AGENDA ITEM NO. 12

BRISTOL CITY COUNCIL
AUDIT COMMITTEE

28 September 2012

Report of: **Service Director - Finance**

Title: **Statement of Accounts Year Ended 31 March 2012**

Ward: **Citywide**

Officer presenting report: **Peter Robinson, Service Director - Finance**

Contact telephone number: 0117 922 2419

RECOMMENDATION

That the Committee approve the revised Statement of Accounts for the Year Ended 31 March 2012, following completion of the audit.

Summary

The Council's Statement of Accounts has been amended in line with the recommendations of the external auditor, following the completion of the audit. The audit identified a small number of changes and these have been agreed and incorporated into the revised Statement attached. The revised Statement is required to be approved by the Committee.

The significant issues in the report are:

The external auditor's Annual Governance Report identifies three adjustments which have not been made in the financial statements.

Two of these adjustments, the employee remuneration and the HRA debtor, would not effect the overall General Fund position. The treatment of investment re Icelandic Banks has been explained in full in the accounts (page 102). The Council believe they have taken a prudent view in its decision not to revalue the investment. None of these adjustments impact on the external auditors decision to provide an unqualified opinion of the Council's financial statements.

Policy

1. None affected by this report.

Consultation

2. **Internal -** The external auditor consults with the Service Director, Finance and Corporate Finance staff.

Context

3. The audit of the 2011/12 accounts has been completed and, following discussions with the external auditor, a small number of disclosure changes have been made to the draft Statement of Accounts which was considered by this Committee on 29 June 2012.

4. The Committee is required to receive the auditor's Annual Governance Report and approve the Statement of Accounts within the statutory deadline of 30 September. The Governance report sets out the issues arising from the audit of the accounts and the recommended changes to the statement.

5. The Annual Governance report includes an Action Plan, agreed with officers, setting out the issues arising from the audit that need to be implemented in time for the closure of the 2012/13 account

Other Options Considered

Not Applicable

Risk Assessment

The statutory accounts need to be formally published within the statutory timescale. This report, together with the Annual Governance Report, forms part of the statutory process and should allow this to happen.

Equalities Impact Assessment

There are no issues arising from this report.

Legal and Resources Implications

Legal - the Accounts and Audit Regulations require the Council to publish a Statement of Accounts by 30 September 2012.

Financial - None as a result of the amendments made to the accounts.

Appendix: **S**tatutory Statement of Accounts Year Ended 31 March 2012

ACCESS TO INFORMATION

Background Papers: Report to Audit Committee 29 June 2012

Bristol City Council

Statement of Accounts

Year ended 31 March 2012

The Accounts and Audit Regulations 2011 require the City Council to prepare a set of Financial Statements. The Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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Explanatory foreword

Introduction

The preparation of the Statutory Statement of Accounts is undertaken in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), published by CIPFA. The Accounts and Audit (England) Regulations 2011 require that the accounts are completed and approved by the committee by 30 September 2012. Prior to this, the responsible financial officer of the Council (i.e. the Section 151 officer) must sign and date the Statement of Accounts by no later than 30 June 2012. Following this the accounts will be subject to audit. The external auditors, Grant Thornton, are required to present a report to the Council on the accounts, including their opinion.

This Statement of Accounts comprises the following principal financial statements:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement

These are supplemented by comprehensive notes, including the Council's accounting policies, followed by statements and notes for the Housing Revenue Account and Collection Fund. More information on the purpose of the principal statements is included at the end of this foreword.

Overview of the financial year 2011/12

Revenue outturn and balances

The following paragraphs cover the revenue accounts on the basis of the Council's financial management arrangements. The reconciliation at Note 31 explains how these are brought together with other items in the Comprehensive Income and Expenditure Account.

General Fund

The General Fund includes the income and expenditure that must be taken into account when setting the Council Tax demand. Actual spend (outturn) compared to the budget and the last reported forecast is set out in the following table:

Directorate	Original Budget £m	Revised Budget £m	Final Forecast £m	Draft Outturn £m	Variation from Budget £m	Variation from Forecast £m
Children & Young Peoples Services	72.0	71.7	74.0	73.2	1.5	(0.8)
Corporate Services	15.3	17.5	17.2	16.7	(0.8)	(0.5)
Health & Social Care	144.3	143.6	143.9	143.6	0.0	(0.3)
Neighbourhoods and City Development	114.7	113.2	113.4	113.1	(0.1)	(0.3)
Sub-total	**346.3**	**346.0**	**348.5**	**346.6**	**0.6**	**(1.9)**
Other						
Net Capital Financing Costs	18.1	18.1	17.1	17.1	(1.0)	0.0
Unallocated Pensions	2.7	2.7	2.7	2.8	0.1	0.1
Levies	1.1	1.1	1.1	1.1	0.0	0.0
Contingencies and Provisions	2.8	2.1	1.3	1.3	(0.8)	0.0
Total	**371.0**	**370.0**	**370.7**	**368.9**	**(1.1)**	**(1.8)**
Add/(Less)						
Collection Fund Shortfall	2.2	2.2	2.2	2.2	0.0	0.0
Transfers from Reserves & Balances	(3.5)	(2.4)	(3.3)	(3.2)	(0.8)	0.1
Total Net Budget	**369.7**	**369.8**	**369.6**	**367.9**	**(1.9)**	**(1.7)**

Revenue Outturn compared to budget and forecast

The budgets of individual directorates were adjusted during the year. The major adjustments were:

for increased energy costs including street lighting (£0.465m)

removal of provision made for staff pay increase (£0.849m)

reallocation of central support charges to directorates including admin buildings, originally included in Corporate Services

Overall, net general fund spending by the City Council in 2011/12 was £1.9m under budget (equivalent to 0.4%) and a £1.7m improvement to the position reported in January 2012.

Spending by directorates was £0.6m over budget, mainly due to the increased cost of placing children in care. The overall underspend was largely due to a saving in capital financing costs and savings in the use of contingencies provisions and grants, offset by the creation of an earmarked reserve for exempt accommodation costs.

As a result of the above, the total General Fund balances at 31 March 2012 amount to £11.7m, £2.2m of which has been allocated to the 2012/13 budget. After providing for the prudential working balance of £6.0m and a £0.3m allocation to the Human Resources People Programme, this leaves an uncommitted sum of £3.2m, which will be held against spending pressures identified within the City Council's Medium Term Financial Plan.

Housing Revenue Account (HRA)

After taking into account technical adjustments relating to self-financing of the HRA there was an increase in reserves of £6.5m. The original budget assumed that this would be an £8.0m decrease, thus creating an in-year movement of £14.5m. The differences is due to £0.4m additional investment interest income relating to a combination of holding larger reserves in the HRA than were anticipated when setting the budget; and more favourable interest rates; £0.2m underspend on the Repairs and Maintenance programme; £3.2m saving in Supervision and

Management costs (of which £1.2m is due to staff, supplies and services savings, £2.0m, due to reprofiling of the Landlord Transformation Programme so less was spent in 2011/12 which will now be spent; in 2012/13); £0.5m saving due to better than expected final settlement of previous years' subsidy claims £0.4m additional Provision for Bad Debts; £10.6m less contribution from revenue funding to support reduced capital spent in the year on the Planned Programme. In respect of the self-financing of the HRA, details can be found in note 3 to the HRA.

Collection Fund

The surplus on the Collection Fund in 2011/12 was £1.735 million compared to £1.67million estimated in January 2012 when setting the budget and council tax for 2012/13. The main reason for the surplus was a higher than expected increase in the number of properties added after the council tax base for 2011/12 was set in November 2010, and a continued review of discounts and exemptions to ensure that they are claimed correctly.

The Council's share of the estimated surplus (£1.43million) will be available in 2012/13, along with the adjustment for the reduced deficit for 2010/11 (£0.43million).

The percentage of Council Tax collected in the year was 96.3% (96.3% in 2010/11), just below the target of 96.5%

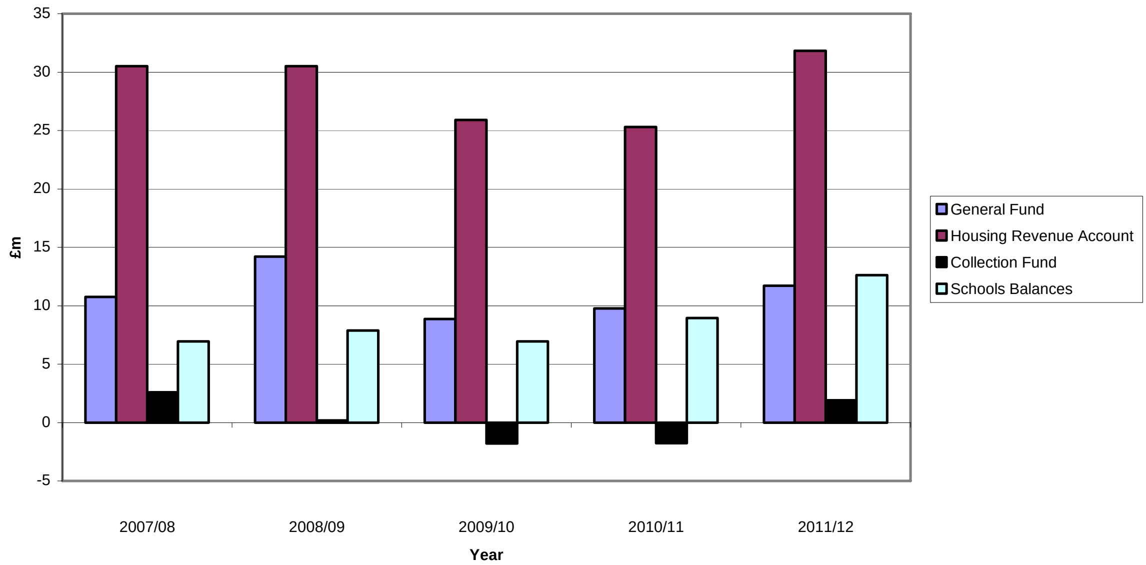
Schools balances

The total of school balances at 31 March 2012 was £12.62m, an increase of 41% on the previous year. This represents just over 6.5% of the formula funds allocated to schools. The number of schools with deficit balances reduced from 7 to 2. The City Council continues to work with these schools in order to identify and develop a recovery plan to remove the deficit.

In addition to the above further reserves of £11.55m, relating to other sources of funding for schools, including Dedicated Schools Grant, is shown on the balance sheet for use in 2012/13 onwards.

A summary of the trends in balances over the last five years is set out in the following table.

Fund Balances



Capital Expenditure

Total capital spending in 2011/12, including one-off projects, was £132m. Outturn expenditure, by directorate, is summarised in the following table with a comparison with the last forecast.

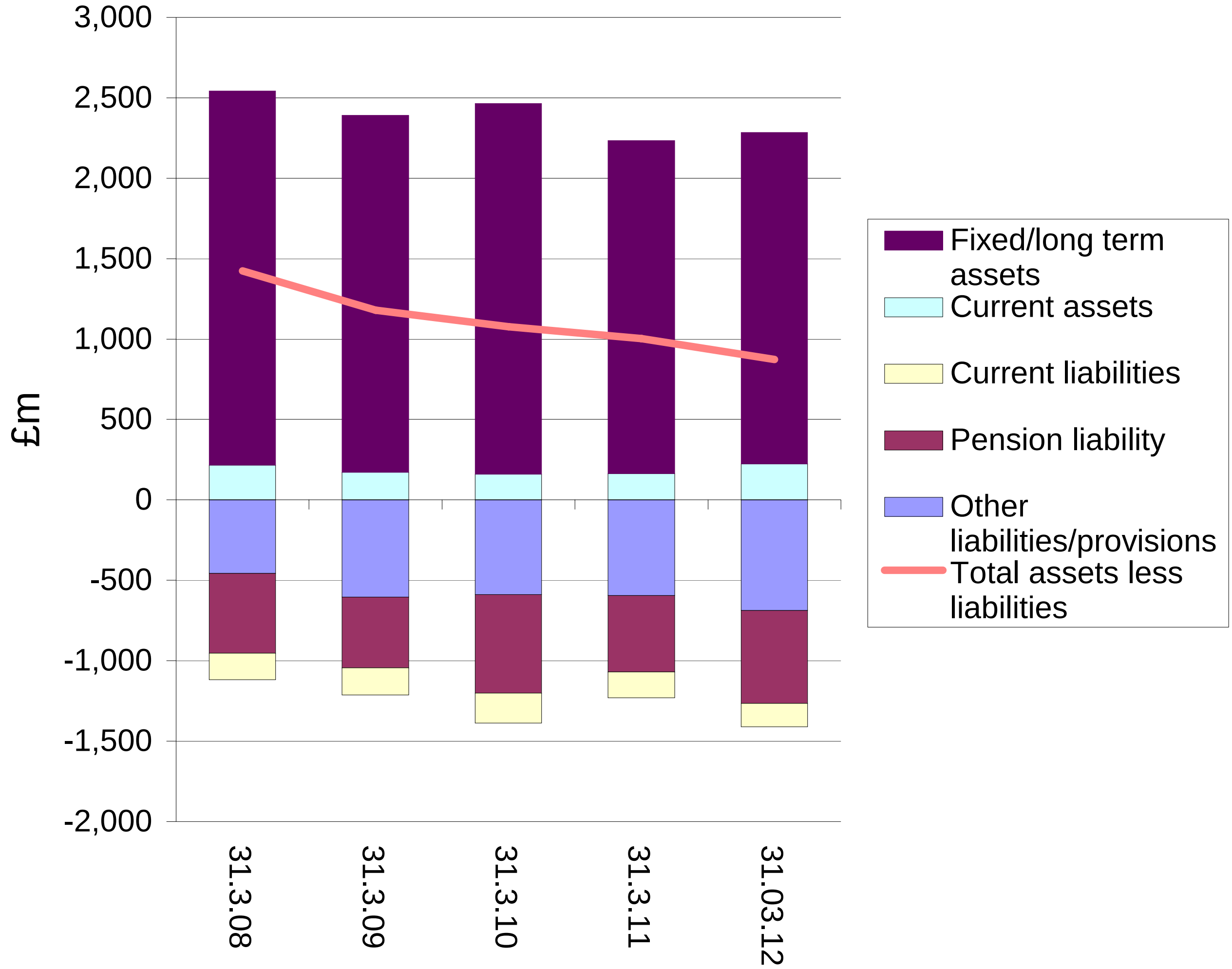
Directorate	Latest Forecast £m	2011/12 Total Spend £m	Variation £m
Children & Young People	30.7	20	-10.7
City Development	43.6	40.4	-3.2
NHS-HRA	33.4	26.1	-7.3
NHS-GF	7.8	6.4	-1.4
Health & Social Care	2.1	0.6	-1.5
Corporate	2.4	1.3	-1.1
Sub-Total	**120**	**94.8**	**-25.2**
Hengrove Leisure Centre		19.4	19.4
Waste Vehicles (Service Contract)		10.2	10.2
Other Capitalised Expenditure		7.1	7.1
Total	**120**	**131.5**	**11.5**

Spending was financed as follows: £m

Borrowing	- Government Supported	0
	- Prudential Borrowing	11.9
Grants	- General	48.3
	- Major Repairs Allowance	20.4
Capital Receipts		5.5
Revenue Contributions		15.8
Hengrove PFI Scheme		19.4
Waste Vehicles - Service Contract		10.2
Total		**131.5**

Details of contractual commitments as at 31 March 2012 are set out in note 12.

Balance Sheet items – total position



The Council's total reserves have decreased by £130m in the year ended 31 March 2012. Details of the items giving rise to this decrease are shown in the Movement on Reserves Statement on page 14.

Debtors (note 19)

The level of debtors at 31 March 2012 was £61.1m, a reduction of £7.0m on last year. The main reasons for this are:

	£m	
Government departments	(10.6)	(£10.6m) Collection Fund – reduction in the requirement for reimbursement from NNDR pool.
Other entities and individuals	3.6	£0.8m increase in the amounts owed by external bodies. £0.8m increase in the amounts owing from service providers with regard to adult placements in care. £0.5m increase in payments in advance. £0.4m New short-term loan provided to Gloucestershire County Cricket Club (GCCC). £0.4m Grant payment to Bristol Music Trust (BMT), paid in advance. £0.3m increase in outstanding leaseholders service charges and recovery of insurance costs.

Creditors (note 23)

The level of creditors at 31 March 2012 was £137.3m, a reduction of £8.2m on last year. The main reasons for this are:

	£m	
Government departments	8.8	£7.0m National Non-Domestic Rate (NNDR) due to the Government. £1.6m Grants received in advance from Homes & Communities Agency (HCA) and Skills Funding Agency.
Other local authorities	0.7	£0.2m Increase in amounts owed in respect of Special Educational Needs (SEN) recoupment. £0.4m Increase in the amounts owed for 'Strain on the Pension Fund' costs to Bath and North East Somerset (B&NES), the pension administering authority.
Other entities and individuals	(17.7)	(£7.8m) Reduction of year-end creditors and receipts in advance in relation to Building School for the Future and PFI projects. (£6.5m) The final 2011/12 Housing Benefit payments made before the year-end, therefore no requirement for an accrual. (£3.0m) General reduction in creditors.

Pensions (note 46)

The liability for retirement benefits shown in the Balance Sheet is as follows:

	31 March 2012	31 March 2011	Change
	£m	£m	£m
Local Government Pension Scheme (LGPS)	510.1	410.3	99.8
Teachers Unfunded Liabilities	66.8	64.2	2.6
Pre 1974 Liabilities	0.1	0.2	(0.1)
Total	**577.0**	**474.7**	**102.3**

The overall liability for retirement benefits at 31 March 2012 has increased from the figure at the end of the previous year by £102m to £577m. The increase in LGPS liabilities results from changes in the Actuary's assumptions, in particular the fall in the discount rate that reflects the fall in expected investment returns. This exceeds favourable changes in assumptions regarding inflation and pay and pensions increases.

The employer's contribution to the pension fund is reviewed every three years on the basis of an actuarial valuation. Actuarial valuations of pension funds are generally based on more optimistic assumptions than those used for accounting purposes, and result in a lower value of liabilities. The last valuation of the Avon Pension Fund, at March 2010, indicated a funding level of 82% (the funding level at the previous valuation, March 2007, was 83%). The current employer's contribution rate in respect of future service was applied from April 2011, together with a cash sum due as a contribution towards deficit recovery.

