					
Financial Liabilities held at amortised cost:					
Long term borrowing from PWLB	2	(148,305)	(180,991)	**(147,305)**	**(180,767)**
Short term borrowing	2	(643)	(643)	**(1,547)**	**(1,570)**
Short term creditors	2	(16,468)	(16,468)	**(19,895)**	**(19,895)**
Non-current finance lease liabilities	2	(2,236)	(2,236)	**(22,749)**	**(22,749)**
Current finance lease liabilities	2	(9)	(9)	**(309)**	**(309)**
Total Financial Liabilities		(167,661)	(200,347)	**(191,805)**	**(225,290)**

Short term creditors are carried at cost as this is a fair approximation to their value.

The fair value of the Council's long term PWLB borrowing uses observed rates of return for comparable replacement liabilities. The fair value of this borrowing is higher than its carrying value in the accounts as the Council's portfolio of loans comprises fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the Balance Sheet date.

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

The Council's Treasury Management Strategy are updated each year and approved by elected members. The Strategy mitigates credit risk by requiring that deposits are only made with financial institutions that meet minimum credit scores, and 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.

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers.

Amounts arising from expected credit losses

The changes in the loss allowance for financial assets during the year are as follows:

	Investments (12 month ECL) £000	Trade debtors (Simplified approach ECL) £000	Non-current debtors (Lifetime ECL) £000	**Total £000**
Opening balance - 1 April 2018	0	(616)	0	**(616)**
New financial assets originated or purchased	(5)	(917)	(83)	**(1,005)**
Amounts written off	0	616	0	**616**
Closing balance - 31 March 2019	**(5)**	**(917)**	**(83)**	**(1,005)**

Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures, including credit default swap and equity prices, when selecting commercial entities for investment.

A limit is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit applies. The Council also sets limits on investments in certain sectors. No more than 50% of each counterparty limit can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the principal outstanding on Council's treasury investment portfolio by credit rating and remaining time to maturity:

	As at 31 March 2018		**As at 31 March 2019**	
	Non-current	Current	**Non-current**	**Current**
	£000	£000	**£000**	**£000**
Credit Rating				
AA-	0	8,000	**0**	**8,000**
A+	0	4,000	**0**	**3,000**
A	0	22,000	**0**	**5,000**
Unrated local authorities and Central Government	0	17,000	**0**	**54,500**
Unrated building societies	0	5,000	**0**	**0**
Total subject to Credit rating	0	56,000	**0**	**70,500**
Credit risk not applicable*	9,746	0	**9,845**	**0**
Total investments	9,746	56,000	**9,845**	**70,500**

* Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 150% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a “D” credit rating or equivalent. At 31st March 2019, £5k (2018: £0k) of loss allowances related to treasury investments.

Credit Risk: Trade Receivables and Contract Assets

The Council’s credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Council’s trade receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

	Range of Loss Allowance	31 March 2018 £000	**31 March 2019 £000**
Neither past due nor impaired	1%	2,355	**2,709**
Past due 31 - 60 days	1%	263	**172**
Past due 61 - 90 days	1%	251	**302**
Past due 91 - 120 days	25%	122	**194**
Past due over 120 days	50% - 100%	2,311	**2,832**
Total Receivables		5,302	**6,209**

Loss allowances on trade and lease receivables and contract assets have been calculated by reference to the Council’s historic experience of default adjusted for local intelligence such as progress through the council's recovery process, or for current and forecast economic conditions. Receivables are determined to have suffered a significant increase in credit risk where they are 31 or more days past due and they are determined to be credit-impaired where they are 91 or more days past due.

Receivables are collectively assessed for credit risk in the following groupings:

	Range of Loss Allowance	As at 31 March 2018 Gross receivable £000	Loss allowance £000	**As at 31 March 2019 Gross receivable £000**	**Loss allowance £000**
Central Government	0%	164	0	**(19)**	**0**
Other LA's	0%	169	0	**268**	**0**
NHS Bodies	0%	172	0	**1,831**	**0**
Other Entities	1%-100%	4,797	(625)	**4,129**	**(917)**
Total		5,302	(625)	**6,209**	**(917)**

Receivables are written off to the Surplus or Deficit on the Provision of Services where recovery action indicates there is no realistic chance of recovery.

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 borrowing included in financial liabilities is as follows:

	2017/18 PWLB £000	Other £000	Total £000	**2018/19 PWLB £000**	**Other £000**	**Total £000**
Less than one year	100	543	643	**1,000**	**547**	**1,547**
Between one and two years	1,000	0	1,000	**340**	**0**	**340**
Between two and five years	12,922	0	12,922	**20,000**	**0**	**20,000**
Between five and ten years	34,430	0	34,430	**36,930**	**0**	**36,930**
More than ten years	99,953	0	99,953	**89,952**	**0**	**89,952**
Total borrowing	148,405	543	148,948	**148,222**	**547**	**148,769**

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

Market risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. The annual Treasury Management Strategy includes expectations of interest rate movements, and prudential indicators sets maximum limits for fixed and variable interest rate exposure. Movements in interest rates have a complex impact on the Council.

For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall

- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

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.

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 is taken out at fixed or variable interest rates.

According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

- Increase in interest payable on variable rate borrowings of Nil (2017/18 NIL)
- Increase in interest receivable on variable rate investments of £0.53m (2017/18 £0.41m)
- Decrease in fair value of investments held at FVP&L of £0.06m (2017/18 £0.06m)
- Impact on Surplus or Deficit on the Provision of Services of £0.46m (2017/18 £0.35m)
- Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) of £18.94m (2017/18 £19.84m)

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

Price Risk

The market prices of the Council's units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate 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 fund investments of £5m. A 5% fall in commercial property prices at 31st March 2019 would result in a £0.25m (2018: £0.23m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £5m. A 5% fall in share prices at 31st March 2019 would result in a £0.07m (2018: £0.08m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

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

Following Local Government Reorganisation in 1996, the responsibility for administering Avon County Council's outstanding long term 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.

	2017/18 £000	**2018/19** **£000**
North Somerset Council share of Ex-Avon Loan Debt Outstanding	13,848	**13,294**
Interest Paid in Year	731	**702**
Debt Repayments - Minimum Revenue Provision	577	**554**

34. Pensions Schemes Accounted for as Defined Contribution Schemes

34.1 Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of 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 multi-employer 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 2018/19 the Council paid £1.589m to Teachers' Pensions in respect of teachers' retirement benefits (2017/18 £3.066m), representing 16.75% of pensionable pay (2017/18 16.42%). Contributions of £0.125m were payable at the year-end (2017/18 £0.189m). The expected contributions to the plan in 2019/20 are £1.371m.

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 35.3.

35. Defined Benefit Pension Schemes

35.1 Participation in Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of 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 defined benefit pension schemes:

- the Local Government Pension Scheme, known as the Avon Pension Fund, administered by Bath & North-East Somerset Council. The Avon Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. This is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Each employer's contributions to the Fund are calculated in accordance with the LGPS regulations, which require an actuarial valuation to be carried out every three years.

