Public Document Pack

Audit Committee

Agenda

Date: Thursday, 21 September 2017

Time: 2.00 pm

Venue: Meeting room, floor 1, City Hall

Distribution:

Councillors: Charlie Bolton, Barry Clark, Jos Clark, Olly Mead, Steve Pearce, Liz Radford, Afzal Shah and Clive Stevens

Issued by: Ian Hird, Democratic Services
City Hall, PO Box 3167, Bristol BS3 9FS
Tel: 0117 92 22384
E-mail: democratic.services@bristol.gov.uk
Date: 13 September 2017

Agenda

1. Welcome, apologies, introductions and safety information

SAFETY INFORMATION – PLEASE NOTE:
1. There are no planned fire alarm tests or drills. If the alarm sounds, please exit the room via the main entrance lobby at the front of the building.
2. Please then exit the building via the front ramp and assemble at the fire assembly point, which is on the paved area between the side entrance of the cathedral and the roundabout at the Deanery Road end of the building.
3. Please follow the instructions of the fire wardens and security staff on hand. Please do not return to the building until instructed to do so by fire wardens.

2. Declarations of interest

To note any declarations of interest from councillors. They are asked to indicate the relevant agenda item, the nature of the interest and in particular whether it is a **disclosable pecuniary interest**.

Any declaration of interest made at the meeting which is not on the register of interests should be notified to the Monitoring Officer for inclusion.

3. Minutes of previous meeting **(Pages 5 - 9)**

To agree the minutes of the previous meeting of the committee held on 20 July 2017 as a correct record.

4. Action sheet **(Pages 10 - 11)**

To note the actions taken on relevant matters from the last meeting of the committee.

5. Public forum

Up to 30 minutes is allowed for this item. Public forum items must be about matters that fall within the remit of the Audit Committee.

Any member of the public or councillor may participate in public forum. Public forum items should be emailed to democratic.services@bristol.gov.uk - please note that the following deadlines will apply in relation to this meeting:

Questions - Written questions must be submitted by 5.00 pm on Friday 15 September 2017 at latest.

Petitions and statements - Petitions / written statements must be submitted by 12.00 noon on Wednesday 20 September 2017 at latest.

6. Work programme - latest update - for information **(Pages 12 - 14)**

7. Final annual governance statement 2016-17 **(Pages 15 - 36)**

8. Statement of accounts - year ended 31 March 2017 **(Pages 37 - 187)**

9. External Auditor's ISA 260 report

Note: this report is not yet available but will be circulated as soon as available in advance of the meeting.

10. Bundred report and annual governance statement tracker

Note: this report is not yet available but will be circulated as soon as available in advance of the meeting.

11. Risk management policy **(Pages 188 - 208)**

12. Corporate risk register review - progress update **(Pages 209 - 216)**

13. Internal audit activity report for the period 1 April - 31 August 2017 **(Pages 217 - 239)**

14. Treasury management annual report 2016-17 **(Pages 240 - 258)**

15. External auditor appointment process - information item - verbal update

Bristol City Council
Minutes of the Audit Committee

20 July 2017 at 2 pm

Committee membership:-
Councillor Barry Clark; Councillor Jos Clark; Councillor Olly Mead; Councillor Steve Pearce; Councillor Liz Radford; Councillor Afzal Shah; Councillor Clive Stevens.
Independent Member(s): 2 x Vacancy

Members present:-
Councillor Jos Clark; Councillor Olly Mead; Councillor Steve Pearce; Councillor Liz Radford; Councillor Charlie Bolton (*for Councillor Clive Stevens*).

Officers in attendance:-
Alison Mullis/Melanie Henchy-McCarthy - Head of Internal Audit, Jonathan Idle - Interim Chief Internal Auditor, Matthew Hepenstal (BDO) - External Auditor, Denise Murray - Service Director (Finance), Nancy Rollason - Head of Service, Legal & Democratic Services, Steve Gregory - Democratic Services Officer.

1. Improving Audit Committee Effectiveness Workshop

Members received a presentation outlining various ways the Audit Committee could improve its effectiveness.

Key points arising from the session were –

- Materiality was a very important factor, only issues relevant to governance should be considered by the Audit Committee;
- Invite wider members of the Council to engage with the audit/governance process;
- Important to have a clear and unambiguous definition regarding governance issues and operational issues so all are clear which committee deals with what;
- Essential that terms of reference for both Audit Committee and other operation committees/commissions were specific and unambiguous;
- Where a disagreement occurred about whether an issue was governance or operational, it would be for the Council's monitoring officer to resolve;
- Other processes in the event of a disagreement included participation by the external auditors and making sure if there were any 'fall through the gap' incidents that they would not be allowed to continue for a significant time. Essential to chase up quickly and resolve.
- CIPFA guidance on Effective Audit Committees to be circulated to all members of the committee.
- Overview of local government finance – would be a helpful training session. A training programme is to be drafted for comment by the committee.
- Effectiveness of the whole committee structure needs to be reviewed once it has embedded.

- It was questioned as to why the lower scoring items in the Audit Committee Effectiveness Review had been missed out of the report to Full Council. Members were advised that this should not have been the case and that this would be checked.

2. Welcome, introductions, apologies and safety information

Apologies were received from –

(a) Councillor Clive Stevens, who was substituted by Councillor Charlie Bolton;
(b) Councillor Barry Clark, no substitution;
(c) Councillor Afzal Shah, no substitution.

3. Declarations of Interest

None declared.

4. Minutes of 23 June 2017

The minutes of the 23 June 2017 meeting were agreed as a correct record.

5. Action sheet 23 June 2017

The action sheet was noted subject to updates as below –

(a) Action (1) – 'downloading of Apps by Councillors, risk of being charged', Members were informed that Apps store account was not linked to e-mail address and as only on wifi a charge could not be made to members accounts. IT team confirmed they monitor usage and internal audit would test this to ensure it was a robust process;
(b) Action (3) relating to a 'summary check sheet in respect of Governance performance to be submitted to every Audit Committee meeting for 2017/18' should read with effect from September.

6. Public forum

None received.

7. Work Programme

The Work Programme was noted.

Members were informed that due to the Audit Committee date being brought forward by one week, the WP had been updated and that some items had been deferred to the next meeting to allow more time for associated work to be completed.

Regarding the Final Statement of Accounts, members asked if the final draft report could be circulated prior to the statutory dispatch date for comments. Officers agreed to do this but also pointed out that the latest version was available to view on the Council's public website.

Arising from discussion, members agreed to a Risk Management Workshop prior to the next meeting, to commence at 1.30 pm.

The Chair requested a pre-meeting with officers on the Monday of the week of each Audit Committee meeting going forward.

Committee members requested that papers are released in advance of the official papers deadline if they are ready. The Final Accounts should be ready mid-end August and were requested as soon as possible.

8. Terms of Reference for the Peer Review of Internal Audit

The Committee considered a report in respect of the Public Sector Internal Audit Standards (PSIAS).

Members were advised that the Public Sector Internal Audit Standards (PSIAS) required that the Council's Internal Audit service was reviewed once every five years, by a qualified and independent reviewer, external to the organisation. The Core Cities Chief Internal Auditors group had established a 'peer- review' process that was managed and operated by the constituent authorities. The process addressed the requirement for an external assessment by 'self-assessment with independent external validation'.

Arising from discussion, the following points were clarified –

1. Firm assurances were given to the Committee about the robustness of this process bearing in mind it was 'local authority to local authority' and not an external source. There was also the advantage of a significant cost saving utilising this approach;
2. The two day assessment period was part of a wider evidence based assessment which encompassed desktop evidence, input from the Council's interim Chief Internal Auditor and if necessary input from the Council's external auditor;
3. The Council's Head of Internal Audit had participated in this process when peer reviewing Birmingham City Council and confirmed the effectiveness of the process.

RESOLVED -

1. **That the proposed approach for the Peer Review of Bristol City Council's Internal Audit function, by Sheffield City Council's Internal Audit service, be endorsed;**
2. **That the terms of reference be noted;**
3. **That the nominated sponsor for the exercise be approved;**
4. **That improvements within the service be monitored by receiving regular updates on actions implemented.**

9. Internal Audit Activity report for Q1 2017/18

The Committee considered a report which gave a summary view and status of the work undertaken by Internal Audit in quarter one of 2017/18. The report also provided an oversight of grant certification work completed on behalf of the Council and an update on Internal Audit's fraud work.

Arising from discussion the following points were clarified –

1. The team had received a number of requests for review/investigation which had directed resource from the planned audit work. Follow up of recommendations had a low level of response in the previous year; however, measures were in place to improve on this and included involvement of Strategic Directors, signing off by the Chief Executive, audit champions for each area attending DLT meetings and, if necessary, a report could be brought to the Audit Committee which would include full details of the officers responsible.
2. Grant certification/claims not being spent were raised as an issue to be investigated. Members were informed that there were some cases when this happened where criteria had not been fully met or where it was due to the Council's systems. It was agreed that a schedule be brought to the Audit Committee so that members could review the information.
3. The Chair congratulated the team on the clarity and presentation of the report.

RESOLVED – that the Internal Audit Activity in quarter 1 of 2017/18, be noted.

10. External Auditor Appointment Process update

The Committee received a report giving an update about the arrangements for appointing External Auditors, following the closure of the Audit Commission and the end of the transitional arrangements, at the conclusion of the 2017/18 audits. Members were informed of the timetable for appointment and that arrangements included a window for representations to be made if the Council was not satisfied with the appointment for any reason. For example, if any companies did a lot of existing work with the Council and their independence would be compromised, the Council could make a representation for a different appointment.

RESOLVED – that the updated position regarding the process for appointment of external auditors, including the timescales for challenging any appointment made, be noted.

11. External Audit verbal update report

The Committee received a verbal update from the Council's external auditors.

Main points noted –

1. The sign off of accounts for next year would have to be done by the end of July rather than the previous deadline of end of December. A preliminary trial was done this year which had

identified weaknesses in meeting this deadline; this gave an opportunity to put these right in good time for next year's deadline although the overall process was found to be positive.
2. The Council's three independent companies would appoint their own auditors to dovetail their work with the Council's.
3. Council housing valuation and investments properties would need to be looked at again, as it appeared in many cases they were undervalued against a backdrop of property price increases in the Bristol area in 2016/17.

RESOLVED – that the verbal update be noted.

12. DBS checks: requirements for Councillors

The Committee received a verbal update from the Council's Deputy Monitoring Officer.

Main points noted –

1. The law relating to this was extremely complicated and different local authorities appeared to do different things.
2. There were different levels of barring, i.e. basic, standard and enhanced. Any regulated activity needed to have an enhanced level of checks.
(3) Generally Councillors did not have regular contact with vulnerable groups so it was a 'grey area' whether the Council was entitled to ask for all Councillors to be DBS checked.

Due to the complexity of this issue, the Deputy Monitoring Officer felt that the way forward was to develop a draft Policy for Audit Committee to consider with a view to Full Council debating and deciding on it; this would also include reference to Youth Councillors.

RESOLVED – that the verbal update be noted and that a DBS draft Policy report be submitted to the next Audit Committee meeting on 21 September 2017.

Meeting ended 4.05 p.m.

Audit Committee Action Sheet – 20 July 2017

Action number	Item/report	Action and Deadline	Responsible officer	Action taken / progress
1	Improving Audit Committee Effectiveness Workshop	CIPFA Guidance on Effective Audit Committees to be circulated to all members of the Audit Committee.	JI/MHM/AM	To be issued in week starting 11th Sept.
2	Improving Audit Committee Effectiveness Workshop	A draft training programme to be prepared.	JI/MHM/AM	Incorporated into Work Plan and to be reported to 21 September Audit Committee
3	Improving Audit Committee Effectiveness Workshop	Checking of reporting arrangements relating to Audit Committee Effectiveness to Full Council and report back to Audit Committee.	JI/MHM/AM	Paper included in 21 September Committee Agenda.
4	Work Programme	Risk Management Workshop to be held prior to the next meeting, 1.30 pm to 2.00 pm.	JI/MHM/AM/SG	Room booked for 21 Sept and e-appointment sent.
5	Work Programme	Final Statement of Accounts 2016/17 to be circulated to members as soon as available.	CH	Final published accounts to be prepared w/c 11 Sept. Awaiting audited statement.
6	IA Q1 Report	A report which details all grants where the full amount was not claimable or money had to be repaid to be brought to committee.	DM	Report prepared for 21 Sept Audit Committee.

Action number	Item/report	Action and Deadline	Responsible officer	Action taken / progress
7	DBS Checks	Draft DBS Policy to be submitted to Audit Committee –	NR	Draft report being prepared.

AUDIT COMMITTEE
DRAFT WORK PROGRAMME 2017/18

Meeting Date	Report Author	Report Details	Routine Work Programme/ Other?	Officer Providing Report	Comments:
23rd June 2017 (AGM)		Confirm Dates and Times of Meeting	Routine	Steve Gregory	Note: suggested timing re June 2018
	External Audit:	Update Report	Routine	External Audit Lead	
	Internal Audit:	Audit Committee Annual Report to Full Council	Routine	Head of Internal Audit	
		Internal Audit Annual Report	Routine	Head of Internal Audit	
		Draft Annual Governance Statement	Routine	Head of Internal Audit	
	Finance:	Draft Statement of Accounts 2016/17	Routine	Service Director - Finance	
	Legal:	**Member Standards items:**			
		Information Items:			
		None			
20th July 2017 9.30am	**Proposed Training:**	**Improving Audit Committee Effectiveness Workshop**	**Training**	**Head of Internal Audit**	
	External Audit:	Update Report	Routine	External Audit Lead	
	Internal Audit:	Terms of Reference for Peer Review of Internal Audit Service	Routine	Head of Internal Audit	
		Internal Audit Update (snapshort report and plan update)	Routine	Head of Internal Audit	
		External Auditor Appointment Process Update	Ad hoc	Head of Internal Audit	
	Legal	**Member Standards items:**			
		DBS Check Requirements for Members.	Requested	Legal and Democratic Services	
		Information Items:			
		None			
21st September 2017 2.00pm	**Proposed Training:**	**Risk Workshop - The Committee's role and where it needs Assurance**	**Training**	**Internal Audit**	A Refresh on the Audit Committee's role with regards to Risk Management, and to explore whether greater assurance is required.
	Internal Audit	Final Annual Governance Statement 2016/17	Routine	Service Director: Finance/ Head of Internal Audit	
	Finance	Final Statement of Accounts 2016/17	Routine	Service Director - Finance	
	External Audit	ISO 260 Report	Routine	External Auditor Lead	
	Corporate	Bundred Report and Annual Governance Statement Tracker		Strategic Director Resources / Service Director Finance	
	Internal Audit	Risk Management Policy Update	Routine	Head of Internal Audit	
	Internal Audit	Corporate Risk Register Update	Routine	Head of Internal Audit	
	Internal Audit	Internal Audit Activity Report	Routine	Head of Internal Audit	
	Finance	Treasury Management Annual Report 2016/17	Routine	Service Director Finance	
	Finance	External Auditor Appointment Process Update	Ad hoc	Service Director Finance/ Head of Internal Audit	
	Internal Audit	Audit Committee Annual Report - Addendum	Ad hoc	Head of Internal Audit	

Meeting Date	Report Author	Report Details	Routine Work Programme/ Other?	Officer Providing Report	Comments:
	Legal	**Member Standards items:**			
		Information Items:			
		Ombudsman Letter			
23rd November 2017	**Planned Training:**	**Governance Workshop, including the role of Audit (Both Internal & External - What the Committee need in terms of Assurance)**	**Training**	**Internal Audit**	To explore the Role of the Internal and External Audit Function and the assurance they can give the Committee
2.00pm	External Audit	Annual Audit Letter	Routine	External Audit Lead	
	Internal Audit	Internal Audit Half-Year Update Report	Routine	Head of Internal Audit	
		Internal Audit - Half-Year Investigation Update Report including, CIPFA Code of Practice on Managing the Risk of Fraud and Corruption	Routine	Head of Internal Audit	
		Code of Goverance Update	Routine	Head of Internal Audit	
		Internal Audit Quality Assurance and Improvement Plan	Routine	Head of Internal Audit	
		Internal Audit Charter & Strategy Refresh	Routine	Head of Internal Audit	
	Corporate Finance:	Bundred Report and Annual Governance Statement Tracker		Strategic Director Resources / Service Director Finance	
		Treasury Management Half Year Report	Routine	Service Director Finance	
	Legal	**Member Standards items:**			
		Information Items:			
		Directorate Risk Register			
25th January 2018	**Proposed Training:**	**Commissioning and Partnership Governance (What the Committee need in terms of Assurance)**	**Training**	**Internal Audit to facilitate**	To provide the Committee with an understanding of the partnership and commissioning governance within the Council, and the role the Committee play in providing Assurance
2.00pm	External Audit:	Grants Audit	Routine	External Audit Lead	
	Internal Audit:	Results of Peer Review of Internal Audit Service	Routine	Head of Internal Audit	
		Annual Governance Statement Update and Action Plan	Routine	Head of Internal Audit	
		Annual Whistleblowing Review	Routine	Head of Internal Audit	
	Corporate	Bundred Report and Annual Governance Statement Tracker		Strategic Director Resources / Service Director Finance	
	Finance:	External Auditor Appointment Process Update	Ad hoc	Service Director Finance/ Head of Internal Audit	
	Legal	**Member Standards items:**			
		Information Items:			
		Directorate Risk Register			
22nd March 2018	**Proposed Training:**	**Statement of Accounts - including Financial Governance and what the Committee needs in terms of Assurance.**	**Training**	**Service Director Finance**	To equip the Committee with an understanding of the Accounts and the areas where it requires assurance
2.00pm		Annual Governance Statement	Training	Head of Internal Audit	
		Audit Committee Effectiveness - Self Assessment Review	Routine	Head of Internal Audit	

Meeting Date	Report Author	Report Details	Routine Work Programme/ Other?	Officer Providing Report	Comments:
	Corporate	Bundred Report and Annual Governance Statement Tracker		Strategic Director Resources / Service Director Finance	
	External Audit	Audit Approach and Planning Letter	Routine	External Audit Lead	
	Internal Audit	Draft Annual Plan 2018/19	Routine	Head of Internal Audit	
		Audit Committee Annual Report to Full Council	Routine	Head of Internal Audit	
		Corporate Risk Register Update	Routine	Head of Internal Audit	
		Annual Fraud Update and Policy Review	Routine	Head of Internal Audit	
		Annual Governance Statement Update and Action Plan	Routine	Head of Internal Audit	
	Legal	**Member Standards items:**			
		Information Items:			
		Directorate Risk Register			

Meeting Date	Report Author	Report Details	Routine Work Programme/ Other?	Officer Providing Report	Comments:
24th May 2018	**Proposed Training:**	**Value for Money Assurance - What the Committee needs!**	**Training**	**Internal Audit to facilitate**	To explore the ways in which the Audit Committee can provide assurance in terms of Value for Money in the Council
2.00pm	External Audit	Update Report	Routine	External Audit Lead	
Possibly change to early June re draft account sign off	Internal Audit	Internal Audit Annual Report	Routine	Head of Internal Audit	
		Draft Annual Governance Statement 2017/18	Routine	Head of Internal Audit	
	Finance	Draft Statement of Accounts 2017/18	Routine	Service Director - Finance	
		Accounting Policies	Routine	Service Director - Finance	
	Legal	**Member Standards items:**			
		Information Items:			

BRISTOL CITY COUNCIL
AUDIT COMMITTEE

21st September 2017

Report of: the Chief Executive

Report Title: **Final Annual Governance Statement 2016/17**

Ward: Citywide

Officer presenting report: Denise Murray, Service Director Finance / Jonathan Idle, Interim Chief Internal Auditor

Contact Telephone Number: 0117 9222452 / 07768 635672

RECOMMENDATION

The Audit Committee consider and agree the Final Annual Governance Statement together with an Action Plan as a fair reflection of the internal control and governance environment during 2016/17 and to date, prior to it being signed by the Mayor.

SUMMARY

The Council is required by the Accounts and Audit Regulations 2015 to prepare an Annual Governance Statement to accompany its published financial statements. A review of the internal control, risk management and governance arrangements has taken place and the resulting Statement and Action Plan is attached to this report. A draft of this statement was discussed in detail at the June 2017 Audit Committee.

The significant issues in the report are:

- the requirement for the Annual Governance Statement
- the review process undertaken to enable the Statement to be made
- the Final Annual Governance Statement is attached together with an Action plan which details the most significant control and governance issues identified during 2016/17 together with the actions for improvement in these areas.

Policy

Publication of an Annual Governance Statement is a requirement of the Accounts and Audit Regulations 2015. Additionally, the Council's Risk Management Policy Statement requires the Audit Committee to review the Annual Governance Statement to ensure it accurately reflects the internal control, risk management and governance arrangements in place.

Consultation:

Internal: Elected Mayor, Deputy Mayor, Extended Leadership Team (ELT), Section 151 Officer, Audit Committee, other relevant officers (Monitoring Officer, Chief Internal Auditor)

External: None necessary

1. Introduction

1.1 Arising from the Accounts and Audit Regulations 2015, the Council is required to conduct an annual review of its system of internal control, and publish an Annual Governance Statement (AGS) with the annual Statement of Accounts. The process is a key mechanism for ensuring that the Council has an effective system of internal control and governance, and that any shortfalls are identified and addressed.

1.2 The Annual Governance Statement must be a fair reflection of the internal control and governance environment during 2016/17 up to the date of being signed by the Mayor and Chief Executive alongside the 2016/17 Annual Statement of Accounts.

1.3 The Accounts and Audit Regulations 2015 also specify that the AGS is considered by “the organisation itself, or a Committee of the organisation”, and this requirement is being met by this submission to the Audit Committee.

2. AGS

2.1 A more robust approach to providing assurance for the 2016/17 Annual Governance Statement has been developed with senior managers from across the Council completing assurance statements for each of their areas acknowledging responsibility for internal control and risk management. Each of these employees have certified or otherwise their satisfaction with arrangements in place during 2016/17.

2.2 The review process also examined a wide range of internal control and governance processes., which included:

- meeting with Senior Management and other key officers within the Council, where appropriate;
- obtaining and reviewing all External Audit and Inspection reports, Internal Audit reports and management monitoring reports;
- a review of all corporate risk register items;
- the scrutiny and evaluation of the information obtained;
- determining significant control issues within the definition agreed for disclosure; and
- consultation with the ELT, Audit Committee, Deputy and Elected Mayor.

2.3 The AGS describes the Council's governance framework and reviews its effectiveness, which covers the following:

- External Commissioned Review;
- Audit Arrangements;
- Financial Arrangements;
- Decision Making; and
- Council Owned Companies.

2.4 The Statement summarises the actions and improvements which have been taken to enhance governance arrangements in 2016/17 before setting out significant governance and control issues.

2.5 In determining the significant governance issues to disclose, the following factors have been considered on whether the issues had:

- seriously prejudiced or prevented achievement of a principal objective;
- resulted in the need to seek additional funding to allow it to be resolved or had resulted in a significant diversion of resources from another aspect of the business;
- a material impact on the accounts;
- been considered as significant for this purpose by the audit committee or equivalent;
- attracted significant public interest or had seriously damaged the reputation of the Council;
- resulted in formal action being taken by the Section 151 Officer/Monitoring Officer;
- received significant adverse commentary in external inspection reports and which the Council has not been able to address in a timely manner.

2.6 In summary the significant governance issues arising in the Statement are as follows, from which actions are required relate to:

- The range of issues in the Bundred Review;
- Rate of Implementation of Internal Audit Recommendations;
- Strategy and Business Planning;
- Performance Management;
- Governance of the Capital Programme;
- Procurement and Contract Management
- Decision Pathways
- Partnership Agreements;
- Information Security and Data Breaches;
- Risk Management processes;
- Member development;
- Protocol for Member Officer Relations;
- Audit Committee effectiveness; and
- Asset Disposal.

2.7 In addition to enabling the preparation of the AGS, this process has provided an opportunity for the review and evaluation of control issues throughout the Council. Where appropriate, the issues identified in the AGS will be included in the Corporate Risk Register (CRR), and progress on the actions to address the issues will be monitored and reported to management teams accordingly.

2.8 It has also been identified that the Council's Code of Corporate Governance requires refreshing and updating, This will be presented to a subsequent Audit Committee.

Other Options Considered

None necessary

Risk Assessment

The need to maintain a robust Risk, Governance and Control environment is pivotal to the effective operations of the Council's functions, a statutory requirement of the Accounts and Audit Regulations 2015 and an implied requirement of the External Auditor**.**

Failure to maintain and where required improve this environment will not only impact on the proper practices of the Council, but will also be in breach of the Accounts and Audit Regulations 2015 and may attract an adverse opinion from the External Auditor.

Disclosures of significant control weaknesses in a public statement could result in adverse press coverage. Hence the wording of the disclosures has been discussed with the ELT to minimise this risk. The document has also been discussed with Corporate Communications prior to publication.

Equalities Impact Assessment

None necessary for this report

Environmental Impact Assessment

None necessary for this report

Legal and Resource Implications

Legal - none sought.

Resources - none arising from this report, however resource implications may arise if the Council fails to maintain a robust control, risk and governance environment.

Appendices

Appendix A - Annual Governance Statement and Action Plan 2016/17

LOCAL GOVERNMENT ACCESS TO INFORMATION

Background Papers Audit Committee Terms of Reference
Risk Management Policy Statement
CIPFA/SOLACE Guidance on the Annual Governance Statement

How did we do?

In May 2016, a new Mayor was elected and there was the appointment of a new Cabinet bringing a change of vision, direction, values and key priorities, which are now reflected in the new Corporate Strategy for the Council. This has allowed the Council to reflect upon its governance. This Annual Governance Statement reflects a changing culture in the Council towards transparency and a determination on the part of the Mayor, Members and Officers to improve how we do business.

Organisationally, there have been significant changes to the Leadership Team. New appointments were made to key roles such as Chief Executive, Monitoring Officer and Director of Finance (Section 151). Wider changes in the Leadership Team have been evident as the organisation and its structures seek to improve its efficiency and effectiveness in a financial climate which requires significant reductions in expenditure or the implementation of strategic and governance changes.

It has been a challenging year in terms of governance at the Council. In the first half of 2016/17, financial monitoring information indicated significant challenges in balancing the budget and delivering the Council's priorities and spending plans as set out in the three year Medium Term Financial Strategy for 2014/15 - 2016/17. Whilst the Leadership Team were tasked with reviewing income and expenditure, by November 2016 it was apparent that the initial mitigating actions proposed would not deliver the savings required to balance the budget. Decisive action was taken and a Management Instruction to cease all non-essential spending across the Council was put in place and remained until 31 March 2017.

The statement of accounts for 2016/17 indicates a year end overspend which is at a level that can now be contained within funds identified from a redirection of reserves. The budget for 2017/18 seeks to ensure a stable position can be sustained, and noted the indicative budget gap and initial savings positions from 2018/19 onwards. A rolling medium term financial plan for 2017/18 to 2021/22 has been developed and approved by Cabinet in July 2017. The plan incorporated a refreshed position after consideration of the financial climate at both national and local level, pressure on wider public sector expenditure, in particular, the NHS and Police, any consequential impacts for the City Council's budgets and available resources. Guiding principles were endorsed for how we spend, save and invest which will assist in ensuring reducing resources are aligned to activities that have the greatest impact on the delivery of priority outcomes.