The next valuation of the Fund is due at March 2013. Additionally, changes to the LGPS have been put forward by employers and the unions. The government is expected to initiate a statutory consultation exercise later in 2012 on proposals to make changes to the LGPS in 2014.

Borrowing and lending

The Council's long-term borrowing has increased by £65m primarily to finance

- the £45m settlement to Department of Communities and Local Government following Housing reform to abolish the Housing Subsidy system resulting in housing debt being reallocated nationally between housing authorities. The £45m was borrowed from the Public Works Loan Board at a discounted rate.

- the capital spending due to the drawdown of a £20m market loan facility, which was arranged in February 2010.

Cash surpluses, resulting from grants paid in advance and lower than expected capital spend culminated in an increase in the short term lending position which ended the year at £159m, an increase of £58m over the balance brought forward from the previous year.

The Council had £8m deposited in Icelandic banks at the time of their collapse in 2008. The Icelandic Supreme Court has decided to treat these investments as 'priority' status and the Council can expect a full recovery. Distributions have been received by the authority (60%) with further sums to be received in the forthcoming years. More detailed information is included Note 49 – Nature and Extent of Risks Arising from Financial Instruments.

Reserves and provisions (notes 8 & 24)

As at the 31st March 2012 the level of reserves has reduced by £10.2m and provisions have increased by £1.0m. This is largely related to the following items:

Reserves	£m	
Restructuring costs	(5.4)	Reserve used to cover severance and redeployment costs arising from corporately driven restructurings.
Supporting People	(2.0)	Appropriation from the reserve in support of the Council's budget.
Education Standards Fund	(5.7)	Reduction in Department for Education (DfE) monies carried forward for spending in following year.
ICT Replacement Fund	(2.1)	Use of reserve to finance the replacement and renewal of the ICT infrastructure.
Housing Inclement Weather	(0.5)	Draw down of the HRA reserve to cover the costs arising from abnormal weather conditions.
Hengrove PFI Sinking Fund	1.0	Sinking fund to equalise the phasing of government grant and expenditure in respect of Hengrove Leisure Centre.
Schools Funding Reform	2.0	To provide funding for transitional effects of the National Schools Funding Formula.
Stoke Park Dowry	1.5	To finance the renovation of an historic, listed wall within Stoke Park and the on-going upkeep and maintenance of the whole park in future years.
Housing Support	1.0	Set aside to provide for homelessness issues.
Provisions	£m	
Carbon Reduction Costs	0.5	To fund the purchase of Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions. This is a new mandatory scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations.

Other issues

Issues from the audit of the 2010/11 accounts - the high priority items arising from the previous year were as follows:

- Review of internal controls around the posting of certain transactions into the accounts
- Improve working practices between finance staff and external auditors to improve information and document flow

These issues have been addressed in the preparation of these accounts.

Main Changes in accounting requirements 2011/12

There were no new standards for 2011/12 however there were a number of changes to the Code, including

The treatment of Heritage Assets (see Note 15)

Officer remuneration to include disclosures relating to exit packages (see Note 36)

HRA self financing (see note 3 to the HRA accounts)

Accounting for carbon emissions

Revenue spending plans

The Council's Medium Term Financial Plan (MTFP) identified the need for reductions in revenue spending of £70m over the period 2011/12 to 2014/15. This was in response to the significant reductions in central government funding as outlined in the 2010 Comprehensive Spending Review.

Despite budgeting for savings of £28m in 2011/12, spending has been contained within available resources. A major programme of change has been put in place during 2011 to transform services whilst delivering further savings towards the MTFP targets.

It is likely that further expenditure reductions, beyond that anticipated in the MTFP, will be required in future years as the adverse economic climate continues.

Capital investment plans

The Council plans to incur capital spending of approximately £371m over the period 2012 – 2015 on improving the housing stock, schools, transport infrastructure and a wide range of Council services. The balance on the capital reserve and part of the balance on the HRA will contribute towards this, but the bulk of the finance will come from:

1. government grants,
2. Prudential Borrowing,
3. revenue contributions,
4. capital receipts arising from the sale of assets and
5. grants and contributions from other bodies.

However, a decline in general capital funding from central government along with uncertain capital receipts, falling capital contributions from other external sources and the revenue strain of Prudential Borrowing will squeeze our ability to finance further capital projects going forward.

Principal Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

Cash Flow Statement

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

Prior Period Adjustments

Prior year adjustments have been made in the statement and notes, where appropriate, following the requirement to categorise Heritage Assets in the balance sheet from 1 April 2010.

FURTHER INFORMATION

Further information about the City Council's accounts can be obtained from the Corporate Finance Section, Corporate Services Directorate, The Council House, College Green, Bristol BS1 5TR. Following completion of the audit, the full statement will be also be available on the Council's website at **www.bristol.gov.uk/budget.**

This Statement of Accounts is audited by Grant Thornton. The accounts have to be open to public inspection for 20 working days, following which electors have the right to question the auditor about the accounts. The opportunity to inspect the accounts is advertised in the press and on the Council's web site, as is the date when the auditor's report is submitted to the City Council in public session.

The Authority's Responsibilities

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 Chief Financial Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Chief Financial Officer

I certify that this Statement of Accounts, provides a true and fair view of the financial position of the Authority at 31 March 2012 and its expenditure and income for the year.

Peter Robinson, Chief Financial Officer

30 June 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRISTOL CITY COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Bristol City Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Bristol City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Bristol City Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, Bristol City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Delay in certification of completion of the audit

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

…………………………….

John Golding
Senior Statutory Auditor, for and on behalf of Grant Thornton UK LLP

Hartwell House

55-61 Victoria Street

Bristol

BS1 6FT

Date………………………………

Movement in Reserves Statement for the year ended 31 March 2012

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Capital Receipts £'000	Capital Grants Unapplied £'000	Schools Reserves £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
Balance at 31 March 2011 carried forward	9,777	85,616	25,310	14,405	0	17,248	152,356	850,587	1,002,943
Movement in Reserves during 2011/12									
Surplus or (deficit) on the provision of services	(23,176)	0	(28,364)	0	0	0	(51,540)	0	(51,540)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	(78,850)	(78,850)
Total Comprehensive Expenditure and Income	(23,176)	0	(28,364)	0	0	0	(51,540)	(78,850)	(130,390)
Adjustments between accounting basis and funding basis under regulations (Note 7)	23,833	(1,768)	34,671	316	35,742	0	92,794	(92,794)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	657	(1,768)	6,307	316	35,742	0	41,254	(171,644)	(130,390)
Transfers to/(from) Earmarked Reserves (Note 8)	1,276	(8,418)	218	0	0	6,924	0	0	0
Increase/(Decrease) in the year	1,933	(10,186)	6,525	316	35,742	6,924	41,254	(171,644)	(130,390)
Balance at 31 March 2012 carried forward	11,710	75,430	31,835	14,721	35,742	24,172	193,610	678,943	872,553

Comprehensive Income and Expenditure Statement for the year ended 31 March 2012

2010/11 Gross exp	2010/11 Gross income	2010/11 Net exp		2011/12 Gross exp	2011/12 Gross income	2011/12 Net exp
£'000	£'000	£'000		£'000	£'000	£'000
17,642	8,199	9,443	Central services to the public	26,892	14,037	12,855
55,981	16,531	39,450	Cultural and related services	65,418	11,029	54,389
51,624	9,808	41,816	Environmental and regulatory services	52,798	15,497	37,301
19,797	5,151	14,646	Planning Services	18,389	5,507	12,882
438,713	358,087	80,626	Childrens and education services	440,611	317,876	122,735
46,355	15,507	30,848	Highways and transport services	54,888	16,116	38,772
368,787	96,859	271,928	Local authority housing (HRA)	99,098	102,237	(3,139)
0	0	0	HRA Self financing settlement payment to DCLG	45,489	0	45,489
258,784	214,125	44,659	Housing General Fund	242,729	228,586	14,143
180,984	54,498	126,486	Adult social care	204,036	56,752	147,284
15,461	1,476	13,985	Corporate and demographic core	13,752	36	13,716
1,352	2,919	(1,567)	Other services	1,427	3,194	(1,767)
(91,715)	409	(92,124)	Non distributed costs	2,284	142	2,142
1,363,765	783,569	580,196	**Cost of services**	1,267,811	771,009	496,802
		33,847	Other operating expenditure (note 9)			2,612
		7,928	Financing and investment income and expenditure (note 10)			28,072
		(466,766)	Taxation and non-specific grant income (note 11)			(475,946)
		155,205	**Deficit on provision of services**			**51,540**
		(21,578)	Surplus on revaluation of fixed assets			(21,015)
		(60,272)	Actuarial losses on pension assets/liabilities			99,865
		(81,850)	**Other comprehensive income and expenditure**			78,850
		73,355	**Total comprehensive income and expenditure**			130,390

Mark Weston, Chair Audit Committee

Peter Robinson, Chief Financial Officer

Balance Sheet as at 31 March 2012

01-Apr-10 £'000	31-Mar-11 £'000		Note	31-Mar-12 £'000
865,965	866,687	Property, plant and equipment	12	851,461
1,055,577	799,862	Council dwellings	12	805,466
111,669	120,173	Heritage assets	15	129,298
588	361	Intangible assets	14	1,006
179,328	204,274	Investment properties	13	198,278
17,502	7,502	Long-term investments	16	8,067
73,084	69,883	Long-term debtors	16/19	67,687
2,303,713	2,068,742	**Long-term assets**		2,061,263
51,995	45,407	Short-term investments	16	87,929
1,066	1,301	Inventories	17	1,577
91,583	68,117	Short-term debtors	19	61,099
15,011	48,106	Cash and cash equivalents	20	69,230
480	940	Assets held for sale	21	2,682
160,135	163,871	**Current assets**		222,517
(36,647)	(5,088)	Short-term borrowing	22	(5,140)
(139,107)	(145,544)	Short-term creditors	23	(137,322)
(3,531)	(2,457)	Provisions	24	(3,358)
(7,733)	(8,082)	Capital grants received in advance	39	(6,974)
(187,018)	(161,171)	**Current liabilities**		(152,794)
(349,074)	(358,855)	Long-term borrowing	22	(424,291)
(3,967)	(4,430)	Provisions	24	(4,483)
(835,979)	(693,741)	Other Long-term liabilities	23	(817,056)
(11,512)	(11,473)	Capital grants received in advance	39	(12,603)
(1,200,532)	(1,068,499)	**Long-term liabilities**		(1,258,433)
1,076,298	1,002,943	**Net assets**		872,553
145,984	152,356	Usable reserves	25	193,610
930,314	850,587	Unusable reserves	26	678,943
1,076,298	1,002,943	**Total reserves**		872,553

Mark Weston, Chair Audit Committee

Peter Robinson, Chief Financial Officer

Cash Flow Statement for the year ended 31 March 2012

2010/11 £'000		2011/12 £'000
155,205	Net deficit on the provision of services	51,540
(315,942)	Adjustments to net deficit on the provision of services for non cash movements (Note 27)	(148,199)
-	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	-
(160,737)	Net cash flows from Operating Activities (Note 28)	(96,659)
103,455	Investing Activities (Note 29)	161,524
24,187	Financing Activities (Note 30)	(85,989)
(33,095)	Net (increase) or decrease in cash and cash equivalents	(21,124)
15,011	Cash and cash equivalents at the beginning of the reporting period	48,106
33,095	Less decrease in cash/add increase in cash	21,124
48,106	**Cash and cash equivalents at the end of the reporting period (Note 20)**	**69,230**

Notes to the Accounts

1. Accounting Policies

i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations, which those Regulations require 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 2011/12 and the Service Reporting Code of Practice (SeRCOP) 2011/12, supported by International Financial Reporting Standards (IFRS).

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

ii Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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 services 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.

iii Cash and Cash Equivalents

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

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

iv Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

v 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 future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made 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 Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) 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.

vi Charges to Revenue for Non-Current Assets

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

- 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 fixed assets attributable to the service.

The Authority 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 calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, described as the minimum revenue provision "MRP", by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority 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 relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme (called the Avon Pension Fund), administered by Bath and North East Somerset Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority.

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

The Local Government Pension Scheme

The Avon Pension Fund is accounted for as a defined benefits scheme:

- The liabilities of the Avon Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate based on the return for high quality corporate bonds.

- The assets of Avon Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
  - contributions paid to the Avon Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The Authority 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.

viii Events After the Balance Sheet Date

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.

ix Financial Instruments

Financial Liabilities

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

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

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

Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables 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 for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

Available-for-Sale Assets

Available-for-sale assets 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. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

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

- 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 prices – independent appraisal of company valuations.

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

x Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi Government Grants and Contributions

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

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

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

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

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

Where revenue grants are credited to the Comprehensive Income and Expenditure Statement, but they remain unapplied, an earmarked reserve is established. This is reversed once the grants are applied.

xii Heritage Assets

The Authority's Heritage Assets are predominantly on display in museum buildings and galleries in the city, held in storage or loaned out to qualifying educational or cultural organisations.

The Bristol museums and galleries are home to millions of objects from all over the world, covering:

- Art
- Eastern art
- Applied art
- Archaeology
- Ethnography and foreign archaeology - including Egyptology
- Geology
- Natural history
- Social history
- Industrial and maritime history

These collections are held in support of the primary objective to increase the knowledge, understanding and appreciation of the Authority's history and local and wider areas.

These assets are all valued on a historic cost basis or at an annual insurance valuation basis, except for the Antiquarian book stock that is valued by an external valuer every five years.

There is no depreciation charged against the heritage assets because it is estimated that the assets have an extended and indeterminate useful life such that any depreciation charge would be negligible.

For acquisitions, disposals and impairment, the policy outlined in Property, Plant and Equipment is adopted.

Ancient Monuments and Statues

The Authority hold numerous ancient monuments and statues, which are not recognised on the balance sheet. The Authority considers that obtaining valuations for these assets would involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements. This is because of the diverse nature of the assets held and the lack of comparable market values.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment.

xiii Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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 sale proceeds) the Capital Receipts Reserve.

xiv Interests in Companies and Other Entities

If the Authority has a material interest in either a subsidiary, associate or joint venture (e.g. jointly controlled entities) it is required to prepare Group Accounts in addition to single entity financial statements. In 2011/12, the Council had no material interests in such bodies (see note 48).

xv Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value on a First In First Out basis.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xvi Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated. Valuations are completed as follows:

- the top 250 commercial properties are valued annually.
- 50% of the remaining properties are valued in the current year and 50% in the following year (on a rolling basis).
- current "in year" valuations are also used to adjust any non-valued properties (where appropriate) in order to ensure that properties are held at fair value.

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 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 sale proceeds) the Capital Receipts Reserve.

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

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 Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the 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 Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

xviii Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority’s status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

xix 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

Assets costing individually or collectively less than £20,000 are classed as de-minimis and are not capitalised. The expenditure is charged direct to the appropriate service line.

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority 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.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

- infrastructure and community assets – depreciated historical cost.
- assets under construction – historical cost.
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- all other assets – fair 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 that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Plant, Property and Equipment 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 fair value at the year-end, but as a minimum every five years. Investment assets are revalued on a two year cycle, with the top 250 rack rented and long leased assets being revalued annually. 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 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.

Impairment

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

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

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

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

Depreciation

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

Deprecation is calculated on the following bases:

- dwellings (exc HRA) and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure, excluding quay walls and lock gates in city docks – straight-line allocation over 25 years.
- Infrastructure, quay walls and lock gates in city docks are not depreciated as their economic life is beyond 100 years.

The Authority will apply component accounting (i.e. major components of the asset are depreciated separately over their respective estimated economic lives) to all assets with a book value in excess of £5 million or a category of assets (where components are evident and the impact of component accounting is considered material to the Financial Statements).

In 2011/12, the authority applied component accounting to Barton Hill Primary School. A review of primary schools is currently being undertaken to consider whether this category is appropriate for component accounting.

In addition, a proxy for component accounting has been applied to all HRA assets – see below.

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.

HRA dwellings

Depreciation is based on the Major Repairs Allowances (MRA) for self-financing. This is considered to be a suitable proxy for component accounting for HRA dwellings.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is 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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

The written-off value of disposals is not a charge against council tax, as the cost of fixed 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.

xx Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xxi Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but 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.

xxii Reserves

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

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

xxiii 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 Authority 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.

xxiv Accounting for the Costs of the Carbon Reduction Commitment (CRC) Scheme

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption.

xxv 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.

2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

Accounting Standards are subject to continual review by the International Accounting Standards Board and when changes are agreed included in updates of the Accounting Code of Practice.

For 2012/13, the Code will adopt amendments to IFRS7 Financial Instruments: Disclosures which will result in a change in accounting policy that requires disclosure.

The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1 July 2011 but implementation will not be required until 1 April 2012. It is considered unlikely that IFRS7 will have a material impact on the council's financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, 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 as follows:

- The Authority has a number of different types of schools operating e.g. Community, Foundation, Trust, Church, and Academies etc. Where a school changes status during a financial period the Authority reviews the substance of the transaction (e.g. terms of leases, employee status etc) to determine whether the Authority retains "control" of the school. If control is retained, the school remains "on Balance Sheet" for the Authority, if control is lost the assets are transferred to the new controlling body. The Authority has determined that for its Trust, Foundation, Academy and certain Church schools, it no longer has control and therefore these are off Balance Sheet.

- The investments held in Icelandic banks is currently based on guidance recommended by the Local Government Association and CIPFA in May 2011. Further guidance has recently been released recommending to increase the value of these investments. The Council has decided to maintain its current position and not to adopt the latest guidance due to the uncertainty and timing of further distributions in a foreign currency – see note 49.

- Impairment of assets amounting to £106m (Non HRA) within the Income and Expenditure Account is primarily made up of schools transferring to Academy status (£39m) and the Colston Hall transferring to a trust (£20m) as identified in note 5. The remainder represents the downward revaluation of assets and Capital Expenditure that has lengthened the life of the asset but not substantially the market value.

- The Authority participates in two pension schemes; The Local Government Pension Scheme and The Teachers Pension Scheme – see note 46. Both schemes provide defined benefits to members. The arrangements for the Teachers' scheme, however, do not allow the liabilities to be easily identified for the Authority and therefore this scheme is accounted for as a defined contribution scheme, with no liability for future payment of benefits recognised in the Balance Sheet. The liability included in the Council's Balance Sheet and the adjustments made to the Comprehensive Income and Expenditure Account are based on calculations made by the Pension Fund actuary. The Balance Sheet also includes a liability in respect of the unfunded benefits paid to former teaching staff, arising from early retirement decisions made in previous years. The Council has reviewed the key assumptions used to undertake these calculations and considers them appropriate for inclusion into the financial statements.