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

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

	2017/18			2018/19		
	Funded £000	Unfunded £000	Total £000	**Funded £000**	**Unfunded £000**	**Total £000**
Local Government Pension Scheme						
Present value of the defined benefit obligation	(638,093)	(18,099)	(656,192)	**(680,168)**	**(18,111)**	**(698,279)**
Fair value of plan assets	447,093	0	447,093	**462,436**	**0**	**462,436**
Net liability arising from defined benefit obligation	(191,000)	(18,099)	(209,099)	**(217,732)**	**(18,111)**	**(235,843)**
Unfunded Teachers' Discretionary Benefits						
Present value of the defined benefit obligation	0	(23,626)	(23,626)	**0**	**(23,459)**	**(23,459)**
Net liability arising from defined benefit obligation	0	(23,626)	(23,626)	**0**	**(23,459)**	**(23,459)**
Net liability arising from defined benefit obligation - Total	(191,000)	(41,725)	(232,725)	**(217,732)**	**(41,570)**	**(259,302)**

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.

Notes to the Balance Sheet

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:

	2017/18 LGPS £000	2017/18 Teachers disc. benefits £000	2017/18 Total £000	**2018/19 LGPS £000**	**2018/19 Teachers disc. benefits £000**	**2018/19 Total £000**
Comprehensive Income and Expenditure Statement						
Cost of Services:						
- Current Service Cost	16,093	0	16,093	**12,633**	**0**	**12,633**
- Past service cost (gain)	0	0	0	**3,660**	**0**	**3,660**
- (Gains) / Losses from Settlements & Curtailments	(15,889)	0	(15,889)	**(6,019)**	**0**	**(6,019)**
Financing and Investment Income and Expenditure:						
- Net Interest Cost	5,542	609	6,151	**4,942**	**592**	**5,534**
- Administration Expense	227	0	227	**192**	**0**	**192**
Net interest on net defined benefit pension liability & administration costs	5,769	609	6,378	**5,134**	**592**	**5,726**
Net Charge to Surplus or Deficit on Provision of Services	5,973	609	6,582	**15,408**	**592**	**16,000**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:						
- Return on Plan Assets, excluding the amount included in the net interest expense	2,598	0	2,598	**(11,686)**	**0**	**(11,686)**
- Actuarial (Gains) / Losses arising on changes in financial assumptions	(26,028)	(494)	(26,522)	**33,906**	**951**	**34,857**
Remeasurement of the net defined benefit	(23,430)	(494)	(23,924)	**22,220**	**951**	**23,171**
Comprehensive Income and Expenditure Statement	(17,457)	115	(17,342)	**37,628**	**1,543**	**39,171**
Movement in Reserves Statement						
Reversal of Net charge made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(5,973)	(609)	(6,582)	**(15,408)**	**(592)**	**(16,000)**
Actual amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to the scheme	12,619	1,709	14,328	**10,884**	**1,710**	**12,594**
Amount by which Pension costs charged to the Comprehensive Income Statement is different from that chargeable in accordance with statutory requirements	6,646	1,100	7,746	**(4,524)**	**1,118**	**(3,406)**

35.2 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.

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

	2017/18 £000	**2018/19 £000**
Opening Fair Value of Scheme Assets	445,704	**447,093**
Interest Income	11,110	**11,723**
Administration Expenses	(227)	**(192)**
Remeasurement Gains / (Losses)		
- The return on plan assets, excluding any amount in the net interest expense	(2,598)	**11,686**
Employers' Contributions	12,619	**10,884**
Employee Contributions	2,938	**2,537**
Settlements	(2,297)	**(1,066)**
Benefits Paid	(20,156)	**(20,229)**
Closing Balance at 31 March	447,093	**462,436**

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

	2017/18			**2018/19**		
	Funded £000	Unfunded £000	Total £000	**Funded £000**	**Unfunded £000**	**Total £000**
Opening Balance at 1 April	(665,780)	(19,099)	(684,879)	**(638,093)**	**(18,099)**	**(656,192)**
Current Service Cost	(16,093)	0	(16,093)	**(12,633)**	**0**	**(12,633)**
Past service cost	0	0	0	**(3,660)**	**0**	**(3,660)**
Interest Cost	(16,188)	(464)	(16,652)	**(16,207)**	**(458)**	**(16,665)**
Contributions by Scheme participants	(2,938)	0	(2,938)	**(2,537)**	**0**	**(2,537)**
Remeasurement Gains / (Losses);						
- Gains / (Losses) on financial assumptions	25,613	415	26,028	**(33,301)**	**(605)**	**(33,906)**
Benefits Paid	19,107	1,049	20,156	**19,178**	**1,051**	**20,229**
Settlements / Curtailments	18,186	0	18,186	**7,085**	**0**	**7,085**
Closing Balance at 31 March	(638,093)	(18,099)	(656,192)	**(680,168)**	**(18,111)**	**(698,279)**

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

Notes to the Balance Sheet

Composition of Scheme Assets

	Quoted (Y/N)	2017/18 £000	**2018/19 £000**
Cash and Cash Equivalents:			
- Cash Accounts	Y	16,095	**7,861**
Equity Instruments:			
- UK	Y	63,488	**34,683**
- Global	Y	119,374	**130,869**
- Emerging markets	Y	0	**21,272**
Bonds:			
- UK Government Fixed	Y	48,286	**0**
- UK Government Indexed	Y	0	**55,955**
- Sterling Corporate Bonds	Y	54,545	**54,105**
Property:			
- UK Property Funds	Y	19,210	**23,584**
- Overseas Property Funds	Y	20,582	**21,272**
Alternatives:			
- Hedge Funds	Y	20,566	**22,659**
- Diversified Growth Funds	Y	59,016	**57,805**
- Infrastructure	Y	25,931	**32,371**
Closing Balance at 31 March		447,093	**462,436**

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. Both the LGPS and discretionary teachers benefits 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 2019. The estimated duration of liabilities (at later of 31 March 2019 and admission date) is 17 years.

The significant assumptions used by the actuary in their calculations were:

	2017/18	**2018/19**
Rate of CPI inflation	2.1%	**2.2%**
Rate of increases in salaries	3.6%	**3.7%**
Rate of increases in pensions	2.2%	**2.3%**
Rate for discounting scheme liabilities	2.6%	**2.4%**
Mortality Assumptions		
Longevity at 65 for current pensioners	Years	**Years**
Men	23.6	**23.7**
Women	26.1	**26.2**
Longevity at 65 for future pensioners in 20 years time	Years	**Years**
Men	26.2	**26.3**
Women	28.8	**29.0**

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

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

Impact of the Defined Benefit Obligation in the Scheme:	2017/18 £000	**2018/19** **£000**
Longevity - 1 year increase in life expectancy	12,751	**13,568**
Rate of inflation - 0.1% increase	11,272	**11,995**
Rate of increase in salaries - 0.1% pay growth	1,328	**1,301**
Rate for discounting Scheme Liabilities - 0.1% increase in discounting rate	(11,081)	**(11,793)**

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.

Impact on the Council's Cash flows

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 2018/19 was 15.2% (2017/18 14.7%) and, along with other employers in the Fund, is paying additional contributions (equivalent to 11.85% for 2018/19 (2017/18 11.10%) over a period of up to 14 years in order to meet the shortfall. The Council estimates its employer contributions to the Fund for 2019/20 will be £10.660m, including £4.067m (equivalent to 12.3% 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.

35.3 Unfunded Teachers' Discretionary Benefits

The Council's is responsible for any additional discretionary pension benefits awarded to teachers upon early retirement outside of the terms of the teachers' pension scheme.

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 2019 is £23.5m (31 March 2018 £23.6m). There are no assets associated with the scheme.