Improved governance arrangements relating to the delivery of savings have been implemented. This replaces the role of the Directors Working Group (introduced during 2016/17) to a new framework for governance which includes a Delivery Working Group and strategic oversight by a Delivery Executive, which includes the Mayor (on a quarterly basis) the Deputy Mayor for Finance Governance and Performance and Chief Executive. This reflects an intended change in culture reflecting greater Member oversight of performance and clarity of governance within the Council.

To enable the financial position which full Council, Strategic and Service Directors approved for the financial year 2017/18 to be delivered, a three tier escalating budget scrutiny / improvement protocol has been developed. The protocol is aimed at addressing service areas where financial performance is a concern and at a directorate level, the net position could destabilise the Council's financial position. Budget Improvement Executive will be chaired by the Deputy Mayor for Finance, Governance and Performance supported by the Chief Executive, Director of Resources and the S151 Officer. The relevant Strategic and Service Directors are called in, accompanied by the appropriate Cabinet Member portfolio holder or their nominated deputy to provide assurance that appropriate mitigating actions are being undertaken to address the problem.

The Council has initiated wide-ranging governance reviews, including the Council's Constitution, which will be presented to the Mayor and Cabinet for endorsement and submission to full Council for approval, Financial Regulations, the Scrutiny process and arrangements relating to Council owned companies and subsidiaries. The emerging Target Operating Model will set out how the Council will arrange itself in order to enable delivery of outcomes and become a fit for future, resilient and high performing organisation. A more robust approach to providing assurance has been introduced with more regular reporting by statutory officers and senior managers.

Membership of the Audit Committee, the Committee appointed to oversee governance arrangements at the Council, also changed significantly with several new Council Members (new to the Council as well as the Audit Committee) appointed to serve on the Committee. Despite the challenges faced, there are numerous examples of how governance at the Council has seen improved outcomes, for example the Council success for Business Improvement Strategy at the National Contact Centre Awards.

Scope of Responsibility

We are responsible for ensuring that our business is conducted in accordance with the law and proper standards, and for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and an efficient and effective service.

What is Corporate Governance?

"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."

The Code of Corporate Governance

The Council has approved and adopted a Code of Corporate Governance (the Code), which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives (CIPFA/SOLACE) Framework *Delivering Good Governance in Local Government*.

A copy of the Code is available on the Council's website. This statement explains how the Council has complied with the Code.

The Code, which was approved and adopted by the Council in January 2009 is revised and approved annually by the Audit Committee. In 2017 /18, the Council will refresh the Code to reflect the latest guidance.

Purpose of Statement

The purpose of the Annual Governance Statement (AGS) is to explain how the Council has endeavoured to deliver good governance through the arrangements in place during the period covered, and how the Council has reviewed the effectiveness of these arrangements.

It also meets the requirements of the Accounts and Audit Regulations 2015, which require the Council to publish an AGS in accordance with proper practice in relation to internal control.

The AGS covers financial year 2016-17 and the subsequent period, up to the sign off of the 2016/17 financial statements. The draft statement was presented to Directors and to the Audit Committee in June 2017, following which this statement was formally approved.

The Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community.

The approach to governance, takes account of the environment in which the Council now operates; its aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

- All Members have an important role to play in representing their constituents, as well as acting together as the Council.
- Officers serve the Council as a corporate body rather than any political group, combination of groups or individual member.

Members and Officers should work in an atmosphere of mutual trust and respect. Members determine the Council's policies and Officers are responsible for implementing decisions taken by the Council, Mayor, Cabinet and/or the appropriate committee as well as taking decisions delegated to them under the Scheme of Delegation. Committees review and scrutinise the Council's performance, they cannot start or stop executive action but can challenge reasonably holding members and officers to account.

In discharging these duties all parties should act in an open, honest and transparent manner.

The Council must seek to ensure that the highest standards are met and that governance arrangements are not only sound but are seen to be sound.

Legislation requires that certain functions be exercised by a 'proper officer'. The functions of the Mayor, Executive, Head of Paid Service, Chief Finance Officer (section 151) and Monitoring Officer are outlined in the Council's Constitution.

Committees & Boards

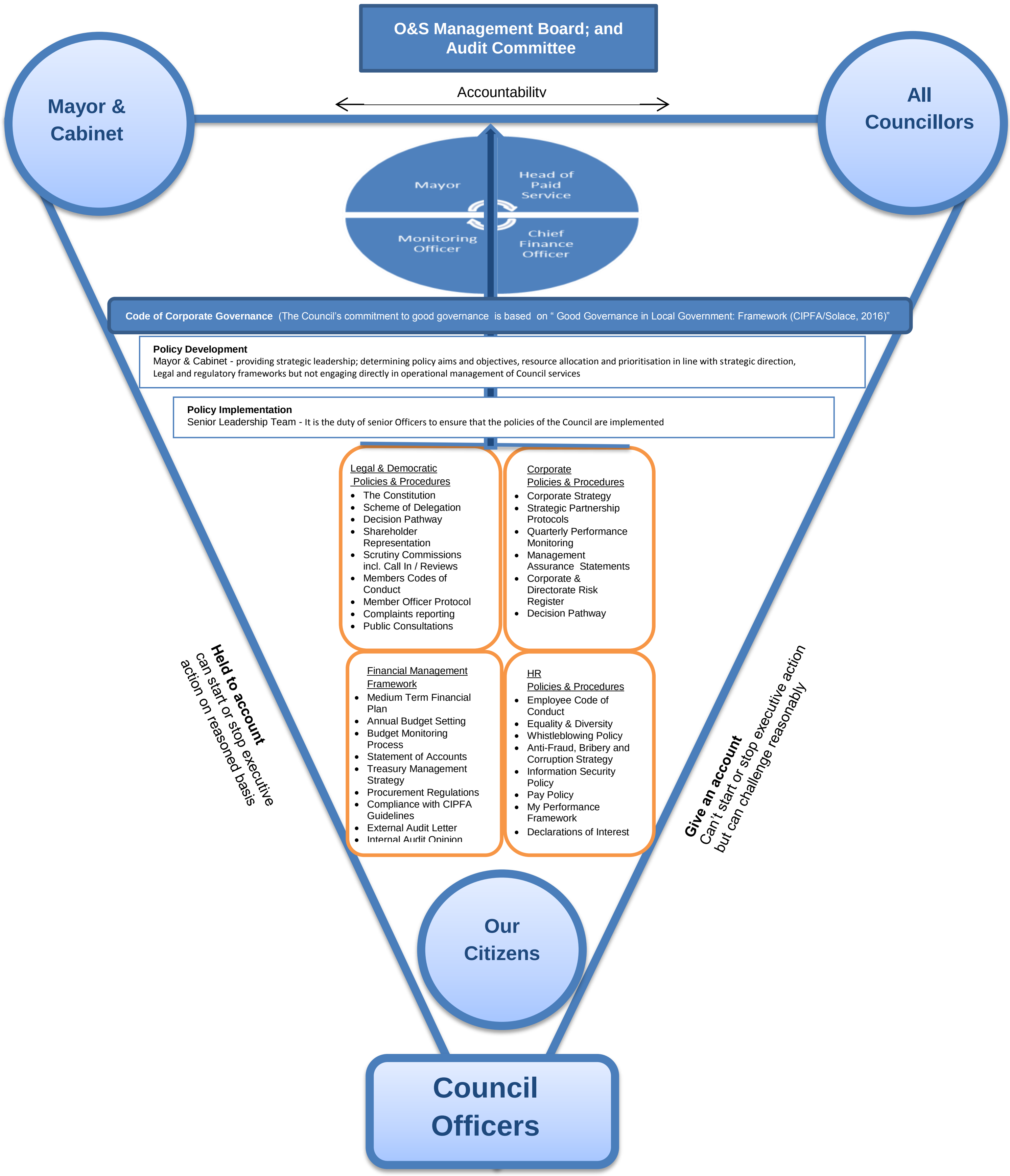
Scrutiny Commissions:
- Resources
- Neighbourhoods
- People
- Place

Other Committees:
- Audit
- HR

Regulatory Committees:
- Development Control
- Licensing
- Public Rights of Way & Green
- Public Safety & Protection

Partnership Boards:
- Bristol Homes
- Health & Wellbeing
- Learning City
- Children's and Adult's Safeguarding

Accountability within the Governance Framework



NB: Please note that this is not an exhaustive list of policies or accountabilities for the Council e.g. Safeguarding and other statutory and regulatory responsibilities are not covered by this framework

Review of Effectiveness

The Council has responsibility to review the effectiveness of its governance. This review was co-ordinated by the Internal Audit Team and included managers from each directorate collating, reviewing and evidencing compliance and identifying any governance improvements required within their areas. Issues identified by External Reviews, Internal and External Audit were also considered for inclusion in this statement. Where the issues identified are considered significant, these will be outlined in the 2016/17 Annual Governance Statement improvement plan.

External Commissioned Review

The **Bundred Review** (an external review by the Local Government Association) was commissioned by the Mayor following a report to Cabinet in September 2016 outlining an estimated budget deficit of £29.1m in 2016/17. The causes of the budget deficit were reviewed and recommendations were made to improve financial management and governance.

The report, published in February 2017, made 12 recommendations across a broad range of topics including the Council's Finance Department, improving the Council's approach to reporting, writing business cases, managing documents and making specific departments accountable for savings. It also highlighted the need to improve management culture, keep backbench and opposition Councillors better informed and maintain more regular financial reporting to Cabinet.

It noted that many improvements had been made since September 2016, with regular and stronger financial reporting, more involvement of elected members and changes in senior management. This includes recruiting a new permanent Director of Finance, who has been made a full member of the Council's Senior Leadership Team.

The report noted that changes must be made over the long term under the Council's new Chief Executive. Comprehensive responses to the recommendations within the report were agreed at Cabinet in May 2017 to strengthen the governance framework of the Council. Addressing the recommendations which flow from the report is a shared corporate responsibility which lies with all members of the Strategic Leadership Team.

Review of Effectiveness - Audit Arrangements

A more robust approach to providing assurance for this Annual Governance Statement has been developed with **Managers and relevant budget holders** from across the Council completing assurance statements for each of their areas acknowledging responsibility for internal control and risk management. Each of these employees have certified or otherwise their satisfaction with the arrangements in place during 2016/17. Several areas for improvement have been identified.

In the 2015/16 Annual Governance Statement, 11 key areas for improvement were identified. An update has been reviewed by the Audit Committee in year. Several of the improvements identified remain outstanding and there is a need for enhanced monitoring of agreed actions in 2017/18.

The Audit Committee has monitored standards of conduct of Members. Entries made in the Register of Members Interests were reviewed by the Monitoring Officer.

The **Audit Committee** provides independent assurance on the adequacy of the governance arrangements in the Council and has cross party representation.

The Committee met regularly during 2016/17, considering reports from the Chief Internal Auditor including the Annual Internal Audit Report, the Section151 Officer, the Monitoring Officer and the External Auditor.

An assessment of the Committee is underway (following CIPFA good practice guidance) to identify any areas where improvements are necessary to increase its effectiveness.

The Audit Committee received regular reports on counter fraud and fraud investigations throughout 2016/17. A review of the Council's position related to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption needs to be reported to the Audit Committee in 2017/18.

The **Head of Internal Audit** has undertaken a programme of reviews around governance arrangements, internal control and risk management arrangements at the Council. Overall, their opinion is that only limited assurance could be provided in respect of 2016/17 as detailed in their Annual Audit Report.

BDO is currently the Council's appointed **External Auditor**. As well as the examination of the Council's financial statements, the work of the Council's External Auditor includes an assessment of the degree to which the Council delivers value for money in the use of its resources.

In its Annual Report for 2015/16, BDO stated that the Council had proper arrangements in place for securing economy, effectiveness and efficiency in its use of resources.

Moving forward, BDO will be reviewing the significant estimates and judgements that could influence the Council's financial position.

An Improvement Plan for the Internal Audit service has been prepared and an external peer review is also planned by the Core Cities Chief Internal Auditors Group for autumn 2017, both designed to enhance the service.

Review of Effectiveness – Financial Arrangements

The **Director of Finance** has confirmed that the principles outlined in the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government* have been complied with in performing her duties.

It has, however, been recognised that there was a need for significant improvements in financial management and reporting arrangements across the organisation. Integral to this is the finance function which is still in the midst of a sustained period of change with the aim of improving the efficiency of our processes and effectiveness of our service.

Longer term improvements planned include increasing capacity and the skill base within both Finance and Internal Audit, continued development of finance systems and processes, refreshing of financial strategies and key policies and the provision of a more flexible, agile and adaptive support to the business.

Audit findings and responses contained in the Assurance Statements in respect of **Procurement and Contract Management** highlighted the following concerns regarding robustness of process:

- Improvements required in tendering process including clarity in specification setting.
- Significant use of Waivers in the procurement of goods and services.
- Weakness in contract monitoring including the need for improved pre-planning prior to the end of contracts and agreement timeframes.

There has been a move from quarterly to monthly **budget forecasting** and reporting to members, these reports feed in to the cyclical Cabinet meeting. Budget reports are considered by Directorate Leadership Teams who are supported by Finance Business Partners. The Strategic Leadership Team and Scrutiny also receive reports which identify forecasted budget positions and planned remedial actions.

A material overspend was forecasted during the year and a number of control measures were introduced or enhanced to assist in managing down the shortfall and provide greater assurance**:**

- Ceasing spending on activities that are not wholly and exclusively funded from; specific ring fenced grant, cash neutral to the general fund or funded from trading / operating income.
- Chief Executive, in conjunction with the Monitoring Officer and the Section 151 Officer, was charged with reviewing exception requests.
- The Commissioning and Procurement Group ensure the Council and its partners procure services with efficiency, value for money and in line with best practice.
- Directors Working Group established to provide assurances relating to the delivery of the Savings Plan. This function has been further enhanced in the form of the Delivery Working Group / Delivery Executive.

In 2017/18 we have reinforced the requirement to operate within approved cash limits, seek directorate mitigations for emergent pressures and in consultation with the relevant Cabinet member formally request a supplementary estimate. In 2017/18 two areas are forecasting overspends due to pressures considered persistent / unavoidable within the financial year both significant but of differing magnitudes.

The Property function was referred directly to Budget Scrutiny and supported in developing a recovery plan of which progress on implementation is being tracked.
The People directorate due to the scale of the pressure was referred to Budget Improvement Executive to seek assurance that actions are being undertaken to address the problem, both within the directorate and corporately and these both continued to be monitored, to ensure that the Council does not overspend in 2017/18.

Review of Effectiveness – Financial Arrangements

In 2016/17, there has been unplanned slippage in the annual delivery profile of key **capital projects** to which funding has been earmarked in the capital programme. In making that statement it must also be recognised that a number of schemes were deferred until 2017/18 in a planned managed way to reduce capital financing costs, which reduced the 2016/17 overspend. There has also been greater visibility in capital monitoring, reporting and financing, which has been reviewed and assisted in verify the availability and timing of funds assumed within the programme. Improvements have commenced and are required on an ongoing basis to ensure that:

- The Capital Programme is realistic, of strategic importance, economically justifiable and financial affordable.
- There is robust project management to effectively oversee the monitoring of key milestones and benefits realisation within the programme.
- A Capital Strategy is approved aligned to corporate objectives.

Review of Effectiveness – Decision Making

The Council's **Monitoring Officer** has legal responsibility to look into matters of potential unlawfulness and has confirmed that there has not been the need to make a report concerning any proposal, decision or omission that would give rise to unlawfulness or maladministration. Decisions have been made in accordance with the budget and policy framework.

The Council's **Senior Information Risk Owner** has confirmed that information security arrangements are in place although some areas were in need of improvement. Online training is available and course refresh requested for all staff to raise awareness of what each employee needs to do to keep Council information secure. At the time of writing, 94% of employees have completed the training and those who haven't, have been disconnected from the network. Work has commenced with members to undertake a similar programme, completion date 30 September and at the time of writing 31% of members have completed the training.

The **Constitution** establishes how the Council operates, outlining the roles and responsibilities of the executive, non-executive and scrutiny functions. It includes setting out how decisions are made, delegation arrangements to Members and Officers, Financial Regulations and Procurement and Contract Procedures, Member / Officer Protocols and other supporting procedures of how decisions are taken and the processes and controls required to manage this. The mayor will take (or delegate) key decisions in public unless there are clear lawful reasons justifying otherwise.

The Constitution was reviewed at the annual meeting of full Council and published on the Council website. The need for a more extensive revision has been identified and this includes a review of the Financial Regulations, Schemes of Delegation, Procurement and Contract Procedures and the Member /Officer Protocol (not updated since 2002 but considered annually as part of the annual governance report to Full Council), which will be concluded and implemented in November 2017.

The Council's approach to managing staff performance is, "**My Performance**", which requires regular, quality conversations and periodic online assessment. On line completion is monitored and incorporated in the internal quarterly performance reports. This has highlighted inconsistent application with only 68% of staff having registered the completion of performance reviews.

For the Council to successfully delivery its vision and commitments these objectives need to be linked to the Councils overarching principles and priorities.

For **complaints**, in 2016/17, the Council responded to 58% of Stage 1 statutory complaints within 15 days (the service target is 90%) and 73% of Stage 2 within 20 days (the service target is 90%).
This will need to be strengthened in 2017/18 and the Chief Executive has already written to Strategic Directors setting out the need for improvement and closer monitoring.
The support functions that lead on co-ordination of complaints are now reporting to the Head of the Chief Executive's Office, where additional oversight can be provided, and improvements required identified and performance appropriately monitored.

The Council has commissioned a number of external Peer Challenges for 2017/18. These will involve small teams of local government officers and councillors spending time at the council as peers to provide challenge and share learning.

In February 2017, the new **West of England Combined Authority** made up of three of the local authorities in the region, was established, working in partnership to deliver economic growth in the region, and address some of the challenges particularly in relation to transport, housing, productivity and skills.
A West of England Overview and Scrutiny and Audit Committees will be established to scrutinise and hold to account the new combined authority and West of England Mayor.

Review of Effectiveness – Decision Making

The **Mayor** personally holds significant Executive decision making powers within the context of the budget and policy framework approved by full Council in relation to all major policy decisions not reserved for the Council. Whilst some of this responsibility may be shared with Cabinet members, the Bristol Mayor retains this function.

The **Cabinet** is responsible for the key decisions of the Council. The Cabinet met frequently (every 6 weeks) and made decisions in line with the Council's overall policies and budget. The decisions of the Cabinet were subject to scrutiny through the Overview and Scrutiny Management Board and four Scrutiny Commissions, which met regularly during the year.

Members have recognised that that the **Scrutiny process** has not operated as effectively as possible and the Council has initiated a review of arrangements in order to enhance effectiveness.

The Overview and Scrutiny Commissions have reviewed a wide variety of reports and "call ins" including:

Corporate Strategy

Savings Proposals

Combined Authority and Devolution Proposals

Performance Reporting Framework

Engagement and Democracy

Financial Monitoring

Annual Report of the Director of Public Health

Neighbourhood Partnerships

Local Flood Resilience Strategy

Bristol Transport Plan

Bristol Children's Services Improvement Plan

Adult Social Care Strategic Plan

Decisions made by Committees, Council and Cabinet, (under their delegated powers) and the Chief Executive and Strategic Director decisions are recorded and published online for transparency. A review of the publishing of Officer Executive decisions is under way to improve reporting arrangements.

Delegation arrangements for Cabinet Members are reviewed annually as part of the appointments process.

The Council publishes a calendar of meetings and deadlines for the submission of agenda items; agendas and reports are produced promptly and provided to the relevant Members.

Review of Effectiveness – Council Owned Companies

The companies **Bristol Energy** and **Bristol Waste** are wholly owned by the Council through a company, Bristol Holding Limited. Bristol Energy is a 'social' supplier of gas and electricity to the public. Bristol Waste provides recycling, waste collection, disposal and street cleansing services on behalf of the Council.

The companies produce their own accounts which are subject to an independent external audit. In 2016/17 the companies' accounts have been consolidated into the Council's accounts for the first time. An assurance statement based on the model completed by Council managers has been completed on behalf of each company to provide assurance that governance arrangements are sound.

Each company has put in place their own governance arrangements which reflect the commercial environment within which they operate. These governance arrangements are similar to some of the Council's arrangements but do not replicate them exactly. The companies operate in accordance with business plans and progress against them is monitored internally and reported to the Council through the client management team and the shareholder function.

The Council has, to 31st March 2017, invested significant sums in the wholly owned subsidiaries. It has retained a very small client management team to oversee the relationship with the companies. A 'shareholder' function has also been established to hold the companies to account for their performance. During 2016/17, the Council has increased the level of performance monitoring of the companies. The energy supply market is highly competitive and many of the changes experienced from its inception were difficult to predict. The shareholder meetings have managed this well and the company is showing a positive trajectory with in the region of 80,000 customers signing up.

There is a Code of Practice which sets out how the Council should govern its relationship with the companies. There are some inconsistencies in governance across the companies, for example Bristol Energy established an Audit Committee in March 2017 and the other companies do not have Audit Committees and also none of the companies have appointed internal auditors. With recent departures of Board members, there is a need to ensure that their replacement brings the right skills mix to the Board and that the Council ensures appropriate induction.

After a year of operation the time is right to review and improve, where appropriate, the governance model. The Chief Executive and Deputy Mayor for Finance, Governance and Performance has instigated a review of the governance in operation for Companies. This review is underway across the group, looking at best practice from other authorities, including the role of Council Officers and Members and skills required for Board members and it will report back in 2017/18.

IMPROVEMENTS MADE IN 2016/17

During 2016/17, the Council has made progress in enhancing its' governance arrangements via the following:

- ✓ There is a basis for stability and continuity of strategic leadership with the permanent appointments to the posts of Chief Executive, Section 151 Officer and Monitoring Officer.
- ✓ The Section 151 and Monitoring Officer are now substantive members of the Strategic Leadership Team ensuring finance and good governance is at the heart of strategic management and decision making.
- ✓ Budget processes for 2017/18 place clear accountability with budget holders to deliver services within budget allocations. The process to be followed by Strategic Directors should a request for additional resources, within the financial year, requires approval in advance of expenditure being incurred except where urgency procedures apply.
- ✓ Governance arrangements around delivery of savings have been enhanced and include strategic oversight by a Delivery Executive which includes the Mayor and Deputy Mayor.
- ✓ Budget reporting has increased in its frequency with the all members now receiving monthly rather than quarterly financial information. More timely review of budget and financial information will continue into 2017/18.
- ✓ The 2015/16 accounts were not qualified and there were few adjustments to the draft accounts, which were prepared to a good standard.
- ✓ Final accounts closure process has been improved with earlier sign off than in previous years.
- ✓ A more robust approach to providing assurances through the Annual Governance Statement now sees all senior managers and responsible officers input to the governance assessment.
- ✓ The Statutory Officers Group, SLT and Executive Board to receive quarterly updates on the issues dealt with by the Council's statutory officers.
- ✓ Work has commenced on facilitating a greater understanding of the Constitution of the Council and its Scheme of Delegation with senior managers of the Council.
- ✓ The establishment of the Children's Services Improvement Board which focused on improving social work outcomes and improvement in Care Leavers outcomes.
- ✓ Additional resource/expertise has been sourced to provide capacity and support to the finance and internal audit teams to deliver the function and organisational improvements required.
- ✓ The Bristol Resilience Strategy was prepared to provide a framework to protect the city against potential economic, social and environmental shocks and stresses it may encounter in the future, setting out how the Council will work together with city organisations and local citizens towards shared priorities.

Significant Governance Issues
(see key below for definition)

No systems of control can provide absolute assurance against material misstatement or loss. In concluding this review a number of issues have been identified that need to be addressed to ensure continuous improvement in the governance framework. Some of these, identified below, are significant and, where necessary, additional improvements have been identified in a separate internally monitored action plan.

Issue No.	Issue Identified	Actions Taken and Proposed
1	The Bundred Review identified a range of recommendations to improve financial and budget management, including the achievement of savings and in how the Council managed the process.	The responses to the Bundred report agreed at Cabinet will be regularly monitored in 2017/18 in line with this AGS action plan.
2	Internal Audit has reported in their Annual Report that only 70% of recommendations followed up had been fully or partially implemented.	More rigorous monitoring of the implementation of Internal Audit recommendations is scheduled for 2017/18 accompanied by the enhancing of communication and escalation to Strategic Directors and Service Directors, who will then be held to account for their performance by the Chief Executive and Members. An update will be included in the Internal Audit activity report scheduled for September Audit Committee.
3	Whilst the high level Corporate Strategy has been agreed, business planning requires development via the agreement of a detailed Target Operating Model (TOM) to ensure the whole organisational resource is focussed on delivery of the strategy and values. .	A new coordinated approach is underway, developing a wider strategic approach to delivering the Mayor's vision and strategic priorities. Sitting at the heart of this is the development of a single overarching strategic vision for the city for the next 20-50 years, alongside a 10 year rolling delivery proposition – The Economic Growth Strategy. This will bring together a single refreshed and forward thinking view of a number of existing plans including the Corporate Strategy, supported by the baseline data and evidence to support the delivery of the objectives. The emerging Target Operating Model (TOM) will set out how the Council will arrange itself in order to enable delivery of the outcomes of the Economic Growth Strategy and become a fit for the future, resilient and high performing organisation. Underpinning this will sit the Council's emerging Medium Term Financial Plan (MTFP) which, on a rolling basis, sets the financial and policy framework and principles

		within which the Economic Growth Strategy will be delivered. The MTFP and TOM set the direction, objectives and framework under which all Council plans will fit, these include: • Business plans • Performance management framework – defining the outcomes and KPIs for the organisation, team and individual • Workforce plan – the employee offer, experience and development • Transformation plans • Communication and employee engagement plan • Values and behaviours framework
4	Performance management of our employees has been inconsistent with only 68% having registered completed performance reviews.	Our employees are supported by a comprehensive individual performance management process, with objectives that link to the Councils overarching principles and priorities outlined in the TOM. (see 3 above).
5	A review of governance relating to the Capital Programme Board was assigned partial assurance in relation to Capital Programme and Project delivery and, in 2016/17, there has been significant slippage in delivery of key capital projects in line with the agreed capital programme.	Capital governance to be reviewed and project management / profiling and monitoring strengthened to ensure the Council achieves its investment aspiration and does not unnecessarily lock revenue. Terms of reference are being prepared for a new approach which merges the Property and Capital Boards into a single Investment Working Group with a governance approach which reflects that adopted for revenue. Additional resources will be identified to support the monitoring activity and the new process established to feed into the mid-year monitoring report.

6	Weaknesses in the timing and advanced planning for procurement and subsequent post award Contract Management have been identified by both Audit reviews and from responses in the Assurance Statements.	A Commissioning and Procurement Group has been established to consider all procurement requests including requests for waivers. Instigate robust Council-wide contract monitoring governance and guidelines in order to ensure best practice for all procurement activities, value for money is achieved and poor contract management arrangements are quickly identified. Internal Audit to continue to undertake assurance reviews of the effectiveness of Procurement and Contract Management arrangements which support the Council in achieving value for money and delivering on corporate objectives.
7	There are a number of decision documents and processes which are considered too complex to navigate and which need to be simplified bringing together the Mayor and Cabinet's decision making and internal working groups. This will provide clarity and enable an efficient and meaningful engagement process not constrained by time and urgency.	Reviews of both the Decision Pathway and the current internal working groups are being undertaken with meetings in the pipeline. An officer draft rolling 12 month forward view of possible Key decisions and Officer executive decisions has been developed for planning purposes. Briefing sessions have been provided on the Constitution and the Scheme of Delegation for all managers. The Constitution, Scheme of Delegation and Financial Regulations have been reviewed with a number of changes proposed, not all of which were supported. It was agreed that some of the proposals would be better informed following the corporate peer challenge. In light of this; the changes proposed are in the process of being refined for endorsement by the Mayor and Cabinet and submission to full Council November 2017 to seek approval.