- The Authority has calculated an Accumulating Compensating Absences Accrual in respect of its employees. The accrual for teachers and schools support staff has been based on a formulae recommended by CIPFA. The accrual for all other staff is based on a sample of employees.

- The Authority has an unquoted investment in Bristol Port Authority. An internal valuation review in 2010/11 concluded that the asset was not impaired and that the range of potential values was significant and broadly inline with the previous external valuation. The Council has therefore continued to include the value of these shares in the accounts at cost, in line with the recommendations of the Code.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a risk of adjustment in the forthcoming financial year are as follows:

- Pensions (see note 3 above). The Authority has relied on the calculations provided by the Pension Fund actuary.

- Property, plant and equipment. These assets are revalued on a periodic basis and reviewed annually for indicators of impairment. Assets are depreciated based on useful lives that are dependant on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.

- Provisions. The principal provision made by the Council is to meet certain insurance risks, to supplement arrangements with external insurers. The level of provision is reviewed from time to time against the value of outstanding claims.

- Private Finance Initiative (PFI). The assets and related liabilities have been recognised on the Council's Balance Sheet when made available for use. The liability is written down by way of the finance cost element of the payment to the PFI operator. Although the interest rate applied is an estimate, as long as the contracts remain unchanged, future costs will be certain.

5. Material Items of Income and Expense

The following material items is included within the Statement of Accounts, but not separately reported on the face of the Balance Sheet or the notes:

- Seven schools achieved Academy status during 2011/12, and the Colston Hall was leased to the Colston Hall Trust. The properties are let on a long-term lease for £nil consideration, so the authorities residual interest in the assets are reflected within the statement of accounts. Therefore, these assets have been revalued downwards resulting in a charge of £60m to the Income and Expenditure Account, and is reflected in the property, plant and equipment note 12.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 29 June 2012. 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 2012, the figures in the financial statements and notes have been audited in all material respects to reflect the impact of this information.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. Total movements in usable reserves are matched by opposite entries in unusable reserves (note 26).

2011/12

	General Fund Balance £'000	Housing Revenue Account £'000	Earmarked reserves £'000	Capital Receipts £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Movement Usable Reserves £'000
Adjustments involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non current assets	(130,176)	(15,073)					(145,249)
Movements in the market value of Investment Properties	2,543	(19)					2,524
Amortisation of intangible assets	(125)	(5)					(130)
Capital grants and contributions	83,613	789	(401)	0		(36,130)	47,871
Revenue expenditure funded from capital under statute	(1,905)						(1,905)
Revenue expenditure funded from capital under statute TRF of Grant to Neighbourhoods	(1,803)						(1,803)
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,995)	(6,185)					(8,180)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	15,640			825			16,465
Capital expenditure charged against the General Fund and HRA balances	9,711	3,102	2,031	0			14,844
Adjustments involving the Capital Receipts Reserve:							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,174	6,800		(8,974)			0
Use of the Capital Receipts Reserve to finance new capital expenditure			138	5,545		388	6,071
Other capital receipts net of allowable deductions		(18)		18			0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,270)			2,270			0
Adjustment involving the Major Repairs Reserve (MRR):							
Excess depreciation transferred to the MRR		(7,722)			7,722		0
HRA depreciation credited to MRR		28,091			(28,091)		0
Use of the Major Repairs Reserve to finance new capital expenditure					20,369		20,369
HRA settlement payment to DCLG		(45,489)					
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	177	1,318					1,495
Adjustments involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 46)	(42,928)	(3,548)					(46,476)
Employer's pensions contributions and direct payments to pensioners payable in the year	40,689	3,288					43,977
Adjustments involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,693						3,693
Adjustment involving the Accumulating Compensated Absences Adjustment Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(871)	0	0	0	0		(871)
Other reserve movements							
Total Adjustments	(23,833)	(34,671)	1,768	(316)	0	(35,742)	(47,305)

2010/11	General Fund Balance £'000	Housing Revenue Account £'000	Earmarked reserves £'000	Capital Receipts £'000	Major Repairs Reserve £'000	***Total Movement Usable Reserves*** £'000
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non current assets	(56,569)	(293,160)				(349,729)
Movements in the market value of Investment Properties	28,644					28,644
Amortisation of intangible assets	(245)	(147)				(392)
Capital grants and contributions	53,833	779		(767)		53,845
Revenue expenditure funded from capital under statute	(2,650)					(2,650)
Revenue expenditure funded from capital under statute TRF OF Grant to Neighbourhoods	(2,313)					(2,313)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(34,201)	(4,647)				(38,848)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	14,619					14,619
Capital expenditure charged against the General Fund and HRA balances	6,311	13,177	3,648	(1)		23,135
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	11,404	5,532		(16,936)		0
Use of the Capital Receipts Reserve to finance new capital expenditure				7,741		7,741
Other capital receipts net of allowable deductions		89		(89)		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(2,214)			2,214		0
Adjustment involving the Major Repairs Reserve						
Excess depreciation transfer to MRR		(7,455)			7,455	0
HRA depreciation transfer to MRR		27,004			(27,004)	0
Use of the Major Repairs Reserve to finance new capital expenditure					19,549	19,549
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	4,285	1,650				5,935
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	35,326	(2,263)				33,063
Employer's pensions contributions and direct payments to pensioners payable in the year	42,186	1,482				43,668
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	9					9
Adjustment involving the Accumulating Compensated Absences Adjustment Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,147					2,147
Other reserve movements						
Total Adjustments	100,572	(257,959)	3,648	(7,838)	0	(161,577)

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

	1 April 2011 £'000	Adjustments to Balance B/fwd £'000	Transfers out 2011/12 £'000	Transfers in 2011/12 £'000	31 March 2012 £'000
General Fund					
Capital					
Capital - general	19,347		94,676	95,775	20,446
Capital - housing	665		50	11	626
Revenue					
Business Transformation	2,129		794	754	2,089
Restructuring Costs	6,343	1,052	5,376	0	2,019
Supporting People	8,821		2,000	0	6,821
Residential Futures	1,413		0	0	1,413
Health & Social Care Transformation	1,091		55	0	1,036
Revenue Grants Unapplied	5,747		5,747	6,329	6,329
Schools Academy Programme	378		0	0	378
Recession Action Fund	93		20	0	73
Accommodation Review	496		278	0	218
ICT Replacement Fund	5,538	20	3,587	1,509	3,480
Asbestos Removal	632	(332)	0	0	300
Housing Inclement Weather	500		500	0	0
Education Standards Fund	7,288		5,705	0	1,583
Collection Fund Reserve	1,811		2,211	400	0
Housing Benefit Issues	970		0	0	970
Education PFI Smoothing Fund	1,055		3,104	3,032	983
Performance Reward Grant	76	(76)	0	0	0
Various Regeneration Projects	821		80	121	862
Schools Absence Scheme	1,128		76	0	1,052
Early Years Reserve	1,430		0	0	1,430
Grounds Maintenance	537		179	179	537
Waste Issues	2,453		300	0	2,153
Commercial Property Trading Account	608		153	0	455
School Funding Reform	0		0	2,000	2,000
PARIS Replacement	0		0	500	500
Hengrove PFI Credit Sinking Fund	0		0	1,045	1,045
Stoke Park Dowry	0		0	1,466	1,466
Housing Support	0		0	1,000	1,000
Exempt Accommodation	0		0	2,103	2,103
Other	11,746	(664)	4,277	2,758	9,563
Other					
Investment in Port Company	2,500		0	0	2,500
Total	**85,616**	**0**	**129,168**	**118,982**	**75,430**

The capital reserve is maintained to provide funding for the Council's capital programme: the balance at 31March is fully committed to the future years' programme. Details of the other major earmarked reserves are set out below:

RESERVE	**PURPOSE**
Business Transformation	Funds set aside to "pump prime" the transformation programme to improve services, reduce costs and wastage and improve productivity.
Restructuring costs	Reserve held to cover severance and redeployment costs arising from corporately driven restructurings. Calculated on the basis of a risk assessment of planned restructuring.
Supporting People	Comprises underspend of grant from previous years held to meet notified reductions in grant and forecast deficits against planned spend in future years.
IT Replacement Fund	Maintained to finance the replacement and renewal of the ICT infrastructure. Annual contributions are set aside from the revenue budget.
Asbestos removal	Identification and removal of asbestos in council owned properties.
Various regeneration projects	Match funding for ongoing regeneration schemes.
Schools Absence Scheme	Funding from schools to meet the cost of supply cover.
Early Years Reserve	For the development of statutory early years funding reforms and to provide transitional funding for nursery schools and early years settings at financial risk following implementation of a single funding formula.
Education Standards Fund	Represents grant paid on account by the Department of Children Families and Skills, but not spent by the year-end.
Housing benefit issues	To meet potential clawback of subsidy pending finalisation of the audit claim for 2011/12 together with other financial risks associated with the benefits service.
Education PFI smoothing fund	The fund represents the excess of government grant over expenditure to date in respect of the Schools PFI schemes. It is carried forward to meet future years commitments under the PFI contract.
Waste issues	Held for risks associated with reductions in recyclate income prices and one off costs arising from procurement of new waste service contracts. Includes grant funding for Bristol's ongoing share of the West of England Waste Strategy.
Exempt Accommodation	Benefit claims re exempt accommodation (de-regulated tenancies) denied and potentially subject to appeal.
Investment in Port Company	Reflects the Council's shareholding and cannot be used for alternative purposes.
Residential Futures	To fund the re-provision of residential services for older people in Bristol in response to an increasing population and changes in needs and preferences.
HSC Transformation	To fund the modernisation and rationalisation of services provided in house and to increase efficiency and effective commissioning of services provided by external providers.
Hengrove PFI Credit Sinking Fund	Sinking fund to equalise the phasing of government grant and expenditure in respect of Hengrove PFI (interest bearing).
Schools Funding Reform	To provide funding for transitional effects of the National Schools Funding Formula.
Stoke Park Dowry	Renovation of an historic, listed wall within Stoke Park and for the on-going upkeep & maintenance of the whole park for future years.
Housing Support	To provide for homelessness issues.
Revenue grants unapplied	Grants received in advance, recognised in the Comprehensive Income and Expenditure Account in 2011/12.

9. Other Operating Expenditure

2010/11 £000		2011/12 £000
1,222	Precepts and levies	1,137
2,214	Payments to the Government Housing Capital Receipts Pool	2,270
30,411	Losses/(gains) on the disposal of non current assets	(795)
33,847	**Total**	**2,612**

10. Financing and Investment Income and Expenditure

2010/11 £000		2011/12 £000
29,785	Interest payable and similar charges	33,415
25,214	Pensions interest cost and expected return on pensions assets	15,927
(9,951)	Interest receivable and similar income	(9,372)
(8,476)	Income and expenditure in relation to investment properties	(9,355)
(28,644)	Changes in fair value of investment properties	(2,543)
7,928	**Total**	**28,072**

11. Taxation and Non Specific Grant Income

2010/11 £000		2011/12 £000
(178,370)	Council tax income	(181,418)
(145,738)	Non domestic rates	(141,503)
(21,163)	Revenue support grant	(43,739)
(45,180)	Area based grant	-
(2,142)	Non- service related government grants	(4,515)
(74,173)	Capital grants and contributions	(104,771)
(466,766)	**Total**	**(475,946)**

12. Property Plant and Equipment

Movements in 2011/12

The valuations, excluding vehicles, plant, equipment, infrastructure assessts and community assets are carried out by J Screen, MIRCS, the City Council's acting Corporate Property Manager. The basis for the valuation of all assets is set out in the statement of accounting policies.

	Operational Assets								
	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	**Total Property, Plant & Equipment**	PFI Assets Included in Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	**£000s**	£000s
Cost or Valuation									
At 1 April 2011	**826,485**	**759,833**	**13,462**	**93,155**	**3,090**	**34,606**	**21,129**	**925,275**	**157,051**
Additions	25,942	32,748	11,822	15,936	230	35,115	3,100	**98,951**	22,563
Revaluation Increases / (decreases) recognised in the Revaluation Reserve	(952)	22,326	0	7	106	0	(8,001)	**14,438**	0
in the Surplus / Deficit on the Provision of Services	(12,739)	(124,654)	0	(3,777)	(107)	0	(3,163)	**(131,701)**	0
Derecognition - Disposals	(4,900)	(350)	(746)	(1,059)	(47)	(5)	(60)	**(2,267)**	0
Derecognition - Other	0	0	0	0	0	0	0	**0**	0
Assets reclassified to / from Held for Sale	(578)	(244)	0	0	0	0	(2,311)	**(2,555)**	0
Assets reclassified to / from Investment Property	0	7,698	0	0	0	0	0	**7,698**	0
Other movements in cost or valuation	0	48,683	0	(10)	(41)	(58,319)	9,692	**5**	0
At 31 March 2012	**833,258**	**746,040**	**24,538**	**104,252**	**3,231**	**11,397**	**20,386**	**909,844**	**179,614**
Accumulated Depreciation and Impairment									
At 1 April 2011	(26,623)	(44,904)	(5,396)	(6,641)	0	(177)	(1,470)	**(58,588)**	(2,812)
Depreciation Charge	(27,794)	(17,002)	(2,105)	(2,268)	0	0	(604)	**(21,979)**	(2,760)
Depreciation written out to Revaluation Reserve								**0**	
on the Provision of Services	26,482	21,454	0	0	0	0	2,029	**23,483**	0
Impairment	0	0	0	0	0	0	0	**0**	0
the Revaluation Reserve	0	(664)	0	0	0	0	(1,170)	**(1,834)**	0
the Surplus / Deficit on the Provision of Services	0	(58)	0	0	0	0	(601)	**(659)**	0
Derecognition - Disposals	135	26	0	1,059	0	5	2	**1,092**	0
Derecognition - Other	0	0	0	0	0	0	0	**0**	0
Other movements in depreciation and Impairme	8	372	0	0	0	108	(375)	**105**	0
At 31 March 2012	**(27,792)**	**(40,776)**	**(7,501)**	**(7,850)**	**0**	**(64)**	**(2,189)**	**(58,380)**	**(5,572)**
Balance Sheet at 31 March 2012	**805,466**	**705,264**	**17,037**	**96,402**	**3,231**	**11,333**	**18,197**	**851,464**	**174,042**
Balance Sheet at 1 April 2011	**799,862**	**714,929**	**8,066**	**86,514**	**3,090**	**34,429**	**19,659**	**866,687**	**154,239**

Comparative Movements in 2010/11

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	**Total Property, Plant & Equipment**	PFI Assets Included in Property, Plant & Equipment
		Operational Assets							
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	**£000s**	£000s
Cost or Valuation									
At 1 April 2010	**1,129,383**	**698,320**	**12,928**	**77,953**	**2,824**	**95,179**	**21,508**	**908,712**	**157,051**
Additions	38,923	35,374	534	15,172	0	27,263	0	**78,343**	0
Revaluation Increases / (decreases) recognised in the Revaluation Reserve	0	8,810	0	(29)	351	0	1,621	**10,753**	0
Revaluation Increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(289,718)	(34,956)	0	(30)	0	0	(1,633)	**(36,619)**	0
Derecognition - Disposals	(3,301)	(572)	0	0	0	0	(67)	**(639)**	0
Derecognition - Other	0	(6,127)	0	0	0	(28,445)	0	**(34,572)**	0
Assets reclassified to / from Held for Sale	(230)	(629)	0	0	0	0	(97)	**(726)**	0
Other movements in cost or valuation	(48,572)	59,613	0	89	(85)	(59,391)	(203)	**23**	0
At 31 March 2011	**826,485**	**759,833**	**13,462**	**93,155**	**3,090**	**34,606**	**21,129**	**925,275**	**157,051**
Accumulated Depreciation and Impairment									
At 1 April 2010	(73,806)	(28,210)	(3,818)	(4,715)	0	(4,838)	(1,166)	**(42,747)**	(90)
Depreciation Charge	(26,575)	(16,580)	(1,578)	(1,926)	0	(9)	(495)	**(20,588)**	(2,722)
Depreciation written out to the Revaluation Reserve	0	(103)	0	0	0	0	197	**94**	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	24,543	0	0	0	0	0	0	**0**	0
Impairment losses / Reversals recognised in the Revaluation Reserve	0	836	0	0	0	0	0	**836**	0
Impairment losses / Reversals recognised in the Surplus / Deficit on the Provision of Services	0	810	0	0	0	0	0	**810**	0
Derecognition - Disposals	10	1	0	0	0	0	0	**1**	0
Derecognition - Other	0	720	0	0	0	2,263	0	**2,983**	0
Other movements in depreciation and Impairment	49,205	(2,378)	0	0	0	2,407	(6)	**23**	0
At 31 March 2011	**(26,623)**	**(44,904)**	**(5,396)**	**(6,641)**	**0**	**(177)**	**(1,470)**	**(58,588)**	**(2,812)**
Balance Sheet at 31 March 2011	**799,862**	**714,929**	**8,066**	**86,514**	**3,090**	**34,429**	**19,659**	**866,687**	**154,239**
Balance Sheet at 1 April 2010	**1,055,577**	**670,110**	**9,110**	**73,238**	**2,824**	**90,341**	**20,342**	**865,965**	**156,961**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. The following useful lives and depreciation rates have been used :

- Council Dwellings 16–50 years
- Other Land and Buildings 5–60 years
- Vehicles, Plant, Furniture & Equipment – 3 to 8 years
- Infrastructure – 25 years (quay walls and lock gates in City Docks not depreciated as useful life beyond 100 years)

Capital Commitments

Significant contractual commitments outstanding at 31 March 12 were as follows:

	£m
South Bristol Crematoria – Mercury Abatement Works - Facultatieve Technologies Ltd	0.84
City Museum and Art Gallery – Bray and Slaughter Ltd	0.66
Sea Mills Primary School - Skanska	0.70
Priority Stock, Parkinson Housing & Improvement Scheme – Bagnall Ltd (HRA contract to 2013/14)	2.76
Priority Stock – Woolaway Housing & Improvement Scheme – Bagnall Ltd (HRA contract to 2012/13)	1.78
Priority Stock – Prefabricated Development Project (demolish 330 prefabricated homes and replace with 330 new homes) – Bovis Homes	12.69
Priority Stock – PRC demolition project – Alun Griffiths Contractors	0.97
Planned Programmes, New kitchens and electrical re-wire – Lovell Construction Ltd	4.50

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Vehicles, plant, furniture and equipment are valued at historic cost, which is considered to be a suitable proxy for fair value.