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

	2017/18 £000	**2018/19 £000**
Opening Balance at 1 April	(25,220)	**(23,626)**
Interest Cost	(609)	**(592)**
Remeasurement Gains / (Losses)	494	**(951)**
Benefits Paid	1,709	**1,710**
Closing Balance at 31 March	(23,626)	**(23,459)**

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:

	2017/18 £000	**2018/19 £000**
Rate of CPI inflation	2.1%	**2.3%**
Rate of increases in pensions	2.2%	**2.4%**
Rate for discounting scheme liabilities	2.6%	**2.4%**
Mortality Assumptions		
Longevity at 75 for current pensioners	Years	**Years**
Men	14.5	**14.7**
Women	16.6	**16.7**

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

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

Impact of the Defined Benefit Obligation in the Scheme:	2017/18 £000	**2018/19 £000**
Longevity - 1 year increase in life expectancy	780	**774**
Rate of inflation - 0.1% increase	246	**244**
Rate for discounting Scheme Liabilities - 0.1% increase in discounting rate	(243)	**(241)**

Governance and Risk Management

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

Impact on the Council's Cash flows
The Scheme 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.

36. Leases

36.1 Authority as Lessee

Finance Leases

The Council has acquired property, vehicles and print room equipment under finance leases and sums included within the Balance Sheet are as follows:

	2017/18 £000	**2018/19 £000**
Asset carrying values		
Other land and buildings	1,643	**1,194**
Investment properties	0	**21,123**
Vehicles, plant, furniture & equipment	11	**4**
Total	1,654	**22,321**
Other long term liabilities		
Finance lease liabilities	2,237	**22,749**
Lease premiums in advance	457	**437**
Total	2,694	**23,186**

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:

	2017/18 £000	**2018/19 £000**
Finance lease liabilities		
- Current	9	**309**
- non Current	2,237	**22,749**
Finance costs payable in future years	15,045	**23,214**
Total	17,291	**46,272**

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**	
	2017/18 £000	**2018/19 £000**	2017/18 £000	**2018/19 £000**
Not later than one year	446	**1,158**	9	**309**
Later than one year and not later than five years	1,740	**4,705**	2	**1,375**
Later than five years	15,105	**40,409**	2,234	**21,375**
Total	17,291	**46,272**	2,245	**23,059**

Operating Leases

The Council utilises a number of administrative buildings and its fleet of vehicles by entering into operating leases, with typical lives of 5 years for vehicles and equipment and 191 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.

36.2 Authority as Lessor

Finance Leases

The Council has leased out 6 secondary schools and 32 primary schools to Academies on 125 year finance leases, all at peppercorn rents, which is a statutory requirement for Academies. The Council's gross investment in these leases, is made up as follows:

	2017/18 £000	**2018/19 £000**
Unguaranteed residual value of property	46,097	**51,014**
Gross investment in the lease	46,097	**51,014**

Operating Leases

The Council owns various commercial and investment property that it leases out with typical lives of 36 years 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:

	2017/18 £000	**2018/19 £000**
Not later than one year	3,648	**5,568**
Later than one year and not later than five years	11,486	**15,603**
Later than five years	8,665	**7,971**
Total future Minimum Lease Payments receivable	23,799	**29,142**

The gross value of assets which were held for use in operating leases was £57.531m, valued at 31st March 2019 (31st March 2018 £59.841m).

Notes to the Cash Flow Statement

37. Notes to the Cash Flow Statement

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

	2017/18 £000	**2018/19 £000**
Depreciation and impairment	21,898	**20,182**
Increase / (decrease) in creditors	2,197	**9,030**
(Increase) / decrease in debtors	1,596	**(4,280)**
(Increase) / decrease in inventories	0	**(5)**
(Increase) / decrease in impairment for bad debts	0	**187**
Movement in Pension liability	(7,746)	**3,406**
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	64,335	**31,220**
Increase / (decrease) in provisions	837	**2,135**
Movements in the value of investment properties	409	**1,845**
Net adjustments for non-cash movements	83,526	**63,720**

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

	2017/18 £000	**2018/19 £000**
Capital grants applied to the financing of capital expenditure	(25,372)	**(23,919)**
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,070)	**(3,638)**
Net adjustments for investing and financing activities	(29,442)	**(27,557)**

Notes to the Cash Flow Statement

37.3 Operating Activities

The cash flows for operating activities include the following:

	2017/18 £000	**2018/19 £000**
Interest received	1,054	**1,374**
Interest paid	(6,110)	**(6,479)**

37.4 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.

	2017/18 £000	**2018/19 £000**
Cash subject to netting arrangement	8,705	**15,262**
Overdraft subject to netting arrangement	(6,087)	**(8,272)**
Net cash subject to netting arrangement	2,618	**6,990**
Other cash and cash equivalents	618	**587**
Cash and cash equivalents presented in the Balance Sheet	3,236	**7,577**

37.5 Total liabilities from financing activities

	1 April 2018 £000	Financing cash flows £000	Non-cash changes Aquisition £000	Non-cash changes Other £000	**31 March 2019 £000**
Long term borrowings	(148,305)	0	0	1,000	**(147,305)**
Short term borowings	(643)	96	0	(1,000)	**(1,547)**
Short term creditors	(16,468)	0	0	(3,427)	**(19,895)**
Finance lease liabilities	(9)	204	0	(504)	**(309)**
Total liabilities from financing activities	(165,425)	300	0	(3,931)	**(169,056)**

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.

2017/18 Business Rates £000	2017/18 Council Tax £000	2017/18 Total £000		Note	2018/19 Business Rates £000	2018/19 Council Tax £000	2018/19 Total £000
			Income				
	(121,331)	(121,331)	Council Tax Receivable	*CF1*		(130,134)	(130,134)
(60,389)		(60,389)	Business Rates Receivable	*CF2*	(62,860)		(62,860)
(60,389)	(121,331)	(181,720)			(62,860)	(130,134)	(192,994)
			Expenditure				
			Apportionment of Previous Years' Surplus				
486		486	- Central Government		(131)		(131)
476	1,718	2,194	- North Somerset Council		(129)	(400)	(529)
	242	242	- Police and Crime Commissioner for Avon & Somerset			(55)	(55)
10	92	102	- Avon Fire Authority		(3)	(21)	(24)
972	2,052	3,024			(263)	(476)	(739)
			Precepts, Demands and Shares				
27,955		27,955	- Central Government		28,931		28,931
28,196	102,061	130,257	- North Somerset Council		29,210	109,321	138,531
	14,036	14,036	- Police and Crime Commissioner for Avon & Somerset			15,117	15,117
575	5,349	5,924	- Avon Fire Authority		596	5,566	6,162
56,726	121,446	178,172			58,737	130,004	188,741
			Charges to Collection Fund				
(776)	(626)	(1,402)	Write offs of uncollectable amounts		(485)	(895)	(1,380)
480	92	572	Increase / (Decrease) in Bad Debt Allowances	*CF3*	472	1,357	1,829
3,189		3,189	Increase / (Decrease) in Provision for Appeals		4,462		4,462
261		261	Cost of Collection		262		262
527		527	Disregarded Amounts		629		629
3,681	(534)	3,147			5,340	462	5,802
61,379	122,964	184,343	**Total Expenditure**		63,814	129,990	193,804
990	1,633	2,623	**(Surplus) / Deficit arising during the year**		**954**	**(144)**	**810**
(990)	(1,644)	(2,634)	(Surplus) / Deficit b/fwd 1st April		0	(11)	(11)
0	**(11)**	**(11)**	**(Surplus) / Deficit c/fwd 31st March**	*CF4*	**954**	**(155)**	**799**

Notes to the Collection Fund

CF1. Council Tax

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

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

In order to set the council tax, we estimate the number of dwellings in each of eight valuation bands and convert these estimates into an "equivalent number of Band D dwellings". The table below shows the calculation for 2018/19.