8	The Council has a number of partnership agreements in place and while we recognise the unique nature of some of these, many have been in existence for a number of years and require review. Corporately, we do not specify what governance arrangements we expect to see in place when working with partners which could expose the Council to risk.	Partnership agreements to be reviewed to improve governance and provide guidelines in order to ensure best practice, value for money and minimise the risk to which the Council is exposed. The Work Plan of BDO (External Audit) includes review of both the Council's partnership arrangements and its interest in companies. The findings will be reported to the Audit Committee.
9	A number of Internal Reviews have concluded only partial assurance relating to Information Security as well as issues around Public Service Network (PSN) compliance and the occurrence of 18 data breaches where data was disclosed or potentially disclosed which should not have been.	An information security risk assessment has been completed to identify risks; lessons learnt and devise an Action Plan. The PSN certificate has now been awarded and we are accredited as an authority having resolved the outstanding issues. The action plan is still in development in terms of pulling together all of the actions into one place. The final document indicating what is still outstanding is due next week. The effectiveness of the action plan will inform the Internal Audit plan for 2017/18.
10	Risk Management processes need further embedding to provide forward looking views of risk which anticipate risk rather than retrospective reporting of how already known risks are managed.	Internal Audit will fundamentally review Risk Management arrangements and recommend improvements to arrangements.
11	It has been identified that there is a need for member development to concentrate upon the Mayoral model and in enhancing the community leadership role.	The officers supported by the LGA have drafted a programme for Members to develop a programme of essential and desirable skills. This has been shared in draft with party group leaders whilst officers are in the process of re-establishing a Member working group to consider the draft and reshape as appropriate. The member development programme will continue to be supported by the LGA and once endorsed will be rolled out in accordance with an agreed implementation plan.
12	The Protocol for Member / Officer Relations has not been updated since 2002 but has been considered annually as part of the annual governance report to Full Council.	The Protocol will be specifically reviewed and updated as part of the Constitution review and will be presented to Full Council November 2017.

13	An assessment against a CIPFA checklist on the effectiveness of the Audit Committee has been commenced and will report by September2017.	The Audit Committee should formally review its effectiveness annually in year and prioritise any improvements for the subsequent reporting period.
14	Ongoing work remains outstanding in relation to concerns raised with regards to the control and treatment of Council Assets, in particular the governance surrounding asset disposal.	Audit report to be concluded to identify lessons learnt from asset disposal.

Key – Significant Governance Criteria:

The criteria for "significant governance" are issues/ areas which:

- Seriously prejudiced or prevented achievement of a principle objective;
- Resulted in the need to seek additional funding to allow it to be resolved;
- Required a significant diversion of resources;
- Had a material impact on the accounts;
- Resulted in significant public interest or has seriously damaged reputation;
- Resulted in formal actions being taken by the Chief Financial Officer or Monitoring Officer;
- Received significant adverse commentary in external inspection reports that has not been able to be addressed in a timely manner.

Statement of Commitment

We have been advised of the implications of the result of the 2016-17 review of the effectiveness of the governance and internal control frameworks by the Audit Committee and of the plans to address identified weaknesses and ensure continuous improvement of the systems in place.

We propose over the coming year to take steps to address the above matters to enhance further the Council's governance and internal control arrangements.

As part of our commitment to further strengthen governance, local accountability and to explore how effectively we are delivering services, the Mayor and I have volunteered Bristol City Council to take part in a number of Corporate Peer Challenge organised by the Local Government Association. These were postponed due to the Grenfell Tower tragedy but will be implemented this financial year. This is an invaluable opportunity to provide an external perspective and 'baseline' for the Council in terms of our current position. Furthermore, the challenge will explore how the Council can best achieve its ambitions and plans for the future and use the organisational values as key references points to guide the teams work.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and that we will monitor their implementation and operation over the next year and as part of our next annual review of effectiveness.

Signed:... **Date:**.............................

Marvin Rees
Elected Mayor

Signed: **Date:** 13th September 2017

Anna Klonowski
Chief Executive

Audit Committee

21 September 2017

Report of: Director of Finance

Title: Statement of Accounts Year Ended 31 March 2017

Ward: City Wide

Officer Presenting Report: Denise Murray

Contact Telephone Number: 0117 3576255

Recommendation

The Audit Committee approve the Statement of Accounts for the year ended 31 March 2017

Summary

The Statement of Accounts sets out the Council's financial position as at the 31 March 2017 along with a summary of its income and expenditure for the year to 31 March 2017. The financial statements are the main method of demonstrating financial accountability and stewardship.

The audit identified one significant change to the draft accounts relating to the valuation of the Council's housing stock. This and a number of minor changes have been agreed and incorporated into the revised Statement of Accounts attached at Appendix 1.

Policy

None affected by this report.

Consultation

1. **Internal**
   Strategic Directors, Service Directors and the finance team

2. **External**
   The draft accounts were available for public inspection.

Background and Context

1. The Council's Statement of Accounts has been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) which is based on International Reporting Standards (IFRS). This is necessary to ensure that accounts of all Government funded bodies provide comparable and consistent information.

2. Consequently the accounts are a complex and technical document. The Narrative Report at pages 10 to 14 of the Statement aims to provide a general guide to the items of interest and highlight some of the more significant matters that have determined the position for the financial year ending 31 March 2017.

3. The External Auditors, BDO, will issue and present their opinion in respect of the financial statements at the meeting. Prior to approving the accounts the Auditor requires that the Audit Committee considers the matters raised in the Annual Governance Statement for 2016/17, which is presented as a separate report to this agenda.

4. The Audit has identified the requirement for a major change to the draft accounts previously circulated. The valuation used for the Council housing stock which had been undertaken at 1 April 2016 and not 31 March 2017. This had not been an issue in previous years however the significant increase in house prices in Bristol during 2016/17 has meant that the upward movement has created a material error in the valuation. We have therefore revised the valuation and the accounts have been amended accordingly, with an upward revaluation of approximately £200 million. The comparative figures for 2015/16 have also been amended.

5. There were a number of other minor changes agreed with the Auditor and these have been incorporated into the revised Statement of Accounts attached at Appendix 1.

6. The External Auditors are nearing the completion of their audit and will issue their opinion to the accounts in a separate report to be presented to this Committee, and that will then be incorporated in the final published statement.

7. The Council is required to provide a Letter of Representation in connection with the audit of the financial statements for the purpose of expressing an opinion as to whether those statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law (see Appendix 2). This must be signed off following consideration of the statement of accounts by Committee.

Other Options Considered

Not applicable

Risk Assessment

The Statutory Accounts need to be formally published with the statutory timescale. This report, together with the Annual Governance Statement, forms part of the assurance process.

Public Sector Equality Duties

None necessary for this report

Legal and Resource Implications

Legal

The Accounts and Audit Regulations require the Council to publish a Statement of Accounts by 30 September 2017.

Financial

This is a report of the Director of Finance and any financial implications are detailed in the body of the report and appended Statement of Accounts.

Land

Not applicable

Personnel
Not Applicable

Appendices:
Appendix 1 Statement of Accounts 2016/17
Appendix 2 Letter of representation

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
Background Papers:

Final Accounts working papers held in Corporate Finance

Statement of Accounts

Bristol City Council

For the Year Ended 31 March 2017

The Accounts and Audit Regulations 2015 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 2016/17 (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Contents

Councillor Preface

An introduction to the 2016/17 statement of accounts by the deputy mayor and portfolio holder for finance, governance and performance, Councillor Craig Cheney.

I am pleased to introduce this year's statement of accounts for Bristol City Council. The statement sets out our financial performance for the past year. It summarises what we spent, how we spent it and what we have achieved.

There is no getting away from the fact that 2016/17 has been an incredibly challenging year for the Council. By late summer it had become apparent that that we were facing a significant budget deficit, and immediate action was required to bring that deficit down and stabilise the Council's financial position. The subsequent independent review which we published sets out the reasons and lessons to be learnt, which are reflected in our Annual Governance Statement.

As part of the budget process for this year we took some difficult decisions to reduce the budget gap over the next five years from an estimated £100m to just over £40m. But the process of identifying savings is ongoing and we anticipate will need to continue for the period of our medium term financial plan, and beyond.

We continue to face a difficult and uncertain economic environment, as budgets across the public sector continue to be reduced and traditional means of generating income change, requiring us to think differently about how we invest in, prioritise and deliver services. However, as a Council, we are resolute in our determination to provide the best and most cost-effective services for our residents.

I should like to take this opportunity to thank all colleagues who have worked hard to address the deficit we have faced during this last year, and also prepared the accounts so promptly, facilitating greater transparency to give you assurance that taxpayers money is spent properly, and so that we can be better placed to tackle those financial challenges ahead.

Councillor Craig Cheney
Deputy Mayor – Finance, Governance and Performance

Narrative Report

Background

Bristol is a city, situated in the south west of England, covering an area of 110 square kilometers. It is the 8th largest city in England and has a population of around 449,300 living in approximately 187,700 households.

Our vision is for Bristol to be a city:

- In which everyone benefits from the city's success and no-one is left behind
- Where people have access to decent jobs and affordable homes
- In which services and opportunities are accessible
- Where life chances and health are not determined by wealth and background
- That leads on tackling climate change and the damaging impact of air pollution
- Which is easier to get around and has improved public transport

Whether it is developing strategies which take us decades into the future or providing the daily services relied on by thousands of citizens, we're committed to building a better Bristol which includes everyone in the city's success. We are here to take care of the economic, social and environmental wellbeing of Bristol. In particular we are:

- Shaping and stewarding the future development of the city, including encouraging inclusive business growth and the provision of homes and jobs.
- Helping people help themselves, whilst providing a safety net of care and support for those who most need it.
- Improving population health and ensuring we live in a clean and safe city.
- Representing the city at local, regional, national and international governance levels.

Our Services

The following core services are provided by the Council:

- **People - high level narrative for each**
  Education and skills
  Social care and support for adults including the elderly
  Safeguarding vulnerable adults and children
  Support for carers
  Commissioning services
- **Resources**
  Provides internal support services including;
  IT, Finance, Business Change, Human Resources and Legal Services.
- **Neighbourhoods**
  Neighbourhood Partnerships
  Parks and open spaces
  Library service
  Licencing
  Coordinates Bristol's response to crime, community safety and antisocial behaviour
  Customer Services
- **Place**
  Culture including major projects such as the Arena
  Planning
  Property including the management of the Councils buildings and the City Docks
  Transport including the introduction of the Metrobus
- **City Director**
  Includes the Mayor, Senior Leadership Team, Bristol Futures and Policy, Strategy and Communications.

Ring-fenced Accounts:

- **Housing Revenue Account**
  Accounts for the management and maintenance of around 27,000 Council homes in Bristol
- **Dedicated Schools Grant**
  Grant funding the majority of the Council's expenditure on schools. The grant can only be used to meet expenditure properly included in the schools budget
- **Public Health**
  An annual ring fenced grant from the Department of Health. Funds the Council's statutory duties to improve public health.

We work with local partners (including charities, businesses and other public services providers like the police and the NHS) and residents to determine and deliver local priorities. Typically councils like us provide over 700 services, either directly ourselves or by commissioning services from outside organisations.

In future we will still provide hundreds of day to day services, from being a landlord to cleaning the streets to huge projects worth hundreds of millions of pounds. However at the start of 2017/18 we faced a budget gap of over £100m over the next five years due to reduced funding, a growing population and increasing costs of goods and services. Following the setting of this years budget that gap has been reduced to £42m.

This means we will have an increasing role as an enabler and facilitator of others, as well as our traditional role as the steward of the social, economic and environmental wellbeing of the city and a direct provider or commissioner of services.

Our Leadership and Workforce

Our 70 elected Councillors represent the people of Bristol and set the overall policy of the Council. The political management structure is centred upon our:

Mayor, Marvin Rees, elected Mayor for Bristol, with City Council responsibilities that includes ultimate responsibility for all major policy decisions, setting the vision and direction of the Council; and makes 'executive' decisions within the budget and policy framework set by Full council.

Cabinet Members, appointed by our Mayor, with responsibilities for particular portfolios. The Cabinet is made up of the Mayor and Cabinet members and the role of the Cabinet is to:

- provide leadership
- propose the budget and policy framework
- implement policy through strategic directors

Scrutiny Commissions provide local accountability, openness and involvement in decision-making, aiming to improve results for people in Bristol.

Regulatory Committees that we have to have by law and other committees such as the Audit Committee which is responsible for:

- oversight of the council's accounts and governance arrangements
- codes of conduct and protocols

Senior officers - led by our Chief Executive Anna Klonlowski and our Strategic Directors and Statutory Officers, are responsible for:

- Advising councillors on policy;
- Implementing councillors' decisions; and
- Service performance.

Together, these officers form our Strategic Leadership Team.

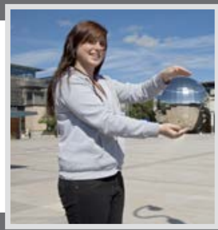
Our workforce - Overall, our workforce comprises 8,202 'full time equivalent' employees. Of this total, 2,968 are employed within our locally maintained schools. Our non-schools' workforce therefore comprises 5,234 'full time equivalent' employees.

Our Vision

Aspiration and equality lie at the heart of the Council's vision for building a better Bristol, which identifies seven key commitments to address during the next five years:

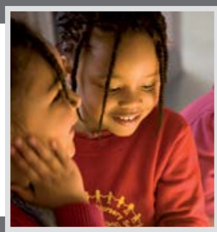
The Commitment:
- We will build 2,000 new homes – 800 affordable – a year by 2020

The Commitment:
- We will deliver work experience and apprenticeships for every young person



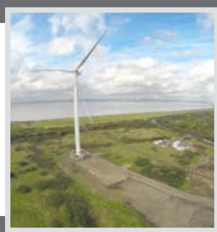
The Commitment:
- We will not impose future Residents' Parking Schemes and will review existing schemes

The Commitment:
- We will protect children's centre services



The Commitment:
- We will increase the number of school places and introduce a fairer admissions process

The Commitment:
- We will put Bristol on course to be run entirely on clean energy by 2050 and introduce a safe, clean streets campaign



The Commitment:
- We will be a leading cultural city, making culture and sport accessible to all

Council’s Performance

Our Performance

The seven commitments outlined above explain how we seek to deliver the best result for residents and the following paragraphs highlight some of our achievements contributing to these commitments in 2016/17.

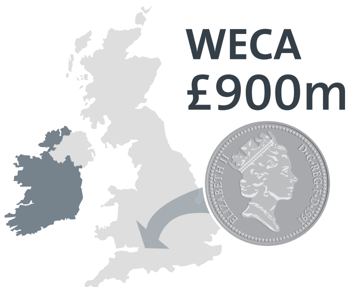
Bristol has again been named as the "best place to live in the UK" (Sunday Times Best Places to Live Guide, March 2017). - "The city is a worthy winner thanks to its ideal combination of extraordinary culture, impressive schools, buzzing culinary scene, exciting redevelopment and community spirit"

In 2016 Bristol was awarded the title of a "European City of Sport" for 2017 - see www.bristolcityofsport17.co.uk for more details.

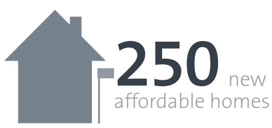
Bristol: Learning City 2016-17 - "Bristol is a great place to learn, with many opportunities available. Our schools are better than ever; our universities are world-class and our cultural and city organisations offer a great breadth of opportunity" – see bristollearningcity.com for more details.

The Bristol Quality of Life survey 2015-16 highlighted 82% of residents were "satisfied with their local area as a place to live" and 1 in 4 people thought their neighbourhood had "got better over the last 2 years".

The West of England Combined Authority (WECA) has now been established; and is made up of three of the local authorities in the region – Bath & North East Somerset, Bristol and South Gloucestershire. WECA's aim is to deliver economic growth for the region exercising the functions devolved from central Government as part of a deal which brings £900 million of investment. The initial focus will be on improving transport and skills training.

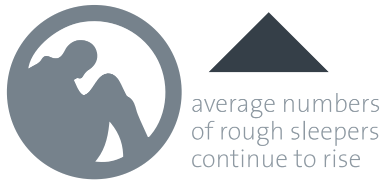


During 2016-17, over 250 new affordable homes were built.

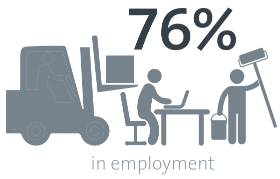


During 2016/17 we helped to return 477 empty properties back into occupation.

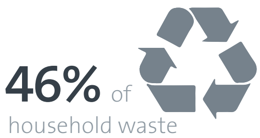
Our outreach teams continue to actively work with rough sleepers, as addressing homelessness is a priority issue, and average numbers of rough sleepers continue to rise. Bristol reported one of the highest numbers of rough sleepers nationally at the national Rough Sleeper count (Nov 2016).



The Employment rate remains buoyant at 76% and the gap between best and worst performing neighbourhoods has reduced.



46% of household waste was sent for reuse, recycling, composting or anaerobic digestion.



Bristol continues to be a major destination for tourists and entertainment. In 2016/17 there were over 3.7m visitors to the city for visitor attractions and performance venues.

We run and maintain 8 Leisure Centres and swimming pools, where over 2.5 million individual visits occurred during 2016/17.

The number of bus journeys made in the city last year exceeded 38.5 million, up 4.9% on the previous year. Investment in the local infrastructure including new ways for travel information, better bus shelters and a major roll-out of mobile phone based ticketing from the local operators all contributed to a third year of increased numbers of journeys.

There was significant work to achieve approval for 4 new schools to be built in Bristol, to cater for the additional demand for school places.

The percentage of children with a good level of development at Early Years is solid at 66.3%

The percentage of Bristol Schools rated 'Good or Better' by Ofsted continues to improve:

- Nurseries @ 100%
- Primaries @ 91%
- Secondarys @ 100%.

Financial Performance

Our budget for the provision of services in 2016/17 was set against a backdrop of considerable financial challenge, due to on-going austerity programmes, compounded by inflationary pressures and an increasing demand for our services. We are a large and diverse organisation and our accounts are by their nature both technical and complex. This section of the report provides an explanatory narrative to the key elements of the statements and sections in the accounts and also provides a summary of our financial performance for 2016/17.

- The Council collects £219.8m of business rates, of which £108.1 is passed to central government and £108.6 is retained by the Council.
- The Council also collects £214.1m of Council Tax (on behalf of the Avon and Somerset Police and Crime Commissioner, Avon Fire Authority and itself), of which £178.4m is retained by the Authority.
- The Council holds £2.5b of fixed assets comprising £915m of operational assets for delivering services and £249m of investments property.
- The Council is responsible for managing cashflows with an annual churn exceeding £2.2b.
- The Council generates £829m of fees, charges and grants used to deliver services and keep council tax down

Revenue Financial Summary 2016/17

Revenue expenditure covers the cost of the Council's day to day operations and contributions to and from reserves.

In September 2016 it was reported to the Council's Cabinet that the Council was forecasting a General Fund overspend for the year of some £29m. The Council commissioned an independent review to understand what caused the deficit and make recommendations moving forward. The report and its recommendations are available on the Council's website and key issues are referred to in the Annual Governance Statement, which forms part of this document.

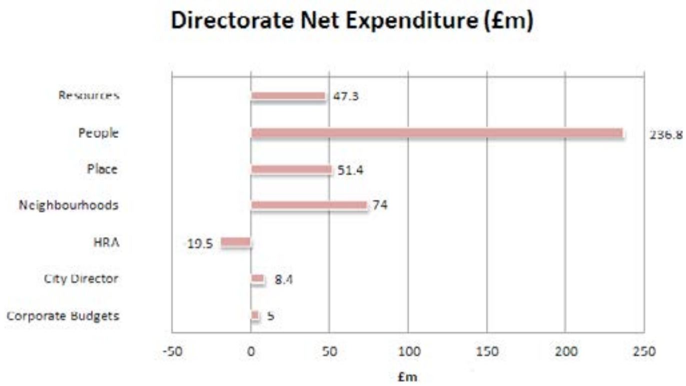
A number of in-year mitigating actions were taken to reduce the overspend, and the final outturn position was net spend of £398m, compared to a final net general fund budget of £387.5m (actual overspend of £10.5m). This net expenditure position forms part of the consolidated income and expenditure account. A detailed analysis of the reasons for overspend were reported to Cabinet on the 16th May 2017. These are summarised as follows:

- financial pressures, particularly in the areas of adults and children's' social care, relating to both, complexity of need and cost. This led to an overspend of some £8m for provision of residential and associated care of elders and other vulnerable adults, and some £3.3m for children in care.
- The Council was also unable to deliver a number of savings agreed by Full Council at the beginning of the financial year in areas such as property and a range of cross directorate functions. A full analysis of the reasons for this were set out in the independent review.

The impact of the overspend is reflected in the Movement in Reserves Statement.

Within the accompanying Statement of Accounts the Comprehensive Income and Expenditure Statement (CI&ES) sets out the Council's financial position for the year before taking account of statutory adjustments required to be made to the accounts. The Movement in Reserves Statement (MIRS) reflects these statutory adjustments and shows how the financial performance for the year has impacted on the Council's reserves.

The gross cost of services during the year was £1.027b (£904.9m in 2015/16).This includes both General Fund services and the Housing Revenue Account (HRA). The main reason for the difference is the reversal of £126.6m (£224.0m in 2015/16) of impairment into the HRA. (See HRA section in report for more details.) After deducting specific grants and income from fees and charges, the net cost of services was £277.2m (£150.4m in 2015/16). The breakdown of net expenditure between the different service areas is shown in the following chart. The chart excludes the impairment reversal in the HRA.



Revenue Expenditure

The table overleaf compares the outturn position as reported to Cabinet in May with the position shown in the Comprehensive Income and Expenditure Account in this Statement. The analysis below takes account of all the technical accounting adjustments required under International Financial Reporting Standards.

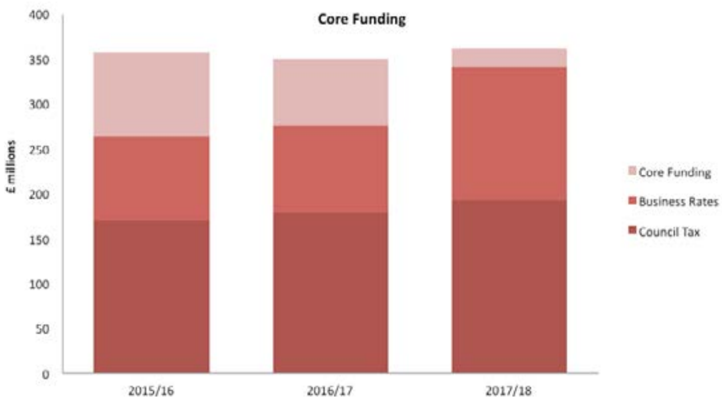
	£m
General Fund deficit reported to Cabinet	**10.5**
Include HRA	(45.1)
Overall Surplus	(34.6)
Post Outturn Adjustments (see note 1 below)	34.6
Remove total net transfers from reserves – agrees to the Expenditure and Funding Analysis (Note 7 to the Accounts)	47.4
Technical accounting adjustments required by Statute	
Impairment and other capital adjustments	(176.1)
Pensions	20.5
Other (see note 2 below)	(4.8)
Surplus per Comprehensive Income & Expenditure Account	**(113.0)**

Note 1 – adjustments include charges for PFI and financing the Capital Programme and the transfer of the surplus on the HRA and the deficit on the General Fund.

Note 2 – adjustments include timing differences for receipts and payments from the Collection Fund into the General Fund.

Sources of Funding

Services were funded from a range of sources including core government funding (Revenue Support Grant and New Homes Bonus), business rates and council tax. In common with the rest of local government, the Council has seen a steady reduction in its core funding; a decrease in Revenue Support Grant and other general government grants of £18.1m (represents a 20% reduction in this source of funding); in 2016/17 this was partly mitigated by locally generated funding streams such as council tax and business rates. The chart below shows where the Council gets its core funding.



In 2016/17 the government allowed councils to apply an additional 2% levy on council tax to fund Adult Social Care pressures. This raised an additional £3.4m for the Council to spend specifically on adult social care. During the year it was also necessary to withdraw £10.5m from reserves to support the budget.

Against this back drop of increasing service costs and reduced central government funding, the Council has approved a net budget for 2017/18 of £364.1m. This includes a range of proposed service reductions and income generating options equating to £33.1m. The Council has prioritised the revenue resources available to fund key services – for example social care, waste & recycling and other external funds aligned to infrastructure for the benefit of its wide range of customers and to facilitate a sustainable future.

Whilst a balanced budget was set for 2017/18, it includes high levels of risk in terms of delivery of the programme of savings. The challenge does not end in 2017/18, as the central government grant to the Council continues to reduce and there are significant pressures to deal with (including inflation, increasing demand and new legislation). £104m of savings need to be found over the medium term which, along with the savings already proposed of £62m (this includes £33,1m above) a budget gap of £42m remains. It is therefore essential that the Council continues with its transformation programme to identify further savings opportunities to ensure future balanced budgets are able to be set.

Further details of the Council's budget are included in the **Budget Report 2017/18** which is available on the Council's website.

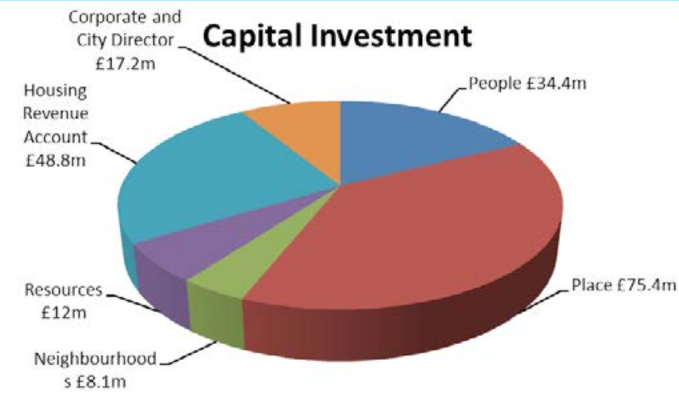
Under current Government central funding proposals, the intention is to radically change the way local authorities are funded by moving to full business rate retention and phasing out the Revenue Support Grant by 2020. The council within the West of England Combined Authority (WECA) will be piloting 100% business rates retention from 2017/18.

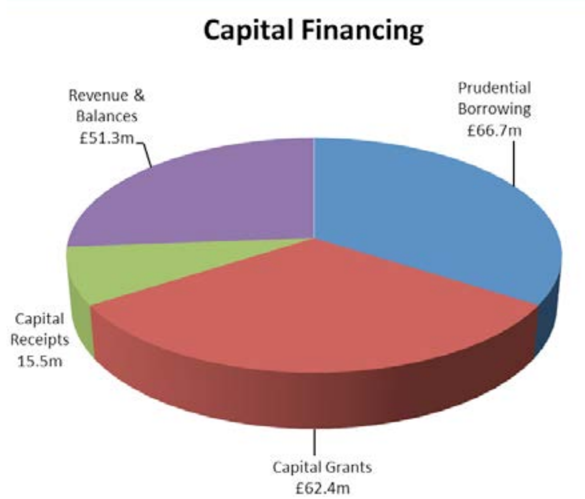
Pilot authorities will each retain 100% of locally raised business rates. In return they will forego Revenue Support Grant (RSG) and a number of other funding streams. Each authority's tariffs and top-ups calculated by central government will be adjusted to ensure the change is cost neutral for central government.