The following table shows the effective valuation dates for all property plant and equipment:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant etc	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	**Total Property, Plant & Equipment**
	£000	£000	£000	£000	£000	£000	£000	**£000**
Carried at Historical Cost	**-**	**5,774**	**24,538**	**104,252**	**3,231**	**11,397**	**3,100**	**152,292**
Valued at Fair Value as at								
31st March 2012	**829,935**	**291,900**	**-**	**-**	**-**	**-**	**6,919**	**298,819**
31st March 2011	**83**	**19,175**	**-**	**-**	**-**	**-**	**3,739**	**22,914**
31st March 2010	**3,240**	**347,194**	**-**	**-**	**-**	**-**	**6,313**	**353,507**
31st March 2009	**-**	**81,997**	**-**	**-**	**-**	**-**	**315**	**82,312**
31st March 2008	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Cost Valuation	**833,258**	**746,040**	**24,538**	**104,252**	**3,231**	**11,397**	**20,386**	**909,844**

Schools Assets

Details of schools assets included in the Council's Balance Sheet and in the table of movements (as other land and buildings) on page 44 are as follows:

Type	Number	Net Book Value (£m)
Community	90	302
Academy	3	61
Voluntary controlled	6	5
Trusts	3	20
Total	**102**	**388**

A further 30 schools are not included in the Council's Balance Sheet, these are largely voluntary aided and trust schools, with the Council retaining responsibility for the repair and maintenance of the schools granted trust status.

Since the Balance Sheet date, applications have been approved for two schools to transfer to Academy status in 2012/13. The value of the associated assets will therefore not be included in the Council's Balance Sheet at 31 March 2013.

13. 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:

	2011/12 £000	**2010/11 £000**
Rental income from investment property	10,605	10,384
Direct operating expenses arising from investment property	(1,250)	(1,908)
Net gain	9,355	8,476

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

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

	2011/12 £000	**2010/11 £000**
Balance at start of the year	204,274	179,328
Additions - purchases	0	5
Disposals	(920)	(2,762)
Net gains/losses from fair value adjustments	2,598	28,430
Transfers to/from Property, Plant and Equipment	(7,674)	(727)
Balance at end of the year	198,278	204,274

14. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system (i.e. accounted for as part of the hardware item of Property, Plant and Equipment). The intangible assets include purchased licenses.

All software is amortised over 5 years (this is based on assessments of the period that the software is expected to be of use to the Authority). All software is carried at cost (used as a proxy for fair value) given the short life of the asset.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £130k charged to revenue in 2011/12 was charged to the central ICT cost centre and the Housing Revenue Account. The charge to central ICT was absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	Intangible Assets 2011/12 £000	**Intangible Assets 2010/11 £000**
Balance at start of year:		
• Gross carrying amounts	1,854	1,689
• Accumulated amortisation	(1,493)	(1,101)
Net carrying amount at start of year	361	588
Additions:		
• Purchases	775	165
Amortisation for the period	(130)	(392)
Net carrying amount at end of year	1,006	361
Comprising:		
• Gross carrying amounts	2,629	1,854
• Accumulated amortisation	(1,623)	(1,493)
	1,006	361

15. Heritage Assets

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

	Art Collection	Archae-ology	Antiquarian Books	Other	Total
	£m	£m	£m	£m	£m
Cost or Valuation					
1 April 2011	80.1	14.9	6.4	18.8	120.2
Additions	0	0	0	0.3	0.3
Revaluations	5.4	0.7	0.7	2.0	8.8
31 March 2012	**85.5**	**15.6**	**7.1**	**21.1**	**129.3**
Cost or Valuation					
1 April 2010	73.2	14.2	6.4	17.9	111.7
Additions	0	0	0	0	0
Revaluations	6.9	0.7	0	0.9	8.5
31 March 2011	**80.1**	**14.9**	**6.4**	**18.8**	**120.2**

The above collection of Heritage assets are predominantly valued on an insurance valuation basis excluding the antiquarian book stock that is valued by an external valuer, and some items classified as “other” are valued at historic cost.

Additions of Heritage Assets

The additions represent the restoration works carried out on Cabot Tower that was built between 1896 and 1898 in commemoration of John Cabot, 400 years after he sailed in the Matthew and landed in what later became Canada.

Heritage Assets – Five Year Summary of Transactions

	2007/08	2008/09	2009/10	2010/11	2011/12
	£m	£m	£m	£m	£m
Revaluations	5.1	5.2	5.2	0.9	8.8
Additions	0	0	0	0	0.3
Carrying Value	101.3	106.5	111.7	120.2	129.3

Heritage Assets: Further Information on the Museum's Collections

Loans

The Museum occasionally makes available loan items from its collection to regional and national museums and borrows collections for specific exhibitions. Collections not on display are held in secure storage but access is permitted on an appointment basis.

Preservation

The collections have been under the care of conservators since the 1940's. They specialise in antiquities, paintings, paper and photographs, and preventive conservation and are based at Bristol Museum and Art Gallery. Our conservators:

- prepare artefacts for display
- set conservation standards for the refurbishment of permanent exhibitions
- prepare artefacts for loan to another institution
- check new acquisitions
- assess the condition of objects and work on the installation of temporary exhibitions
- work to improve collections storage
- maintain permanent displays - this includes training staff and cleaning objects.

Heritage Assets: Change in Accounting Policy required by the Code of Practice for Local Authority Accounting in the United Kingdom

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in our summary of significant accounting policies, the authority now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. The Council has consistently valued its Heritage assets on a historic cost basis or at insurance valuation, in line with the change to the accounting practice. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies. In applying the new accounting policy, the Authority has identified that the assets that were previously held as community assets within property, plant and equipment at £120 million should now be recognised as heritage assets. These assets primarily relate the City Museum's collections. The 1 April 2010 and 31 March 2011 Balance Sheets have thus been restated in the 2011/12 Statement of Accounts to apply the new policy. The effects of the restatement are as follows:

At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £111.7m, that was previously recognised in property, plant and equipment. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

	Opening Balance as at 1st April 2010	Restatement	Restatement required to opening balances as at 1st April 2010
	£m	£m	£m
Property, Plant & Equipment	977.6	(111.7)	865.9
Heritage Assets	0	111.7	111.7

The resulting restated Balance Sheet for 31 March 2011 is provided earlier in the report. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Balance Sheet 31 March 2011

	As previously stated at 31st March 2011	As restated 31st March 2011	Restatement 2011
	£m	£m	£m
Property, Plant & Equipment	986.9	(120.2)	866.7
Heritage Assets	0	120.2	120.2

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £120.2m on the Balance Sheet and property, plant and equipment being restated downwards by the same amount.

16. Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Investments				
Loans and receivables	5,566	5,002	87,929	45,407
Loans and receivables – Port Investment (at cost)	2,500	2,500	-	-
Total investments	**8,066**	**7,502**	**87,929**	**45,407**
Debtors				
Debtors as per Balance Sheet	67,687	69,883	61,099	68,117
Adjustment for Statutory debtors (not qualifying as loans & receivables)	-	-	(24,540)	(27,191)
Total Debtors qualifying as loans and receivables	**67,687**	**69,883**	**36,559**	**40,926**
Cash and Cash Equivalents	-	-	**69,230**	**48,106**
Total Financial Assets	**75,753**	**77,385**	**193,718**	**134,439**
Borrowings				
Financial liabilities at amortised cost	424,291	358,855	5,140	5,088
Total borrowings	**424,291**	**358,855**	**5,140**	**5,088**
Other long term liabilities				
PFI and finance lease liabilities	174,304	149,256	4,986	3,338
Deferred liability	65,457	69,453	-	-
Retirement benefit provision	577,027	474,663	-	-
Total other long term liabilities	**816,788**	**693,372**	**4,986**	**3,338**
Creditors				
Creditors as per Balance Sheet qualifying as financial liabilities at amortised cost	-	-	137,322	145,544
Adjustment to exclude finance lease and PFI liabilities included within creditors	-	-	(4,986)	(3,338)
Adjusted creditors qualifying as financial liabilities at amortised cost	**-**	**-**	**132,336**	**142,206**
Total Financial Liabilities	**1,241,079**	**1,052,227**	**142,462**	**150,632**

Movements

- Investments
  - Short-term investments – Year-on-year short-term investments increased by 94% due to an increase in cash balances that the Council received during the year and deposited with financial institutions over a short-term horizon (less than one year).
- Cash & Cash Equivalents increased by 44% due to an increase in cash balances that the Council held in its liquid deposit and money market funds.
- Long-term Borrowing – Year on year long-term borrowing increased by 18% as the Council raised £65m of new long-term loans (Public Works Loan Board and market debt). £45m of the new loans was raised from the PWLB for the purpose of the HRA Self Finance initiative as per the Localism Act 2011, and a £20m loan was raised in accordance with contractual obligations undertaken in 2010 to finance capital investment.
- Retirement benefit provision increased by 22% year on year as a result of a change in the underlying valuation assumptions applied by the Actuary as well as losses incurred by asset classes within the fund.

Allowance for Credit Losses

Section 7.4.2.6 of The Code requires the Council to record the impairment of a financial asset to a separate account, the Financial Instruments Adjustment Account. The Council incurred impairment losses on its Icelandic investments in 2009/10.

As at 31 March 2012 the Icelandic investments were revalued in accordance with the latest available information. The Icelandic Supreme Court ruled in favour of UK local authority creditors and awarded them “Priority creditor status” for both Glitnir and Landsbanki deposits, and as a result the Council received 30% of the Landsbanki distribution in February 2012. The Council is expected to recover the remaining 70% of the original deposit in tranches sometime in the future.

In March 2012 the Council received 79% of the Glitnir deposit with the remaining 21% being held in Icelandic Krona (ISK) in an interest bearing escrow account with a Scandinavian bank. The Council is unable to convert the ISK due to currency restrictions applied by the Icelandic Authorities with respect to foreign exchange trading.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement for financial instruments are as follows:

	2011/2012					2010/2011				
	Financial Liabilities	Financial Assets				Financial Liabilities	Financial Assets			
	Liabilities measured at Amortised cost	Loans and receivables	Available-for-sale assets	Assets and Liabilities at Fair Value through Profit and Loss	Total	Liabilities measured at Amortised cost	Loans and receivables	Available-for-sale assets	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	(33,400)				**(33,400)**	(33,231)				**(33,231)**
Premium on early repayment of debt										
Losses on derecognition										
Total expense in Surplus or Deficit on the Provision of Services	**(33,400)**				**(33,400)**	**(33,231)**				**(33,231)**
Interest income		13,170			**13,170**		9,986			**9,986**
Total income in Surplus or Deficit on the Provision of Services		**13,170**			**13,170**		9,986			**9,986**
Gains on revaluation						3,446				**3,446**
Losses on revaluation							(35)			**(35)**
Net gain/(loss) for the year	**(33,400)**	**13,170**			**(20,231)**	**(29,785)**	**9,951**			**(19,834)**

Fair Values of Assets and Liabilities

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

- The fair values for financial liabilities (PWLB debt and market debt) have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date, and include accrued interest. The fair values for non-PWLB debt have also been calculated using the same procedures and interest rates and this provides a suitable approximation for fair value for these instruments.

- Estimated ranges of interest rates at 31 March 2012 of 0.17% to 3.28% for loans from the PWLB and the Market, and 2.20% to 2.60% for other loans receivable, based on new lending rates for equivalent loans at that date.

- No early repayment or impairment is recognised

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value

- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

- The fair values for loans and receivables (money market loans > 1 year) have been determined by reference to prevailing market rates as at the Balance Sheet date. The prevailing market rates have been determined for each long-term money market investment outstanding with reference to the time to maturity.

The fair values calculated are as follows:

Financial Liabilities

	31 March 2012		31 March 2011		1 April 2010	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	1,383,542	1,520,200	1,202,859	1,260,572	1,360,364	1,405,631

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders above current market rates.

Financial Assets

	31 March 2012		31 March 2011		1 April 2010	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Long-term investments	8,066	8,345	7,502	7,797	17,502	19,180
Short-term investments	87,929	87,929	45,407	45,407	51,995	51,995
Debtors qualifying as loans & receivables	36,559	36,559	40,926	40,926	38,314	38,314
Cash & cash equivalents	69,230	69,230	48,106	48,106	15,011	15,011
Total Loans and receivables	**201,784**	**202,063**	**141,941**	**142,236**	**122,822**	**124,500**
Long-term debtors	**67,687**	**69,813**	**69,883**	**70,942**	**73,084**	**73,789**
Total financial assets	**269,471**	**271,876**	**211,824**	**213,178**	**195,906**	**198,289**

The fair value of the assets is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2012) attributable to the commitment to receive interest above current market rates.

17. Inventories

	31 March 2012 £000	31 March 2011 £000
Balance outstanding at start of year	1,302	1,066
Purchases	2,881	3,331
Recognised as an expense in the year	(2,606)	(3,096)
Balance outstanding at year-end	**1,577**	**1,301**

18. Construction Contracts

The Council does not undertake construction contracts for other organisations.

19. Debtors

i. Current debtors	31 March 2012 £000	31 March 2011 £000
Central government bodies	10,603	21,242
Other local authorities	4,159	4,171
NHS bodies	0	5
Public corporations and trading funds	0	18
Other entities and individuals	46,337	42,681
Total	**61,099**	**68,117**

Details of amounts provided as bad debts provisions are included in Note 49

ii. Long-term debtors	31 March 2012 £000	31 March 2011 £000
Mortgages	268	359
Capital loans (Probation/Fire/LEP)	11,018	11,815
Other loans	80	80
South Gloucestershire Council	599	627
Former county council debt	54,722	57,002
Local Authority Mortgage Scheme	1,000	0
Total	**67,687**	**69,883**

20. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2012 £000	31 March 2011 £000
Cash held by the Authority	1,281	1,140
Bank current accounts	(14,292)	(8,444)
Short-term deposits with building societies	82,241	55,410
Total Cash and Cash Equivalents	**69,230**	**48,106**

The Council also manages a number of Euro bank accounts on behalf of itself and other partner organisations, dealing mainly with the funding for transportation schemes by the European Union. There were no balances at 31 March 2012 relating to the Council's own accounts. The sterling equivalent of the total balances held for and managed on behalf of other partner organisations, and not included within the Council's accounts, at 31 March 2012 was £112,363 (31 March 2011 £146,929).

21. Assets Held for Sale

	31 March 2012 £000	31 March 2011 £000
Non-current assets held for sale	2,682	940

The following gains and losses were recognised in the year in respect of "assets held for sale".

	2011/12 £000	2010/11 £000
Revaluation gains	64	0
Revaluation losses	0	0
Impairment losses	0	0
	64	**0**

22. Borrowing

Short term borrowing	31 March 2012 £000	31 March 2011 £000
Deposit loans (repayable at notice – up to 7 days)	532	590
Other short term borrowing (repayable within 1 year):		
- Public Works Loan Board	3,328	3,332
- Banks and other monetary sector	1,266	1,147
- Local bonds and property rent disposals	11	16
- Stocks	3	3
Total	**5,140**	**5,088**

Long term borrowing	31 March 2012 £000	31 March 2011 £000
Public Works Loan Board	301,239	255,803
Market debt	123,000	103,000
Stocks	52	52
Total	**424,291**	**358,855**

Public Works Loan Board (PWLB) debt has increased by £45m following the implementation of the HRA Self Finance Initiative in accordance with the Localism Act 2011. The Council was required to take the additional new PWLB debt and repay the Department for Communities and Local Government in order to exit the HRA Subsidy system. The Council also raised £20m new long-term market debt in accordance with contractual obligations undertaken in February 2010 to finance Capital Investment.

23. Creditors

Current liabilities	31 March 2012 £000	31 March 2011 £000
Central government bodies	21,025	12,208
Other local authorities	2,914	2,202
NHS bodies	23	60
Public corporations and trading funds	-	53
PFI contract liabilities	3,982	3,338
Other entities and individuals	109,378	127,683
Total	**137,322**	**145,544**

Other long-term liabilities	31 March 2012 £000	31 March 2011 £000
PFI contract liabilities (see note 43)	164,349	149,256
Retirement benefit obligations (see note 46)	577,027	474,663
Deferred liabilities	75,412	69,453
Deferred capital receipts	268	369
Total	**817,056**	**693,741**

Deferred liabilities are amounts which, by arrangement, are payable beyond the next year, at some point in the future or are to be paid off by an annual sum over a period. As at the 31 March 2012 the liability in the Council's Balance Sheet of £75.41m (2011: £69.45m) comprised of £56.97m former county council loan debt of 56.97m (2011: £59.34m), £8.49m (2011: £8.19m) in respect of a loan for the Hengrove Park development, £1.12m (2011: £1.93m) obligations under finance leases and £8.84m embedded lease liability for the waste contract that commenced in 2011/12. The PFI contract liabilities as at 31 March 2012 includes £164.35m long-term PFI liability (2011: £149.26m).

Deferred capital receipts are amounts derived from sales of assets, which will be received in instalments over agreed periods of time. They arise from mortgages on the sale of council houses, which form part of mortgages under long term debtors.

24. Provisions

	Balance at 1 April 2011	Additional provisions made in 2011/12	Amounts used in 2011/12	Balance at 31 March 2012	Due < 1 year	Due > 1 year
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Insurance fund	4,770	6,811	6,789	4,792	1,400	3,392
Housing subsidy	0	0	0	0	0	0
Compensation	0	0	0	0	0	0
Vehicle maintenance	560	0	0	560	0	560
Other	1,557	2,146	1,215	2,488	1,958	530
	6,887	**8,957**	**8,004**	**7,840**	**3,358**	**4,482**
Due < 1 Year	2,457			3,358		
Due > 1 Year	4,430			4,482		
	6,887			**7,840**		

The Insurance fund covers certain risks arising from fire, employer's liability and public liability, supplementing the Council's arrangement with external insurers, together with other risks. All other provisions are individually not material.

25. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves statement.