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	11,175	6/9	7,450.0
B - £40,001 to £52,000	18,492	7/9	14,382.5
C - £52,001 to £68,000	20,451	8/9	18,178.7
D - £68,001 to £88,000	15,770	9/9	15,769.5
E - £88,001 to £120,000	11,740	11/9	14,348.9
F - £120,001 to £160,000	5,918	13/9	8,548.9
G - £160,001 to £320,000	3,132	15/9	5,220.0
H - over £320,001	229	18/9	458.0
	86,907		84,356.5
Reduction for Council Tax Support Scheme			(6,435.8)
Allowance for Losses on Collection			(629.3)
Allowance for New Properties			712.1
Council Tax Base for 2018/19			**78,003.5**

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 £1,666.65 per dwelling (2017/18 £1,573.05) after taking into account Parish variations and providing a 0.80% provision for unpaid bills (2017/18 0.80%), movement in council tax support claimants and new build properties not as planned.

The actual council tax income for 2018/19 was £130.134m, dividing this figure by the "average Band D Tax" results in an actual tax base of 78,081.2 dwellings. The difference between this and the total "equivalent Band D dwellings" of 78,003.5 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

Under the Business Rates Retention Scheme, the Council acts as both principal and agent. 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.

	2017/18	**2018/19**
Total Non-domestic Rateable Value at 31 March	£161,744,489.00	**£163,379,736.00**
National Non-domestic Rate Multiplier - Standard	0.479	**0.493**
National Non-domestic Rate Multiplier - Small Business	0.466	**0.48**

The Business Rates receivable amount on the face of the Collection Fund Account of £62.860m, 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

	2017/18 £000	**2018/19** **£000**
Council Tax Arrears	11,071	**11,870**
Business Rate Arrears	3,586	**3,520**
Gross Tax Payers' Arrears at 31 March	14,657	**15,390**
Council Tax Prepayments	(5,372)	**(6,019)**
Business Rates Prepayments	(2,585)	**(1,771)**
Gross Tax Payers' Prepayments at 31 March	(7,957)	**(7,790)**
Net Tax Payers' Arrears as at 31 March	6,700	**7,600**

Allowance for Bad Debts	2017/18 £000	**2018/19** **£000**	**% of arrears at 31 March**
Council Tax	5,688	**6,150**	**51.81%**
Business Rates	1,798	**1,785**	**50.71%**
Total Tax Payers' Bad Debt Allowance	7,486	**7,935**	

Notes to the Collection Fund

CF4. Balance Sheet items apportionment

	Total £000	North Somerset Council £000	Police & Crime Commissioner £000	Central Government £000	Avon Fire Authority £000
Council Tax					
Debtors	**11,870**	9,872	1,493	N/A	505
Bad Debt Allowance	**(6,150)**	(5,115)	(774)	N/A	(261)
Prepayments & Overpayments	**(6,019)**	(5,006)	(757)	N/A	(256)
(Surplus) / Deficit at 31 March	**(155)**	(136)	(12)	N/A	(7)
Business Rates					
Debtors	**3,520**	1,725	N/A	1,760	35
Bad Debt Allowance	**(1,785)**	(875)	N/A	(892)	(18)
Prepayments & Overpayments	**(1,771)**	(868)	N/A	(885)	(18)
Appeals Provision	**(9,062)**	(4,440)	N/A	(4,531)	(91)
(Surplus) / Deficit at 31 March	**954**	467	N/A	477	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 22 to the main financial statements for full details).

	2017/18 £000	**2018/19 £000**
Renewable Energy	165	**104**
Enterprise Area - transfer to City Region Deal	362	**525**
	527	**629**

Statement of Accounting Policies

Accounting Policies

i. General Principles

The Statement of Accounts summarises the council's transactions for the financial year 2018/19, and its position at the year-end of 31 March 2019. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations 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 2018/19 (the Code), 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.

The Statement of Accounts has been prepared on a 'going concern' basis.

ii. 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 prospectively, i.e. 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.

iii. Accruals of Income and Expenditure

The Council recognises its revenue and capital income and expenditure 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract. Note that there has been a change of accounting policy following the implementation of IFRS 15 'Revenue from contracts with service recipients'. In previous year's the Council's accounting policy was for Revenue from the provision of services to be recognised when the percentage of completion of the transaction could be measured reliably, and it was 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.

iv. 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 (i.e. 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.

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.

Where debtor balances for the above are identified as impaired because of the likelihood arising from a past event that payments due under statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

v. 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.

Where conditions attached to grants or contributions have not been satisfied, monies received to date 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.

Community Infrastructure Levy

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

vi. 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.

vii. 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 amortisation. 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 amortisation 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.

viii. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits 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 on an accruals basis as an expense in the relevant service line within the Comprehensive Income and Expenditure Statement.

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 Service 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.

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 Council accounts 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.

- Assets within the scheme attributable to the Council are included in the Balance Sheet at their fair value.

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

Service cost comprising:

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

Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Service 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 of the net defined benefit liability, comprising:

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

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

Actuarial gains and losses – changes in the net pensions liability that arise because the actuaries have updated their financial or demographic assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

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, transfers 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 measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits are earned by employees.

b) Teachers' Pension Scheme and NHS Superannuation Scheme

The centralised arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they were defined contribution schemes, and no liability for future payments of benefits recognised in the Balance Sheet.

The Children and Young People line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Scheme. The Public Health line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

c) 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.

ix. 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.

x. 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 (PPE) 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
School PPE 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 where:

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

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

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 (existing use value - 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
- community assets – depreciated historic cost, or may elect to value at a valuation which is considered to be appropriate and relevant
- 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 – current value, determined as the amount that would be paid for the asset in its existing use (existing use value - 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 in respect of changes to asset values for assets not revalued in the 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.

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:

- 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)
- community assets – straight-line allocation over the useful life of the property as estimated by the valuer (between 1 and 50 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.

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

Property assets where a disposal is highly probable within the next 12 months and the asset is available for sale in its present condition are classified as assets held for sale. Management must be committed to the sale, an active programme to locate a buyer be in place, and a completed sale expected 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.

When an asset is disposed of the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement. 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.

The net loss or gain on disposal 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 transactions at the end of the financial year.

xi. 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.

xii. 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 at the measurement date.

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.

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line, and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement, and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii. Financial Instruments

Financial Assets

Following the implementation of IFRS9 'Financial Instruments', Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable is the amount receivable for the year in the loan agreement, which is assessed to not be materially different from interest calculated based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest).

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

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets.

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

The Council's short-term investments relate to fixed term, fixed interest rate deposits. These are considered to remain low credit risk. Hence expected credit losses on these assets are assessed on a 12-month basis.

Where the authority does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis, it has assessed losses for the portfolio on a collective basis. Financial assets where this approach has been applied are:

- long term debtors relating to mortgages granted to home owners
- trade receivables relating to contracts

The authority considers that the presentation of impairments / credit losses in service segments, rather than in Financing and Investment Income and Expenditure as required by the Code, better reflects the economic reality of the transactions, whilst still providing a 'true and fair view', due to the non-material value of the losses.

Financial Assets Measured at Fair Value through Profit of Loss

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

The fair value measurements of the financial assets 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

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.