Capital Investment

Capital expenditure forms a large part of our spending. The Council has an ambitious capital programme to deliver projects that are fundamental to the Council achieving its aspiration to re-shape how we deliver our services as well as helping to unlock revenue savings and efficiencies to secure our ongoing financial sustainability.

- Overall, the Capital Programme for 2016/17 was originally set at £190.1m. Capital spending during the year totalled £195.9m. An analysis of capital investment by directorate sources of capital financing are shown in the charts below.





The Capital Programme was financed from a combination of borrowing (£66.7m) and from grants, contributions and reserves (£129.2.m).

The major areas of investment have included:

- £62m invested in transport schemes including the Metrobus programme (spend in year of £40m), Cycling Network improvements, traffic management and infrastructure
- £49m invested in the Council's housing stock
- £31m invested in schools buildings to provide additional pupil capacity to meet increased demand
- £11m invested in Bristol Workplace Programme to provide effective environments to support agile working, providing technical solutions and to deliver efficiency savings
- £4m investment in Bristol Operations Centre at the Temple Street offices
- £4m invested in the Arena Project and surrounding infrastructure

Housing Revenue Account (HRA)

The HRA Income and Expenditure Statement sets out the financial position for the year before taking account of statutory adjustments required to be made to the accounts. The Statement of Movement on the HRA Balance reflects these statutory adjustments and shows how the financial performance for the year has impacted on HRA reserves.

The HRA Income and Expenditure Statement shows a net surplus for the year of £4.8m.) The reversal of an impairment loss of £350.6m over the last two financial years (£224.0m in 2015/16 and £126.6m in 2016/17) has been credited to the surplus on provision of services, including an adjustment to the 2015/16 figures. This relates to the revaluation of HRA Council dwellings in light of the upward trend in the housing market in the City. Impairment is where the value of an asset falls below the carrying value in the accounts and so to reflect the commercial reality of the situation a charge is made in the running costs.

- The council's housing stock is a ring fenced landlord account.
- The council owns and manages 27,198 homes
- It collects £113m in dwelling rent in 2016/17 (£115 in 2015/16)
- The council spent £48.8m in 2016/17 on new builds and improvements to its existing housing stock.

Treasury Management

The 2016–2019 Treasury Strategy identified a medium term borrowing requirement of £293m to support the existing and future Capital Programme. The Council's agreed policy is to defer borrowing while it has significant levels of cash balances (£70m at March 2017). The authority, as planned, borrowed £19.2m, at a preferential rate (2.21%), from the Public Works Loan Board (PWLB) on the 31st March 2017 for the Bristol Temple Meads East Regeneration (Arena) scheme reducing the interest rate risk and liquidity risk exposed to the authority.

Net debt (borrowing less investment) was £363m at the end of the year. The average level of funds available for investment purposes during the year was £146m. The return for the period was 0.57% compared to the recognised benchmark of 0.20% (7 day Libid average for period).

The Council has complied with all treasury management legislative and regulatory requirements during the period and all transactions were in accordance with the approved Treasury Management Strategy.

Pensions

The City Council is a member of the Avon Pension Fund. The pension liability as at 31 March 2017 is £921m. The represents the value of what the Council owes across future years offset by the value of assets invested in the pension fund. The pension fund is revalued every three years. The 2016 valuation will set contribution rates for three years commencing on 1 April 2017.

The current funding level is an estimated 83%. Employers are paying additional contributions over a period of 17 years in order to meet the shortfall.

Contingencies

The Council has set aside a provision of £11m within the collection fund for any business rates appeals against rateable values in future years. There were approximately 1,800 appeals outstanding at the 31 March 2017.

Group Results

The Council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The Council has involvement with a number of companies. However, on the grounds of materiality, in 2015/16 the Council was not required to produce group accounts. The Council's analysis has concluded that in 2016/17 there is a requirement to produce Group Accounts; these have been prepared and include comparative consolidated information for 2015/16. The Group Accounts included as part of the Statement of Accounts fully incorporate the results of Bristol Holding Limited, Bristol Waste Company Limited and Bristol Energy and Technology Services Limited. Full details of the relationship can be found in the Group Accounts section of the Statement.

The Council's investment in the group is £15.951m.

Other entities which fall within the group boundary, but which are not consolidated into the Group Accounts as they are not considered to be material, are detailed within the Related Parties note within the Statement of Accounts.

The Statement of Accounts

The Statement of Accounts is set out in the accompanying document, they consist of the following statements that are required to be prepared under the Code of Practice.

The Core Statements are:

- The Comprehensive Income and Expenditure Statement – this records all the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:
  - Service and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning and registration; and
  - Discretionary expenditure focussed on local priorities and needs
- The Movement in Reserves Statement is a summary of the changes to our reserves over the course of the year. Reserves are divided into "useable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific purposes. We continually review the money we have in reserves for specific purposes to make sure they are at the right levels, and that our reserves continue to meet our needs
- The Balance Sheet is a "snap shot" of the Council's assets, liabilities, cash balances and reserves at the year-end date
- The Cash Flow Statement shows the reasons for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

The Supplementary Financial Statements are:

- The Housing Revenue Account – this separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989
- The Collection Fund summarises the collection of Council tax and business rates, and the redistribution of some of that money to Avon Fire Authority, the Avon and Somerset Police and Crime Commissioner and central government.
- The Pension Fund Account reports the contributions received, payments to pensioners and the value of net assets invested in the Local Government Pension Scheme on behalf of Council employees.

The Notes to these financial statements provide more detail about the Council's accounting policies and individual transactions. Our Annual Governance Statement sets out the governance structure of the Council. It summarises the outcome of our review of the Governance Framework that has been in place during 2016/17 and our system of internal control, which is a critical component of our overall governance arrangements.

Conclusion

Through careful planning and management, the Council has been able to reduce the forecasted deficit and close its 2016/17 accounts with a £10.5m overspend (funded from a redirection of reserves no longer required) and general balance of £20m retained; which will support the Council in meeting the financial challenges of 2017/18 and beyond.

The Council set an annual budget for 2017/18 and a medium-term financial plan will be presented to Council mid-2017. The Council faces a great deal of uncertainty over our future finances, and it is clear there will be continued pressure to reduce the cost of the public sector and to equalise resources within the council to deliver our priorities.

Accurate financial planning is made even more difficult with the impact of appeals and revaluations on Non-domestic Rates and the the new 100% Business Rates retention scheme that could expose us to more risks from fluctuations of Business Rates income. We will have to make assumptions on these and other issues and explore resourcing principles that can facilitate the production of a balanced budget over the medium term.

Denise Murray
Director of Finance (Section 151 Officer)

Statement of Responsibilities

The Authority's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Service Director Finance;

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- Approve the Statement of Accounts by the 30th September 2017.

The Service Director Finance's Responsibilities

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

In preparing this Statement of Accounts, the Service Director Finance has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code.

The Service Director Finance 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 Service Director Finance

I hereby certify that this Statement of Accounts, provides a true and fair view of the financial position, financial performance and cash flows of Bristol City Council for the period ending 31 March 2017.

Denise Murray

Denise Murray
Director of Finance (Section 151 Officer)
12th September 2017

Independent Auditor's Report To The Members of Bristol City Council

To follow.

Annual Governance Statement

To follow.

Core Statements

Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

2015/16 Gross Exp	2015/16 Gross Income	2015/16 Net Exp Restated		2016/17 Gross Exp	2016/17 Gross Income	2016/17 Net Exp
£'000	£'000	£'000		£'000	£'000	£'000
546,630	(290,474)	256,156	People	535,729	(298,911)	236,818
52,444	(7,414)	45,030	Resources	54,443	(7,146)	47,297
329,361	(259,984)	69,377	Neighbourhoods	322,926	(248,880)	74,046
112,270	(62,545)	49,725	Place	119,487	(68,064)	51,423
12,309	(7,951)	4,358	City Director	9,175	(789)	8,386
2,466	(2,166)	300	Corporate Funding & Expenditure	7,523	(2,480)	5,043
(150,619)	(123,969)	(274,588)	Housing Revenue Account	(22,592)	(123,212)	(145,804)
904,861	**(754,503)**	**150,358**	**Cost of services**	**1,026,691**	**(749,482)**	**277,209**
		3,619	Other operating expenditure (Note 10)			(1,680)
		2,004	Financing and investment income and expenditure (Note 11)			20,871
		(423,271)	Taxation and non-specific grant income (Note 12)			(409,456)
		(267,290)	**(Surplus) on provision of services**			**(113,056)**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision on Services			
		(61,566)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 21)			(227,587)
		(51,846)	Remeasurement of the net defined benefit liability\asset (Note 34)			191,904
			Items that may be reclassified to the (Surplus) or Deficit on the Provision on Services			
		4,562	(Surplus)or deficit on revaluation of available for sale financial assets (Notes 24)			4,281
		(108,850)	Other comprehensive income and expenditure			(31,400)
		(376,140)	**Total comprehensive income and expenditure**			(144,456)

Movement in Reserves Statement for the year ended 31 March 2017

	Note	General Fund Balance	GF Earmarked Reserves excluding Schools	School Reserves	Housing Revenue Account	Housing Revenue Account Earmark Reserves	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Restated Unusable Reserves (Note 33)	Total Council Reserves
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2015 Carried Forward		**20,000**	**95,851**	**39,460**	**39,602**	**14,480**	**27,964**	**7,050**	**3,010**	**247,417**	**490,051**	**737,468**
Movement in Reserves during 2015/16												
Surplus/(Deficit) on the provision of services		(7,813)	-	-	275,103	-	-	-	-	267,290	-	267,290
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	-	108,850	108,850
Total Comprehensive Expenditure and Income		**(7,813)**	**-**	**-**	**275,103**	**-**	**-**	**-**	**-**	**267,290**	**108,850**	**145,071**
Adjustments between accounting basis and funding basis under regulations	Note 19	(7,917)	-	-	(267,431)	-	11,834	(5,228)	(1,778)	(270,520)	270,520	-
Net Increase/Decrease before Transfers to Earmarked Reserves		**(15,730)**	**-**	**-**	**7,672**	**-**	**11,834**	**(5,228)**	**(1,778)**	**(3,230)**	**379,370**	**376,140**
Transfers to/from Earmarked Reserves	Note 20	15,730	10,127	(25,857)	2,163	(2,163)	-	-	-	-	-	-
Increase/Decrease in 2015/16		**-**	**10,127**	**(25,857)**	**9,835**	**(2,163)**	**11,834**	**(5,228)**	**(1,778)**	**(3,230)**	**379,370**	**376,140**
Balance at 31 March 2016 Carried Forward		**20,000**	**105,978**	**13,603**	**49,437**	**12,317**	**39,798**	**1,822**	**1,232**	**244,187**	**869,422**	**1,113,609**
Movement in Reserves during 2016/17												
Surplus/(Deficit) on the provision of services		(26,534)	-	-	139,590	-	-	-	-	113,056	-	113,056
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	-	31,400	31,400
Total Comprehensive Expenditure and Income		**(26,534)**	**-**	**-**	**139,590**	**-**	**-**	**-**	**-**	**113,056**	31,400	**144,456**
Adjustments between accounting basis and funding basis under regulations	Note 19	(48,676)	-	-	(138,317)	-	5,911	(1,822)	2,108	(154,262)	154,262	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(48,676)	-	-	1,273	-	5,911	(1,822)	2,108	(41,206)	185,662	144,456
Transfers to/(from) Earmarked Reserves	Note 20	48,676	(40,532)	(8,144)	3,527	(3,527)	-	-	-	-	-	-
Increase/(Decrease) in 2016/17		**-**	**(40,532)**	**(8,144)**	**4,800**	**(3,527)**	**5,911**	**(1,822)**	**2,108**	**(41,206)**	**185,662**	**144,456**
Balance at 31 March 2017 Carried Forward		**20,000**	**65,446**	**5,459**	**54,237**	**8,790**	**45,709**	**-**	**3,340**	**202,981**	**1,055,084**	**1,258,065**

Balance Sheet as at 31 March 2017

31 March 2016 Restated £'000		Note	31 March 2017 £'000
844,892	Property, plant and equipment	21	915,524
1,124,462	Council dwellings	21	1,477,193
100,459	Heritage assets	22	100,459
9,319	Intangible assets		10,040
240,328	Investment properties	23	253,976
5,046	Long-term investments	24	14,960
62,752	Long-term debtors	29	54,646
2,387,258	**Long-term assets**		**2,826,798**
118,668	Short-term investments	24	33,180
1,282	Inventories		1,649
107,639	Short-term debtors	29	110,742
23,246	Cash and Cash Equivalents	30	29,142
250,835	**Current assets**		**174,713**
(7,004)	Short-term borrowing	24	(7,769)
(130,211)	Short-term creditors	31	(145,085)
(5,438)	Provisions	32	(2,384)
(42,976)	Capital grants received in advance	18	(11,839)
(185,629)	**Current liabilities**		**(167,077)**
(414,289)	Long-term borrowing	24	(430,489)
(8,387)	Provisions	32	(12,044)
(902,207)	Other long-term liabilities	31	(1,122,428)
(13,972)	Capital grants received in advance	18	(11,408)
(1,338,855)	**Long-term liabilities**		**(1,576,369)**
1,113,609	**Net assets**		**1,258,065**
(244,187)	Usable reserves	20	(202,981)
(869,422)	Unusable reserves	33	(1,055,084)
(1,113,609)	**Total reserves**		**(1,258,065)**

2015/16 £'000		Note	2016/17 £'000
267,290	Net surplus on the provision of services		113,056
(155,485)	Adjustment to net surplus on the provision of services for non-cash movements	35	(23,097)
(91,815)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	35	(86,571)
19,990	Net cash flows from Operating Activities		3,388
(78,934)	Investing Activities	36	(18,215)
12,384	Financing Activities	37	20,723
(46,560)	Net increase (decrease) in Cash and Cash Equivalents		5,896
69,806	Cash and Cash Equivalents at the beginning of the reporting period	30	23,246
23,246	**Cash and Cash Equivalents at the end of the reporting period**		**29,142**

1 Accounting Policies

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) and the CIPFA Service Reporting Code of Practice (SeRCOP) for Local Authorities 2016/17, supported by International Financial Reporting Standards (IFRS).

From 2016/17 the Council is required to report its service segments based on the way it operates and manages its services and is no longer required to follow the service expenditure analysis set out in the Service Reporting Code of Practice for Local Authorities. The Council has adopted a Directorate reporting structure for its service segments. The 2015/16 comparatives for the Comprehensive Income and Expenditure Statement have been recast accordingly.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis.

ii 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 Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council 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 Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including 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 are readily convertible to known amounts of cash with low risk of change in value.

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

iv 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 non-current 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.

V Collection Fund and Local Taxation

Bristol City Council is a billing authority for local taxation and collects:

- Council Tax on behalf of the Avon and Somerset Police and Crime Commissioner, Avon Fire Authority and itself; and
- Non Domestic Rates on behalf of the government, Avon Fire Authority and itself.

The Collection Fund Statement is an agent's statement which reflects the statutory obligation for billing authorities to maintain a separate Collection Fund which accounts for all local taxation collected and its re-distribution. The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's own share of the Collections Fund's accrued income for the year.

There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and council tax are reflected in the financial statements of the bodies concerned, namely major preceptors, the billing authority and the Government.

Bristol City, Bath and North East Somerset, North Somerset and South Gloucestershire Councils participate in "City Region Deal", a Business Rates Retention Scheme introduced by the Government in April 2013. This scheme permits the participating local authorities to retain 100% of the growth in business rates collected across designated Enterprise Areas, this income is then used to fund approved economic development programmes. The Council applies the principals of International Public Sector Accounting Standard 23: Revenue from non-exchange transactions in accounting for the transactions and balances relating to City Region Deal.

vi Employee Benefits

Benefits Payable During Employment

Monetary benefits such as wages and salaries, paid leave and bonuses, and non-monetary benefits (e.g. cars) for current employees are recognised as an expense in the year in which employees render service to the Council. An accrual is made to represent the cost of holiday entitlement earned but not taken at each year end, to meet Code and IAS requirements.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. When the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis in the Comprehensive Income and Expenditure Statement.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and 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 Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pension Scheme, administered by Bath and North East Somerset Council.
- The NHS Pension Scheme, for Public Health employees, administered by NHS Pensions.

All of the above schemes provide defined benefits to members e.g. retirement lump sums and pensions, earned as employees working for the Council.

However, the arrangements for the Teachers' scheme and NHS Scheme mean that liabilities for these benefits cannot ordinarily be identified for the Council. These schemes are therefore accounted for as if they were defined contributions schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The CIES is charged with the employer's contributions payable to Teaches pensions and NHS pensions in the year.

The Local Government Pension Scheme

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

The liabilities of the Avon Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Liabilities are measured on an actuarial basis discounted to present value, using the projected unit method. The discount rate to be used is determined in reference to market yields at balance sheet date of high quality corporate bonds.

The assets of Avon Pension Fund attributable to the Council 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 pension liability of the Council is analysed into the following 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.
- Net interest on the net defined benefit liability/asset, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability/asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.
- Re-measurement of the return on plan assets – excluding amounts included in net interest on the net defined benefit liability/asset, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses - changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have

updated their assumptions. These changes are debited to the Pensions Reserve as Other Income and Expenditure.

- 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 Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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 earned by- employees.

Discretionary Benefits

The Council has restricted powers to provide discretionary post-employment benefits. Any such benefits are accrued for in the year of the decision to make the award and are charged to the Comprehensive Income and Expenditure Statement against the service in which the employees worked.

vii Events After The Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, which 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. In this instance, the Statement of Accounts is adjusted to reflect such events.
- Those relating to conditions that arose after the reporting period. In this instance, 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 when the Statement of Accounts is authorised for issue are not reflected in the Statement of Accounts.

viii Fair Value

The Council holds some of its assets, such as surplus property and assets held for sale, at fair value in accordance with IFRS 13 Fair Value Measurement, and the requirements of the Code. Fair value is the highest or best price that can be obtained in the principal or most advantageous market, in an orderly transaction between knowledgeable participants acting in their economic best interest at the measurement date. When measuring fair value the characteristics of the asset or liability are taken into account such as the location or any restrictions on use. The Council uses appropriate valuation techniques for each asset, maximising the use of relevant known data and minimising the use of estimates or unknowns. Valuation techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices that are observable for the asset, either directly or indirectly (for example an independent valuation based on the prices of similar but not identical assets);
- Level 3 inputs – unobservable inputs for the asset (for example a discounted cash flow estimation).

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

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. For the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). As 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 Council's borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified into two types:

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

The valuation applied to fixed term cash deposits is their carrying value, as these assets cannot be sold and hence there is no market valuation.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and 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 that particular instrument. For most of the loans which the Council has made, 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 in the year is the amount which the loan agreement identified as receivable.

Where assets are identified as impaired because of a past event and there is a likelihood 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.

Available-for-Sale Assets

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

Assets are maintained in the Balance Sheet at fair value. Values are based on the following 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 – the net worth of the company valued on a going concern basis.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain or 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 de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

x 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 Council when there is reasonable assurance that:

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

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

xi Heritage Assets

The Council's Heritage Assets are predominantly on display in museum buildings and galleries in the city, held in storage or loaned out to other educational or cultural organisations. The Bristol museums and art galleries are home to a significant number of objects from all over the world which are held to support the primary objective of increasing the knowledge, understanding and appreciation of history and culture through the following:

- Art, Eastern art and applied art;
- Archaeology, Ethnography and foreign archaeology including Egyptology and Geology;
- Natural history, social history, industrial and maritime history.

These assets are all valued on a historic cost basis or an annual insurance valuation basis.

The Council holds numerous ancient monuments and statues which are not recognised on the Balance Sheet because of the diverse and often unique nature of the assets held and the lack of comparable market values.

There is no depreciation charge against heritage assets because it is estimated that the assets have an extended and indeterminate useful life such that any depreciation charge would be negligible. The carrying values of Heritage Assets are reviewed when there is evidence of impairments e.g. when an asset has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any reductions to the carrying value of the assets are recognised and measured in accordance with the Council's general policy on impairments.

xii Interests in Companies and Other Entities

(a) Subsidiaries

Subsidiaries are all entities over which the Council has control. The Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Council's material subsidiaries are Bristol Holding Limited (which is directly held) and Bristol Waste Company Limited and Bristol Energy and Technology Services (supply) Limited (which are both indirectly held). There are no non-controlling interests.

In the single entity accounts, the Council has opted to account for its investments in subsidiaries in accordance with Chapter 7 of the Code, Financial Instruments. The investments are accordingly classified as Available for Sale Financial Assets and are carried in the Balance Sheet at fair value. Changes in the fair value of the Council's investments in subsidiaries are recognised in Other Comprehensive Income. Impairments are recognised directly in the Surplus/Deficit on the Provision of Services.

In the group accounts, the subsidiaries are consolidated on a line by line basis with adjustments to eliminate intra-group transactions, balance and unrealised gains on transactions between the group entities. Where necessary, amounts reported by subsidiaries have been adjusted to conform to the Council's accounting policies.

b) Joint Arrangements

A Joint Arrangement is an arrangement of which two or more parties have joint control where the parties are bound by contractual arrangement and the contractual arrangement gives two or more of those parties joint control of the arrangement. Joint Arrangements are classified as Joint Ventures or Joint Operations.

The Council has no material Joint Ventures.

A Joint Operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Council has two Joint Operations being the West of England Local Enterprise Partnership and a pooled budget arrangement with NHS Bristol Clinical Commissioning Group. In respect of these, the Council accounts for:

- Its assets, including its share of any assets jointly held

- Its liabilities, including its share of any liabilities joint held

- Its revenue from the sale of its share of the output arising from the joint operation

- Its share of the revenue from the sale of the output by the joint operation

- Its expenses, including its share of any expenses incurred jointly.

xiii Investment Property

Investment properties are those that are used solely to earn rental income and/or for capital appreciation. The definition does not apply 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 highest or best price that can be obtained in the most advantageous market, in an arms' length transaction between knowledgeable participants at the measurement date". Investment Properties are not depreciated but are revalued annually according to market conditions at the year-end

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

Rental Income received in relation to investment properties is 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.

xiv Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all of 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 Council 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 Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

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

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

The Council 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 benefitting 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. if there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

To date the Council has not granted any Finance Leases.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if 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.

xv Minimum Revenue Provision (MRP)

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance. The basis for this provision was approved by Full Council on the 13th December 2017

xvi Overheads And Support Services

The Council operates and manages its support services within the Resources Directorate and this is how these services are reported to management. The costs of overheads and support services are therefore not re-apportioned (with the exception of ring fenced accounts such as the HRA, Public Health and Licencing). This represents a change from 2015/16 when support costs were recharged to services in accordance with the Service Reporting Code of Practice.

xvii Prior Period Adjustments

Prior period adjustments arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are only accounted for prospectively i.e. in the current and future years which are affected by the changes, they 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 Council's financial position or financial performance. Where a change in accounting policy is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances for the current year and comparative amounts for the prior period as if the new policy had always been applied.

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

xviii Service Concessions

Service concessions are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under these schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council 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) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets related to these contracts and recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the contract operator are analysed into the following elements:

- Fair value of any services received during the year;
- Finance cost - an interest charge of the effective rate of interest on the outstanding Balance Sheet liability;
- Contingent rent payable under the agreement;
- Lifecycle replacement costs where applicable;
- Payment towards liability - applied to write down the Balance Sheet liability to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

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

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 Council and the cost of the item can be measured reliably. Capital schemes above £0.2m are subject to annual review and any expenditure incurred which has not enhanced the asset’s value is charged as an expense in the financial year that it is incurred. Expenditure on capital assets totalling less than £20,000 in any single financial year is classed as de-minimis and therefore is not capitalised but charged as an expense.

Measurement

Assets are initially measured at cost, comprising:

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

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

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 Council). 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 Council.

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);
- Surplus assets – the current value measurement base is fair value, defined as "the highest or best price that can be obtained in the most advantageous market, in an arms' length transaction between knowledgeable participants at the measurement date";
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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. 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.

When decreases in value are identified, they are accounted for in the same way as an impairment.

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 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 as follows:

- 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.
- Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for the 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, car parks, quay walls and lock gates, some Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Council dwellings - are depreciated based upon component accounting basis. In the year of disposal a full year's depreciation is charged to the accounts and nothing in the year of acquisition;
- Other buildings - straight-line allocation over the useful life of the property as estimated by a qualified 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) - 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 Council applies component accounting to all assets with a net book value in excess of £5m - where the item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, identified components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

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 previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

When an asset is disposed of or is 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 (up to a maximum ceiling). 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 HRA'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 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Assets
A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

xxi Reserves

The Council 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.

The category of unusable reserves includes those reserves which 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 Council. These reserves are explained in the relevant notes.

xxii Revenue Expenditure Funded from Capital under Statute

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

xxiii Schools

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

xxiv Value Added Tax

The Comprehensive Income and Expenditure Account excludes amounts relating to VAT and will be included as an expense only if it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income within the Council's Income and Expenditure account.

xxv City Region Deal

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

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

- Income - Income receivable by the Council from the BRP is recognised as revenue in the year in which it occurs. The council recognises revenue and a debtor balance to the extent that future EDF disbursements are to be received, have been committed to by the EDF, and sufficient uncommitted cash remains in the BRP to fund future payments.

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

2 Accounting Standards that have been Issued but have not yet been adopted

The Code of Practice on Local Council Accounting in the United Kingdom (the Code) requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. Currently, with the exception of a number of minor amendments to International Financial Reporting Standards, which are not expected to have any material impact on the accounts, there are no new or amended standards within the 2017/18 Code.

The Code requires implementation from 1 April 2017 and there is therefore no impact on the 2016/17 Statement of Accounts.

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 Council has completed a school by school assessment across the different types of school it controls within the City. Judgements have been made to determine the arrangements in place and the accounting treatment of the non-current assets.

  All community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet.

  Legal ownership of Voluntary Controlled (VC) and Voluntary Aided (VA) school land and buildings usually rests with a charity, normally by a religious body. Legal ownership of 10 VA schools rests with Clifton Diocese. Legal ownership of the remaining VA and VC schools rests with Bristol Diocese. We understand that the Diocese have granted a licence to the schools to use the land and buildings. Under this licence arrangement, the rights of use have not transferred to the schools and thus are not included on the Council's Balance Sheet.

  There are three Foundation Trusts in Bristol - the South East Bristol Educational Trust, the South West Bristol Co-operative Learning Trust and Trust in Learning – who own 12 schools in the City. With regard to the South West Bristol Co-operative Learning Trust, the school governing body's can exercise control over the school premise's and must consent to any development, improvement, letting or disposal of the School's property. Accordingly the land and buildings are included in Council's Balance sheet. For the remaining Foundation Trust schools, no such control exists and so these assets are not included on the Council's Balance Sheet.

  Academies are not considered to be maintained schools in the Councils control. The land and building assets are either, not owned by the Council, or let on a long term lease (125 years) by the Council and therefore not included on the Council's Balance Sheet.