26. Unusable Reserves

31 March 2011 £000		31 March 2012 £000
180,217	Revaluation Reserve	195,873
1,174,139	Capital Adjustment Account	1,084,885
(13,820)	Financial Instruments Adjustment Account	(12,324)
(474,663)	Pensions Reserve	(577,027)
(1,777)	Collection Fund Adjustment Account	1,916
(13,509)	Accumulating Compensated Absences Adjustment Account	(14,380)
850,587	**Total Unusable Reserves**	**678,943**

Revaluation Reserve

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

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

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

2010/11 £000			2011/12 £000
163,697	Balance at 1 April		180,217
27,611	Upward revaluation of assets	50,616	
25	Net gains on revaluation of fixed assets	0	
(3,375)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(27,767)	
(2,582)	Downward revaluation of assets following impairment by economic consumption	(1,834)	21,015
185,376	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		201,232
(4,740)	Difference between fair value depreciation and historical cost depreciation	(5,249)	
(2,632)	Accumulated gains on assets sold or scrapped	(110)	
2,213	Amount written off to the Capital Adjustment Account	0	(5,359)
180,217	**Balance at 31 March**		**195,873**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/11 £000		2011/12 £000	
1,415,480	Balance at 1 April		1,174,139
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(43,234)	• Charges for depreciation and impairment of non current assets	(45,183)	
(301,756)	• Revaluation losses on Property, Plant and Equipment	(94,831)	
(392)	• Amortisation of intangible assets	(130)	
(2,650)	• Revenue expenditure funded from capital under statute	(1,905)	
(36,222)	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,069)	(150,118)
1,031,226			1,024,021
(2,305)	Adjusting amounts written out of the Revaluation Reserve		(0)
1,028,921	Net written out amount of the cost of non current assets consumed in the year		1,024,021
	Capital financing applied in the year:		
6,962	• Use of the Capital Receipts Reserve to finance new capital expenditure	5,544	
19,549	• Use of the Major Repairs Reserve to finance new capital expenditure	20,369	
51,920	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	46,456	
14,617	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	16,464	
23,526	• Capital expenditure charged against the	14,977	103,810

	General Fund and HRA balances	
1,145,495		1,127,831
28,644	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,543
	HRA Self Financing	(45,489)
1,174,139	**Balance at 31 March**	**1,084,885**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2012 will be charged to the General Fund over the next 48 years.

2010/11			**2011/12**
£000			**£000**
19,755	Balance at 1 April		13,820
(4,107)	Impairment adjustment	(0)	
(1,828)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(1,495)	
(5,935)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(1,495)
13,820	**Balance at 31 March**		**12,325**

Pensions Reserve

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

2010/11		2011/12
£000		£000
611,666	Balance at 1 April	474,663
(60,272)	Actuarial gains or losses on pensions assets and liabilities	99,865
(33,063)	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	46,476
(43,668)	Employer’s pensions contributions and direct payments to pensioners payable in the year	(43,977)
474,663	**Balance at 31 March**	**577,027**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010/11		2011/12
£000		£000
(1,786)	Balance at 1 April	(1,777)
9	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,916)
(1,777)	**Balance at 31 March**	**(3,693)**

Accumulating Compensated Absences Adjustment Account

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

2010/11		2011/12	
£000		£000	
15,656	Balance at 1 April		13,509
(15,656)	Settlement or cancellation of accrual made at the end of the preceding year	(13,509)	
13,509	Amounts accrued at the end of the current year	14,380	
(2,147)	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		871
13,509	**Balance at 31 March**		**14,380**

27. Cash Flow Statement – non cash movements

2010/11 £000		2011/12 £000
(320,482)	Depreciation and impairment	(118,783)
(2,650)	Write down of revenue expenditure funded from capital under statute	(1,905)
(7,455)	Excess depreciation charged to the HRA over the Major repairs allowance	(7,722)
76,731	Retirement benefits adjustments	(2,499)
(2,214)	Transfer from usable capital receipts to meet payment to Housing Capital Receipts Pool	(2,270)
(4,319)	(Increase)/decrease in provisions	(5,086)
14,619	Minimum revenue provision	15,640
-	HRA settlement adjustment	(45,489)
(30,411)	Net gain/(loss) on disposal of assets	795
(13,330)	(Increase)/decrease in creditors	8,058
(26,666)	Increase/(decrease) in debtors	11,657
235	Increase/(decrease) in inventories	276
-	Accumulating absences adjustment	(871)
(315,942)	**Net cash flows from investing activities**	**(148,199)**

28. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following significant items:

2010/11 £000		2011/12 £000
(5,163)	Interest received	(4,496)
18,353	Interest paid	17,862
(1,445)	Dividends received	(1,058)

29. Cash Flow Statement – Investing Activities

2010/11 £000		2011/12 £000
124,164	Purchase of property, plant and equipment, investment property and intangible assets	125,297
2,816	Other payments for investing activities	2,680
(16,937)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,975)
(6,588)	Increase in/(proceeds from) short-term and long-term investments	42,522
103,455	**Net cash flows from investing activities**	**161,524**

30. Cash Flow Statement – Financing Activities

2010/11 £000		2011/12 £000
(205,656)	Cash receipts of short- and long-term borrowing	(68,546)
-	Other receipts from financing activities	-
971	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	809
227,149	Repayments of short- and long-term borrowing	65
1,723	Other payments/(receipts) in respect of financing activities	(18,317)
24,187	**Net cash flows from financing activities**	**(85,989)**

31. Amounts Reported for Resource Allocation Decisions

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the council's directorates which is reflected in the final outturn report to Cabinet for the year is as follows:

Directorate Income and Expenditure 2011/12	**Children & Young People's Services**	**Corporate Services**	**Health & Social Care**	**Neighbour-hoods & City Development**	**Housing Revenue Account**	**Total Net Cost**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	31,811	116,861	51,812	93,632	119,052	413,168
Government grants	287,147	223,705	17,362	18,770	0	546,984
Total Income	318,958	340,566	69,174	112,402	119,052	960,152
Employee expenses	220,848	62,033	47,382	62,896	12,366	405,525
Other service expenses	155,677	263,949	143,814	147,984	131,802	843,226
Support service recharges	15,616	31,264	21,533	14,671	13,848	96,932
Total Expenditure	392,141	357,246	212,729	225,551	158,016	1,345,683
Net Expenditure	**73,183**	**16,680**	**143,555**	**113,149**	**38,964**	**385,531**

2011/12	Directorate Analysis £000	Other costs not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	413,168	2,599	977	(10,605)	**406,139**	10,605	**416,744**
Interest and investment income	-		(527)	-	**(527)**	77,651	**77,124**
Income from council tax	-	-	-	-	**0**	181,418	**181,418**
Government grants and contributions	546,984	-	(1,220)	-	**545,764**	294,528	**840,292**
Total Income	**960,152**	**2,599**	**(770)**	**(10,605)**	**951,376**	**564,202**	**1,515,578**
Employee expenses	405,525	2,801	(12,012)	-	**396,314**	-	**396,314**
Other service expenses	843,226	2,194	(17,782)	-	**827,638**		**827,638**
Support service recharges	96,932	-	-	(1,250)	**95,682**	1,250	**96,932**
Depreciation, amortisation and impairment	-	-	146,363	-	**146,363**	-	**146,363**
Interest payments	-	-	(9,633)	-	**(9,633)**	117,621	**107,988**
Capital expenditure charged to revenue	-	-	(11,239)	-	**(11,239)**	-	**(11,239)**
Net transfer to reserves	-	-	3,053	-	**3,053**	-	**3,053**
Precepts and levies	-	-	-	-	**-**	1,137	**1,137**
Payments to Housing Capital Receipts Pool	-	-	-	-	**-**	2,270	**2,270**
Pension liability - change in scheme							**-**
provisions	-	-	-	-	**-**	-	**-**
Loss on disposal of non current assets	-	-	-	-	**-**	(795)	**(795)**
Changes in fair value of investment properties	-	-	-	-	**-**	(2,543)	**(2,543)**
Total Expenditure	**1,345,683**	**4,995**	**98,750**	**(1,250)**	**1,448,178**	**118,940**	**1,567,118**
Deficit on the provision of services	**385,531**	**2,396**	**99,520**	**(9,355)**	**496,802**	**(445,262)**	**51,540**

10/11 comparative tables

Directorate Income and Expenditure 2010/11	Children & Young People's Services £000	City Develop-ment £000	Corporate Services £000	Health & Social Care £000	Neighbourhoods General Fund £000	Neighbourhoods HRA £000	Total Net Cost £000
Fees, charges & other service income	27,017	45,549	118,873	64,949	39,482	109,876	405,746
Government grants	332,832	7,521	215	2,589	218,179	-	561,336
Total Income	359,849	53,070	119,088	67,538	257,661	109,876	967,082
Employee expenses	230,003	37,461	58,888	49,690	34,645	12,058	422,745
Other service expenses	196,509	54,661	43,103	149,429	285,284	85,200	814,186
Support service recharges	14,890	8,983	30,458	21,042	12,631	13,204	101,208
Total Expenditure	441,402	101,105	132,449	220,161	332,560	110,462	1,338,139
Net Expenditure	**81,553**	**48,035**	**13,361**	**152,623**	**74,899**	**586**	**371,057**

2010/11	Directorate Analysis £000	Other costs not in Analysis £000	Amounts not reported to manage-ment for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	405,746	247	761	(10,384)	**396,370**	10,384	**406,754**
Interest and investment income	-	-	(239)	-	**(239)**	75,823	**75,584**
Income from council tax	-	-	-	-	**-**	178,370	**178,370**
Government grants and contributions	561,336	-	795	-	**562,131**	288,396	**850,527**
Total Income	**967,082**	**247**	**1,317**	**(10,384)**	**958,262**	**552,973**	**1,511,235**
Employee expenses	422,745	2,631	(8,272)	-	**417,104**	-	**417,104**
Other service expenses	814,186	275	(18,333)	(569)	**795,559**	569	**796,128**
Support Service recharges	101,208	-	-	(1,339)	**99,869**	1,339	**101,208**
Depreciation, amortisation and impairment	-	-	352,047	-	**352,047**	-	**352,047**
Interest Payments	-	-	(8,846)	-	**(8,846)**	120,871	**112,025**
Capital expenditure charged to revenue	-	-	(15,955)	-	**(15,955)**	-	**(15,955)**
Net transfer to reserves	-	-	(5,502)		**(5,502)**	-	**(5,502)**
Precepts & Levies	-	-	-	-	**-**	1,222	**1,222**
Payments to Housing Capital Receipts Pool	-	-	-	-	**-**	2,214	**2,214**
Pension liability – change in scheme provisions	-	-	(95,818)		**(95,818)**	-	**(95,818)**
Loss on disposal of non current assets	-	-	-	-	**-**	30,411	**30,411**
Changes in fair value of investment properties	-	-	-	-	**-**	(28,644)	**(28,644)**
Total expenditure	**1,338,139**	**2,906**	**199,321**	**(1,908)**	**1,538,458**	**127,982**	**1,666,440**
Deficit on the provision of services	**371,057**	**2,659**	**198,004**	**(8,476)**	**580,196**	**(424,991)**	**155,205**

32. Trading Operations

The Council's Construction teams form part of the repairs and maintenance function within Landlord Services. They are required to operate in a commercial environment and balance their budgets by generating income from other parts of the Authority or other organisations. The financial results are as follows.

		2011/12 £000	2010/11 £000
Construction	Turnover	29,757	29,073
	Expenditure	30,310	29,052
	Deficit/(Surplus)	**553**	**(21)**

The teams currently deliver large parts of the responsive repairs, re-let repairs, cyclical maintenance and servicing works to Council owned homes, blocks of flats and some corporate buildings. The works consist of responsive repairs, paint programme, gas servicing, re-let repairs, M and E servicing and repairs, non domestic rewiring, domestic electrical testing programmes, installation of new heating systems and kitchens, some minor works (security / landscaping), and the joiners shop.

33. Agency Services

The Authority provides financial services to Avon Fire & Rescue Authority.

34. Pooled Budgets

Section 31 of the Health Act 1999 allows partnership arrangements between National Health Service bodies, local authorities and other agencies in order to improve and co-ordinate services. Each partner makes a contribution to a 'pooled' budget, with the aim of focussing services and activities for a client group. Funds contributed are those normally used for the services represented in the pooled budget and allow the organisations involved to act in a more cohesive way. The Council was a partner in the following pooled arrangements:

1. Aids and Equipment service

The agreement between the Council and the NHS Bristol provides for the Council to act as the lead in the commissioning of services from the approved contractor. Total spend and funding was as follows:

	2011/12 £000	2011/12 £000	2010/11 £000	2010/11 £000
Funding provided to the pooled budget:				
NHS Bristol	761		655	
Bristol City Council	875		955	
Total Funding into the pooled budget		**1,636**		**1,610**
Expenditure met from the pooled budget		**1,636**		**1,610**

2. Drugs Action

The Council established a partnership agreement with the NHS Bristol, the Probation Service and other partners using powers under Section 31 of the Health Act 1999 to pool funds and create a single budget. The budget is used to commission Drug and Alcohol Treatment Services for Adults and Substance Misuse Services for Young People. Details of the contributions and expenditure in the year are set out below:

	2011/12 £000	**2011/12 £000**	**2010/11 £000**	**2010/11 £000**
Funding provided to the pooled budget:				
Balance Brought Forward	1,708		1,737	
NHS Bristol	9,726		8,067	
Bristol City Council	1,400		1,201	
Home Office Drug Intervention Programme	807		2,364	
Other Bodies	138		309	
		13,779		13,678
Expenditure met from the pooled budget:				
Drug and alcohol services for adults	11,269		11,148	
Substance Misuse Services for Young People	687		822	
		11,956		11,970
Net underspend carried forward		**1,823**		**1,708**

35. Members' Allowances

The Authority paid the following amounts to members of the Council during the year.

	2011/12 £000	**2010/11 £000**
Basic allowance	802	804
Special responsibility allowances	331	331
Travelling and subsistence allowance	5	5
Dependant Carers Allowance	6	6
Co-optees basic allowance	11	10
Total	**1,155**	**1,156**

36. Officers' Remuneration

The remuneration paid to the Authority's senior employees during the year was as follows:

		Salary, Fees and Allowances	Compensation for Loss of Office	Pension Contribution	Total
Chief Executive		**£**	**£**	**£**	**£**
J. Ormondroyd	**2011/12**	**189,822**	**-**	**34,116**	**223,938**
	2010/11	*189,533*	*-*	*32,600*	*222,133*
Strategic Directors -					
Children and Young People's Services	**2011/12**	**130,909**	**-**	**23,564**	**154,473**
	2010/11	*128,335*	*-*	*22,074*	*150,409*
Corporate Services	**2011/12**	**128,335**	**-**	**23,100**	**151,435**
	2010/11	*124,758*	**-**	*21,458*	*146,216*
Health and Social Care	**2011/12**	**105,129**	**-**	**18,923**	**124,052**
(Interim appointment – proportion of year only)	*2010/11*	*78,903*	**-**	*13,571*	*92,474*
Neighbourhoods and City Development	**2011/12**	**128,335**	**-**	**23,100**	**151,435**
	2010/11	*119,701*	*-*	*20,589*	*140,290*
Statutory Officers-					
Chief Financial (S151) Officer	**2011/12**	**86,392**	**-**	**15,631**	**102,023**
	2010/11	*84,516*	*-*	*14,616*	*99,132*
Head of Legal Services (Monitoring Officer)	**2011/12**	**87,180**	**-**	**15,692**	**102,872**
	2010/11	*85,154*	*-*	*14,616*	*99,770*

Various changes were made to the organisational structure during the comparative year 2010/11 which impacted on the senior management of the council. For this reason, the information shown in the table above excludes the remuneration of those officers who are no longer employed by the authority. The total value of the remuneration paid, including pension contributions, in 2010/11 for these officers was £457,904.

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

Remuneration band	2011/12 Number of employees		2010/11 Number of employees	
	Schools	Non-Schools	Schools	Non-Schools
£50,000 - £54,999	63	82	70	71
£55,000 - £59,999	46	29	62	26
£60,000 - £64,999	42	16	31	11
£65,000 - £69,999	15	11	14	10
£70,000 - £74,999	6	10	4	8
£75,000 - £79,999	4	7	3	7
£80,000 - £84,999	2	4	3	3
£85,000 – 89,999	3	4	4	2
£90,000 - £94,999	3	2	3	2
£95,000 - £99,999	1	-	1	1
£100,000 - £104,999	-	-	-	1
£105,000 - £109,999	-	1	1	-
£110,000 - £114,999	-	-	-	-
£115,000 - £119,999	-	-	1	-
£120,000 - £124,999	1	-	-	-
£125,000 - £129,999	-	-	-	-
£130,000 - £134,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
£150,000 - £154,999	-	-	-	-
£155,000 - £159,999	-	-	-	1
Totals	**186**	**166**	**197**	**143**

The number of non-schools staff above includes 42 employees (19 in 2010/11) in receipt of payments for the loss of office, which has resulted in their total remuneration exceeding the £50,000 level. The number of school employees included has reduced because of the transfer of staff to academies.

The numbers in the above table include the H.M Coroner for the Avon area. The cost of the Coroner's remuneration is shared between the council and the other unitary authorities in the area of the former county council.

37. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2011/12 £000	2010/11 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	451	455
Fees payable to Grant Thornton for the certification of grant claims and returns for the year	46	55
Fees payable in respect of other services provided by Grant Thornton during the year – legal claims etc	-	7
Total	**497**	**517**

38. Dedicated Schools Grant

The Council's expenditure on schools is funded 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. The Schools Budget includes elements for a restricted range of services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately. In 2011/12 the DSG has been applied as follows:

	Schools Budget Funded by DSG		
	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2011/12	45,802	187,132	232,934
Brought forward from 2010/11	4,560	0	4,560
Carry forward to 2012/13 agreed in advance	(7,082)	0	(7,082)
Final budgeted distribution in 2011/12	**43,280**	**187,132**	**230,412**
Actual central expenditure	(30,304)	0	(30,304)
Actual ISB deployed to schools	0	(194,417)	(194,417)
Carry forward, agreed in advance (as above)	7,082	0	7,082
Carry forward to 2012/13	**20,058**	**(7,285)**	**12,773**

39. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2011/12:

Credited to Taxation and Non Specific Grant Income:

	2011/12 £000	2010/11 £000
Capital grants and contributions (see below)	104,771	74,173
Revenue support grant	43,739	21,163
Non service related government grants	4,515	2,142
Area based grant	0	45,180
Total	**153,025**	**142,658**

Capital Grants and contributions

	2011/12 £000	2010/11 £000
Major repairs HRA	20,369	19,549
Government grants:		
City Development	16,873	14,965
CYPS	54,297	31,785
HSC	1,093	451
Neighbourhoods	1,466	0
Corporate	5,177	0
Section 106	1,869	2,475
Other	3,627	4,948
Total	**104,771**	**74,173**

Credited to Services;

	2011/12 £000	2010/11 £000
Dedicated Schools Grant	234,236	201,369
Housing Benefit (rent allowances/council tax benefit)subsidy	218,457	205,363
Homelessness Grant	740	756
Asylum seekers	163	114
Learning Skills Council - Post 16	0	8,448
Learning Skills Council - Community Education	0	3,831
Learning Skills Council - Bristol On Site	0	866
Early Intervention Grant	19,226	0
Pupil Premium	4,794	0
Housing Benefits Admin. Subsidy	4,357	4,655
BIS - Illegal money lending, etc	399	526
Social Care Reform Grant	0	1,352
Standards Fund (incl. Schools Standard Grant)	0	66,728
General Sure Start Grant	0	17,790
PFI Special Grant	18,315	17,271
Museums, Libraries and Archives Council	3,018	2,596
Concessionary Fares	0	1,915
Youth Justice Board	951	1,137
Home Office - Drugs Intervention programme	0	2,364
YPLA – 16-19 Commissioning	7,340	12,836
Health Reform Gant	17,100	0
Other Revenue Grants	9,844	12,996
Total	**538,940**	**562,913**

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

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
Capital Grants Receipts in Advance			
Government grants	2,773	4,258	3,896
Section106 contributions	16,804	15,297	15,349
Total	19,577	19,555	19,245
Due < one year	6,974	8,082	7,733
Due > one year	12,603	11,473	11,512

Amounts due “less than” and “more than” one year are estimated based on the forecast capital programme.

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
Revenue grants (within creditors)			
CYPS	2,687	9,016	7,629
Health and Social Care	0	737	688
Neighbourhoods & City Development	4,159	6,505	1,306
Corporate Services	202	9	161
	7,048	**16,267**	**9,784**

40. Related Parties

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

	2011/12 Payment/ (Receipts)	**2011/12 Amount owed to/(from)**	**2010/11 Payment/ (Receipts)**	**2010/11 Amount owed to/(from)**
Central Government Grants	**£'000**	**£'000**	**£'000**	**£'000**
Department of Communities & Local Government	(207,468)	-	(255,650)	-
Department for Education	(277,617)	(506)	(305,810)	(2,149)
Department of Works & Pensions - Housing Benefits	(222,612)	(202)	(192,747)	5,009
Learning Skills Council	(1,722)	-	(12,279)	-
Young Peoples Learning Agency	(7,815)	-	(13,572)	-
Department for Transport	(2,115)	(725)	(2,427)	(1,210)
Precepts				
Avon & Somerset Police Authority	22,304	-	22,386	-
Avon Fire Authority	8,015	-	8,044	-
Bristol Primary Care Trust				
The Council receives net funding as a contribution toward the cost of adult care services and pooled budget arrangements	(17,100)	25	(32,757)	(968)
Avon and Wiltshire Mental Health Partnership NHS Trust				
The Council makes payments in respect of mental health care particularly around drug and alcohol dependency	5,230	792	-	-
Pension Payments				
Avon Pension fund – administered by B&NES Council	32,859	-	35,741	3,980
Teachers Pension Agency	12,359	-	12,967	-
Bristol Port Company				
In respect of dividends actually received by the Council and included in the Income & Expenditure Account	(1,058)	-	(1,445)	-
Bovis Homes				
In respect of a development agreement for the provision of local authority dwellings	(623)	897	(887)	623
Other Local Authorities				
Neighbouring local authorities in respect of certain services including:				
South Gloucestershire Council in respect of cross boundary services incl. bus services/concessionary fare travel arrangements	(2,454)	(12)	6,804	1,237
Bath and North East Somerset Council in respect of the ongoing liability for added years to pensions	3,208	(96)	2,590	-
The Voluntary Sector				
Numerous voluntary/community organisations receive funding from the Council, total paid in year	16,186	(74)	26,060	513

Council members and Strategic Directors have been asked to provide information regarding related party transactions. From the information received, it is believed that there have not been any significant transactions involving these counterparties during the year.

41. Capital Expenditure and Capital Financing

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

	2011/12 £000	**2010/11 £000**
Opening Capital Financing Requirement	637,942	634,429
Capital investment		
Property, Plant and Equipment	125,134	117,266
Investment Properties	0	5
Intangible Assets	775	166
Long Term Debtors	1,000	0
Revenue Expenditure Funded from Capital under Statute	1,905	2,650
Sources of finance		
Capital receipts	(5,544)	(6,962)
Government grants and other contributions	(46,456)	(71,469)
Sums set aside from revenue:		
• Direct revenue contributions	(35,346)	(23,526)
• MRP – City Council Debt	(10,414)	(9,052)
• MRP – Contribution from Unitaries re Ex County Debt	(2,433)	(2,433)
• MRP - Write down of PFI Liability	(3,617)	(3,132)
HRA Self Financing	45,487	0
Closing Capital Financing Requirement	708,433	637,942
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	0	15,328
Less Minimum Revenue Provision	(16,464)	(14,617)
Increase in underlying need to borrowing (unsupported by government financial assistance)	11,874	2,800
Hengrove Park PFI Scheme	19,353	0
Waste Service Contract	10,241	0
Increase in underlying need to borrowing for HRA Self Financing	45,487	0
Increase in Capital Financing Requirement	70,491	3,511

42. Leases

Authority as Lessee

Finance Leases

The Council has acquired vehicles for operational purposes under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
Vehicles, Plant, Furniture and Equipment	11,020	2,896	3,780
	11,020	**2,896**	**3,780**

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

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
Finance lease liabilities (net present value of minimum lease payments):			
• current	1,854	1,751	970
• non current	8,483	1,119	2,870
	10,337	2,870	3,840
Finance costs payable in future years	5,369	100	250
Minimum lease payments	**15,706**	**2,970**	**4,090**

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

	Minimum Lease Payments			Finance Lease Liabilities		
	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
Not later than one year	3,087	1,838	1,120	1,854	1,751	970
Later than one year and not later than five years	9,117	1,132	2,970	5,630	1,119	2,870
Later than five years	3,502	0	0	2,853	0	0
	15,706	**2,970**	**4,090**	**10,337**	**2,870**	**3,840**

Operating Leases

The Authority has acquired property, vehicles and equipment by entering into operating leases.

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

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
Not later than one year	72	362	203
Later than one year and not later than five years	1,546	850	1,071
Later than five years	0	814	1,162
	1,618	**2,026**	**2,436**

Authority as Lessor

Operating Leases

The Authority leases out property within the commercial trading estate 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:

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
Not later than one year	11,608	10,817	10,820
Later than one year and not later than five years	41,165	38,865	39,231
Later than five years	843,778	827,365	834,515
	896,551	**877,047**	**884,566**

The minimum lease payments receivable at 31 March 2012 and 2011 are based on the current rents receivable at the respective Balance Sheet dates. They do not include estimates of future rents reviews or contingent rents.

43. Private Finance Initiatives and Similar Contracts

Schools PFI Phase 1A

On 31st March 2004 the Council entered into a Private Finance Initiative (PFI) contract with Bristol Schools Limited. The contract provided for the design, construction and financing of four new secondary schools, Bedminster Down, Henbury School, Orchard School and Oasis Brightstowe Academy. All four schools were constructed and are operational. Bristol Schools Limited will maintain and operate the facilities for twenty-six years from the date the first school became operational.

A capital contribution of £5.346m was made to the first phase of the project by way of a cash payment. This was in respect of the provision of leisure facilities and of the retention of part of the site of Henbury School by the Council, for subsequent disposal.

Schools PFI Phase 1B and 1C, Building Schools for the Future

During 2006/07 the Council entered into a PFI contract with Bristol PFI Limited to design, build, finance and operate four additional schools in Bristol. A Local Education Partnership (LEP) was also created to manage the supply chain and deliver the four schools. The partnership is between Skanska Education Partnerships (80%), Partnership for Schools (10%) and Bristol City Council (10%). The schools are Brislington Enterprise College, Bristol Brunel Academy, Bristol Metropolitan Academy and Bridge Learning Campus. Bristol PFI Limited will maintain and operate the facilities for twenty-seven years from the date the first school became operational.

A capital contribution of £9.569m was made to the project by way of a cash payment. This was used towards the cost of the Bridge Learning Campus and provision of leisure facilities at Bristol Brunel Academy.

Hengrove Leisure Centre

In April 2010 the Council entered into a PFI contract with Bristol Active Limited to design, build, finance and operate a new leisure centre, and associated car park, in Hengrove. The centre opened in February 2012 and Bristol Active Limited will operate and maintain the facility until 2037.

The assets and associated liability have been included on the Council's Balance Sheet in accordance with IFRS.

A capital contribution of £7.161m was made to the project by way of a cash payment. This was used to fund the capital works for the Car Park and as a contribution towards the capital works of the Leisure Centre.

Property, Plant and Equipment

The PFI assets, and related liabilities, have been recognised on the Council's balance sheet when made available for use. Movements in their value over the year are detailed in the analysis of the movements on the Property, Plant and Equipment balance in Note 12.

The assets will be transferred back to the Council at the end of the contracts for nil consideration.

Payments

Payments are made to the PFI contractors as monthly "unitary payments". The estimated payments the Council will make under the contracts are shown below.

These payments are commitments and can vary subject to indexation, reductions for performance and availability failures, and possible future variations to the scheme.

The funding of the unitary payment for the School PFI schemes will come from the individual schools budget, the overall schools budget and a special government grant. The Hengrove Leisure unitary payment will be funded by the special government grant, with the balance provided from Sports Services budgets. PFI payments are accounted for in the year in which the service was provided and are allocated to repayment of the liability, finance cost, service charge and other costs (lifecycle cost and contingent rents).

Schools PFI Phase 1A

As at 31st March 2012 payments totalling £63m have been made to the PFI contractor. The future estimated payments the Council will make under the contract are as follows:

Year	Payment for Services	Repayment of Liability	Interest	Other	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
2012/13	2,582	1,081	5,683	34	9,380
2013/14 to 2016/17	10,991	5,180	21,367	(452)	37,086
2017/18 to 2021/22	15,357	9,184	22,749	(661)	46,629
2022/23 to 2026/27	17,375	14,055	16,320	(439)	47,311
2027/28 to 2031/32	17,087	18,819	6,322	(2,118)	40,110
Total	**63,392**	**48,319**	**72,441**	**(3,636)**	**180,516**

Over the life of the PFI project, the Council will receive government grant of £134.8m.

Schools PFI Phase 1B and 1C, Building Schools for the Future

As at 31st March 2012 payments totalling £58.2m have been made to the PFI contractor. The future estimated payments the Council will make under this contract are as follows:

Year	Payment for Services	Repayment of Liability	Interest	Other	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
2012/13	4,139	2,450	7,773	1,097	15,459
2013/14 to 2016/17	17,637	10,990	29,087	6,156	63,870
2017/18 to 2021/22	24,459	17,815	31,172	10,970	84,416
2022/23 to 2026/27	28,238	20,995	23,719	16,555	89,507
2027/28 to 2031/32	32,625	29,322	14,610	18,039	94,596
2032/33 to 2034/35	17,057	19,364	2,577	7,780	46,778
Total	**124,155**	**100,936**	**108,938**	**60,597**	**394,626**

Over the life of the PFI project, the Council will receive government grant of £326.3m.

Hengrove Leisure PFI

As at 31st March 2012 payments totalling £302,000 have been made to the PFI Contractor. The future estimated payments the Council will have to make under the Contract are as follows:

Year	Payment for Services	Repayment of Liability	Interest	Other	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
2012/13	697	451	1,981	266	3,395
2013/14 to 2016/17	1,356	2,902	7,283	2,189	13,730
2017/18 to 2021/22	1,699	3,607	7,404	4,818	17,528
2022/23 to 2026/27	1,922	2,537	5,789	7,734	17,982
2027/28 to 2031/32	2,135	4,028	4,120	8,214	18,497
2032/33 to 2036/37	2,338	5,549	1,794	9,118	18,799
Total	**10,147**	**19,074**	**28,371**	**32,339**	**89,931**

Over the life of the PFI project, the Council will receive government grant of £69.6m.

The unitary payments have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred, and the interest payable on financing the capital expenditure. The Hengrove Leisure PFI contains a significant amount of third party income, this is income received directly by the PFI Contractor from the users of the facility. The payment for services has been shown net of this estimated income, as the unitary payments have been reduced to reflect the operator's right to this income. The outstanding liability due to the contractor for reimbursement of capital expenditure is as follows:

	Schools		**Hengrove Leisure**	
	2011/12	**2010/11**	**2011/12**	**2010/11**
	£'000	**£'000**	**£'000**	**£'000**
Balance outstanding at the start of year	152,594	155,726	0	0
Movement in year	(3,339)	(3,132)	19,075	0
Balance outstanding at year-end	149,255	152,594	19,075	0

44. Impairment Losses

During 2011/12, the Authority recognised £659k impairment losses relating to properties (excluding changes in market value) within the Income and Expenditure Account relating to numerous assets.

45. Exit Packages

The numbers of exit packages relating to council employees during 2011/12, with total cost per band and the total cost of compulsory and other redundancies are set out in the table below. The numbers and costs include packages agreed at the end of the year but not paid. Costs include the costs of early payment of pension in the cases of early retirement.

Exit package cost band	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2010/11	**2011/12**	**2010/11**	**2011/12**	**2010/11**	**2011/12**	**2010/11**	**2011/12**
							£000	**£000**
£0-£20,000	59	81	11	138	70	219	449	2,004
£20,001-£40,000	20	36	4	63	24	99	707	2,930
£40,001-£60,000	4	18	2	23	6	41	283	1,879
£60,001-£80,000	2	2	3	7	5	9	321	618
£80,001-£100,000	2	1	0	2	2	3	162	265
£100,001-£150,000	2	3	0	0	2	3	223	333
£150,001-£200,000	1	0	0	0	1	0	184	0
Total	**90**	**141**	**20**	**233**	**110**	**374**	**2,329**	**8,029**

46. Pensions

a) Participation in Pension Schemes

The Council participates in two pension schemes:

The Local Government Pension Scheme - all staff, with the exception of teachers, are eligible to join the Local Government Pension Scheme (LGPS). The scheme is administered by Bath and North East Somerset Council and is called the Avon Pension Fund. The Fund provides members with benefits related to length of service and final salary. It is a ‘defined benefit’ scheme. In 2011/12 the Council paid an employers contribution rate of 18%, resulting in total payments of

£35.1m (excluding unfunded benefits etc). Of this sum, £12.3m related to the recovery of the past service deficit, as assessed by the Fund Actuary. The Actuary carries out a valuation of the Fund every three years in accordance with government regulations. If the valuation indicates that there are insufficient assets to meet future liabilities, employer contribution rates are increased to make up the shortfall. The last valuation of the Fund was undertaken at 31 March 2010, when the overall funding level was assessed at 82%. Where a fund has insufficient assets to meet its future liabilities, participating Councils must, by law, make additional contributions to make up the shortfall. As indicated above, the Council paid a contribution rate of 18% from 1 April 2011, representing 11.8% in respect of future service and 6.2% to meet the deficit recovery element.

The Teachers Pension Scheme - The rate of contribution for 2011/12 was 14.1%, resulting in a total payment of £12.36m to the Teachers Pension Agency. In addition, the Council made payments totalling £2.2m in respect of pensions and added years where the early retirement of teachers was agreed. The Council also met its share of the residual liability for former Avon County Council employees, amounting to £2.06m in 2011/12. The estimated liability for unfunded payments has been calculated by the actuary and is included in the Balance Sheet.

b) Transactions relating to retirement benefits

Employer contributions paid in the year have been charged to service revenue accounts, prior to the adjustments required under the accounting standard, IAS19. The adjustments included in the Comprehensive Income and Expenditure Account to comply with IAS19 are offset by appropriations from the Pensions Reserve to the General Fund in the Movement in Reserves Statement, so that there is no effect on the overall amount met from government grant and local tax payers.

The principal assessments made by the Fund actuary, in so far as these affect the Income and Expenditure Account are set out in the following table:

	Local Government Pension Scheme		**Teachers' Unfunded Pensions**	
	2011/12	**2010/11**	**2011/12**	**2010/11**
	£'000	**£'000**	**£'000**	**£'000**
Income and Expenditure Account				
Net cost of services:				
Current service cost	32,859	35,741	-	-
Past service gains / curtailment costs / Settlements	(2,310)	(90,275)	-	(3,743)
Net Operating Expenditure				
• Interest cost	80,853	87,650	3,353	3,436
• Expected return on assets in the scheme	(68,279)	(65,872)	-	-
Net charge to the Income and Expenditure Account	43,123	(32,756)	3,353	(307)
Adjustments between Accounting and Funding basis under regulations				
• Reversal of net charges made for retirement benefits in accordance with IAS19	(43,123)	32,756	(3,353)	307
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employer's contributions payable to scheme	39,748	39,534	4,229	4,134

The Housing Revenue Account (HRA) Income and Expenditure Account has also been adjusted in 2011/12 to reflect the current service cost and an appropriate share of the interest cost and expected return on assets. The latter items have been apportioned to the HRA on the basis of pensionable pay.

c) Assets and Liabilities in relation to Retirement Benefits

The Local Government Pension Scheme

Reconciliation of present value of the scheme liabilities:

	Funded liabilities :Local Government Pension Scheme		Unfunded liabilities: Teachers' Unfunded Pensions	
	2011/12	**2010/11**	**2011/12**	**2010/11**
	£'000	**£'000**	**£'000**	**£'000**
1 April	1,479,217	1,568,559	64,200	64,545
Current service cost	32,859	35,741	-	-
Interest cost	80,853	87,650	3,353	3,436
Contributions by scheme participants	12,928	13,593	-	-
Actuarial (gains)/losses	54,767	(79,994)	3,500	4,096
Benefits paid	(56,754)	(56,080)	(4,229)	(4,134)
Past service gains, curtailment costs and settlements	(4,984)	(90,252)	-	(3,743)
31 March	**1,598,886**	**1,479,217**	**66,824**	**64,200**

Reconciliation of fair value of the Local Government Pension Scheme assets:

	2011/12	**2010/11**
	£'000	**£'000**
1 April	1,068,907	1,021,614
Expected rate of return	68,279	65,872
Actuarial gains and losses	(41,598)	(15,626)
Settlements	(2,705)	-
Employer contributions	39,748	39,534
Contributions by scheme participants	12,928	13,593
Benefits paid	(56,754)	(56,080)
31 March	**1,088,805**	**1,068,907**

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

The actual return on scheme assets in the year was £26.681m (2010/11: £77.326m).