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

Previous year's accounting policies re Financial assets

In previous years, prior to the implementation of IFRS9 ' Financial Instruments', Financial assets were held in the following categories:

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

a) Loans and Receivables

Loans and receivables were recognised on the Balance Sheet when the Council became a party to the contractual provisions of a financial instrument and were initially measured at fair value. They were 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 were 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 had made, this means that the amount presented

in the Balance Sheet was the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement was the amount receivable for the year in the loan agreement.

Where assets were identified as impaired because of a likelihood arising from a past event that payments due under the contract would not be made, the asset was 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 was 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 were 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 were recognised on the Balance Sheet when the Council became a party to the contractual provisions of a financial instrument, and were initially measured and carried at fair value. Where the asset had 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 were 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) was credited to the Comprehensive Income and Expenditure Statement when it became receivable by the council.

Assets were maintained in the Balance Sheet at fair value. Values were 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.

Changes in fair value were balanced by an entry in the Available-for Sale Reserve, and the gain/loss was 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 had been incurred – these were 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 were identified as impaired because of a likelihood arising from a past event that payments due under the contract would not be made (fixed or determinable payments) or fair value falls below cost, the asset was written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

If the asset had fixed or determinable payments, the impairment loss was 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 was 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 were 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 was carried at cost (less any impairment losses).

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.

xiv. 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, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

xv. 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 highly liquid investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

xvi. 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.

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

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.

xvii. 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.

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 recognised in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement 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.

xviii. Reserves

The Council sets aside specific amounts as usable 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 transferring amounts out of the General Fund Balance. 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 transferred 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 'unusable' reserves are kept 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.

xix. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date 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.

xx. 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.

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.

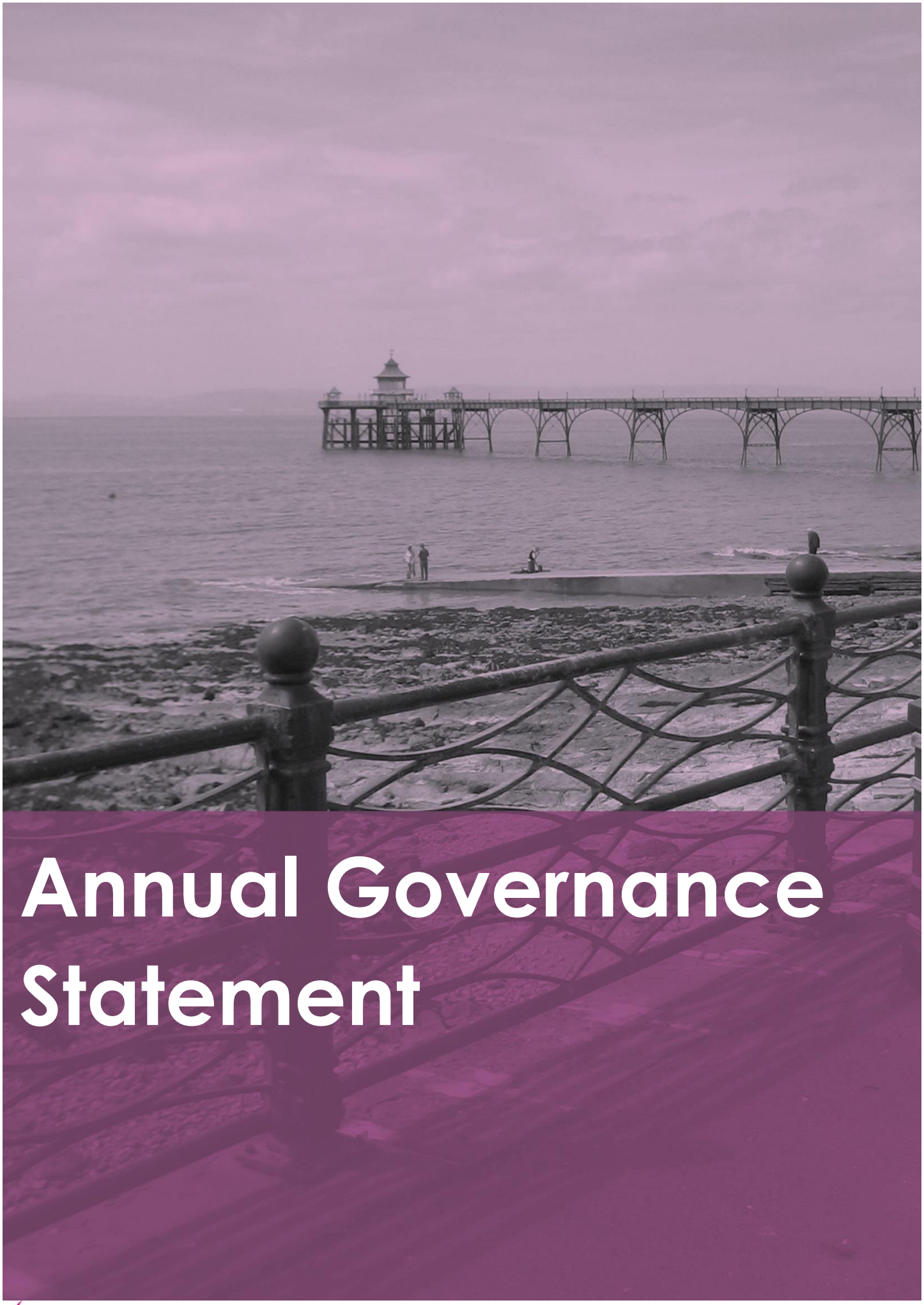
- Expenditure – Expenditure is recognised by the Council on payments being made by the BRP. Expenditure is recognised in proportion to the degree that the Council has contributed to the BRP through its growth figure, and is capped at the limit of the Council's payment of growth to the BRP in this period,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

xxiii. 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.

Statement of Accounting Policies



Annual Governance Statement

North Somerset COUNCIL

Annual Governance Statement

1. Scope of Responsibility

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.

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.

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/.

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.

The governance framework described in this Statement has been in place at the council for the year ended 31 March 2019, and up to the date of the approval of the statement of accounts.

2. The Purpose of the Governance Framework

Good governance enables North Somerset Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times and the following diagram illustrates how good governance is integral to supporting the delivery of the organisations priorities.

The council's Local Code of Corporate Governance aims to ensure that in conducting its business the council:

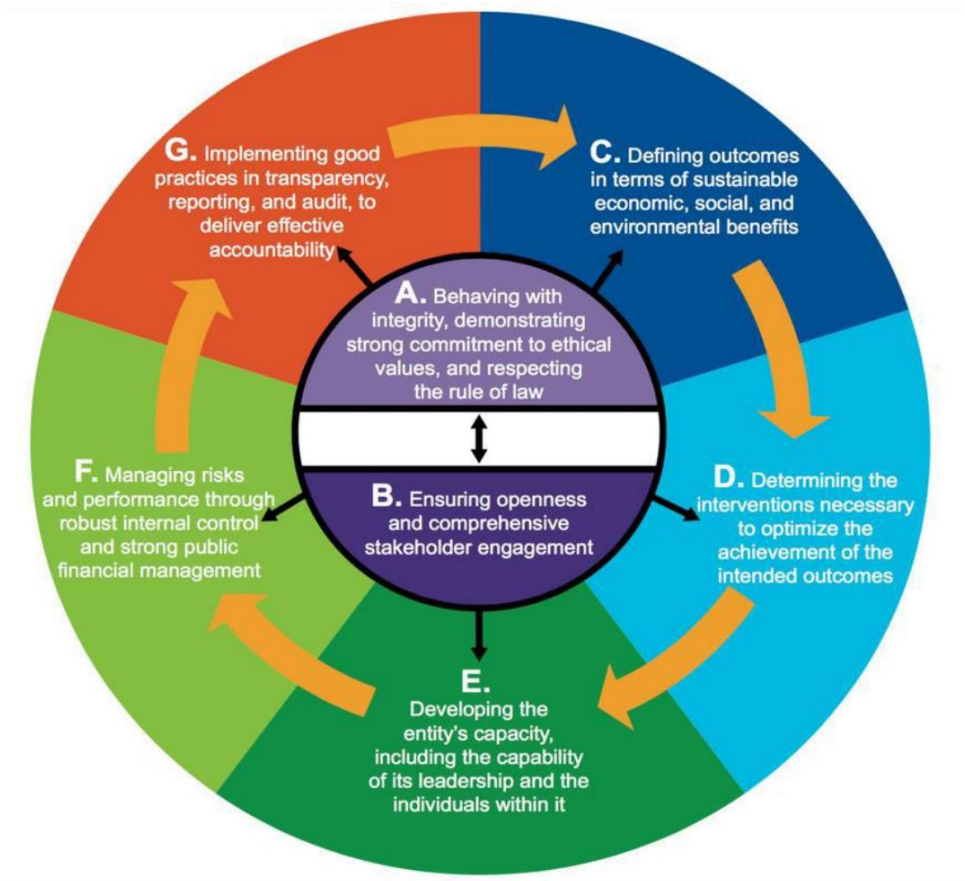
- operates in a lawful, open, inclusive and honest manners,
- makes sure public money is safeguarded, properly accounted for and spent wisely,
- has effective arrangements in place to manage and control risk,
- secures continuous improvements in the way it operates.

Annual Governance Statement

The Code comprises the systems and processes, culture and values and structures by which the council is directed and controlled. The Code is the sum total of all of these things, and it includes those activities required to enable the Council to engage with, account to and lead the communities it serves. The Code enables the council to set its strategic objectives and to manage the achievement of the objectives whilst ensuring delivery of appropriate, cost effective services.

The system of internal control is a significant part of that Code and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The CIPFA/SOLACE framework envisages that the Code will be organised to ensure a continuous process of good governance based on seven principles.



The governance framework and an attendant Code has continued to be in place at North Somerset Council for the year ended 31 March 2019, and will be up to the date of approval of the statement of accounts.

Source: CIPFA/SOLACE

3. Key Elements of our Code of Corporate Governance

The council's Constitution is kept under constant review and updated as necessary through the year and sets out how the Council operates. North Somerset Council has a history of strong democracy, and robust member involvement in decision-making. The key elements of the governance arrangements at the council during the 2018/19 financial year were:

Council, Executive and Leader

- Provides leadership
- Develops and sets policy

Decision making

- All decisions are recorded on Council website
- Meetings are held in public as appropriate and key ones are webcast

Scrutiny

- Scrutiny committees provide wider member input into the development of key policies, and review and challenge decisions .

Assurance

- Provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards
- Independent audit is a critcal source

Council Leadership Team

- The Chief Executive as Head of Paid Service leads the Council's Leadership Team.
- The Section 151 Officer is responsible for safeguarding the Council's financial position.
- The Monitoring Officer is responsible for ensuring legality and promoting high standards of public conduct.

Performance and Risk Management

- Processes are in place for managing and reporting performance as well as identifying strategic and operational risks.
- Council performance and strategic risks are regularly reviewed by Council Leadership Team and reported to Executive and Audit Committee.

External and Internal Audit

- External audit provides an annual opinion on the Council's accounts and value for money
- Internal audit provides regular assurance on the governance, risk and internal control arrangements

Review of the Council's Code of Governance

As shown above the council's Code of Corporate Governance is made up of the arrangements that the council has in place to deliver of the requirements of each principle of the Framework. The Code is not a document, it is the sum total of all these systems and processes, culture and values and structures by which the council is directed and controlled.

In preparing this Annual Governance Statement the council has:

- reviewed the council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance,
- and assessed the effectiveness of the council's Local Code of Corporate Governance.

The remainder of this document sets out some key aspects of how the council's has complied with the principles set out in the Framework during 2018/19 however it is not intended to be exhaustive.

Annual Governance Statement

4. Methodology for Preparing the Annual Governance Statement 2018/19

Independent Assurance	Senior Management	Performance Management	External Review / Assurance	Corporate Assurance Sources
* Head of Audit Opinion * Audit Plan & Outcomes of Work * Annual Audit Plan * Risk Management * Counter fraud activity and Investigations	* Corporate Management Team * Financial Strategy Board * Partnership Working * Client / Contract Management * Medium Term Financial Plans & Savings Proposals	* Corporate Plan * Internal Management Reviews * KPI and Data Quality * Performance & Risk Management * Programme and Project Management * Benchmarking	* Inspection Reports * Peer Reviews * Commissioned Reviews * Ombudsman * External Audit Plans, Letters and Reports	* Audit Committee * Scrutiny Process * Statutory Officers * Legal Services * Consultation, Complaints, Feedback * Equality Impact Assessments * Codes of Conduct

Set out the arrangements for compilation and approval of the Annual Governance Statement 2018/19

Audit Committee — Annual

Review progress made against any signiicant issues included in the 2017/8 Annual Governance Statement

Audit Committee — Ongoing

Consideration of emerging issues for 2018/19 Annual Governance Statement

CMT, Statutory Officers Group & FSB — Ongoing

Approval of the 2018/19 Annual Governance Statement

Leader, Chief Executive and Audit Committee - July 2019

North Somerset COUNCIL

5. The Governance Framework

The council is committed to meeting best practice standards for good governance. The council has expressed commitment to CIPFA/SOLACE's core principles of Corporate Governance, as outlined in the guidance document *'Delivering Good Governance in Local Government: Framework'*. The principles and a brief outline of our organisational context regarding these are described below:

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/

5.1 Principle 1

DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS & DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMIZE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

Sub Principles

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

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

The Corporate Plan has been approved by Council 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 COUNCILS' VISION AND ITS IMPLICATIONS FOR THE COUNCIL'S GOVERNANCE ARRANGEMENTS.

The council's vision as detailed in the Corporate Plan 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.

5.2 Principle 2

BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

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. Both the Children's and Adults Boards are 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.

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

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

The council has previously adopted a Code of Conduct in response to the Localism Act 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 & members work together.

5.3 Principle 3

MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT & IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING AND AUDIT TO DELIVER ACCOUNTABILITY.

Sub Principles

5.3.1 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. Our Procurement Strategy, rules and procedures was refreshed during the year and Contract Management arrangements reviewed. All contract opportunities are advertised on the website and through the recognised government recommended portals.

The council's Risk Management Strategy describes the council's approach to the management of risk and it was revised and updated during the year. The effectiveness of the arrangements is effectively overseen by the Corporate Management Team through the decision making process supported by the Audit Committee overviewing 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.

5.3.2 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

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

The Financial Strategy Board supports the Head of Finance & 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.

5.3.3 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 independent (non-elected) Members. The Committee's responsibilities are described in its terms of reference which form part of the council's constitution. The Committee meets formally and informally 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.

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

The Chief Executive, Monitoring Officer, Head of Finance and Property and Head of Audit meet periodically 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.

5.3.5 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 the year including a revised Anti-Bribery Policy.

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

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

5.4 Principle 4

DEVELOPING THE ENTITY'S CAPACITY INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

Sub Principles

5.4.1 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.