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

- In May 2014, the Council made a payment of £42m to the Avon Pension Fund in respect of the 2014/15, 2015/16 and 2016/17 pension deficit. This figure was provided by the Pension fund and included a saving to the Council for making the payment early. The payment to the pension fund has been accounted for as a balance sheet entry that reduces the net defined benefit liability (as reflected in the actuaries report). In accordance with regulatory requirements, the revenue account has been charged with the amount payable for the year, as a movement in reserves in the Movement in Reserves Statement (MiRS).

- The costs of the Schools Private Finance Initiative (PFI) Contracts exceed the income received from the Government Grant and School Contributions, leaving the Council with a liability under the PFI Contracts. All PFI Schools have now transferred to Academy status and these assets have been removed from the Council's balance sheet. Following a review of the costs and benefits, the Council consider the contract not to be onerous as the benefits significantly outweigh the costs.

- The Council's shareholding in Bristol Port Company Ltd is carried at cost of £2.5m and not at Fair Value which is the generally expected treatment for an equity investment. The Council has explored various valuation techniques including Market Approach, Income Approach, and Adjusted Net Asset Method but has been unable to calculate a reliable fair value which could be received on the sale of the asset in an orderly transaction between market participants at the measurement date.

In 2015/16 the Council carried out a desk top valuation using the Adjusted Net Asset Method to obtain a market valuation for the Port holding. However on review we have now deemed this not appropriate. This is due in part to the fact that there are no similar established companies' in the area whose shares are traded and which might provide comparable market data. We have therefore decided to include the Port shareholding at cost in the 2016/17 accounts and have made a prior year adjustment in the comparison accounts for 2015/16.

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 Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Consequence if actual results differ from assumptions
Property, Plant and Equipment (excluding Council dwellings)	Asset valuations are based on market prices and are periodically re-valued using a 5-year rolling programme to ensure that the Council does not materially misstate its property, plant and equipment. If market prices change significantly, over time there will be a corresponding increase or reduction in the value of Council land and buildings.	A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded in the Comprehensive Income and Expenditure Statement. If the value of the Council's property, plant and equipment was to reduce by say 10%, this would result in a £189m change in cost value charged against the Revaluation Reserve and/or the Comprehensive Income and Expenditure Statement. A corresponding increase in estimated valuations would result in a combination of increases to the Revaluation Reserve and / or reversals of previous negative revaluations charged to the Comprehensive Income and Expenditure Statement.
	Assets are depreciated on the basis of the Council's estimate of their useful economic lives. Such estimates depend upon a combination of (1) the asset not being rendered redundant by new technology or changing service needs and (2) adequate spending on repairs and maintenance.	Depreciation charges for operational assets will change in direct relation to changes in their estimated useful lives. The total depreciation charge for Property, Plant and Equipment in any given year is currently £52m. A 10% change in estimated lives would increase or decrease depreciation by £5m

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments. The Council has engaged Mercer Ltd, a firm of consulting actuaries, to provide expert advice about the assumptions to be applied.	Variations in the key assumptions will have the following impact on the net pension liability • a 0.1% increase in the discount rate will reduce the net pension liability by £43m • a 0.1% increase in the assumed level of pension increases will increase the net pension liability by £44m • a 0.1% increase in the assumed level of pay inflation will increase the net pension liability by £8m • an increase of one year in longevity will increase the net pension liability by £50m
Business Rates	Following the introduction on 1 April 2013 of the Business Rates Retention Scheme, Local authorities are liable for successful appeals against business rates charged since 2014/15, and for earlier years in their proportionate shares. A provision has been recognised for this potential liability based on best available information, including Valuation Office (VOA) ratings appeals lists, and an analysis of successful appeals to date.	The Council's provision for rating appeals is c£11m at the year end. Any understatement or overstatement of this liability would lead to a future adjustment charged to the Collection Fund in the year of recognition.
Fair Value Estimation	Asset valuations are based on either: • market prices for investment property, surplus assets and non-current assets held for sale: or • the net worth of unquoted companies in which the Council has a controlling or significant interest. If valuations change significantly there will be a corresponding increase or reduction in the Balance Sheet value of these assets	If the value of the Council's investment property, surplus property and non-current assets held for sale, was to reduce by 10%, this would result in a £30m reduction to Property, Plant and Equipment and a corresponding reduction to Unusable Reserves in the Balance Sheet.
Provision for doubtful debts	As at 31 March 2017, the Council had an outstanding balance on short term debtors of £156.9m. A provision for bad and doubtful debts totalling £46.1m has been made against this amount following a review of the aged debt analysis and significant individual balances at the year end, taking account of the nature of the debt and previous success in collection.	An understatement of doubtful debts would lead to future adjustment and a corresponding impairment charged against the relevant service cost. Any significant deterioration in collection rates would lead the Council to review this calculation and increase its bad debt provision.
Service concession and finance lease liabilities	The balance sheet value of outstanding liabilities is calculated using a discounted cash flow estimate based on expected future cash flows and the implied interest rate over the term of the contract.	Service concession and finance lease liabilities total c£146m at the year end. Any refinancing or renegotiation of the contracts could affect the calculation of implied interest rates and hence the value of these outstanding liabilities.

5 Material Items of Income and Expense

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

6 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Section 151 Officer on 12th September 2017. 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 2017, the figures in the financial statements and Notes have been audited in all material respects to reflect the impact of this information.

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. the Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015 /16				2016/17		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the funding and accounting basis (Note 8)	Net Expenditure in the Comprehensive Income and Expenditure Statement		**Net Expenditure Chargeable to the General Fund and HRA Balances**	**Adjustments between the funding and accounting basis (Note 8)**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£'000	£'000	£'000		**£'000**	**£'000**	**£'000**
198,871	57,285	256,156	People	216,460	20,358	236,818
41,312	3,718	45,030	Resources	42,932	4,365	47,297
55,372	14,005	69,377	Neighbourhoods	67,753	6,293	74,046
27,709	22,016	49,725	Place	29,794	21,629	51,423
3,663	695	4,358	City Director	8,245	141	8,386
50,079	(49,779)	300	Corporate Funding & Expenditure	23,584	(18,541)	5,043
(18,429)	(256,159)	(274,588)	Housing Revenue Account	(11,891)	(133,913)	(145,804)
358,577	(208,219)	150,358	**Net Cost of services**	376,877	(99,668)	277,209
(350,520)	(67,128)	(417,648)	Other Income and Expenditure	(329,474)	(60,791)	(390,265)
8,057	(275,347)	(267,290)	Deficit in year	**47,403**	**(160,459)**	**(113,056)**
(209,393)			Opening General Fund and HRA Balance	(201,335)		
8,058			Less Deficit on General Fund and HRA Balance in Year	47,403		
(201,335)			Closing General Fund and HRA Balance at 31 March 2017*	(153,932)		

* For a split of this balance between the General Fund and the HRA - see movements in Reserves Statement

8 Note to the Expenditure & Funding Analysis

2015/16 Adjustments for Capital Purposes (Note A)	2015/16 Net change for the Pension Adjustments (Note B)	2015/16 Other Differences (Note C)	2015/16 Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	2016/17 Adjustments for Capital Purposes (Note A)	2016/17 Net change for the Pension Adjustments (Note B)	2016/17 Other Differences (Note C)	2016/17 Total Adjustments
55,604	1,681	-	57,285	People	25,995	(5,637)		**20,358**
3,218	501	-	3,719	Resources	4,430	(65)		**4,365**
13,728	276	-	14,004	Neighbourhoods	6,710	(417)		**6,293**
21,576	440	-	22,016	Place	21,913	(284)		**21,629**
643	52	-	695	City Director	535	(394)		**141**
(49,956)	1,041	(865)	(49,780)	Corporate Funding & Expenditure	(24,363)	4,523	1,299	**(18,541)**
(256,017)	343	(484)	(256,158)	HRA	(133,015)	(757)	(141)	**(133,913)**
211,204	**4,334**	**(1,349)**	**(208,219)**	**Net Cost of Services**	**(97,795)**	**(3,031)**	**1,158**	**(99,668)**
(93,949)	21,986	4,835	**(67,128)**	Other income and expenditure from the Expenditure and Funding Analysis	(78,415)	23,552	(5,928)	(60,791)
(305,154)	**26,320**	**3,486**	**(275,348)**	**Difference between General Fund deficit and Comprehensive Income and Expenditure**	**(176,210)**	**20,521**	**(4,770)**	**(160,459)**

Note A - Adjustments for Capital Purposes

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

- Other Operating Expenditure - adjusts for capital disposals with a transfer of income on disposal of asset and the amounts written off for those assets.

- Financing and investment income and expenditure - the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note B - Net change for Pension Adjustments

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

- For Services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- For Financing and investment income and expenditure this is the net interest on the defined benefit liability is charged to the CIES

Note C - Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statements and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

9 Expenditure & Income Analysed By Nature

Expenditure & Income Analysed By Nature	2016/17 Total £000	2015/16 Total £000
Expenditure		
Employee Benefits Expense	373,988	360,628
Depreciation, Amortisation & Impairment	(55,671)	(139,461)
Other Service Expenditure	747,349	724,725
Total Expenditure	**1,065,666**	**945,892**
Income		
Fees, Charges and Other Service Income	(300,852)	(311,760)
Interest & Investment Income	(8,761)	(9,722)
Income from Council Tax & Non-domestic Rates	(274,984)	(265,172)
Government Grants and Contributions	(594,125)	(626,528)
Total Income	**(1,178,722)**	**(1,213,182)**
Surplus or deficit on the Provision of Services	**(113,056)**	**(267,290)**

10 Other Operating Expenditure

	2016/17 £'000	2015/16 £'000
Precepts and levies	1,079	1,092
Payments to the Government housing capital receipts pool	2,381	2,459
Losses/(gains) on the disposal of non-current assets	(5,140)	68
Total	(1,680)	**3,619**

11 Financing and Investment Income and Expenditure

	2016/17 £'000	2015/16 £'000
Interest payable and similar charges	35,258	36,789
Pensions net interest cost	23,551	21,986
Interest receivable and similar income	(8,761)	(9,722)
Income and expenditure in relation to Investment Properties	(10,796)	(10,145)
Changes in fair value of Investment Properties	(18,381)	(36,904)
Total	20,871	**2,004**

12 Taxation and Non-Specific Grant Income

	2016/17 £'000	2015/16 £'000
Council tax income	(182,328)	(171,432)
Non-domestic rates	(92,656)	(93,740)
Revenue support grant	(60,368)	(81,162)
Non-service related government grants	(16,829)	(17,365)
Capital grants and contributions	(57,275)	(59,572)
Total	(409,456)	(423,271)

13 Pooled Budgets

Better Care Fund

The Better Care Fund was established by the Government to provide funds to local areas to support the integration of health and social care and to seek to achieve the National Conditions and Local Objectives. It is a requirement of the Better Care Fund that NHS Bristol Clinical Commissioning Group and Bristol City Council establish a pooled fund for this purpose which was achieved in 2016/17 through a jointly signed agreement under Section 75 of the National Health Service Act 2006. The formal governance of the Better Care Fund is through the Joint Commissioning Board and the Bristol Health and Well Being Board.

Under this Section 75 agreement there are four funds totalling £41.840m and administered by whichever body undertook the contracting arrangements.

Fund 1 is administered by Bristol Clinical Commissioning Group and totals £11.391m. The fund includes contributions from the CCG only, which have been paid to providers contracted to support the sub schemes Reduction in Hospitals Admissions, Frail and Complex, Falls Prevention and Reablement. The CCG controls this fund in its entirety and wholly owns any risk relating to this fund as per the Section 75 agreement.

Fund 2 is administered by Bristol City Council and totals £26.618m.This funding covers a mixture of existing CCG expenditure items with Bristol City Council, previously funded via a section 256 agreement with NHS England and paid directly to the City Council, and new Care Schemes introduced as part of the pooled agreement.

The purpose of Fund 2 is to provide Integrated Rehabilitation & Reablement and Prevention and Maximising Independence Services for which BCCG contribute £10.68m. In addition to this the CCG provide funding for Long Term Care (including MH and LD) £4.1m and Carers Breaks £1.06m.

Fund 3 is administered by Bristol City Council and totals £2.421m. This fund is to provide Disability Facilities Grant to enable adaptation to homes. The fund includes contributions from the City Council only, which have been paid directly to providers.

Fund 4 is administered by NHS England and totals £1.410m. The fund includes contributions from the NHS England only, which have been paid to providers contracted to support Early and Preventative Interventions. NHS England controls this fund in its entirety and wholly owns any risk relating to this fund as per the Section 75 agreement.

Better Care Fund	Fund 1 £'000	Fund 2 £'000	Fund 3 £'000	Fund 4 £'000	Total £'000
Funding provided to the pooled budget:`					
Bristol CCG	11,391	15,840	-	-	27,231
Bristol City Council	-	10,778	2,421	-	13,199
NHS England				1,410	1,410
Total funding into Pooled Budget	**11,391**	**26,618**	**2,421**	**1,410**	**41,840**
Expenditure met from Pooled Budget					
Bristol CCG	10,835	-	-	-	10,835
Bristol City Council	-	30,318	2,421	-	32,739
NHS England	-	-	-	1,410	1,410
Total expenditure from Pooled Budget	**10,835**	**30,318**	**2,421**	**1,410**	**44,984**
Net surplus/(deficit) on the pooled budget during the year	**566**	**(3,700)**	**-**	**-**	**(3,144)**
Bristol City Council's share of the net surplus/(deficit) arising on the pooled budget	**-**	**(2,107)**	**-**	**-**	**(2,107)**

Drugs Action

The Council established a partnership agreement with the NHS Bristol, Working Links 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:

	2016/17 £'000	2015/16 £'000
Funding provided to the pooled budget:		
Balance Brought Forward	2,536	2,699
Bristol City Council	1,430	1,666
Public Health	7,720	8,566
Other Bodies	112	170
	11,798	**13,101**
Expenditure met from the pooled budget		
Drug and alcohol services for adults	9,812	10,500
Substance Misuse Services for Young People	-	65
	9,812	**10,565**
Net underspend carried forward	**1,986**	**2,536**

14 Members' Allowances

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

	2016/17 £'000	2015/16 £'000
Basic allowance	807	805
Special responsibility allowances	311	240
Travelling and subsistence allowance	6	3
Co-optees basic allowance	2	2
Total	1,126	1,050

In addition to the above, the elected Mayor is paid an annual allowance amounting to £67,401 (G Ferguson £7,139 and M Rees £60,262)

15 Officers' Remuneration & Exit Packages

Where a senior officer's annual salary is £50,000 or more, but less than £150,000, remuneration is disclosed individually by way of job title. For those senior officers whose salary is £150,000 or more, their name is also disclosed. The remuneration paid to the Council's City Director, Chief Executive, Strategic Directors for Resources, People, Neighbourhoods and Place Directorates, Chief Financial Officer and Monitoring Officer during the year was as follows:

		Salary, Fees and Allowances	Compensation for Loss of Office	Pension Contribution	Total
City Director		£	£	£	£
N Yates	**2016/17**	**62,271**	**192,955**	**12,012**	**267,238**
	2015/16	*176,729*	-	*33,600*	*210,329*
Chief Executive					
S Hughes (Interim)–Aug'16 – Feb '17	**2016/17**	**127,523**	-	-	**127,523**
A Klonowski – March'17	**2016/17**	**18,270**	-	-	**18,270**
	2015/16	-	-	-	-
Strategic Director -					
Business Change - April '16- May '16	**2016/17**	**22,853**	-	**5,055**	**27,908**
Resources (Interim) - July '16 – Feb'17	**2016/17**	**118,482**	-	-	**118,482**
	2015/16	*131,576*	-	*27,491*	*159,067*
Strategic Director -					
People	**2016/17**	**136,608**	-	**30,377**	**166,985**
	2015/16	*131,557*	-	*27,491*	*159,048*
Strategic Director -					
Neighbourhoods	**2016/17**	**132,485**	-	**29,544**	**162,029**
	2015/16	*128,723*	-	*26,964*	*155,687*
			-		
Strategic Director -	**2016/17**	**136,838**	-	**30,377**	**167,215**
Place	*2015/16*	*131,747*	-	*27,491*	*159,238*
Statutory Officers-					
Chief Financial (S151)					
November '16 - March '17	**2016/17**	**37,962**	-	**8,466**	**46,428**
Interim – April '16 - June'16	**2016/17**	**68,640**	-	-	**68,640**
Interim – June'16 – November '16	**2016/17**	**108,305**	-	-	**108,305**
	2015/16	*121,278*	*30,000*	*15,873*	*167,151*
Head of Legal Services (Monitoring Officer)	**2016/17**	**94,739**	-	**21,127**	**115,866**
	2015/16	*108,142*	-	*22,467*	*130,609*

For part of 2016/17 the services of the Director of Resources and the S151 Officer were secured on an interim basis. The amounts disclosed in the above table in respect of these posts are the costs incurred by the Council to secure the individuals services on this basis and not the amounts these individuals actually received (which will have been lower).

The Director of Resources post was filled on a substantive basis until May 2016 then on an interim basis by Anna Klonowski between July 2016 and February 2017 at a total cost to the Council of £118,482.

The S151 Officer role (undertaken by the Service Director – Finance) was filled by two successive interims between April and November 2016. Between April and June 2016, the role was fulfilled by Julie Oldale, at a total cost to the Council of £68,640 and between June and November 2016 Annabel Scholes, at a total cost to the Council of £108,305. At the end of November the post was filled on a permanent basis.

The 2015/16 figures for the S151 Officer and the Head of Legal Services have been amended to include remuneration for interim appointments to these post which were originally omitted form the note.

In addition to the remuneration of senior employees set out above, the number of the Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's contributions) is set out in the table below:

Remuneration band	2016/17 Number of employees		2015/16 Number of employees	
	Schools	Non-Schools	Schools	Non-Schools
£50,000 - £54,999	26	71	20	50
£55,000 - £59,999	33	59	26	32
£60,000 - £64,999	25	39	24	11
£65,000 - £69,999	9	14	12	6
£70,000 - £74,999	4	9	3	4
£75,000 - £79,999	6	8	3	4
£80,000 - £84,999	4	2	3	-
£85,000 – 89,999	1	4	-	-
£90,000 - £94,999	1	11	-	13
£95,000 - £99,999	-	2	-	4
£100,000 - £104,999	-	1	-	-
£105,000 - £109,999	-	1	-	1
£110,000 - £114,999	-	-	-	-
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	-	1	-	-
Totals	109	222	91	125

Exit Packages

The numbers of exit packages relating to council employees during 2016/17, 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**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2016/17	2015/16	**2016/17**	2015/16	**2016/17**	2015/16	**2016/17**	2015/16
	No.	No.	**No.**	No.	**No.**	No.	**£'000**	£'000
£0 - £20,000	19	-	178	5	197	5	1,906	21
£20,001 - £40,000	12	-	102	2	114	2	3,204	55
£40,001 - £60,000	-	-	31	-	31	-	1,521	-
£60,001 - £80,000	-	-	21	-	21	-	1,481	-
£80,001 - £100,000	-	-	14	-	14	-	1,245	-
£100,001 - £150,000	-	-	19	-	19	-	2,262	-
£150,001 - £200,000	-	-	2	-	2	-	310	-
Total	**31**	**-**	**367**	7	**398**	7	**11,929**	76

16 External Audit Costs

The Council 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 Council's external auditors BDO.

	2016/17	2015/16
	£'000	£'000
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor for the year	204	203
Fees payable to the External Auditor for the certification of grant claims and returns for the year	11	11
Fees payable in respect of other services provided by the External Auditor during the year	26	6
Total	**241**	220

17 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency (EFA), the Dedicated Schools Grant (DSG). Once allocated to a local authority an element is recouped by the EFA to fund academy schools in the council's area. The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2014. The Schools Budget includes elements for a range of educational services provided on a Council wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are shown in the following table:

2015/16 £'000					2016/17 £'000		
Central Expenditure	ISB	Total		Notes	**Central Expenditure**	**ISB**	**Total**
		302,958	Final DSG before academy recoupment				312,953
		136,000	Less: Academy figure recouped for year	1			137,730
		166,958	Total DSG after academy recoupment				175,223
		23,820	Plus: Brought forward from previous year	2			2,889
		4,438	Less: Carry forward agreed in advance	3			1,254
54,786	131,554	186,340	Agreed initial budgeted distribution	4	27,250	149,608	176,858
-	-	-	In year adjustments	5	-	708	708
54,786	**131,554**	**186,340**	**Final budgeted distribution**		**27,250**	**150,316**	**177,566**
53,342	-	53,342	Less: actual central expenditure	4	30,009	-	30,009
-	134,547	134,547	Less: actual ISB deployed to schools	4	-	150,441	150,441
1,444	**(2,993)**	**(1,549)**	**Carry forward**	6	**(2,759)**	**(125)**	**(2,884)**
		4,438	Carry forward agreed in advance				1,254
		2,889	**Total carried forward (Note 20)**	7			**(1,630)**

1. The academy recoupment in 2015/16 comprised 58 academies open at the start of the year plus 1 school that converted in year and 2 new academy schools. The academy recoupment in 2016/17 comprised 61 academies open at the start of the year plus 2 new academy schools.
2. The actual brought forward figure from 2015/16.
3. Included in the carry forward, as agreed in advance with the schools' forum, are reserves in Early Years of £0.44m and Early Help proposals of £0.81m.
4. Top-up payments to meet individual special educational needs have moved from Central to ISB column. As a comparison a similar breakdown for 2015/16 would have been Central expenditure £32.35m and ISB expenditure £155.53m.
5. The in-year adjustment is an estimate of the final early years block adjustment based on census data.
6. Included in the carry forward is £0.29m for underspends on de-delegated budgets, which under regulations, if carried forward, must be for the same purposes in 2017/18. There is also an overspend carry forward of £3.18m on the High Needs block.
7. The total carried forward comprises the carry forward agreed in advance (note 3 above) plus the carry forward of overspends (note 6 above).

18 Grant Income

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

Credited to Taxation and Non Specific Grant Income:

	2016/17 £'000	2015/16 £'000
Capital grants and contributions (Note 12 & see below)	57,275	59,572
Revenue support grant (Note 12)	60,368	81,162
Non service related government grants (Note 12)	16,829	17,365
Total	**134,472**	**158,099**

Capital grants and contributions

	2016/17 £'000	2015/16 £'000
Government grants applied:		
Place	46,032	47,782
People	8,123	1,505
Neighbourhoods	721	348
Resources	-	3,198
Section 106 Contributions	291	6,739
Total Government Grants & Contributions applied	**55,167**	**59,572**
Government grants unapplied	2,108	-
Total grants credited to the CIES	**57,275**	**59,572**

	31-Mar-17 £'000	31-Mar-16 £'000
Arts Council England - Museums	2,012	1,847
Better Bus Area Fund	51	14
Bus Service Operations Grant (BSOG)	481	-
Bristol European Green Capital	-	3,711
Cycling Ambition Fund	4,669	3,346
Dedicated Schools Grant	175,223	166,958
Discretionary Housing Payments	1,147	946
Early Assessments Revenue Grant	-	1,031
Education Services Grant	7,987	4,650
EFA Other Grants	4,615	4,426
Future City Demonstrator	-	2,742
Housing Benefit (rent allowances/council tax benefit) subsidy	173,143	181,040
Housing Benefit Administration Subsidy	3,220	3,517
Invest In Bristol & Bath 2015-2020	1,028	-
Local Sustainable Transport Fund West (LSTF)	3,569	11,471
PFI Special Grant	18,138	20,057
Public Health	34,265	30,884
Pupil Premium	9,206	9,718
SWERCOTS	677	-
Troubled Families	1,398	1,261
Youth Justice Board	655	740
Miscellaneous	18,169	18,928
Total	**459,653**	**467,287**

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

	31 March 2017 £'000	31 March 2016 £'000
Capital Grants and Contributions Received in Advance		
Government grants	8,036	38,319
Section 106 contributions	15,211	18,630
Total	**23,247**	**56,949**
Due < 1 year	11,839	42,977
Due > 1 year	11,408	13,972
Total	**23,247**	**56,949**
Revenue grants (within creditors)		
People	477	825
Neighbourhoods	32	-
Place	7,947	4,293
Resources	910	56
City Director	-	5,290
	9,366	**10,464**

19 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 Council in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2016/17	General fund balance	Housing Revenue Account	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Movement Usable Reserves
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Adjustment 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	(45,513)	101,183	-	-	-	55,670
Movement in the market value of Investment Properties	17,918	463	-	-	-	18,381
Amortisation of Intangible Assets	(1,840)	-	-	-	-	(1,840)
Capital grants and distributions	57,275	-	-	-	-	57,275
Revenue and expenditure funded from capital under statute	(17,530)	-	5,300	-	-	(12,230)
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	(10,684)	(13,470)	-	-	-	(24,154)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	12,005	-	-	-	-	12,005
Capital expenditure charged against the General Fund and HRA balances	17,656	77	-	-	-	17,733
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	9,593	19,703	(29,296)	-	-	-
Administrative costs of non-current asset disposals	-	-	228	-	-	228
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	15,476	-	-	15,476
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,381)	-	2,381	-	-	-
Adjustment Involving the Major Repairs Reserve (MRR):						
Excess depreciation transferred to the MRR	-	7,036	-	(7,036)	-	-
HRA depreciation credited to MRR	-	24,718	-	(24,718)	-	-
Use of the MRR to finance new capital expenditure	-	-	-	33,576	-	33,576
Adjustments involving the Capital Grants Unapplied Account:						
Application of grants to capital financing transferred to the Unapplied Capital Grants	-	-	-	-	(2,108)	(2,108)
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	141	-	-	-	318
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 34)	(65,716)	(6,575)	-	-	-	(72,291)
Employer's pensions contributions and direct payments to pensioners payable in the year	46,730	5,040	-	-	-	51,770
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	5,928	-	-	-	-	5,928
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	(1,476)	-	-	-	-	(1,476)
Other Reserve Movements						
Total Adjustment	**22,142**	**138,316**	**(5,911)**	**1,822**	**(2,108)**	**154,261**

2015/16	General fund balance	Housing Revenue Account	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Movement Usable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment 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	(82,983)	224,047	-	-	-	141,064
Movement in the market value of Investment Properties	34,106	2,798	-	-	-	36,904
Amortisation of Intangible Assets	(1,602)	-	-	-	-	(1,602)
Capital grants and distributions	59,572	-	-	-	-	59,572
Revenue and expenditure funded from capital under statute	(10,184)	-	-	-	-	(10,184)
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	(22,844)	(9,467)	-	-	-	(32,311)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	20,301	-	-	-	-	20,301
Capital expenditure charged against the General Fund and HRA balances	29,654	121	-	-	-	29,775
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	12,566	19,677	(32,243)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	17,950	-	-	17,950
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,459)	-	2,459	-	-	-
Adjustment Involving the Major Repairs Reserve (MRR):						
Excess depreciation transferred to the MRR	-	4,662	-	(4,662)	-	-
HRA depreciation credited to MRR	-	27,189	-	(27,189)	-	-
Use of the MRR to finance new capital expenditure	-	-	-	37,079	-	37,079
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to CIE	-	-	-	-	1,778	1,778
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	178	484	-	-	-	662
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 34)	(65,916)	(5,654)	-	-	-	(71,570)
Employer's pensions contributions and direct payments to pensioners payable in the year	41,676	3,574	-	-	-	45,250
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	(4,835)	-	-	-	-	(4,835)
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	687	-	-	-	-	687
Other Reserve Movements						
Total Adjustment	**7,917**	**267,431**	**(11,834)**	**5,228**	**1,778**	**270,520**