Scheme history

	2007/08*	2008/09	2009/10	2010/11	2011/12
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Present value of liabilities:					
- Local Government Pension Scheme	(1,346,088)	(1,143,458)	(1,568,559)	(1,479,217)	(1,598,886)
- Teachers unfunded liabilities	(64,088)	(54,813)	(64,545)	(64,200)	(66,824)
Fair vale of assets in the Local Government Pension Scheme	911,933	758,321	1,021,614	1,068,907	1,088,805
Surplus/(deficit) in the scheme:					
- Local Government Pension Scheme	(434,155)	(385,137)	(546,945)	(410,310)	(510,081)
- Teachers unfunded Liabilities	(64,088)	(54,813)	(64,545)	(64,200)	(66,824)
Total	**(498,243)**	**(439,950)**	**(611,490)**	**(474,510)**	**(576,905)**

*The Council has elected not to restate fair value of scheme assets for this year as permitted by IAS19.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £577m impacts on the net worth of the Authority as recorded in the Balance Sheet (£873m).

Statutory arrangements for funding the deficit limit the adverse impact on the Council's financial position: the purpose of the triennial valuation of the fund by the scheme actuary is to determine the increase in employer contributions necessary to make good any deficit over the remaining working life of employees. Notwithstanding this, the scale of pension fund deficits being reported by Local Authorities is likely to result in a further review of the Local Government Pension Scheme with the aim of making this more affordable in the future and thus reducing the burden on taxpayers.

Finance is only required to be raised to cover the unfunded teachers' pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 are £39.103m.

The total liabilities shown in the Balance Sheet comprise the above together with a small amount in respect of pre-1974 liabilities. Information regarding the increase in the liabilities over March 2011 is set out in the Explanatory Foreword.

d) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme liabilities have been assessed by William M. Mercer the independent actuary to the Avon Fund, estimates being based on the latest full valuation of the scheme as at 31 March 2007, updated for the years following. The main financial assumptions used in the calculations are:

	Local Government Pension Scheme		**Teachers**	
	2011/12	**2010/11**	**2011/12**	**2010/11**
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.0%	7.5%	-	-
Government Bonds	3.1%	4.4%	-	-
Property	6.0%	6.5%	-	-
Other Bonds	4.1%	5.1%	-	-
Cash/Liquidity	0.5%	0.5%	-	-
Other	7.0%	7.5%		
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.8	22.7	22.8	22.1
Women	25.7	25.6	25.7	24.7
Longevity at 65 for future pensioners:				
Men	25.1	25.0	-	-
Women	28.1	28.0	-	-
Rate of inflation - RPI	-	3.4%	-	3.3%
Rate of inflation - CPI	2.5%	2.9%	2.3%	2.8%
Rate of increase in salaries	4.0%	4.4%	-	-
Rate of increases in pensions	2.5%	2.9%	2.3%	2.8%
Rate for discounting scheme liabilities	4.9%	5.6%	4.6%	5.4%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	-	-

The actuary has not carried out any specific investigations in relation to whether the average age of the membership has increased, but does not believe that there have been substantial changes since the 2007 valuation. For any employers who are not admitting new entrants to the Fund, the average age can be expected to increase gradually over time.

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2012	**31 March 2011**
Equities	58.3%	62.6%
Government bonds	12.9%	13.0%
Other bonds	11.8%	7.9%
Property	7.4%	6.0%
Cash/Liquidity	1.6%	2.1%
Other	8.0%	8.4%

e) History of experience gains and losses

The experience adjustments arising on scheme assets and liabilities expressed as a percentage of assets and liabilities at the Balance Sheet date are as follows:

Local Government Pension Scheme

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Experience gains/ (losses) on assets	(11.4)	(29.8)	21.18	(1.5)	(3.8)
Experience gains/ (losses) on liabilities	1.0	0	0	5.8	0

Teachers' Pension Scheme

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Experience gains/ (losses) on assets	0	0	0	0	0
Experience gains/ (losses) on liabilities	(0.7)	0	0	(4.3)	0

47. Contingent Liabilities

The following are contingent liabilities at the Balance Sheet date:

i) In 2010/11, the Cabinet agreed to guarantee an overdraft facility of £0.5m for the Bristol Old Vic to cover Arts Council funding being paid in arrears after expenditure has been made. This would enable completion of the programme of refurbishment works. However since this, a third party entered into an agreement with the Old Vic Trust to underwrite the refurbishment project up to a maximum of £1m. In view of this, no adjustment has been made in these accounts to reflect the Council's guarantee, as the risk of this now being called upon is negligible.

ii) New rules came into place on 17 August 2010 revoking the fee, charged by Councils, for carrying out a personal search of the Local Land Charges Register. The Council ceased making a charge with immediate effect . It is estimated that the potential liability to the Council arising from retrospective application of this amendment to the rules could be of the order of £300,000.

48. Group Accounts

Local Authorities with material interests in subsidiary and associated companies are required to prepare summarised group accounts (revenue account and Balance Sheet). This entails consolidating the accounts of the companies concerned with those of the Local Authority itself, at a summarised level.

However, if the activities of such companies are not significant in relation to the overall operational activities of the Council, the requirement to produce group accounts is not necessary.

The following companies have been identified as being subsidiaries, as follows:

- Bristol Buildings Preservation Trust
- Destination Bristol

The City Council has no obligation to meet any accumulated deficits of these companies should they arise. In overall terms, the assets and liabilities of these companies are not material to the accounts and have therefore been excluded from the City Council's financial statements.

49. Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and money market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy, and compliance with the CIPFA Prudential Code of Practice, the CIPFA Treasury Management Code of Practice, and Investment Guidance that is issued under the Local Government Act 2003. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy that outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 22 February 2011 and is available on the Council website.

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Standard & Poor and Moody's Credit Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

Details of the Investment Strategy can be found on the Council's website. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term of F1, Long Term A, Support C and Individual 3 (Fitch or equivalent rating), with the lowest available rating being applied to the criteria;
- UK institutions provided with support from the UK Government;
- Building societies with assets in excess of £250m.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies will vary according to credit ratings assigned by the three main credit rating agencies and cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

The following analysis summarises the Authority's potential maximum exposure to credit risk on financial assets, based on experience of default and un-collectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2012 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2012 %	Estimated maximum exposure to default and uncollectability at 31 March 2012 £000	Estimated maximum exposure at 31 March 2011 £000
	A	B	C	(A X C)	
Long-term investments					
AA rated counterparties	-	0.03%	0.03%	-	5,000
A rated counterparties	5,565	0.08%	0.08%	4	-
Bristol Port Company	2,500	0.000%	0.000%	-	2,500
Other investments	1	0.000%	0.000%	-	2
Sub total	**8,066**			**4**	**7,502**
Short-term investments					
AAA rated counterparties	-	0.000%	0.000%	-	2,707
AA rated counterparties	-	0.03%	0.03%	-	35,473
A rated counterparties	85,796	0.08%	0.08%	69	-
D rated counterparties	2,133	42.67%	42.67%	910	7,227
Sub total	**87,929**			**979**	**45,407**
Cash & cash equivalent					
AAA rated counterparties	60,109	0.000%	0.000%	-	13,093
AA rated counterparties	-	0.03%	0.03%	-	35,013
A rated counterparties	9,121	0.08%	0.08%	23	**-**
Sub total	**69,230**			**23**	**48,106**
Trade debtors (classed as loans & receivables)	36,559	0.000%	0.000%	-	40,926
Long-term debtors	67,687	0.000%	0.000%	-	69,883
Total financial assets as loans and receivables	**269,471**			**1,006**	**211,824**

The D rated counterparties in the above table is a reference to the Icelandic deposits held by the Council that have undergone accounting treatment in accordance with the latest information available to the Council as at 31 March 2012. In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £8m deposited in this sector at that time. In accordance with accounting practice the Council recognised impairment losses in 2008/09, 2009/10 and 2010/11. The Council has now recovered most of the outstanding deposit and has applied the relevant accounting treatment for the non-recovered elements of the deposit (see later in section for more information).

No credit limits were exceeded during the reporting period and (apart from the Icelandic deposits) the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council's deposits are placed either directly with the counterparty (bank, building society or money market fund) or indirectly with the counterparty via London money market brokers. At 31 March 2012, with the exception of the deposit held with Icelandic banks, the Council's long-term and short-term investments, and cash and cash equivalents were deposited with UK counterparties in accordance with the approved treasury management strategy.

The Council does not generally allow credit for its trade debtors. Including amounts due from government departments and other Local Authorities, the Council's net debtors shown in the Balance Sheet as at 31 March 2012 comprise:

Debtor analysis	**Gross debtor at 31 March 2012**	**Bad debt provision at 31 March 2012**	**Net debtor at 31 March 2012**	**Net debtor at 31 March 2011**
	£000	£000	**£000**	£000
Local tax payers	8,418	(3,986)	**4,432**	4,423
Housing rents	16,509	(7,005)	**9,504**	1,526
Other- sundry debtors	52,266	(19,865)	**32,401**	36,732
Total Other Entities And Individuals	**77,193**	**(30,856)**	**46,337**	**42,681**
Central Government bodies	10,604	-	**10,604**	21,242
Other local authorities	4,159	-	**4,159**	4,171
NHS bodies	-	-	**-**	5
Public corporations and trading funds	-	-	**-**	18
Total debtors	**91,955**	**(30,856)**	**61,099**	**68,117**
Balance sheet debtors	**91,955**	**(30,856)**	**61,099**	**68,117**
Adjust for statutory debtors				
Local tax payers	8,418	(3,986)	**4,432**	4,423
Housing rents	16,509	(7,005)	**9,504**	1,526
Central Government bodies	10,604	-	**10,604**	21,242
Total statutory debtors (not qualifying as loans and receivables under IFRS)	**35,531**	**(10,991)**	**24,540**	**27,191**
Debtors qualifying as loans and receivables	**56,424**	**(19,865)**	**36,559**	**40,926**

Liquidity risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets to cover day-to-day cash flow requirements, and whilst the Public Works Loans Board provides access to longer term funds, it also acts as lender of last resort to Councils. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods.

The **maturity analysis of financial assets** is as follows:

	31 March 2012 £000	31 March 2011 £000
Less than one year	193,718	134,439
Between one and two years	-	-
Between two and three years	5,565	-
More than three years	70,188	77,385
Total financial assets	**269,471**	**211,824**

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs, and monitoring the spread of longer-term investments provides stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity profile of the Council's debt portfolio is shown in the table below.

Maturity Period	Actual31 March 2012 £`000	Actual31 March 2011 £`000
Less than 12 Months	5,140	5,088
1-2 years	10,000	52
2-5 years	-	10,000
5-10 years	13,000	13,000
10-15 years	37,000	25,000
15-20 years	22,000	34,000
20-25 years	20,000	20,000
25-30 years	5,000	5,000
30-35 years	35,000	15,000
35-40 years	19,852	24,853
40-45 years	106,600	101,000
45-50 years	125,840	80,950
50-55 years	10,000	10,000
55-60 years	-	-
60-65 years	-	-
65-70 years	20,000	20,000
Total debt	**429,432**	**363,943**

The above maturity debt analysis can be analysed further in accordance with the Council's approved minimum and maximum prudential indicators for maturity structure of borrowings:

Period	Approved Minimum Limit	Approved Maximum Limit	31 March 2012		31 March 2011	
			£000		**£000**	
<12 Months	0%	20%	5,140	1%	5,088	1%
1-2 Years	0%	20%	10,000	2%	52	-
2-5 Years	0%	40%	-	-	10,000	3%
5-10 Years	0%	40%	13,000	3%	13,000	4%
>10 Years	25%	100%	401,292	94%	335,803	92%
Total			**429,432**	**100%**	**363,943**	**100%**

The above table confirms that the Council's debt portfolio is well within the limits approved by Council members.

Market risk

Interest rate risk

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

- Borrowing at variable rates- the interest rate expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services 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 of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates and provide compensation for a proportion of any higher costs.

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

At 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	NIL
Increase in interest receivable on variable rate investments	(1,736)
Increase in government grant receivable for financing costs	NIL
Impact on Surplus or Deficit on the Provision of Services	(1,736)
Share of overall impact debited to the HRA	271
Decrease in fair value of fixed rate investment assets	NIL
Impact on Other Comprehensive Income and Expenditure	NIL
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)	93,950

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

Price risk

The Council does not generally invest in equity shares but does have a shareholding to the value of £2.5m in the Bristol Port Company as at 31st March 2012. Whilst this holding is generally illiquid, the Council is exposed to losses arising from movements in prices of these shares.

As the shareholding has arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific holdings.

These shares are classified as Loans and receivables at amortised cost.

Foreign exchange risk

During 2011/12 the Council received monies denominated in foreign currencies relating to the settlement of the Icelandic deposits. Payments were received in a variety of currencies including Euros, US Dollar, and Norwegian Krona and converted to sterling.

The Council also has foreign exchange exposure to Icelandic Krona resulting from an element of the settlement being held in an escrow account. The Council is unable to exchange this holding to Sterling due to the current foreign exchange restrictions placed on the trading of Icelandic Krona by the Icelandic Authorities.

Icelandic Bank Investments

Investments held in Icelandic Banks - The Council has two outstanding investments with Landsbanki (£3m principal) and Glitnir (£5m principal) banks, which are subject to a recovery process.

The Council, through the Local Government Association, lodged its claims in the insolvency (the equivalent of a proof of debt in the UK) claiming depositor priority for the outstanding deposit. The claim was administered through the Icelandic District and Supreme Courts, both reaffirming the "Priority creditor" status.

Distribution payments for Landsbanki have been received in February 2012 and May 2012, amounting to 30% and 12% respectively of the outstanding investment. No timescale has been given for the remaining payments, though it is expected that these will be staggered until December 2019.

With respect to the distribution from Glitnir Bank, the administrator paid out 100% of the outstanding monies with 79% being received by the Council, whilst the remainder (in Icelandic Kroner-ISK) is being held in an escrow account with a high credit quality Scandinavian bank and is accruing interest at a market rate. At present the Council is unable to repatriate these funds due to the foreign exchange restrictions being imposed by the Icelandic authorities under Icelandic law.

Accounting Treatment

In light of the distributions made by Glitnir Bank and Landsbanki, the table below summarises the 2011/12 position.

Bank	Original Principal £000s	Valuation at 31 March 2011 £000s	Distribution Payments £000s	Valuation at 31 March 2012 £000s
Glitnir	5,000	4,899	(4,192)	706
Landsbanki	3,000	2,328	(902)	1,426
Total	**8,000**	**7,227**	**(5,094)**	**2,132**

The valuation of assets at 31st March 2012 is not in line with current CIPFA guidance. The effect of the latest guidance is to increase the value of the assets by £531k to £2,663m to reflect 100% recovery. The Council has decided to maintain its current position and not to adopt the latest guidance due to the uncertainty and timing of further distributions in a foreign currency, and at a time when sterling has appreciated against those currencies.

As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

As timing of future repayments is uncertain, and they could be returned to the Council in 2012/13, these investments have therefore been classified as short-term investments.

HRA INCOME AND EXPENDITURE STATEMENT

The HRA reflects a statutory obligation to account separately for council housing provision. The HRA Income and Expenditure Statement shows the major elements of HRA expenditure and how they are met from rents, subsidy and other income. The account does not reflect all of the transactions required by statute to be charged or credited to the HRA for the year. The movement on the HRA Statement gives details of the additional transactions, which are required by statute.

31.3.11 Net £'000		Note	31.3.12 Net £'000
	Expenditure		
26,948	Repairs and maintenance		29,571
23,712	Supervision and management		25,543
236	Rent, rates, taxes and other charges		317
4,419	HRA negative subsidy payable*	3	7,434
0	HRA settlement payment to DCLG	3	45,489
293,307	Depreciation and impairment of non current assets	5	15,098
95	Debt management		100
521	Debt write offs and movement in the allowance for bad debts		666
349,238	**Total expenditure**		124,218
	Income		
(87,463)	Dwelling rents	2	(93,798)
(1,056)	Non-dwelling rents		(1,068)
(6,245)	Charges for services and facilities		(7,301)
(2,095)	Contributions towards expenditure		(70)
(96,859)	**Total income**		(102,237)
252,379	**Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement**		21,981
252,379	**Net cost of HRA services**		21,981
(885)	Gain/(loss) on sale of HRA non current assets		(616)
7,196	Interest payable and similar charges		7,770
(239)	HRA interest and investment income		(527)
917	Pensions interest costs and expected return on assets		545
(779)	Other capital grants and contributions		(789)
258,589	**Deficit for the year on HRA services**		28,364

* Net of Major repairs allowance (£20.369m), which is treated as non-specific grant income in the Comprehensive Income and Expenditure Statement on page 15.

STATEMENT OF MOVEMENT ON THE HRA BALANCE

31.3.11 Net £'000		Note	31.3.12 Net £'000
25,896	HRA balance brought forward		25,310
(258,589)	Surplus/(deficit) for the year on the HRA Income and Expenditure Account		(28,364)
257,959	Adjustments between accounting basis and funding basis under statute		(10,818)
0	HRA settlement payment to DCLG		45,489
(630)	Increase/(decrease) before reserve transfers		6,307
44	Transfer from reserves		218
(586)	Net increase/(decrease) on HRA balance		6,525
25,310	HRA balance carried forward	11	31,835

NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

31.3.11 Net £'000		Note	31.3.12 Net £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
147	Amortisation of intangible fixed assets	5	5
293,160	Depreciation and impairment of fixed assets	5	15,093
-	Accumulated compensating absences reserve		-
-	Fair value movements on investment properties		-
2,263	Net charges made for retirement benefits in accordance with FRS17	6	3,548
(89)	Other capital receipts net of allowable deductions		18
(779)	Capital grants and other contributions		(789)
(885)	Net (gain)/loss on disposal of assets		(616)
293,817			17,259
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
(13,177)	Capital expenditure funded by the HRA	7	(3,102)
(1,482)	Employer's contributions payable to the Avon Pension Fund and retirement benefits payable direct to pensioners	6	(3,288)
7,455	Transfer to Major Repairs Reserve	8	7,722
(27,004)	HRA depreciation to Major Repairs reserve	8	(28,091)
(1,650)	Amortisation of premiums		(1,318)
(35,858)			(28,077)
257,959	**Net additional amount required by statute to be debited or credited to the HRA Balance for the year**		(10,818)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Dwellings numbers as at 31 March 2012

		31.3.12		31.3.11
Houses				
1 Bedroom	10		8	
2 Bedrooms	2,188		2,190	
3 Bedrooms	9,532		9,621	
4 or more Bedrooms	404		410	
Total Houses		12,134		12,229
Bungalows				
1 Bedroom	352		352	
2 Bedrooms	683		658	
3 Bedrooms	27		26	
Total Bungalows		1,062		1,036
Flats				
1 Bedroom	6,575		6,586	
2 Bedrooms	7,776		7,792	
3 Bedrooms	449		450	
4 or more Bedrooms	20		20	
Total Flats		14,820		14,848
Hostels (dwelling equivalent)		7		7
Total dwellings held at 31 March 2012		**28,023**		**28,120**

2. Rent and Rent Arrears

The total value of dwelling rents in 2011/12, gross of voids, is £93.8m (£87.5m in 2010/11). The amount of rent arrears including recoverable housing benefit, water charges, defect charges, etc, total £8.5m (£9.6m in 2010/11).