5.4.2 The council puts on a programme of extensive training and development for Members which is accessible at any time whilst newly elected Members receive more intensive support.

This includes a full induction process following local elections every four years as well as service and committee specific briefings on individual topics and policy initiatives.

5.5 Principle 5

ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT.

5.5.1 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 usually 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 and North Somerset Life has been an important mechanism for communication.

5.5.2 It is the vital role of ward Members however in listening to the views of the community which provides invaluable levels of feedback and engagement to help assist the council shape its services appropriately.

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

6. Review of Effectiveness

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 Members 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 officer signs the Statement as a summary of the effectiveness of the council's governance framework.

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 (Audit West) 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 2018/19 has included –

- Meeting the Financial Challenge
- Reshaping the Council through its Transformation activity in each of its Directorates
- 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 (Improved) 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

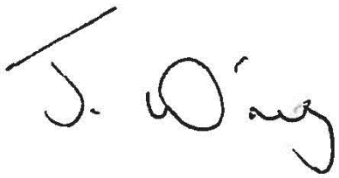
7. Head of Audit and Assurance Opinion

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, especially around contract management, 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 Audit & Assurance Plan for 2018/19 was developed to give an independent opinion to 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:



Jeff Wring
Head of Audit and Assurance
Date: **31 May 2019**

8. Update on Significant Issues raised in the 2017/18 Annual Governance Statement

Issue in 2017/18	Mitigating actions for 2017/18	Update 2018/19
Financial Challenge As detailed in the previous year the significant issue identified around the financial challenge continues to be severe, with public sector austerity likely to last well beyond 2020. The Council has responded positively with over £90m of savings already delivered, however at least £8.8m of additional savings still need to be identified over the remaining period. Despite exhaustive efforts the council's financial sustainability is being challenged and its out-turn position for 2017/18 in two of its largest service areas resulted in overspends of £1.57m Adult Social Care and £2.97m in Children's Services. 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.	As with last year the council has already set out many of its plans to deliver services into the future against the backdrop of significant financial reductions. Actions included – - Providing growth of £13m to meet both new and also existing demands for services, particularly in relation to social care and children's services. - Utilisation of the Improved Better Care Fund along with a co-ordinated change programme for adults and children's services. - Continued use of the Social Impact Bond. - Reviewing care package assessments and the single point of access (SPA) to help reduce demand. - Reviewing service provision for high cost learning disability placements, opportunities within Direct Payment provision and in-house Fostering.; - Reviewing Nursery Provision, Children's Centres and preventive services; - Continuing the stringent cost control mechanisms on staff costs, goods, works	As previously advised, the council's financial performance is reviewed, assessed and challenged by the corporate management team on a monthly basis, together with the key risks and assumptions that were included within the medium term financial plan. Clearly this increased scrutiny, which has seen the development of a range of proposals that are being implemented by the directorate management teams, has given greater attention and focus upon priority areas and also delivered an improvement in the council's overall financial monitoring position. The projected net expenditure position has improved significantly across many areas of the council's budget forecasts, meaning that the net position by the council at the end of the year was broadly break even ignoring some exceptional one-off sums. This is now the second year in a row that the council has managed this significant issue successfully. Whilst this position should be seen as a significant achievement in the current climate, it should also be recognised that some of this has been accomplished through the one-off curtailment of spending; this is not sustainable and will not be without consequence. Deferring work in highways maintenance, for example, will increase the backlog of outstanding defects. Importantly the in-year mitigations will not change the council's strategic approach set out in the corporate plan, they will seek

Issue in 2017/18	Mitigating actions for 2017/18	Update 2018/19
We therefore need robust governance and sensible plans to enable services to deliver against all of these challenges.	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	to progress the council onto more medium-term and sustainable solutions which are aligned with our aims and ambitions.to progress the council onto more medium-term and sustainable solutions which are aligned with our aims and ambitions

9. Significant Issues for 2018/19

Issue in 2018/19	Commentary & Mitigating actions for 2018/19
Capacity Challenge As detailed for the last three years the significant issue identified around the financial challenge continues to be severe, with public sector austerity and a range of economic challenges likely to continue into the next decade. The Council has responded positively with almost £100m of savings already delivered and a positive financial outturn position in 2017/18 and 2018/19 reflecting the significant work achieved by Members and Officers. However the success of this delivery requires substantial input and overview by Senior Management and during 2018/19 a number of the most senior roles at the council were vacant or filled by interims for a long period. This included the roles of Chief Executive, Director of Development & Environment, Assistant Director (Operations), Director of Public Health and S151 Officer (Head of Finance and Property).	**Senior Management** The Council has considered a range of options and following a thorough appointment process has recruited Jo Walker to the post of Chief Executive and she commenced the role in January 2019. Additionally Lucy Shomali has been appointed Director of Development & Environment and will start her new role in June 2019. The roles of Assistant Director Neighbourhood Management, Director of Public Health and Director of Finance have all been advertised with the aim of making permanent appointments. It has proved challenging to recruit into the Director of Public Health and Director of Finance posts however interim arrangements have continued to support the organisation positively whilst permanent replacements are sought. **Financial Management** As with previous years the council has already set out many of its plans to deliver services into the future against the backdrop of significant financial reductions. One of the key principles of the 2019/20 budget was to provide growth to meet existing and new

Issue in 2018/19	Commentary & Mitigating actions for 2018/19
Continued delivery of the council's savings programme, maintaining business-as-usual and driving improvements in our community does not come without risks and senior management oversight and leadership is critical to mitigating the risks we face. During the year the council's financial challenges remained ever present along with a number of challenges around contract management which have become apparent leading to a need for increased management support and attention. Whilst again no significant governance failures have occurred, the council acknowledges that the level of challenges in the delivery of its core business requires sufficient capacity to enable not just the priorities of the Council to be delivered but core internal controls to be managed successfully. The council has recognised the issues and the actions and positions including the Chief Executive have now been filled and a new Director of Development & Environment will start during 2019/20. The actions column details a high level summary of progress being made to address these challenges.	demands, particularly in relation to transport, parking, social care and children's services in order to improve the robustness and sustainability of the budget. The budget also includes over £10m of savings that will need to be delivered in order to achieve a balanced out-turn. 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 & controlled. **Contract Management** Ongoing challenges to control costs and secure efficiencies remain, along with a need to upgrade the level of skills and capacity to manage contracts. Senior management have recently reviewed planned improvements for delivery in 2019/20, which include – - New comprehensive training programme - Review of governance, including reporting and assurance - Introduction of Contract Management plans