Reserves represent the authority's net worth and show its spending power. Usable reserves result from the authority's activities and can be spent in the future. This note sets out the amounts set aside and posted back to Usable Reserves in 2016/17, they include:

- General Fund Strategic Reserve – to cushion the impact of unexpected events or emergencies
- Earmarked Reserves – to provide financing to meet known or predicted future General Fund expenditure plans
- School Balances/DSG – amounts required by statute to be set aside for future expenditure in schools
- Housing Revenue Account Reserves – amounts specifically required by statute to be set aside and ring-fenced for future investment in HRA
- Capital reserves – includes capital receipts and capital grants set aside to finance future capital spending plans

	1 April 2015	Transfers Out	Transfers in	31 March 2016	Movements between reserves	01 April 2016 Revised	Transfers Out	Transfers in	31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total General Fund Strategic Reserve	(20,000)	-	-	(20,000)	-	(20,000)	-	-	(20,000)
General Fund Earmarked Reserves									
Capital Investment Reserve	(24,274)	9,037	(6,123)	(21,360)	(10,000)	(31,360)	16,424	(1,000)	(15,936)
Business Transformation Reserve	(38,855)	2,951	-	(35,904)	15,490	(20,414)	10,767	(2,768)	(12,415)
Risk Management Reserve	(10,657)	3,110	(2,493)	(10,040)	(2,732)	(12,772)	8,024	(971)	(5,719)
Statutory/Ring-fenced Reserve	(7,336)	186	(2,326)	(9,476)	-	(9,476)	1,014	(1,584)	(10,046)
Financing Reserve	(4,175)	100	(11,206)	(15,281)	-	(15,281)	6,600	(3,152)	(11,833)
Service Specific Reserves	(10,554)	1,813	(5,176)	(13,917)	(2,758)	(16,675)	7,722	(544)	(9,497)
Total	(95,851)	17,197	(27,324)	(105,978)	-	(105,978)	50,551	(10,019)	(65,446)
School Reserves									
Schools – DSG	(20,561)	20,561	(95)	(95)	-	(95)	1,725	-	1,630
Schools - Balances	(14,127)	4,756	-	(9,371)	-	(9,371)	4,394	-	(4,977)
Schools - Other	(4,772)	635	-	(4,137)	-	(4,137)	2,953	(928)	(2,112)
Total Schools	(39,460)	25,952	(95)	(13,603)	-	(13,603)	9,072	(928)	(5,459)
HRA									
HRA General Reserve	(39,602)	-	(9,835)	(49,437)	-	(49,437)	-	(4,800)	(54,237)
Major Repairs Reserve	(7,050)	37,079	(31,851)	(1,822)	-	(1,822)	1,822	-	-
HRA Earmarked Reserves	(14,480)	3,123	(960)	(12,317)	-	(12,317)	4,431	(904)	(8,790)
Total HRA Reserves	(61,132)	40,202	(42,646)	(63,576)	-	(63,576)	6,253	(5,704)	(63,027)
Capital Reserves									
Capital Receipts	(27,964)	7,843	(19,677)	(39,798)	-	(39,798)	24,384	(30,295)	(45,709)
Capital Grants Unapplied	(3,010)	1,778	-	(1,232)	-	(1,232)	-	(2,108)	(3,340)
Total Usable Capital Reserves	(30,974)	9,621	(19,677)	(41,030)	-	(41,030)	24,384	(32,403)	(49,049)
TOTAL USABLE RESERVES	(247,417)	92,972	(89,742)	(244,187)	-	(244,187)	90,260	(49,054)	(202,981)

Details of the earmarked reserves are set out below:

RESERVE	PURPOSE
Capital Investment Reserve	The Balance at 31 March is maintained to provide funding for the Council's capital/commercial investments and growth in Enterprise areas as agreed in the budget.
Business Transformation Reserves	Invest to save funds set aside to deliver the Council's major Transformational Change Programme to improve services, improve productivity and to reduce costs. The reserve will be used to fund one-off costs and the required investment.
Risk Reserves	Funds set aside to mitigate risks not otherwise provided for including volatility in business rate income, uninsured risks and potential litigation/claims.
Statutory/Ring-fenced reserves	Amounts required by statute or accounting code of practice to be set aside and ring-fenced for specific purposes, e.g. Public Health Reserve, Business Rate growth in Enterprise Areas (pooled amount).
Technical/Financing Reserve	Includes PFI sinking fund, grant income (without conditions) carried forward in accordance with accounting regulations and resources set aside to match liabilities elsewhere on the Balance Sheet.
Service specific reserves	Amounts set aside to finance specific projects or to meet known expenditure plans, including: - Bristol Futures (1.8m) to provide new technology to improve public services - Development Fund (£1.5m) to provide match funding to progress existing and proposed regeneration schemes - Housing Support (£0.8m) to provide support for homelessness issues

21 Property, Plant and Equipment Movements in 2016/17

The valuations, excluding vehicles, plant, equipment, infrastructure assets and community assets are carried out by Robert Orrett, MRICS, Service Director for Strategic Property. The basis for the valuation of all assets is set out in the statement of accounting policies.

Council Dwelling Restatement.

The valuation of the Council Dwellings is carried out by the authority's "in house" valuers. Following consultation with the external auditors it was agreed to amend the market data supporting the valuations along with changing the valuation date from 1st April 2016 to 31st March 2017 to take account of recent price changes within the housing market in the South West. This is in accordance with the "accounting code of practice", requiring revaluations to be carried out timely to ensure that the carrying value does not differ materially from that which would be determined at the end of the reporting period. These changes were applied to this and the preceding year for comparative purposes.

The effect of this restatement to the 2015/16 statement of accounts is summarised below:
- to increase the carrying value of Council Dwellings by £231m from £893m to £1,124m.
- to increase the Revaluation Increases recognised in the Surplus / Deficit on the Provision of Services by £231m from £7m to (£224m).

The table below includes net valuation decreases of £55m within Other Land & buildings recognised in the surplus / deficit on the provision of services. This is primarily in relation to:

- Movement of assets held at historic cost to depreciated replacement cost
- Specialised assets are valued on a depreciated replacement cost basis and are subject to a number of varying factors such as build costs

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Surplus Assets	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation									
At 1 April 2016	**1,124,462**	**547,466**	**59,805**	**191,517**	**8,381**	**60,973**	**36,015**	**904,157**	**19,212**
Additions	48,768	28,998	3,620	61,976	57	14,422	712	109,785	75
Revaluation increases/(decreases) recognised in the Revaluation Reserve	213,641	6,874	-	-	-	-	7,072	13,946	-
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	101,583	(23,230)	-	-	(93)	-	(430)	(23,753)	-
De-recognition - Disposals	(10,294)	(4,579)	-	-	-	-	(583)	(5,162)	-
Assets reclassified to/from Held for Sale	(967)	(3,943)	-	-	-	-	(586)	(4,529)	-
Assets reclassified to/from Investment Property	-	1,495	-	-	-	-	-	1,495	-
Other movements in cost or valuation	-	40,599	74	-	(74)	(46,704)	6,105	-	-
At 31 March 2017	**1,477,193**	**593,680**	**63,499**	**253,493**	**8,271**	**28,691**	**48,305**	**995,939**	**19,287**
Accumulated Depreciation and Impairment									
At 1 April 2016	-	(12,427)	(21,895)	(21,488)	(92)	(3,001)	(362)	(59,265)	**(380)**
Depreciation Charge	(24,718)	(15,100)	(5,348)	(5,681)	-	-	(988)	(27,117)	(381)
Depreciation written out to Revaluation Reserve/Surplus/Deficit on the provision of Services	24,488	4,839	-	-	-	-	349	5,188	-
Impairment losses/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/reversals recognised in the Surplus/deficit on the Provision of Service	-	-	-	-	-	-	-	-	-
De-recognition - disposals	221	361	-	-	-	-	11	372	-
De-recognition - other	-	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	9	(704)	-	-	-	1,107	4	407	-
At 31 March 2017	-	(23,031)	(27,243)	(27,169)	(92)	(1,894)	(986)	(80,415)	**(761)**
Balance Sheet at 31 March 2017	**1,477,193**	**570,649**	**36,256**	**226,324**	**8,179**	**26,797**	**47,319**	**915,524**	**18,526**
Balance Sheet at 1 April 2016	**1,124,462**	**535,039**	**37,910**	**170,029**	**8,289**	**57,972**	**35,653**	**844,892**	**18,832**

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Surplus Assets	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation									
At 1 April 2015	**892,374**	**591,889**	**50,199**	**148,454**	**8,031**	**21,957**	**23,800**	**844,330**	**22,563**
Additions	42,584	15,864	12,271	42,854	353	35,207	3,949	110,498	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	41,519	-	1	(3)	-	20,048	61,565	-
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	198,347	(84,739)	(2,665)	-	-	-	(3,767)	(91,171)	(3,351)
De-recognition - Disposals	(6,783)	(20,638)	-	-	-	-	(1,091)	(21,729)	-
Assets reclassified to/from Held for Sale	(2,293)	-	-	-	-	-	(108)	(108)	-
Assets reclassified to/from Investment Property	-	641	-	208	-	156	-	1,005	-
Other movements in cost or valuation	233	2,930	-	-	-	3,653	(6,816)	(233)	-
At 31 March 2016	**1,124,462**	**547,466**	**59,805**	**191,517**	**8,381**	**60,973**	**36,015**	**904,157**	**19,212**
Accumulated Depreciation and Impairment									
At 1 April 2015	**(26,333)**	**(29,949)**	**(17,217)**	**(17,294)**	**(18)**	**(2,199)**	**(1,387)**	**(68,064)**	**(1,392)**
Depreciation Charge	(27,189)	(14,675)	(4,678)	(4,194)	(74)	-	(365)	(23,986)	(380)
Depreciation written out to Revaluation Reserve	25,998	29,245	-	-	-	-	1,083	30,328	1,392
Impairment losses/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/reversals recognised in the Surplus/deficit on the Provision of Service	53,187	-	-	-	-	-	-	-	-
De-recognition - disposals	201	2,444	-	-	-	-	-	2,444	-
De-recognition - other	-	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	134	508	-	-	-	(802)	307	13	-
At 31 March 2016	-	(12,427)	(21,895)	(21,488)	(92)	(3,001)	(362)	(59,265)	**(380)**
Balance Sheet at 31 March 2016	**1,124,462**	**535,039**	**37,910**	**170,029**	**8,289**	**57,972**	**35,653**	**844,892**	**18,832**
Balance Sheet at 1 April 2015	**866,041**	**561,940**	**32,982**	**131,160**	**8,013**	**19,758**	**22,413**	**776,266**	**21,171**

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 and Equipment 3–8 years
- Infrastructure – 25 years (quay walls and lock gates in City Docks not depreciated as useful life beyond 100 years)

Capital Commitments

At 31 March 2017 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment with outstanding contract commitments of £39.9m.

Significant contractual commitments outstanding at 31 March 2017 were as follows:

		£m
Ashton Vale to Temple Meads (Metrobus) - Contract 1	Balfour Beatty Civil Engineering Ltd	8.8
Priority Stock - New kitchens	Lovell Construction Ltd	5.5
Schools Expansion Programme: Whitehall Primary, Chester Park Primary Schools & Sea Mills Children's Centre	Bristol LEP Ltd	4.0
Priority Stock - Install replacement Central Heating Systems	Glevums / Grahams	3.2
Ashton Vale to Temple Meads (Metrobus) - Bridge works	Volker Laser Ltd	2.6
Priority Stock - Refurbishment works at Spencer/Norton Houses	Mears	2.0
Transport Infrastructure - Temple Circus	Openreach Bt PLC	1.8
North Fringe Hengrove (Metrobus) - Information Points/Smartcards	Cammax Ltd	1.6
Priority Stock - Cladding of M/Storey blocks	Mears	1.5
Transport Infrastructure - Assembly Rooms Lane	E T M Contractors Ltd	1.4
Priority Stock - Re-roofing of M/Storey blocks	MD Group / Mitie	1.4
New Housing Provision	Halsall Construction Ltd	1.3
Priority Stock - Electrical rewires	Lovell Construction Ltd	1.2
	Total	**36.3**

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every 5 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 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 and Buildings	Vehicles, Plant, etc	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	**-**	**25,364**	**63,499**	**253,493**	**8,271**	**10,789**	**27**	**361,443**
31 March 2017	1,477,193	67,044	-	-	-	9,045	48,104	**1,601,386**
31 March 2016	-	346,254	-	-	-	2,140	150	**348,544**
31 March 2015	-	74,057	-	-	-	-	-	**74,057**
31 March 2014	-	8,294	-	-	-	-	-	**8,294**
31 March 2013	-	72,667	-	-	-	6,717	25	**79,409**
Total cost valuation	**1,477,193**	**593,680**	**63,499**	**253,493**	**8,271**	**28,691**	**48,306**	**2,473,133**

In addition the Council has instructed its valuers to undertake a review of all assets held in the Other Land and Buildings category to ensure that the carrying value of assets last valued in previous years is not materially different from their fair value. In order to perform this exercise the Other Land and Building category was split into sub categories, e.g. schools, car parks, leisure and culture etc. The review concluded that the fair value was not materially different from the carrying value at the Balance Sheet date.

22 Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Council.

	Art Collection	Ethnography & Foreign Archaeology	Antiquarian Books	Other	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
1 April 2016	62,121	29,796	7,050	1,492	100,459
Additions	-	-	-	-	-
Revaluations	-	-	-	-	-
31 March 2017	**62,121**	**29,796**	**7,050**	**1,492**	**100,459**
Cost or valuation					
1 April 2015	60,367	29,796	7,050	1,492	98,705
Additions	-	-	-	-	-
Revaluations	1,754	-	-	-	1,754
31 March 2016	**62,120**	**29,796**	**7,050**	**1,492**	**100,459**

The above collection of Heritage Assets are predominantly valued on an insurance valuation basis, and some items classified as "other" are valued at historic cost.

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 1940s. 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 other institutions
- 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.

23 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:

	2016/17 £'000	2015/16 £'000
Rental income from Investment Property	11,285	11,837
Direct operating expenses arising from Investment Property	(489)	(1,692)
Net gain	**10,796**	**10,145**

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

The following table summarises the movement in the fair value of Investment Properties over the year:

	2016/17 £'000	2015/16 £'000
Balance at start of the year	240,328	199,067
Additions – purchases	745	9,390
Disposals	(3,984)	(4,023)
Net gains/losses from fair value adjustments	13,038	36,904
Transfers to/from Property, Plant and Equipment	(1,495)	(1,010)
Balance at end of the year	**248,632**	**240,328**

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

	Long-Term		Current	
	31 March 2017	31 March 2016 Restated	31 March 2017	31 March 2016
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities at amortised Cost	585,553	574,894	109,898	126,862
Total Financial Liabilities	585,553	574,894	109,898	126,862
Financial Assets				
Available-for-sale financial assets	12,108	2,546	-	-
Unquoted equity investment at cost	2,852	2,500	-	-
Loans & Receivables at Amortised Cost	10,272	16,530	137,287	221,464
Total Financial Assets	25,232	21,576	137,287	221,464

Movements

The decrease in financial assets, circa £80m, relates to an increase in long term financial assets (£5m) primarily by acquisition, and a decrease in cash resources of the authority (£85m) primarily to finance the capital programme to reduce the net financing costs and counter party risk of the authority along with the application of reserves.

Unquoted Equity Instruments Measured at Cost (where fair value cannot be reliably measured)

The majority of this investment relates to the Authority's shareholding in Bristol Port Company Ltd. The shares are carried at cost of £2.5m and have not been valued as a fair value because cannot be measured reliably as there are no established companies with similar aims in the Authority’s area whose shares are traded which might provide comparable market data.

Borrowing

Short-term borrowing	31 March 2017 £'000	31 March 2016 £'000
Deposit loans (repayable at notice - up to 7 days)	101	257
Other short term borrowing (repayable within 1 year):		
- Public Works Loan Board	3,408	3,471
- Banks and other monetary sector	4,239	3,255
- Local bonds and property rent disposals	11	11
- Stocks	10	10
Total	**7,769**	**7,004**

Long-term borrowing	31 March 2017 £'000	31 March 2016 £'000
Public Works Loan Board	310,439	291,239
Market debt	120,000	123,000
Stocks	50	50
Total	**430,489**	**414,289**

The Council, as planned, borrowed £19.2m from the PWLB on the 31st March 2017 at a preferential rate for the Bristol Temple Meads East Regeneration (Arena) scheme reducing the interest rate risk and liquidity risk exposed to the authority

Allowance for Credit Losses

The Council has not incurred any losses during the period.

Income, Expense, Gains or Losses

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

Financial Instruments Gains and Losses 2016/17

	Financial Liabilities	Financial Assets		
	Measured at amortised cost	Loans and receivables	Available-for-sale assets	Total
	£'000	£'000	£'000	£'000
Interest expense	(35,258)	-	-	(35,258)
Total expense in Surplus or Deficit on the Provision of Services	**(35,258)**	**-**	**-**	**(35,258)**
Interest Income	-	6,103	-	6,103
Dividend Income	-	-	2,658	2,658
Total income in Surplus or Deficit on the Provision of Services	**(35,258)**	**6,103**	**2,658**	**(26,497)**
Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**(4,281)**	**(4,281)**
Net gain/(loss) for the year	**(35,258)**	**6,103**	**(1,623)**	**(30,778)**

Financial Instruments Gains and Losses 2015/16

	Financial Liabilities	Financial Assets		
	Measured at amortised cost	Loans and receivables	Available-for-sale assets	Total
	£000s	£000s	£000s	£000s
Interest expense	(36,789)	-	-	(36,789)
Total expense in Surplus or Deficit on the Provision of Services	**(36,789)**	**-**	**-**	**(36,789)**
Interest Income	-	7,105	-	7,105
Dividend Income	-	-	2,045	2,045
Total income in Surplus or Deficit on the Provision of Services	**-**	**7,105**	**2,045**	**9,150**
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(4,252)	(4,252)
Net gain/(loss) for the year	(36,789)	7,105	(2,207)	(31,891)

For Information excludes for provision of Banking Services +£80k, and (£589k) for Prudential Borrowing Recharges for DSG

Fair Value of Financial Assets and Property Assets

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

Descriptions	Fair value measurements at 31 March 2017 using:			Fair value measurements at 31 March 2016 using:		
	Quoted prices in active markets	Observable inputs	Unobservable inputs	Quoted prices in active markets	Observable inputs	Unobservable inputs
	Level 1	Level 2	Level 3	Level 1	Level 2	Restated Level 3
	£000	£000	£000	£000	£000	£000
Recurring fair value measurements						
Non-traded securities:						
Unquoted private companies	-	-	7,208	-	-	2,016
Pooled property fund	-	-	4,900	-	-	440
Total Non-traded securities:	**-**	**-**	**12,108**	-	-	2,456
Investment properties	**-**	**253,976**	**-**	-	240,328	-
Surplus properties	**-**	**47,320**	**-**	-	35,653	-
Total recurring fair value measurements	**-**	**301,296**	**12,108**	-	275,981	2,456
Non-recurring fair value measurements						
Assets held for sale	-	-	-	-	-	-
Total non-recurring fair value measurements	**-**	**-**	**-**	-	-	-

Valuation techniques and Inputs

Description of asset	Valuation hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key sensitivities affecting the valuations provided
Surplus assets	Level 2	All surplus assets have been valued by RICS qualified valuers to Fair Value less costs to sell, reflecting highest and best use.	Evidence of title, floor area, siting and site conditions, type/age and current use of the property have been taken into account together with general market conditions and advertised value of similar properties currently up for sale.	Not all assets are physically inspected every year. Latent defects, repair and maintenance backlogs, general changes in the market and other impairments could have a significant impact on the values provided.
Investment Properties	Level 2	All investment properties have been valued by the Council's in-house valuers (all RICS qualified) on an investment income basis which we are satisfied represents highest and best use overall.	All valued on an investment income basis, using existing lease terms and current yields	Changes to market conditions, lease terms, covenant strength and occupancy levels could all affect the asset valuations provided.
Investments in unquoted companies	Level 3	These investments have been valued at the Council's share of each company's net assets.	Calculations for unquoted companies (wholly owned Council subsidiaries) have been based on their accounts as at 31 March 2017.	Valuations could be affected by the different accounting or valuation methods.

Investments in Pooled Property Fund	Level 3	These investments have been valued at the Council's share within the pooled fund.	The valuation for Pooled Property Funds have been based on the latest quarterly financial report (31st December 2016).	Changes to housing market conditions could affect the valuation of the pooled property fund.

Transfers between levels of the fair value hierarchy

There were no transfers between levels 1 and 2 during the year

Changes in valuation technique

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

Description	31 March 2017 Non-traded securities £000	31 March 2016 Restated Non-traded securities £000
Opening balance	2,456	-
Transfers into level 3	-	-
Transfers out of level 3	-	-
Total gains/(losses) for the period:	(4,281)	(4,562)
included in the surplus/(deficit) on the Provision of Services	-	-
included in Other Comprehensive Income and Expenditure	(4,281)	(4,562)
Additions	13,932	7,108
Disposals	-	-
Closing balance	**12,108**	**2,456**

Gains and losses included in Other Comprehensive Income and Expenditure for the current year relate primarily to investments in the wholly owned subsidiaries of Bristol City Council and are taken to the Available for Sale Financial Instruments Reserve. These are reported in the surplus or deficit on revaluation of available for sale financial assets line in the Comprehensive Income and Expenditure Statement.

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- The fair values for financial liabilities for PWLB debt has been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB current[1] rates as at each Balance Sheet date, and include accrued interest, representing the transfer cost of these debt instruments. The fair values for non-PWLB debt have also been calculated using the same procedures as limited market activity exists to provide suitable estimates.
- For loans and receivables prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

Financial Liabilities	**31 March 2017**		31 March 2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	£000	**£000**	£000	£000
Total Liabilities	**695,450**	**994,611**	701,756	947,835

1) If the PWLB "repayment" rates were applied as at balance sheet date, the fair value of liabilities would increase by £154m to £1.149bn

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 2017) arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	**31 March 2017**		31 March 2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	£000	**£000**	£000	£000
Loans & Receivables				
Short term investments	33,180	33,180	118,668	118,668
Cash and Cash Equivalents	29,142	29,142	23,246	23,246
Long term investments	14,960	14,960	26,277	26,277
Debtors qualifying as loans and receivables	74,965	74,965	79,550	79,550
Total loans and receivables	**152,247**	**152,247**	247,741	247,741
Long term debtors	**10,272**	**11,812**	16,530	17,790
Total loans and receivables	**162,519**	**164,058**	264,271	265,530

The fair value of the assets is marginally higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders below current market rates.

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.
- Re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- 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 Council'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 16 February 2016 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 Council'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 and Poor's 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-, with the lowest available rating being applied to the criteria;
- UK institutions provided with support from the UK Government;

The Council'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 Council'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	Historical experience of default	Adjustment for market conditions	Estimated maximum exposure to default	Estimated maximum exposure to default
	£000	%	%	£000	£000
	A	B	C	(A*C)	
Long Term Investments:	**31-Mar-17**	**31-Mar-17**	**31-Mar-17**	**31-Mar-17**	31-Mar-16
Non-traded securities	14,960	0.00%	0.00%	-	-
Sub-total	**14,960**			-	-
Short Term Investments:					
AA rated counterparties	20,050	0.02%	0.02%	5	8
A rated counterparties	13,026	0.06%	0.06%	8	6
BBB rated counterparties	104	0.17%	0.17%	-	13
Sub-total	**33,180**			**13**	27
Cash & cash equivalent:					
AAA rated counterparties	18,650	0.04%	0.04%	8	-
AA rated counterparties	315	0.02%	0.02%	-	1
A rated counterparties	10,008	0.06%	0.06%	6	7
BBB+ rated counterparties	169	0.17%	0.13%	-	-
Sub-total	**29,142**	**-**	**-**	**14**	8
Trade debtors (classed as loans and receivables)	**74,965**			-	-
Long-term debtors	**10,272**			-	-
Total Financial assets as loans and receivables	**162,519**			**27**	35

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

The Council does not generally allow credit for its trade debtors, including amounts due from government departments and other Local Authorities.

Debtor analysis	Gross debtor at	Bad Debt provision at	Net debtor at	Net debtor at
	31-Mar-17	31-Mar-17	31-Mar-17	31-Mar-16
	£'000	£'000	£'000	£'000
Local tax payers	13,106	(6,473)	6,633	6,838
Housing rents	10,799	(8,462)	2,337	2,200
Other - sundry debtors	87,755	(31,197)	56,558	68,500
Total Other Entities and Individuals	111,660	(46,132)	**65,528**	**77,538**
Central Government bodies	24,958	-	24,958	17,125
Other local authorities	14,653	-	14,653	11,638
NHS bodies	5,603	-	5,603	1,338
Public corporations and trading funds	-	-	-	-
Total debtors	156,874	(46,132)	**110,742**	**107,639**
Balance sheet debtors	156,874	(46,132)	**110,742**	**107,639**
Adjust for statutory debtors				
Ex Avon Debt	(1,849)		(1,849)	(1,926)
Local taxpayers	(13,106)	6,473	(,6,633)	(6,838)
Housing rents	(10,799)	8,462	(2,337)	(2,200)
Central Government bodies	(24,958)	-	(24,958)	(17,125)
Total statutory debtors (not qualifying as loans and receivables under IFRS)	(50,712)	14,935	**(35,777)**	**(28,089)**
Debtors qualifying as loans and receivables	106,162	(31,197)	**74,965**	**79,550**

The following table analyses the Gross debt that is now past due over varying periods. This overdue debt is covered by a provision for bad debt.

	31 March 2017	31 March 2016 Restated
	£'000	£'000
Less than three months	17,501	29,679
Three to four months	1,090	654
Four months to one year	6,932	5,360
More than one year	29,974	27,790
Total	**55,497**	**63,483**

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets to cover day-to-day cash flow need and the Public Works Loans Board and capital markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Therefore, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	31 March 2017	31 March 2016 Restated
	£'000	£'000
Less than 1 year	137,287	221,464
Between 1 and 2 years	3,000	-
Between 2 and 3 years	-	3,000
More than 3 years	22,232	18,576
Total	**162,519**	**243,040**

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.

	Approved minimum limits %	Approved maximum limits %	Actual 31 March 2017	%	Actual 31 March 2016	%
			£'000		£'000	
Less than 1 year	-	30	7,769	2%	7,004	1%
Between 1 and 2 years	-	30	-	0%	3,000	1%
Between 2 and 5 years	-	40	-	0%	-	-
Between 5 and 10 years	-	40	20,000	4%	20,000	5%
More Than 10 Years	25	100	410,489	94%	391,289	93%
Total			**438,257**	**100%**	**421,293**	**100%**

Market risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;

- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);

- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and

- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed

At 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2017 £'000
Increase in interest receivable on variable rate investments	1,475
Impact on Surplus or Deficit on the Provision of Services	1,475
Share of overall impact debited to the HRA	979
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)	113,600

The approximate 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 long term investments in un-quoted companies amounting to £16m primarily for the Bristol Port Company, and Bristol Holdings, the latter a wholly owned subsidiary. Whilst this holding is generally illiquid, the Council is exposed to losses arising from movements in the 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 Available for Sale.

Foreign exchange risk

During 2016/17 the Council received monies denominated in Euro's relating to the receipt of European grant. The authority also made payments in a variety of currencies for the supply of goods and services. Payments and receipts are converted to Sterling at the earliest opportunity.