As at 31 March	**2012**	**2011**
	£000	**£000**
Former tenants	3,589	4,470
Current tenants	4,945	5,125
	8,534	**9,595**
Balance Sheet provision		
Former tenants	3,589	4,470
Current tenants	3,416	3,599
	7,005	**8,069**

Vacant Possession

The vacant possession value of dwellings as at 1st April 2011 was £2.593bn. The value of dwellings in the balance sheet (excluding dwellings leased to Registered Social Landlords) was £0.806bn, a difference of £1.788bn. This difference reflects the economic cost of providing council housing at less than market rent.

3. Subsidy

	2011/12	2010/11
	£000	£000
Management and maintenance	55,923	52,914
Capital financing	9,668	9,694
Rents	(93,424)	(87,802)
Housing subsidy – adjustment re previous years	42	1,242
Interest on receipts	(12)	(16)
Housing subsidy	(27,803)	(23,968)
Major repairs allowance	20,369	19,549
Total HRA subsidy	**(7,434)**	**(4,419)**

HRA Self Financing

The housing revenue account subsidy system came to an end in April 2012. As a result of this the Council will take control of its housing rental income. In preparation for this the Council was required , by 28 March 2012, to make a payment of £45.5m to the Secretary of State to exit the subsidy system.

This payment has been recognised in the accounts as capital expenditure and is also disclosed separately as a material item of expenditure on the face of the HRA.

4. Sums Directed by the Secretary of State to be Debited or Credited to the HRA

In 2011/12 there were no sums approved by the Secretary of State to be debited to the HRA in relation to the transfer of rent rebates from the HRA to the General Fund.

5. Depreciation and impairment

	2011/12	2010/11
	£000	£000
Depreciation		
Operational - Dwellings	27,794	26,576
- Other, including leased	297	428
	28,091	**27,004**
- Intangible fixed assets	5	147
Total depreciation	**28,096**	**27,151**
Impairment	**19**	**266,156**
Reversal of impairment losses	**(13,017)**	**0**
Total depreciation and impairment	**15,098**	**293,307**

Impairment

Revaluation gains of £13.0m have been credited to the Surplus or Deficit on Provision of Services (2010/2011: Impairment £266.2m). This is because the revaluation gains either relate to Investment properties for which gains or loss due to revaluations must be recognised in the Surplus or Deficit on Provision of Services in accordance with IFRS accounting standards, or because the revaluation gains reverse revaluation decreases or impairment losses previously charged to the Surplus or Deficit on Provision of Services. The overall increase in asset values is mainly attributable to dwellings, which has shown a mixture of increases and decreases in value. The net increase in value of dwellings is 0.69%, which is not too distant from the average national figures, which show a slight decrease in value. The changes in value reflect the fact that the better area values have increased but in worse areas, in particular where flats are considered, values have fallen in line with market.

6. HRA Share of Contributions to / from Pension Reserve

For 2011/12, the HRA has been attributed with a share of the interest cost, net of the expected return on pension assets, as calculated by the actuary to the pension fund. This share has been calculated using the proportion of HRA pensionable pay to the total of that for the council. The net cost of services shown in the HRA statement also includes the current service cost as required by FRS17. This is reduced by an appropriation of £260k (2010/11 £781k) from the pensions reserve. Further information regarding the accounting for pensions is included in the notes to the consolidated revenue account and balance sheet.

7. Capital Expenditure and financing

Total expenditure during the year and its financing was as follows:

Expenditure	**2011/12**	**2010/11**
	£'000	**£'000**
Dwellings	25,862	38,927
Other Property	248	286
	26,110	**39,213**

Financing	**2011/12**	**2010/11**
	£'000	**£'000**
Loans	0	4,000
Usable capital receipts	2,112	1,708
Revenue contributions to capital	3,102	13,177
Major Repairs Reserve	20,369	19,549
Capital grants	388	388
Other	139	391
	26,110	**39,213**

Capital Receipts

Capital receipts received during the year from disposals of land, houses and other property within the HRA was £6.4m. The receipts are summarised as follows:

	2011/12	2010/11
	£'000	£'000
Receipts unapplied brought forward - 1 April	1,502	2,151
Right to buy sales	3,031	2,857
Mortgage repayments	79	86
Repayment of right to buy discount	0	88
Disposal of land and property	3,359	2,676
Bovis Homes Income	410	-
	8,381	**7,858**
Allowable reductions	(97)	(85)
Repaid to DCLG	(2,270)	(2,214)
Capital receipts applied	(2,112)	(1,708)
Receipts used to finance to general fund capital	(2,000)	(2,349)
Capital receipts unapplied carried forward - 31 March	**1,902**	**1,502**

8. Major Repairs Reserve

	2011/12	2010/11
	£'000	£'000
Balance brought forward - 1 April	-	-
Capital expenditure (dwellings)	20,369	19,549
Depreciation on HRA assets	(28,091)	(27,004)
Excess depreciation credited to Statement of Movement on HRA Balance	7,722	7,455
Balance carried forward - 31 March	-	-

Depreciation has been calculated in accordance with our accounting policies for all HRA assets. We have used the proposed Major Repairs Allowances (MRA) for self-financing as a proxy for component accounting. Dwellings depreciation is in excess of the MRA for 2011/12 and the HRA has been charged with the excess depreciation. This amount is credited to the Statement of the Movement on the HRA Balance to ensure that there is no effect on the HRA bottom line and does not impact upon the tenants' rents.

The MRA was £20.37m for 2011/2012 (2010/2011 - £19.55m). All of this was used to finance appropriate Housing Revenue Account capital expenditure. Non dwelling depreciation has been charged to the Net Cost of Services and credited to the Statement of Movement on the HRA Balance to ensure that there should be no impact on rents or other services.

9. Balance Sheet Value of Land and Houses, etc

	31 March 2012 £'000	31 March 2011 £'000
Dwellings	805,467	800,092
Land	7,238	4,370
Other assets	16,117	21,121
	828,822	825,583

10. Asset Split

	31 March 2012 £'000	31 March 2011 £'000
Operational - dwellings	805,467	800,092
Operational – other land and buildings	14,156	21,158
Non-operational	9,199	4,333
	828,822	825,583

11. Reserves and Provisions

The details of reserves and provisions held within the HRA (excluding those already shown in note 8 above) are summarised as follows:

	31March 2012 £'000	31March 2011 £'000
Reserves		
HRA Balance	31,835	25,310
Other reserves		
Inclement Weather Reserve	-	500
IT Renewals	-	-
Furniture Packs	396	360
Rent deposits	-	-
Energy efficiency	682	455
Other	83	64
Sub-total other reserves	1,161	1,379
Total reserves	**32,996**	**26,689**
Provisions		
Carbon Commitment Costs	7	-
Legal Claims	150	-
Severance Costs	42	-
Rent Deposits	73	71
Total provisions	**272**	**71**

THE COLLECTION FUND - INCOME AND EXPENDITURE ACCOUNT

	Note	£'000	£'000	2011/12 £'000	2010/11 £'000
INCOME					
Council Tax	2			214,531	210,782
Non-Domestic Rates	3			190,039	175,255
Contributions					
- Towards previous year's Collection Fund surplus	4			-	-
				404,570	386,037
EXPENDITURE					
Precepts and demands					
- Bristol City Council		179,936			179,389
- Avon & Somerset Police Authority		22,581			22,512
- Avon Fire Authority		8,114			8,090
			210,631		209,991
Non Domestic Rates	3				
- Payment to National Pool		189,319			174,539
- Costs of Collection Allowance		720			716
			190,039		175,255
Contributions					
- Towards previous year's Collection Fund (deficit)	4		(2,588)		(1,200)
Bad & doubtful debts – Council Tax					
- Write offs		1,739			1,870
- Provision		426			113
			2,165		1,983
				400,247	386,029
Surplus / (Deficit) for the year				4,323	8
Surplus / (Deficit) as at 1 April				(2,080)	(2,088)
Surplus / (Deficit) as at 31 March				2,243	(2,080)

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1. General

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund. The fund shows the transactions of the City Council in relation to non-domestic rates and the Council tax together with the distribution of Council tax income to the City Council, the Avon and Somerset Police Authority and the Avon Fire Authority. Only the elements attributable to the City Council are recognised with the Council's other accounts.

2. Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based upon 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the City Council, the Avon & Somerset Police Authority and the Avon Fire Authority for the forthcoming year and dividing this by the council tax base of 134,386 for 2011/12 (133,977 for 2010/11). This represents the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and the estimated collection rate. This basic amount of Council Tax for a Band D property of £1,567.36 for 2011/12 (£1,567.36 for 2010/11) is multiplied by the proportion specified for the particular band to give an individual amount due.

The income of £214.531m for 2011/12 (£210.782m for 2010/11) is receivable from the following sources:

	2011/12 **£'000**	**2010/11** **£'000**
Billed to Council Tax payers	175,129	172,571
Council Tax benefits	39,403	38,214
Transitional relief	(1)	(3)
Total Council Tax income	214,531	210,782

Where Council Tax payers are eligible for Council Tax benefit or Transitional relief, a transfer is made from the City Council's General Fund to the Collection Fund.

Calculation of the Council Tax Base used in setting the 2011/12 Council Tax:

BANDS

	A Entitled to disabled relief	A	B	C	D	E	F	G	H	TOTAL
No of properties		46,656	69,859	36,780	16,749	9,180	4,660	2,798	328	187,010
Exemptions & Disabled relief	44	(1,835)	(2,363)	(1,785)	(1,263)	(1,018)	(219)	(66)	(56)	(8,561)
Less Discounts	(4)	(7,355)	(6,943)	(3,067)	(1,248)	(554)	(238)	(131)	(20)	(19,560)
Total equivalent Dwellings	40	37,466	60,553	31,928	14,238	7,608	4,203	2,601	252	158,857
Ratio	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
Band D equivalents	22	24,977	47,097	28,380	14,238	9,298	6,071	4,335	504	134,922

Add changes re:	Additional properties	800
	Increase in Student Exemptions	(1,000)
	Decrease in Single Person Discounts	1,000
	Reduction in Discounts on Second Homes	710
Rate of Collection 98.5%		(2,046)
Council Tax Base		**134,386**

3. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. Every non-domestic property has a rateable value, which is determined by the Valuation Office Agency and reviewed on a 5 yearly basis. The last revaluation date was 1 April 2008 and the new revaluations came into effect on 1 April 2010.

Each year the Government specifies an amount known as the non-domestic rating multiplier and, subject to the effects of transitionary arrangements, local businesses pay rates calculated by multiplying their rateable value by that multiplier. A second multiplier known as the small business non-domestic rating multiplier was introduced from 1 April 2005 and this multiplier is applicable to those businesses that qualify for small business relief.

In 2011/12 the non-domestic rating multiplier was 43.3p (41.4p in 2010/11) and the small business non-domestic rating multiplier was 42.6p (40.7p in 2010/11).

The City Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income after relief's and provisions of £190.039m for 2011/12 (£175.255m for 2010/11) was based on an average rateable value for the City Council's area of £531.019m for the year. The total rateable value at 31 March 2011 was £531.300m (£530.738m at 31 March 2011).

4. Collection Fund surpluses/(deficits)

In accordance with regulations, Collection Fund surpluses/deficits are distributed to/collected from the precepting bodies in the financial year following the one in which they arise. Details of the distribution of previous year's Collection Fund surpluses/deficits are as follows:

	2011/12	**2010/11**
	£'000	**£'000**
Bristol City Council	(2,211)	(1,028)
Avon & Somerset Police	(277)	(126)
Avon Fire Authority	(100)	(46)
	(2,588)	**(1,200)**

In determining the level of Council Tax for 2012/13 the Council estimated in January that there would be a surplus of £1.670m on the Collection Fund for 2011/12. This amount will be collected during 2012/13 and the £0.065m excess between the estimated and actual surplus of £1.735m being distributed in 2013/14.

GLOSSARY OF TERMS

ACCOUNTING PERIOD

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

ACCRUALS

The accruals basis of accounting ensures that income and expenditure is reflected in the financial statements in the accounting period that they were earned or incurred, not as any cash is received or paid.

ACTUARY

One who makes calculations for pensions and insurance purposes.

ACTUARIAL GAINS AND LOSSESS

For a defined benefit pensions scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation; or
- The actuarial assumptions have changed

ASSET

An asset is something that the Council owns that has a monetary value. Assets are either “current” or “fixed”.

- A current asset is one that will be used by the end of the next financial year (e.g. stock, debtors)
- A fixed asset provides the Council with benefits for a period of more than one year (e.g. land, buildings, vehicles).
-

BALANCE SHEET

The Balance Sheet is a financial statement summarising the overall financial position of the Council at the end of the financial year.

BUDGET

A budget is a statement that sets out the Councils service delivery plans and capital expenditure in monetary terms.

CAPITAL ADJUSTMENT ACCOUNT

This is the money set aside in the Council’s accounts for capital spending and to repay loans.

CAPITAL CHARGES

This is a charge made to the Council’s service revenue accounts to reflect the cost of utilising fixed assets in the provision of services.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset that will be used to provide services beyond the current accounting period.

CAPITAL FINANCING

This describes the various sources of money used to pay for capital expenditure. Capital expenditure can be funded from external sources, such as borrowing, capital grants and by contributions from the internal sources, such as capital receipts and reserves.

CAPITAL RECEIPT

A capital receipt is the income that results from the sale of land, buildings and other capital assets. A specified portion of this may be used to fund new capital expenditure. The balance must be set-aside and may only be used for paying off debt, not for funding new revenue services.

CASH AND CASH EQUIVALENTS

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

COLLECTION FUND

A separate fund recording the income and expenditure relating to Council Tax and National Non-Domestic Rates.

COMMUNITY ASSETS

This is land and property the Council intends to own forever. These generally have no determinable useful life and there are often restrictions regarding their disposal. Examples of community assets include parks and historic buildings.

CONTINGENT LIABILITIES

A possible liability relating to future expenditure at the Balance Sheet date, depending on the outcome of future uncertain events.

CREDITORS

Amounts owed by the Council to others for goods and services that have been supplied but not yet paid for by the end of financial year.

CURRENT ASSETS

Items that can be readily converted into cash.

CURRENT LIABILITIES

Items that are due to be paid immediately or in the short term.

DEBTOR

Amounts owed to the Council for goods and services, where the income has not been received at the end of the financial year.

DEPRECIATION

This is a charge made to the revenue account each year, which reflects the loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee (the Council) from the lessor.

FIXED ASSETS

These are assets that yield benefits to the Council and the services it provides for a period of more than one year.

GENERAL FUND

The account that summarises the cost of providing Council services (excluding the Housing Revenue Account).

GOVERNMENT GRANTS

Grants made by the Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some of these grants have restrictions on how they may be used whilst others are general purpose.

HERITAGE ASSET

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held or maintained principally for its contribution to knowledge and culture.

HOUSING REVENUE ACCOUNT (HRA)

A statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

IMPAIRMENT

The reduction in value of an asset in the Balance Sheet owing to a change in the market value. This can be as a result of market fluctuations, physical damage or obsolescence.

INCOME & EXPENDITURE ACCOUNT

This is the Council's main revenue account. It summaries the income received from Council Tax and business rates, grants and fees and charges along with the associated expenditure on services provided.

INTANGIBLE ASSETS

These are fixed assets on the Balance Sheet such as software licences that don't have physical form but still have value.

LEASING

Method of financing the acquisition of capital assets, usually in the form of operating or financing leases.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount that the Council must charge to revenue account to provide for the repayment of debt.

NATIONAL NON-DOMESTIC RATE (NNDR)

A flat rate in the pound set by Government and levied on businesses in the City. The money is collected by the Council then pooled and redistributed by the Government to local authorities based on the resident population.

NON-OPERATIONAL ASSETS

These are fixed assets owned by the Council that it does not directly occupy or use in the delivery of services. Examples include investment properties or assets that are surplus to requirements.

OPERATING LEASE

This is a lease where the effective ownership of the asset remains with the lessor.

OPERATIONAL ASSETS

These are fixed assets owned by the Council and used in the direct delivery of services.

PRECEPT

Demands made on the Collection Fund by other local authorities (Avon & Somerset Police, Avon Fire Authority) for the services they provide.

PRIOR YEAR ADJUSTMENT

A material adjustment applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

PROVISIONS

Amounts set aside to meet liabilities or losses which are likely or certain to be incurred but where the amount due or the timing of the payment remains uncertain.

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
- the parties are subject to common control from the same source
- one party has influence over the financial and operational policies of the other party to the extent that the other party might be inhibited from pursuing its own 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 interests. Examples of related parties include central government, other local authorities and other bodies precepting or levying demands on the Council Tax, its members and its chief officers.

RESERVES

An amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. A distinction is drawn between reserves and provisions (see above), which are set up to meet known liabilities.

REVENUE EXPENDITURE

Spending on day to day items including salaries and wages and other running costs associated with the provision of services.

REVENUE SUPPORT GRANT (RSG)

The main grant paid to a local authority by Central Government to help fund the cost of its services.

SHORT TERM BORROWING

This is a sum of money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Authority for such purposes as prizes, charities and specific projects.

WORK IN PROGRESS

The value of works that has been completed or is partially complete at the end of the accounting period that should be included in the financial statements.

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