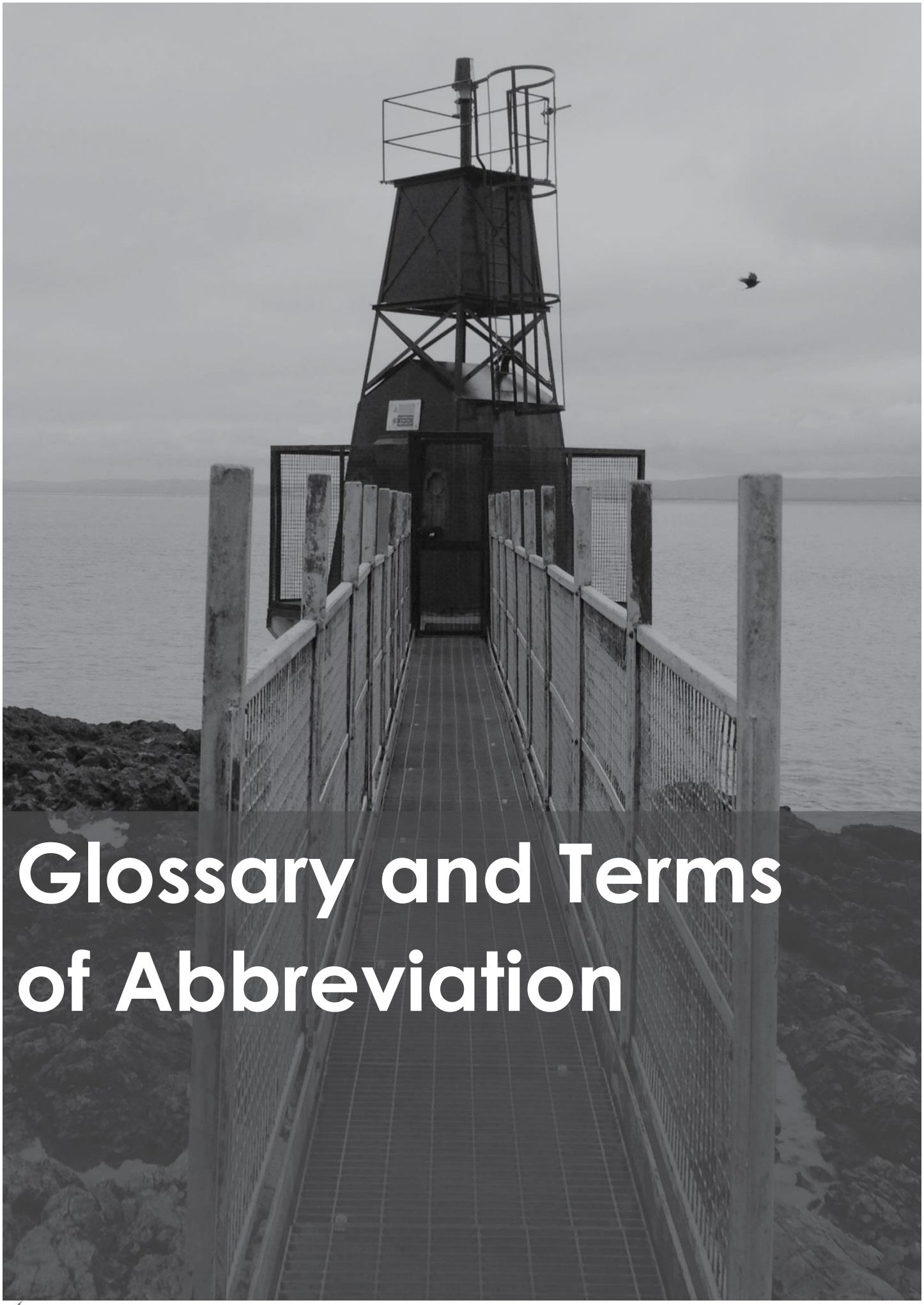
Annual Governance Statement

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: **Mike Bell**
Deputy Leader of the Council

Signed: **Jo Walker**
Chief Executive Officer



Glossary and Terms of Abbreviation

Glossary and Terms of Abbreviation

A

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

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

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

Actuarial Gains and Losses (Pension Schemes)
Changes in the net pensions liability that arise because events have not matched assumptions at the last actuarial valuation or because actuarial assumptions have changed.

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

Appointed Auditors
The 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. Grant Thornton UK LLP have been appointed as the Council's external auditors.

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 asset is a resource controlled by the Council as a result of past events, and from which future economic benefits are expected to flow to the Council. 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.

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 underlying need for the Council to borrow to fund capital investment which has not been funded immediately from resources such as grants, capital receipts and direct funding from revenue.

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.

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.

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

D

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

Demographic assumptions (Pensions)
Assumptions re the longevity of current and future pensioners used by the actuary in assessing pension scheme liabilities.

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 (Financial instruments)
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 events, both favourable and unfavourable, of such materiality that either their disclosure, or amendment to the accounts, 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.

Expected credit losses (Financial instruments)
The weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month expected credit losses is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime expected credit

losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Experience gain (Pension schemes)
The actuarial gains and losses element arising where actual events have not coincided with the actuarial assumptions made at the last assessment.

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, 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 assumptions (Pensions)
Finance related assumptions used by the actuary in assessing pension scheme liabilities (e.g. rates of inflation)

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. Some grants may be restricted to be used towards the cost of particular capital schemes or revenue expenditure of the Council.

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 permanent reduction in the value of an 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 solely to earn rentals or for capital appreciation, or both.

J

Joint Arrangement
An arrangement under which the participants engage in joint activities but do not create a legal entity.

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.

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 influence the decisions of the user of the financial statements.

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

Net Book Value (NBV)
The amount at which non-current assets are held after deducting any accumulated depreciation and impairment losses.

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.
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 assets.

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 from 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 may occur 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 raising a precept 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
Adjustments made to prior years comparator figures arising from changes in accounting policies or from the correction of material errors.

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.

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 property that is used for NNDR purposes.

Revenue Expenditure Funded by Capital Under Statue (REFCUS)
Expenditure of a capital nature but which gives rise to 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.

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 its services.

S

Settlements (Pension schemes)
A gain or loss on settlement arises when an authority enters into a transaction that eliminates all further obligation for the benefits provided under a defined benefit plan. Settlements have the effect of extinguishing a portion of the plan liabilities, usually by transferring plan assets to or on behalf of plan members to their new employer.

Specific grants
The term used to describe all government grants to local authorities, including revenue and capital grants, where the use of the grant is specified by central government.

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 from its own resources.

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
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
MHCLG	Ministry of Housing, Communities and Local Government
PWLB	Public Works Loans Board
SERCOP	Service Expenditure Reporting Code of Practice

Index of Notes to the Statement of Accounts

	Note	Page
Accounting Policies	AP	109-123
Accounting standards not yet adopted	5	43
Adjustments between accounting basis and funding basis under statutory provisions	7	46-47
Assumptions and other major sources of estimation uncertainty	2	42
Business Rate Arrangements	22	69-71
Capital Expenditure and Financing	26	80-81
Contingent Liabilities	30	82-83
Creditors	28	81
Critical judgements in applying accounting policies	1	41
Debtors	27	81
Dedicated Schools Grant	15	63-64
Defined Benefit Pension Schemes	35	91-99
Events after the reporting period	4	43
Ex-Avon County Council Debt (Long-Term Liabilities)	33	90
External Audit Costs	20	67
Expenditure and Funding Analysis	10	58-60
Expenditure and Income Analysed By Nature	16	64
Financial Instruments	31	83-86
Financing and Investment Income and Expenditure	12	61
Grant Income	14	62
Investment Properties	25	78-80
Joint Funding Arrangements	21	68-69
Leases	36	99-101
Material items of income and expenditure	3	43
Members' Allowances	17	65
Nature and Extent of Risks Arising from Financial Instruments	32	87-90
Notes to the Cash Flow Statement	37	102-103
Notes to the Collection Fund	CF	104-107
Officer Remuneration	18	65-66
Other Operating Expenditure	11	61
Pension Schemes Accounted for as Defined Contribution Schemes	34	91
Prior Period Adjustments	6	43-45
Property, Plant and Equipment and Intangibles	24	74-77
Provisions	29	82
Related party transactions	23	71-73
Taxation and Non-Specific Grant Income	13	61
Termination Benefits	19	67
Unusable Reserves	9	52-57
Usable Reserves	8	48-51