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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. Movements on the CFR are also analysed below.

	2016/17 £'000	2015/16 £'000
Opening Capital Financing Requirement	733,663	715,055
Capital investment		
Property, Plant and Equipment	158,553	153,081
Investment Properties	745	9,390
Intangible Assets	2,561	5,390
Long Term Investments	14,583	7,018
Revenue Expenditure Funded from Capital under Statute	17,530	10,184
Long Term Investment repaid (Local Authority Mortgage Scheme - LAMS)	(1,000)	
Sources of finance		
Capital receipts	(20,776)	(17,950)
Government grants and other contributions	(55,167)	(61,350)
Sums set aside from revenue:		
• Direct revenue contributions	(51,309)	(66,854)
• MRP – City Council Debt	(5,226)	(9,333)
• MRP – Contribution from Unitaries re Ex-County Debt	(1,895)	(1,947)
• MRP - Write down of PFI Liability	(4,884)	(4,939)
Reduction in Finance Lease Liability following changes to Waste Service Concession contract	-	(4,082)
Closing Capital Financing Requirement	787,378	733,663
Explanation of movements in year		
Less Minimum Revenue Provision	(12,005)	(20,301)
Use of LAMS receipt for repayment of debt	(1,000)	-
Increase in underlying need to borrowing (unsupported by government financial assistance)	66,720	38,909
Increase/Decrease in Capital Financing Requirement	**53,715**	**18,608**

27 Leases

Council as Lessee

Operating Leases

The Council 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 2017 £'000	31 March 2016 £'000
Not later than one year	-	344
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	**344**

Council as Lessor

Operating Leases

The Council 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 due under non-cancellable leases in future years are:

	31 March 2017 £'000	31 March 2016 £'000
Not later than one year	11,434	11,395
Later than one year and not later than five years	38,629	38,553
Later than five years	775,196	782,308
	825,259	**832,256**

The minimum lease payments receivable at 31 March 2017 and 2016 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.

28 Service Concessions

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

Locally managed schools transferring to Academy status are granted a 125 year peppercorn lease and, in response to CIPFA guidance, are de-recognised from the Council's accounts as control of these assets is transferred to the Academy.

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 2017 cumulative payments totalling £113m (£103m in 2015/16) 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
2017/18	2,921	1,555	4,947	(95)	9,328
2018/19 to 2021/22	12,435	7,629	17,802	660	38,526
2022/23 to 2026/27	17,375	14,055	16,320	512	48,261
2027/28 to 2031/32	17,087	18,819	6,322	(1,609)	40,619
Total	49,818	42,058	45,391	(532)	136,735

Over the life of the PFI project, the Council is scheduled to receive £134.8m.

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

As at 31st March 2017 cumulative payments totalling £143m (£126m in 2015/16) 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
2017/18	4,920	2,932	6,738	3,600	18,190
2018/19 to 2021/22	21,138	14,884	24,435	14,169	74,626
2022/23 to 2026/27	30,047	20,995	23,719	22,806	97,567
2027/28 to 2031/32	34,671	29,322	14,610	23,863	102,466
2032/33 to 2034/35	18,351	19,364	2,577	10,611	50,903
Total	**109,127**	**87,497**	**72,079**	**75,049**	**343,752**

Over the life of the PFI project, the Council is scheduled to receive £326.3m.

Hengrove Leisure PFI

As at 31 March 2017 payments totalling £17.1m (£13.3m at 31 March 2016) 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	Repaymen t of Liability	Interes t	Other	Total
	£'000	£'000	£'000	£'000	£'000
2017/18	323	659	1,633	857	3,472
2018/19 to 2021/22	1,376	2,948	5,771	3,961	14,056
2022/23 to 2026/27	1,922	2,537	5,789	7,735	17,983
2027/28 to 2031/32	2,135	4,028	4,120	8,214	18,497
2032/33 to 2036/37	2,344	5,549	1,794	9,118	18,805
Total	**8,100**	**15,721**	**19,107**	**29,885**	**72,813**

Over the life of the PFI project, the Council is scheduled to receive £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	
	2016/17	2015/16	**2016/17**	2015/16
	£'000	£'000	**£'000**	£'000
Balance outstanding at the start of year	133,781	137,930	16,380	17,169
Movement in year	(4,224)	(4,149)	(659)	(789)
Balance outstanding at year end	**129,557**	133,781	**15,721**	16,380

The above listed commitments are affected by past inflation – previous price rises will be built into future payments. They are also affected by future inflation, which gives rise to uncertainty.

Bristol Waste Contract

In August 2015 the Council entered into a service contract with Bristol Waste Company to provide recycling and waste services. The assets and associated liability have been included on the Council's Balance Sheet as a service concession in accordance with the code and IFRC 12. In 2014/15 these services were provided by an external contractor and the assets accounted for as a finance lease in accordance with IFRIC 4.

The future estimated payments the Council will make under the contract are as follows:

Year	**Payment for Services**	**Repayment of Liability**	**Interest**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
2017/18	20,301	732	67	21,100
2018/19	11,778	488	34	12,300
Total	**32,079**	**1,220**	**101**	**33,400**

Total Balance Outstanding on all Service Concessions is shown in the table below:

	Schools		**Hengrove Leisure**		**Bristol Waste Contract**		**Total**	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	£'000	**£'000**	**£,000**	£'000	**£,000**	£'000	**£,000**	£'000
Balance outstanding at the start of year	133,780	137,930	16,380	17,169	1,952	-	152,112	155,099
Movement in year	(4,224)	(4,150)	(659)	(789)	(732)	1,952	(5,615)	(2,987)
Balance outstanding at year end	129,556	133,780	15,721	16,380	1,220	1,952	146,497	152,112

29 Debtors

		31 March 2017 £'000	31 March 2016 £'000
i	**Current debtors**		
	Central government bodies	24,958	17,125
	Other local authorities	14,653	11,638
	NHS bodies	5,603	1,338
	Other entities and individuals	65,258	77,538
	Total	**110,742**	**107,639**

Details of amounts provided as bad debt provisions are included in Note 25.

		31 March 2017 £'000	31 March 2016 £'000
ii	**Long-term debtors**		
	Mortgages	206	220
	Capital loans (Probation/Fire/LEP)	4,603	5,804
	South Gloucestershire Council	463	507
	Former county council debt	44,374	46,223
	Contractual Commitments	3,000	7,000
	Local Authority Mortgage Scheme	2,000	3,000
	Total	**54,646**	**62,754**

30 Cash and Cash Equivalents

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

	31 March 2017 £'000	31 March 2016 £'000
Cash held by the Council	307	331
Bank current accounts	(6,526)	(2,733)
Short-term deposits with banks / building societies	35,361	25,648
Total Cash and Cash Equivalents	**29,142**	**23,246**

The Council also manages a number of euro bank accounts on behalf of other partner organisations. 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 2017 was £158k (31 March 2016 £37k).

31 Creditors

Current liabilities	31 March 2017 £'000	31 March 2016 £'000
Central government bodies	51,489	24,365
Other local authorities	10,928	576
NHS bodies	2,748	2,851
Other entities and individuals	79,920	102,419
Total	**145,085**	**130,211**

Other long-term liabilities	31 March 2017 £'000	31 March 2016 £'000
Service Concession contract liabilities (see Note 28)	146,497	152,113
Retirement benefit obligations (see Note 34)	921,012	693,235
Deferred liabilities	54,715	56,641
Deferred capital receipts	129	143
Rent Deposits	75	75
Total	**1,122,428**	**902,207**

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 2017 the liability in the Council's Balance Sheet of £54.7m (2017: £56.6m) comprised of former county council loan debt of £46.2m (2017: £48.1m), £8.5m (2017: £8.5m) in respect of a loan for the Hengrove Park development.

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.

32 Provisions

	Balance at 1 April 2016 £'000	Additional provisions made in 2016/17 £'000	Amounts used in 2016/17 £'000	Balance at 31 March 2017 £'000	Due < 1 year £'000	Due > 1 year £'000
Business Transformation	(2,460)	-	2,310	(150)	(150)	-
Insurance fund	(3,635)	(275)	1,298	(2,612)	(1,871)	(741)
NDR Provision for appeals	(7,193)	(10,704)	6,780	(11,117)	-	(11,117)
Other	(537)	(12)	-	(549)	(363)	(186)
	(13,825)	(10,991)	10,388	(14,428)	(2,384)	(12,044)

	Balance at 1 April 2016 £'000	Balance at 31 March 2017 £'000
Due < 1 year	(5,438)	(2,384)
Due > 1 year	(8,387)	(12,044)
	(13,825)	(14,428)

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. The provision for severance costs covers future exit costs arising from the Council's restructure proposals. The NDR provision has been created to allow for the cost of future appeals. All other provisions are individually not material.

	31 March 2017 £'000	31 March 2016 Restated £'000
Revaluation Reserve	(490,924)	(268,860)
Capital Adjustment Account	(1,504,980)	(1,329,446)
Available for Sale Financial Instruments	8,843	4,562
Financial Instruments Adjustment Account	7,609	7,927
Pensions Reserve	921,012	708,587
Collection Fund Adjustment Account	(3,545)	2,383
Accumulated Absences Account	6,901	5,425
	(1,055,084)	**(869,442)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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.

	2016/17 £'000	2016/17 £'000	2015/16 £'000	2015/16 £'000
Balance at 1 April		(268,860)		(221,392)
Upward revaluation of assets	(239,449)		(90,486)	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	11,864		28,920	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(227,585)		(61,566)
Amount written off to the Capital Adjustment Account		5,521		14,098
Balance at 31 March		**(490,924)**		**(268,860)**

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 Council 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 Council. 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 26 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2016/17 £'000	2015/16 Restated £'000
Balance at 1 April	(1,329,446)	(1,015,021)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	51,835	51,175
Revaluation losses on Property, Plant and Equipment	(107,506)	(192,240)
Amortisation of Intangible Assets	1,840	1,602
Revenue Expenditure Funded from Capital Under Statute	17,530	10,184
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	23,927	32,311
	(1,341,821)	(1,111,989)
Adjusting amounts written out of the Revaluation Reserve	(5,521)	(14,098)
Net written out amount of the cost of non-current assets consumed in the year	(1,347,342)	(1,126,087)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(20,776)	(17,950)
Use of the Major Repairs Reserve to finance new capital expenditure	(33,576)	(37,079)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(55,167)	(61,350)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(12,005)	(16,219)
Use of the Capital Receipts Reserve for repayment of Local Authority Mortgage Scheme financed by Borrowing	(1,000)	-
Long Term Capital Investment repaid (Local Authority Mortgage Scheme - LAMS)	1,000	-
Reduction in Finance Lease Liability following changes to Waste Service Concession contract	-	(4,082)
Capital expenditure charged against the General Fund and HRA balances	(17,733)	(29,775)
	(1,486,599)	(1,292,542)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(18,381)	(36,904)
Balance at 31 March	**(1,504,980)**	**(1,329,446)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

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

	31 March 2017	**31 March 2016 Restated**
	£'000	**£'000**
Balance at 1 April	4,562	-
Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	4,281	4,562
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-	-
Balance at 31 March	**8,843**	**4,562**

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 2017 will be charged to the General Fund over the next 42 years.

	2016/17	**2016/17**	**2015/16**	**2015/16**
	£'000	£'000	£'000	£'000
Balance at 1 April		7,927		8,589
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement				
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(318)		(662)	
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		(318)		(662)
Balance at 31 March		**7,609**		**7,927**

Pensions Reserve

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

	2016/17 £'000	2015/16 £'000
Balance at 1 April	708,587	734,113
Remeasurements on pensions assets and liabilities	191,904	(51,846)
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	72,291	71,570
Employer's pensions contributions and direct payments to pensioners payable in the year	(51,770)	(45,250)
Balance at 31 March	**921,012**	**708,587**

Collection Fund Adjustment Account

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

	2016/17 £'000	2015/16 £'000
Balance at 1 April	2,383	(2,452)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5,928)	4,835
Balance at 31 March	**(3,545)**	**2,383**

Accumulated Absences 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.

	2016/17 £'000	2016/17 £'000	2015/16 £'000	2015/16 £'000
Balance at 1 April		**5,425**		6,112
Settlement or cancellation of accrual made at the end of the preceding year	(5,425)		(6,112)	
Amounts accrued at the end of the current year	6,901		5,425	
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		1,476		(687)
Balance at 31 March		**6,901**		5,425

34 Pensions

a Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in three 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 2016/17 the Council paid an employer's contribution rate of 22.3% (21% in 2015/16), resulting in total payments of service deficit, as assessed by the Fund Actuary. The Actuary carries out a full valuation of the Fund every three years in accordance with government regulations. The last valuation of the Fund was undertaken at 31 March 2013, the next full valuation is therefore due at March 2016. If the valuation indicates that there are insufficient assets to meet future liabilities, employer contribution rates are increased to make up the shortfall. As indicated above, the Council paid a contribution rate of 22.3% from 1 April 2016, representing 14% in respect of future service and 8.3% to meet the deficit recovery element.

The Teachers' Pension Scheme - The rate of contribution for 2016/17 was 22.3%, resulting in a total payment of £8.980m (£8.333m in 2015/16) to the Teachers' Pension Agency. In addition, the Council made payments totalling £2.36m (£2.38m in 2016/17) 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 £1.855m (£1.937m in 2015/16). The estimated liability for unfunded payments has been calculated by the actuary and is included in the Balance Sheet.

The National Health Service Pension Scheme – In 2016/17 a total payment of £0.51m (£0.41m in 2015/16) was made to the NHS Pension Scheme, following the transfer of public health responsibilities from primary care trusts.

b Accounting 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	
	2016/17	2015/16	**2016/17**	2015/16
	£'000	£'000	**£'000**	£'000
Income and Expenditure Account				
Net cost of services				
Current service cost	**43,989**	48,454	**-**	-
Past service gains/curtailment costs/Settlements	**3,821**	404	**-**	-
Administration expense	**929**	726	**-**	-
Financing and Investment Income Expenditure				
Net interest cost	**21,341**	19,844	**2,211**	2,142
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**70,080**	69,428	**2,211**	2,142
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurements (assets/liabilities)	**184,799**	(49,899)	**7,105**	(1,947)
Movement in Reserves Statement				
Reversal of net charges made for retirement benefits in accordance with IAS19	**(70,080)**	(69,428)	**(2,211)**	(2,142)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to scheme	**47,552**	40,926	**4,218**	4,324

The Housing Revenue Account (HRA) Income and Expenditure Account has also been adjusted in 2016/17 to reflect the current service cost and an appropriate share of the net interest cost. The latter item has been apportioned to the HRA on the basis of pensionable pay.

c Assets and Liabilities in relation to Retirement Benefits

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Local Government Pension Scheme		Unfunded liabilities: Teachers' Unfunded Pensions		Total Liability Local Government & Teachers Pensions	
	2016/17	2015/16	**2016/17**	2015/16	**2016/17**	2015/16	**2016/17**	2015/16
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
01-Apr	(2,015,831)	(2,065,047)	(40,808)	(43,843)	(67,128)	(71,257)	(2,123,767)	(2,180,147)
Current service cost	(43,989)	(48,454)	-	-	-	-	(43,989)	(48,454)
Interest on pension liabilities	(69,590)	(65,257)	(1,377)	(1,355)	(2,211)	(2,142)	(73,178)	(68,754)
Contributions by scheme participants	(12,121)	(11,607)	-	-	-	-	(12,121)	(11,607)
Remeasurement (liabilities)								
Experience (gain)/loss	106,155	-	763	-	1,225	-	108,143	-
(Gain)/loss on financial assumptions	(469,653)	111,770	(6,218)	1,411	(9,125)	1,947	(484,996)	115,128
(Gain)/loss on demographic assumptions	8,069	-	124	-	796	-	8,989	-
Benefits paid	66,223	63,168	2,891	2,979	4,218	4,324	73,332	70,471
Past service grants, curtailment costs and settlements	(1,153)	(404)	-	-	-	-	(1,153)	(404)
31-Mar	**(2,431,890)**	(2,015,831)	**(44,625)**	(40,808)	**(72,225)**	(67,128)	(2,584,740)	(2,123,767)

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

	2016/17 £'000	2015/16 £'000
1 April	1,430,637	1,475,150
Interest on plan assets	49,626	46,768
Remeasurement (assets)	175,960	(63,282)
Administration expense	(929)	(726)
Settlements	(2,668)	-
Employer contributions	32,200	27,267
Contributions by scheme participants	12,121	11,607
Benefits paid	(69,114)	(66,147)
31 March	1,627,833	1,430,637

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 plan assets in the year was £(246.7m) (2015/16: £(16.513m)).

Scheme History – Pension Assets and Liabilities Recognised in the Balance Sheet:

	2016/17 £'000	2015/16 £'000	2014/15 £'000	2013/14 £'000
Present value of liabilities:				
Local Government Pension Scheme	(2,476,515)	(2,056,639)	(2,108,890)	(1,773,366)
Teachers' unfunded liabilities	(72,225)	(67,128)	(71,257)	(67,528)
Fair value of assets in the Local Government Pension Scheme	1,627,833	1,430,637	1,475,150	1,288,499
Surplus/(deficit) in the scheme:				
Local Government Pension Scheme	(848,682)	(626,002)	(633,740)	(484,867)
Teachers' unfunded liabilities	(72,225)	(67,128)	(71,257)	(67,528)
Total	(920,907)	(693,130)	**(704,997)**	**(552,395)**

The total liabilities shown in the Balance Sheet comprise the above (£920,907k) together with a small amount in respect of pre-1974 liabilities (£105k) totalling (£921,012).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £921m (2015/16 £693m) impacts on the net worth of the Council as recorded in the Balance Sheet (£1,003m).

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 2018 are £74.028m.

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 2013.

The main financial assumptions used in the calculations are:

	Local Government Pension Scheme		**Teachers**	
	2016/17	2015/16	**2016/17**	2015/16
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	23.5	23.5	24.4	23.5
Women	26	26	26.5	26
Longevity at 65 for future pensioners:				
Men	26	25.9	-	-
Women	28.7	28.9	-	-
	%	%	%	%
Rate for discounting scheme liabilities	2.5	3.5	2.5	3.4
Rate of inflation - CPI	2.3	2	2.3	2
Rate of increase in salaries	3.8	3.5	-	-
Rate of increase in pensions	2.3	2	2.3	2

The actuary has provided a sensitivity analysis for each significant actuarial assumption as at the end of the reporting period. The table below shows how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the 31 March 2017.

Local Government Pension Scheme	Central	Sensitivity 1 +0.1% p.a discount rate	Sensitivity 2 +0.1% p.a inflation	Sensitivity 3 +0.1% p.a pay growth	Sensitivity 4 1 year increase in life expectancy
	£'000	£'000	£'000	£'000	£'000
Liabilities	2,476,515	2,433,889	2,519,887	2,484,330	2,524,605
Assets	(1,627,833)	(1,627,833)	(1,627,833)	(1,627,833)	(1,627,833)
Deficit/(Surplus)	848,682	806,056	892,054	856,497	896,772
Projected service cost for next year	65,573	63,632	67,596	65,573	66,891
Projected net interest cost for next year	20,292	19,995	21,412	20,523	21,530
Teachers' Unfunded Pension Scheme					
Liabilities	72,225	71,401	73,059	-	74,409
Assets	-	-	-	-	-
Deficit/(Surplus)	72,225	71,401	73,059	-	74,409
Projected net interest cost for next year	1,753	1,802	1,774	-	1,807

The following information disaggregates the fair value of the plan assets into classes that distinguish the nature and risks of those assets, subdividing each class of plan asset into those that have a quoted market price in an active market and those that do not:

Asset Category	Sub-Category	Quoted (Y/N)	31st March 2017 £'000	31st March 2016 £'000
Equities	UK Quoted	Y	240,919	234,627
	Global Quoted	Y	148,133	114,451
	North America	Y	139,994	133,049
	Japan	Y	37,440	41,488
	Europe excl UK	Y	81,392	92,991
	Pacific Rim excl Japan	Y	39,068	30,043
	Emerging Markets	Y	159,528	123,035
	Sub-total equities		**846,474**	**769,684**
Bonds	UK Government Fixed	Y	-	25,751
	UK Government Gilt Futures	Y	-	88,699
	UK Government Indexed	Y	195,340	-
	Overseas Government Fixed	Y	-	44,350
	Sterling Corporate Bonds	Y	128,599	133,049
	Sub-total bonds		**323,939**	**291,849**
Property	UK Property Funds	Y	68,369	74,393
	Overseas Property Funds	Y	73,252	58,656
	Sub-total property		**141,621**	**133,049**
Alternatives	Hedge Funds	Y	87,903	75,824
	Diversified Growth Funds	Y	144,877	141,633
	Infrastructure	Y	63,485	-
	Sub-total alternatives		**296,265**	**217,457**
Cash and equivalents	Cash Accounts	Y	19,534	18,598
	Sub-total cash		**19,534**	**18,598**
Total Assets			**1,627,833**	1,430,637

Governance and Risk Management

The liability associated with the Council's pension arrangements is material to the Council, as is the cash funding required. The details in relation to each arrangement, including the relevant provisions for governance and risk management, are set out below.

Avon Pension Fund:

Nature of Fund

The Fund targets a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31 March 2013 and on a revalued average salary (a "career average" scheme) for service from 1 April 2014 onwards.

Governance

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

Funding the liabilities
Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31 March 2013, which showed a shortfall of assets against liabilities of £0.48 billion as at that date, equivalent to a funding level of 72%. The fund's employers are paying additional contributions over a period of up to 27 years in order to meet the shortfall.

The weighted average duration of the Council's defined benefit obligation is 18 years, measured on the actuarial assumptions used for IAS19 purposes.

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

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

As a result of its investment strategy, the Fund is exposed to a variety of financial risks including market risk (market price, interest rate and currency risk), credit risk and liquidity risk.

Market Price / Interest rate / Currency risk
Market risk is the risk of loss from fluctuations in market prices, interest rates or currencies, to which the Fund is exposed across its investments portfolio. The objective of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return. Volatility in market risk is managed through diversification across asset class and investment managers.

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

Credit risk
Credit risk is the risk that the counterparty to a financial instrument or transaction will fail to meet an obligation and cause the Fund to incur a financial loss. As the market values of investments reflect an assessment of creditworthiness in their pricing, the risk of loss is implicitly provided for in the carrying value of the assets and liabilities.

Liquidity risk
Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The investment strategy and cash management policy ensure that the pension fund has adequate cash to meet its working requirements. The Fund has immediate access to its cash holdings and a substantial portion of the Fund's investments consist of readily realisable securities, in particular equities and fixed income investments. The main liabilities of the Fund are the benefits payable as they fall due over a long period and the investment strategy reflects the long term nature of these liabilities.

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

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis above indicates the change in the defined benefit obligation for changes in the key assumptions.

Amendments, curtailments and settlements
The provisions of the Fund were amended with effect from 1 April 2014. As explained above, for service up to 31 March 2014, benefits were based on salaries when members leave the scheme, whereas for service after that date, benefits are based on career average salary. Further details of the changes are available from the Council.

Curtailments shown in the accounting figures relate to the cost of providing retirement benefits for members who retire early, to the extent that provision has not already been made for the relevant defined benefit obligations.

Settlements shown in the accounting figures relate to the admission of new employers into the Fund, and who take on part of the authority's assets and liabilities as a result of employing members who have accrued benefits with the authority.

Schemes for Teachers and Public Health Workers:

Nature of Funds
The Funds target a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31 March 2014 and on a revalued average salary (a "career average" scheme) for service from 1 April 2015 onwards.

Governance
These arrangements are managed centrally by government departments/agencies, and there is no material involvement for the Council.

Funding the liabilities
Contributions to the arrangements are set by the Government, having taken advice from the Government Actuary. Again, the Council has no material involvement in this process. The exception to this is the additional pensions to retired teachers which were awarded at the point of retirement, and for which the Council is responsible. The weighted average duration of these particular liabilities is 10 years, measured on the actuarial assumptions used for IAS19 purposes.

Investment Risks
There are no investment risks in relation to these arrangements, given their unfunded nature. The greatest single risk is that the government could change the funding standards relating to them, which could increase the Council's contributions to them.

Other risks
There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis above indicates the change in the defined benefit obligation for changes in the key assumptions.

The methods used to carry out the sensitivity analyses presented above for the material assumptions are the same as those the authority has used previously. The calculations alter the relevant assumption by the amount specified, whilst assuming that all other variables remain the same. This approach is not necessarily realistic, since some assumptions are related: for example, if the scenario is to show the effect if inflation is higher than expected, it might be reasonable to expect that nominal yields on corporate bonds will increase also. However, it enables the reader to isolate one effect from another.

e History of experience gains and losses

The approach to calculating the IAS19 figures in between full actuarial valuations every three years is approximate in nature. At each valuation, the position is re-assessed, with the assets and liabilities being fully recalculated. Following each full actuarial valuation an adjustment is made to the assets and liabilities to bring the previously estimated IAS19 figures into line with the more accurately calculated ones. Examples of events which this would cover are mortality and other demographic experience being different from the IAS19 assumptions. The experience gains/(losses) on assets and liabilities is shown as part of Remeasurements.

35 Cash Flow Statement

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

	2016/17 £'000	2015/16 £'000
Interest received	(6,099)	(9,772)
Interest paid	35,337	36,716
Dividends received	(2,662)	(2,049)

The deficit on the provision of services has been adjusted for the following non-cash movements:

	2016/17 £'000	2015/16 £'000
Depreciation, impairment and downward revaluations	(55,673)	(141,065)
Amortisation	1,840	1,602
Increase/(decrease) in impairment for bad debt	-	-
(Decrease)/increase in creditors	5,933	(15,020)
(Increase)/decrease in debtors	(1,499)	(4,622)
(Increase)/decrease in inventories	(367)	(107)
Movement in pension liability	20,521	11,867
Contributions to/(from) Provisions	603	(3,547)
Other non-cash items charged to the net surplus or deficit On the provision of services	5,545	(4,593)
Net cash flows from non-cash movements	**(23,097)**	**(155,485)**

Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities:

	2016/17 £'000	2015/16 £'000
Capital grants credited to surplus or deficit on the provision of services	(57,275)	(59,572)
Net adjustment from the sale of short and long term investments	-	-
Premiums or discounts on the repayment of financial liabilities	-	-
Proceeds from the sale of Property Plant and Equipment, Investment Property and Intangible Assets	(29,296)	(32,243)
	(86,571)	**(91,815)**

36 Cash Flow Statement - Investing Activities

	2016/17 £'000	2015/16 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(161,859)	(167,862)
Other (payments)/receipts for investing activities	47	(40,315)
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	29,109	32,243
Decrease in/(proceeds from) short-term and long-term investments	114,488	97,000
Net cash flows from investing activities	**(18,215)**	**(78,934)**

37 Cash flow Statement - Financing Activities

	2016/17 £'000	2015/16 £'000
Cash receipts of short- and long-term borrowing	19,200	2,000
Repayments of short- and long-term borrowing	-	-
Other payments/(receipts) in respect of financing activities	1,523	10,384
Net cash flows from investing activities	**20,723**	**12,384**

38 Related Parties

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

Council members and Strategic Directors have been asked to provide information regarding related party transactions. From the information received, there is the following disclosure:

Chief Executive, Anna Klonowski, is a Director of Elka Solutions. In 2016/17 £136,752 (net of VAT) was paid to Elka Solutions from the agency Guidant in respect of Anna's role as Interim Strategic Director from June 2016 to February 2017, and as Interim Chief Executive from February 2017 to March 2017. A further £123,803 (net of VAT) was paid direct to Elka Solutions from Bristol City Council for Julie Oldale, Peter Worth and Lynn Worth who were contracted through Elka Solutions to undertake consultancy work for Bristol City Council. Julie Oldale was the Service Director for Finance and S151 Officer (but for the latter position had an employment contract with the Council). Following the transfer from an advisory position with the Council to an Interim Strategic Director no further services were commissioned to the Council via Elka Solutions. Authorisation was granted by the Service Director HR for Julie Oldale (Service Director for Finance) to complete her contract term to the end of July 2016, following which a replacement was secured.

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates. It provides the majority of its funding in the form of grants, which are disclosed in Note 18.

The Council has interests in a number of companies over which it has significant influence or control as set out below.

Name	Nature of Council relationship	Profit/(loss) for period	Net assets/ (liabilities)	Transactions with the Council	Nature of transactions	Balances owed to / (from) the Council as at 31 3 2016	Future financial support expected in 2016/17	Key risks identified
Bristol Holdings Limited	100% subsidiary The City Council has four Director posts on the Board.	£204k loss per audited accounts as at 31 March 2017	£3.6m per audited accounts as at 31 March 2017	£38k payments by Council to company £288k payments by company to the Council	Payments for shares issued during the year Recharges	£3.6m owed to the Council	See below	See below
Bristol Waste Company	100% subsidiary The City Council has three Director posts on the Board.	£2.2m per audited accounts as at 31 March 2017	£2.9m per audited accounts as at 31 March 2017	£27.3m payments by Council to company £5.9m recharges from Company to Council	Contract for waste collection and recycling services Recharges	£3.4m owed by the Council.	Nil – payments are made for work done in line with contract terms	Low risk – company is trading profitably and delivering services as agreed
Bristol Energy Limited	100% subsidiary of Bristol Holdings Limited The City Council has two Director posts on the Board.	£8.4m loss per audited accounts as at 31 March 2017	(£7.4m) per audited accounts as at 31 March 2017	£309k recharges from the Council £1.3m sales of energy to the Council	Recharges and the sale of energy	£3.8m of guarantees issued by the Council.£229 k owed by the Council for energy purchases	Further funding may be required until the company reaches break even point	Key risk is the company's ability to attract and retain customers in a competitive market

Bristol is Open Limited	50/50 joint venture with Bristol University The City Council has two Director posts on the Board.	£480,000 loss per unaudited accounts as at 31 March 2017	£107,000 per unaudited accounts as at 31 March 2017	£350,000 payment by Council to company	Payments for shares issued during the year	Nil	Further funding may be required if the company continues to trade at a deficit	Low risk – sums involved are not significant in the context of the Council's overall net budget.

39 Contingent Liabilities

The City Council has received five separate applications from NHS bodies and trusts for mandatory charitable business rate (NNDR) relief. The applications are for 80% mandatory charitable relief backdated to 2010. The Council has sought legal guidance and, as a result, has declined all applications. If this is successfully contested by the NHS bodies, the cost to the City Council would be an estimated £27m.

Bristol North Swimming Baths: A former contractor is claiming against the Council for alleged breach of contract following termination a contract in December 2015. The Council does not accept any liability in this regard and intends to defend any legal claims arising.

The Council has provided operational guarantees on behalf of one of its wholly owned subsidiaries (see Note 38). The guarantees limit the Council's financial exposure to £1.9m. To date none of the conditions or events which would lead to a liability arising from either of these guarantees has occurred.

The City Council is currently in negotiation with Bristol CCG over claims from the CCG to recover surpluses relating to the Better Care Fund for the period 2013/14 to 2015/16. If successful the cost to the Council is an estimated £1.2m

The Council has £120 million of Lender Option Borrower Option loans (LOBOs), taken out between 1997 and 2012 and with terms of 20 to 60 years. Information on the Council's borrowings, including LOBO loans, is included in Note 24. A number of local authorities, including this Council, have received objections from local electors as to the lawfulness of local authorities obtaining borrowings through LOBO loans. Whilst the LOBO loans held by this Council have not currently been found to be unlawful, there is ongoing analysis of LOBOs generally by councils affected, their auditor and specialist lawyers. The law in relation to this matter is complex and there is uncertainty as to what the consequences could be should a local authority have obtained borrowing through a LOBO that was found to be unlawful. In the event of a LOBO loan being found to be unlawful, restitutionary remedies may result in the outstanding balances on these loans having to be repaid in full to the lender and may result in additional costs resulting from losses incurred by the lender.

The Council has 59 tower blocks in total, of which 34 blocks are cladded and a further 3 blocks are currently in the process of being cladded. Following the Grenfell Tower tragedy the Council has, in addition to its own safety checks, began commissioning independent checks of our entire high rise cladding systems and materials to evidence that our blocks are safe. The materials used is different and of different design to that employed at Grenfell and there is no evidence to suggest that we will need to remove any cladding at this point in time. We have earmarked funds in our HRA Business Plan for general tower block maintenance and improvements and will continue to monitor its sufficiency as findings from our own independent checks are concluded.

In addition to the above an independent Public enquiry has been commissioned by the Government into the Grenfell tower tragedy and there is a risk that new regulations or measures emerge that will need to be implemented to ensure people living in high rise buildings are safe. These may not be fully funded from central government leaving a residual liability to the Council

2015/16				2016/17		
Income	Exp	Assets		**Income**	**Exp**	**Assets**
£000	£000	£000	**Name**	**£000**	**£000**	**£000**
			Trust funds for which the Council is custodian trustee			
306	213	158	Bristol Museums Development Trust	219	244	132
			Other funds managed by the Council			
-	-	39	Funds invested on behalf of Bristol Adult Care	-	39	-
-	6	26	Funds invested on behalf of Bristol CYPS	-	-	26
306	219	223		**219**	**283**	**158**

Bristol Museums Development Trust raises funds to assist the Council with exhibitions and projects taking place at libraries, art galleries and museums. The Council provides financial, administrative and other support services to the Trust and manages the bank account on its behalf.

The Council administers funds on behalf of Bristol Care & Support (Adults). These are a mixture of bequests and sums held in trust for vulnerable adults. Surplus funds are invested with the Council at 0.20% rate of interest. The balances on these Trust Funds were historic and a decision has been taken not to roll the balance forward into 2017/18 and so it is declared as underspend in 2016/17.

The Councils administers funds on behalf of Bristol Children & Families, Care & Support. The funds are held in trust for young people in care. Surplus funds are invested with the Council at 0.20% rate of interest.

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, service charges 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.

	Note	2016/17 Net £'000	2015/16 Net £'000
Expenditure			
Repairs and maintenance		35,049	32,346
Supervision and management		32,440	24,817
Special services		7,978	13,095
Rent, rates, taxes and other charges		1,049	1,242
Depreciation and impairment of non-current assets	4	(101,183)	(224,046)
Debt management		62	85
Debt write offs and movement in the allowance for bad debts		2,013	1,842
Total expenditure		(22,592)	**(150,619)**
Income			
Dwelling rents	2	(113,461)	(114,971)
Non-dwelling rents		(1,039)	(940)
Charges for services and facilities		(8,043)	(8,028)
Contributions towards expenditure		(669)	(30)
Total income		(123,212)	**(123,969)**
Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement		**(145,804)**	**(274,588)**
Net cost of HRA services		**(145,804)**	**(274,588)**
(Gain)/loss on sale of HRA non-current assets		(6,234)	(10,210)
Movement in the Fair Value of Investment Properties		(463)	(2,798)
Interest payable and similar charges		11,227	11,227
HRA interest and investment income		(609)	(470)
Pensions interest costs and expected return on assets	5	2,293	1,737
(Surplus)/Deficit for the year on HRA services		**(139,590)**	**(275,103)**

Statement of movement on the HRA Balance

	Note	31 March 2017 Net £'000	31 March 2016 Net £'000
HRA balance brought forward		(49,437)	(39,602)
(Surplus)/deficit for the year on the HRA Income and Expenditure Account		(139,590)	(275,103)
Adjustments between accounting basis and funding basis under statute		138,317	267,431
(Increase)/decrease before reserve transfers		**(1,273)**	**(7,672)**
Transfer from/to reserves		(3,527)	(2,163)
Net (increase)/decrease on HRA balance		**(4,800)**	**(9,835)**
HRA balance carried forward	11	**(54,237)**	**(49,437)**

Note to the statement of movement on the HRA Balance

	Note	31 March 2017 Net £'000	31 March 2016 Net £'000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year			
Depreciation and impairment of property, plant & equipment	4	101,183	224,046
Fair value movements on investment properties		463	(2,798)
Net charges made for retirement benefits in accordance with IAS19	5	(6,575)	5,654
Net (gain)/loss on disposal of assets		6,232	(10,210)
		101,305	**231,401**
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year			
Capital expenditure funded by the HRA	6	77	(121)
Employer's contributions payable to the Avon Pension Fund and retirement benefits payable direct to pensioners	5	5,040	(3,574)
Transfer to Major Repairs Reserve	8	7,036	(4,662)
HRA depreciation to Major Repairs Reserve	8	24,718	(27,189)
Amortisation of premiums		141	(484)
		37,012	**(36,030)**
Net additional amount required by statute to be debited or credited to the HRA Balance for the year		**138,317**	**267,431**

1 Dwelling numbers as at 31 March 2017

	31 March 2017	31 March 2016
Houses		
1 Bedroom	8	9
2 Bedrooms	2,120	2,136
3 Bedrooms	9,006	9,122
4 or more Bedrooms	387	388
Total Houses	**11,521**	**11,655**
Bungalows		
1 Bedroom	340	352
2 Bedrooms	689	694
3 Bedrooms	26	26
4 or more Bedrooms	-	1
Total Bungalows	**1,055**	**1,073**
Flats		
1 Bedroom	6,500	6,499
2 Bedrooms	7,673	7,721
3 Bedrooms	430	436
4 or more Bedrooms	19	18
Total Flats	**14,622**	**14,674**
Total Dwellings held at 31 March 2017	**27,198**	**27,402**

2 Rent and Rent Arrears

The total value of dwelling rents in 2016/17, less rent attributable to empty properties (voids), is £115m (£112m in 2015/16). The amount of rent arrears, including recoverable housing benefit, water charges, defect charges, etc:

As at 31 March	**2017**	**2016**
	£'000	**£'000**
Former tenants	2,774	2,547
Current tenants	8,025	7,792
	10,799	**10,339**
Balance Sheet Provision		
Former tenants	2,591	2,379
Current tenants	5,871	5,760
	8,462	**8,139**

Vacant Possession

The vacant possession value of dwellings as at 1st April 2017 was £4.221bn The value of dwellings in the balance sheet (excluding dwellings leased to Registered Social Landlords) was £1.477bn, a difference of £2.743bn This difference reflects the economic cost of providing council housing at less than market rent. This cost is determined by applying the Government prescribed discount rate of 35% of the Market Value to the vacant possession value.

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

In 2016/17 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.

4 Depreciation and impairment

	2016/17 £'000	2015/16 £'000
Depreciation		
Operation - Dwellings	24,718	27,189
- Other, including leased	699	491
Total depreciation	**25,417**	**27,680**
Reversal of impairment losses	(126,600)	(251,727)
Total depreciation and impairment	**(101,183)**	**(224,047)**

Impairment

The reversal of an impairment loss previously recognised of £126m has been credited to the surplus on provision of Services (2015/16: £252m). This £126m relates to the revaluation of HRA Council Dwellings.

5 HRA Share of Contributions to/from Pension Reserve

For 2016/17 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 £2,293k (2015/16 £1,737k). 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 IAS19 of (£6,5754k) (2015/16 (£5,654k)). This is excluded from the HRA Balance for the year and replaced with Employers Contributions payable £5,040k (2015/16(£3,574k)) with the net movement on the Pension reserves of £1,535k (2015/16 £2,079k). Further information regarding the accounting for pensions is included in the notes to the consolidated revenue account and balance sheet, see note 33.

6 Capital Expenditure and financing

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

Expenditure	2016/17 £'000	2015/16 £'000
Dwellings	48,768	42,584
Other Land and Buildings	-	-
	48,768	**42,584**

Financing	2016/17 £'000	2015/16 £'000
Usable capital receipts	15,115	5,384
Revenue contributions to capital	77	121
Major Repairs Reserve	33,576	37,079
	48,768	**42,584**

7 Capital Receipts

Capital receipts received during the year from disposals of land, houses and other property within the HRA was £19.6m (£19.6m in 2015/16). The receipts are summarised as follows:

	2016/17 £'000	2015/16 £'000
Receipts unapplied brought forward - 1 April	39,798	27,963
Right to Buy sales	14,627	10,197
Mortgage repayments	14	11
Disposal of Land and Buildings	5,027	9,469
	59,466	**47,640**
Allowable reductions		
Repaid to DCLG	(2,381)	(2,459)
Capital receipts applied	(15,116)	(5,383)
Capital receipts unapplied carried forward - 31 March	**41,969**	**39,798**

8 Major Repairs Reserve

	2016/17 £'000	2015/16 £'000
Balance brought forward - 1 April	**(1,822)**	**(7,050)**
Capital expenditure (dwellings)	33,576	37,079
Major Repairs Allowance set aside in year	(24,718)	(27,189)
Excess depreciation credited to Statement of Movement on HRA Balance	(7,036)	(4,662)
Balance carried forward - 31 March	**-**	**(1,822)**

Depreciation has been calculated in accordance with our accounting policies for all HRA assets. We have used the Keystone component accounting information for Dwelling as a proxy for component accounting and Corporate Asset Management system for Non-Dwelling.

The MRR applied was £33.6m for 2016/17 (2015/16 - £31.8m). This comprises of this year's MRA of £31.7m and the brought forward balance of £1.8m and was used to finance appropriate Housing Revenue Account capital expenditure.

9 Balance Sheet Value of Land and Houses, etc

	2016/17 £'000	2015/16 £'000
Dwellings	1,477,193	1,124,462
Land	17,942	14,482
Other assets	24,487	21,518
	1,519,662	**929,392**

10 Asset Split

	2016/17 £'000	2015/16 £'000
Operational - dwellings	1,477,193	1,124,462
Operational - other land and buildings	37,411	29,110
Non-operational	5,018	6,890
	1,519,662	**929,392**

11 Reserves

The details of reserves and provisions held within the HRA (excluding those already shown in Note 20 above) are summarised as follows:

	2016/17 £'000	2015/16 £'000
Reserves		
HRA balance	54,237	49,437
Other reserves		
Furniture Packs	1,103	874
CCTV	392	356
Energy efficiency	2,988	2,425
Single Change Programme	-	7,047
Improving Tenants Experience	2,691	-
Other	1,616	1,616
Sub-total other reserves	8,790	12,318
Total reserves	**63,027**	**61,755**

Collection Fund Income and Expenditure Account

31 March 2016					31 March 2017		
£'000	£'000	£'000			£'000	£'000	£'000
Business Rates	Council Tax		**Income**	Note	Business	Council Tax	
	202,667	202,667	Council Tax	2	-	214,094	214,094
209,099		209,099	Non- Domestic Rates	3	219,804	-	219,804
2,707		2,707	Transitional Protection Payment		(6,545)	-	(6,545)
			Prior Period Adjustment		2,102	-	2,102
			Contributions towards previous years Collection Fund deficit:				
3,931		3,931	Bristol City Council		7,805		7,805
80		80	Avon Fire Authority		159		159
4,011		4,011	Central Government		7,964		7,964
219,828	**202,667**	**422,495**			**231,289**	**214,094**	**445,383**
			Expenditure				
			Apportionment of Previous Year Surplus				
-	3,992	3,992	Bristol City Council			3,787	3,787
-	490	490	Avon & Somerset Police and Crime Commissioner			466	466
-	187	187	Avon Fire Authority			178	178
-	-	-	Central Government			-	-
-	4,669	4,669		4	-	4,431	4,431
			Precepts, Demands and Shares				
103,677	-	103,677	Central Government		108,136	-	108,136
101,604	169,022	270,626	Bristol City Council		105,974	178,403	284,377
-	20,819	20,819	Avon & Somerset Police and Crime Commissioner		-	21,560	21,560
2,074	7,933	10,007	Avon Fire Authority		2,164	8,215	10,379
207,355	197,774	405,129			216,274	208,178	424,452
			Charges to Collection Fund				
2,414	1,673	4,087	Write offs of uncollectable amounts		468	1,477	1,945
107	408	515	Increase/ (Decrease) in Bad Debt provision		2,041	656	2,697
721	-	721	Costs of Collection Allowance		722	-	722
2,185	-	2,185	Disregarded Amounts		5,348	-	5,348
(2,916)	-	(2,916)	Decrease provision for appeals/ back-dated appeals		8,008	-	8,008
2,511	2,081	4,592			16,587	2,133	18,720
9,962	**(1,857)**	**8,105**	**Surplus / (Deficit) for the Year**		**(1,572)**	**(648)**	**(2,220)**
(9,475))	7,266	(2,210)	**Surplus / (Deficit) as at 1 April**		486	5,409	5,895
486	**5,409**	**5,895**	**Surplus / (Deficit) as at 31 March**		**(1,086)**	**4,761**	**3,675**

Notes to the Collection Fund Income and Expenditure Account

1 General

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. 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 and Somerset Police and Crime Commissioner and the Avon Fire Authority for the forthcoming year and dividing this by the council tax base of 120,946 for 2016/17 (119,116 for 2015/16). 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 £1,721.25 for 2016/17 (£1,660.39 for 2015/16) is multiplied by the proportion specified for the particular band to give an individual amount due.

Calculation of the Council Tax Base used in setting the 2016/17 Council Tax:

	BANDS									
	A Entitled to Disabled Relief	A	B	C	D	E	F	G	H	Total
No of Properties	0	49,763	72,270	38,191	17,579	9,405	4,702	2,829	331	195,070
Exemptions and disabled relief	33	(1,397)	(1,422)	(1,437)	(1,187)	(964)	(167)	(51)	(44)	(6,636)
Less Discounts	(2)	(5,718)	(5,546)	(2,576)	(1,006)	(457)	(189)	(113)	(16)	(15,623)
Total Equivalent Dwellings	31	42,648	65,302	34,178	15,386	7,984	4,346	2,665	271	172,811
Ratio	5/9	6/9	7/9	1	1	11/9	13/9	15/9	18/9	
Band D Equivalents	17	28,432	50,791	30,380	15,386	9,758	6,278	4,442	542	146,026
Add Changes re: Additional Properties										1,000
Additional Exemptions										(1,050)
Council Tax Support										(23,188)
Adjustments to reflect Discretionary Discounts										
Rate of Collection 98.5%										(1,842)
Council Tax Base										120,946

3 National Non-Domestic Rates (NNDR)

The Council collects NNDR for its area based on rateable values as determined by the Valuation Office Agency and reviewed on a 5 yearly basis. The last revaluation date was 1st April 2015 and the new revaluations came into effect on 1 April 2017. The next revaluation is expected to be 1 April 2020, with valuations being effective from 1 April 2022

Each year the Government specifies an amount known as the non-domestic rating multiplier and (subject to the effects of transitional 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 2016/17 the non-domestic rating multiplier was 49.7p (49.3p in 2015/16) and the small business non-domestic rating multiplier was 48.4p (48.0p in 2015/16).

In 2013/14 the Regulations concerning NNDR changed such that the City Council is now responsible not only for collection of rates due from the ratepayers in its area but also for redistribution of the sums paid according to the following percentages: Central Government: 50%; Bristol City Council: 49%; Avon Fire Authority: 1%.

The NNDR income after reliefs and provisions was £213.259m for 2016/17 (£211.806m for 2015/16). The total rateable value at 31 March 2017 was £537.296m (£539.515m at 31 March 2016).

4 Collection Fund surpluses/(deficits)

Collection Fund balance sheet items have been apportioned as shown in the table below.

Council Tax	**Total**	**Bristol City Council**	**Police Creditor**	**Fire Creditor**
	£'000	**£'000**	**£'000**	**£'000**
Debtors	12,513	11,016	1,084	413
Bad Debt Allowance	(6,299)	(5,421)	(636)	(242)
Prepayments & Overpayments	(3,217)	(2,768)	(325)	(124)
Surplus / (Deficit) at 31 March	4,761	4,077	495	189

Business Rates	**Total**	**Bristol City Council**	**Central Government Debtor**	**Fire Debtor**
	£'000	**£'000**	**£'000**	**£'000**
Debtors	4,264	2,089	2,132	43
Bad Debt Allowance	(2,148)	(1,053)	(1074)	(21)
Prepayments & Overpayments	(2,937)	(1,439)	(1,469)	(29)
Appeals Provision	(22,688)	(11,117)	(11,344)	(227)
Surplus / (Deficit) at 31 March	(1,086)	(532)	(543)	(11)

5. City Region Deal Growth Disregard

From 2015/16, the Council is allowed to retain 100% of the growth in Business Rates in its Enterprise area and Enterprise Zone. The growth is transferred to the Council's General Fund before being pooled with other participating authorities. In 2016/17 the transfer of City Deal Growth Disregard to the General Fund was £4,859k (£2,185k in 2015/16)

City Region Deal

Background

Under the City Region Deal, Bristol City, Bath & North East Somerset, North Somerset and South Gloucestershire Councils ("the Authorities") are part of a Business Rates Retention Scheme, introduced by the Government in April 2013, allowing Authorities to retain a proportion of the business rates collected locally. The Authorities are allowed to retain 100% of the growth in business rates raised in the City Regions network of Enterprise Areas over a 25 year period ending on 31/3/2039 to create an Economic Development Fund for the West of England and to manage local demographic and service pressures arising from economic growth.
A 'baseline' level of rates for each Authority has been agreed with the government for the areas designated within the Non-Domestic Rating (Designated Areas) Regulations 2015. Rates collected up to this figure (the baseline) are subject to the national rates retention system. Rates collected in excess of this figure (the 'growth figure') are retained by the Authorities under the Non-Domestic Rates Designated Area Regulations 2013 and 2014 in a pooling arrangement. The governance of the distribution of retained pooled funds will occur through a Business Rates Pooling Board constituted under the Business Rates Pooling Principles Agreement (BRPPA) signed by the four Authorities.

Transactions

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

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

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

	CASH TRANSACTIONS		REVENUE AND EXPENDITURE	
	Business Rates Pool Total	of which the Council's share	Council Expenditure	Council Revenue
	£'000	£'000	£'000	£'000
Funds held by BRP at 1 April	(9,453)	(2,603)	-	-
Receipts into the Pool in-year				
- Growth sums payable by councils to BRP in-year	(12,717)	(5,346)	5,346	-
Distributions out of the Pool in-year				
-Tier 1 no worse off	5,127	2,673		(2,673)
-BRP management fee	44	11		-
-EDF management fee	55	14		-
-Tier 2 EDF Funding	2,144	654		(2,000)
-Tier 3 demographic and service pressures	1,178	422	-	(390)
Funds held by BRP at 31 March	**(13,624)**	**(4,174)**		
Analysed between:				
Uncommitted cash (Tier 2 inc contingency)	(10,325)	(3,163)	(1,572)	n/a
Committed cash (Tier 3)	(3,299)	(1,011)	n/a	n/a
	(13,624)	**(4,174)**		
Expenditure / (Revenue) recognised			**3,774**	**(5,063)**

As stated under the accounting policies, growth paid over to the BRP is recognised as expenditure by each council to the extent that the use of the funds by the BRP has been committed. Uncommitted cash is recognised by each council as a debtor.

The uncommitted cash of £3.163m contributed by the council and held by the BRP is recognised by the council as a debtor and is held in a new earmarked reserve to smooth the impact of City Region Deal transactions, and match the release of revenue support and charges for projects. The differences between the cash transactions value of £3.163m and the revenue amounts of £1.572m is equivalent to the uncommitted funds held at 1 April 2016. Similarly the difference between the cash amounts disbursed by the pool of £4.297m and the expenditure recognised by the council of £3.774m relates to the committed funds held at 1 April 2016. The BRP has made one payment of £1m to Bristol City Council on behalf of the EDF in 2016/17 (2015/16 £1m.)

The Council itself has recognised revenue income of £5.063k (2015/16 £2,048m) from the BRP and expenditure of £3.774m (2015/16 £1.136m) to the BRP for the year.

Group Accounts

Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (The Code) requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material. The aim of the Group Accounts is to provide the reader with an overall view of the material economic activities of the Council

The Council has interests in a number of companies that are classified as a subsidiary or joint venture, all of which have been considered for consolidation. Three of these, Bristol Holding Limited, Bristol Waste Company Limited and Bristol Energy and Technology Services (Supply) Limited are considered to be material to the financial statements. Details of the companies considered for consolidation are shown below.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with, Bristol Holding Limited, Bristol Waste Company Limited and Bristol Energy and Technology Services (Supply) Limited. Copies of the individual audited accounts are available from Companies House.

The purpose of each of the core statements is explained in the relevant sections of the single entity accounts. No amendments have been necessary to the accounts of the group entities as a result of material differences arising from the variation in accounting policies.

The following pages include:

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

Basis of Identification of the Group Boundary

In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories:

- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.

- Jointly Arrangements (Joint Operations and Joint Ventures) – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group.

- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

In accordance with this requirement, the Council has determined its Group relationships as follows:

Bristol Holding Ltd	Subsidiary	Consolidated
Bristol Waste Company Ltd	Subsidiary	Consolidated

Bristol Energy and Technology Services (Supply) Ltd	Subsidiary	Consolidated
Bristol is Open Ltd	Joint Venture	Not Material

Basis of Consolidation – Group Accounts

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated on a line by line basis, subject to the elimination of intra-group transactions from the statements, in accordance with the Code. Accounting policies have been aligned where applicable.

Bristol Holding Limited

Bristol Holding is a wholly owned subsidiary of the City Council, incorporated on 12 March 2015. The principal activity of the company is that of a holding company and the activities of the group are the provision of waste services and a gas and electric supply business in the UK with particular focus on residential customers.

On the 13 July 2015 the company acquired Bristol Energy and Technology Services (Supply) Limited for £100,000 and on 31 March 2016, the company acquired Bristol Waste Limited from Bristol City Council.

Bristol Waste Company Limited

Bristol Waste Company Limited is a wholly owned subsidiary of Bristol Holding Limited. The company was incorporated on 5 March 2015. From the 8 August 2015 the company has been providing waste collection, street cleaning and other maintenance services in Bristol.

Bristol Energy and Technology Services (Supply) Limited

Bristol Energy is a wholly owned subsidiary of Bristol Holding Limited incorporated on 17 July 2014. The company commenced trading on 23 November 2015 and launched its product offering to customers in February 2016.

None of the other entities in which the City Council has an interest are considered material enough to merit consolidation into the Council's Group Accounts. Details of these can be found within the Related Parties note in the Council's single entity accounts (Note 36)

Page 176

Group Movement in Reserves Statement

	Note	General Fund Balance	Earmarked Reserves Restated	School Reserves	Housing Revenue Account	Housing Revenue Account Earmarked Reserves	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 33) Restated	Total Council Reserves	Council's Share of Reserves of Subsidiaries	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016 Carried Forward		20,000	105,978	13,603	49,437	12,317	39,798	1,822	1,232	244,187	874,185	1,118,372	(1,284)	1,117,089
Movement in Reserves during 2016/17														
Surplus or (deficit) on the provision of services		(26,534)			139,590					113,056		113,056	(7,459)	105,597
Other Comprehensive Expenditure and Income										-	35,379	35,379		35,379
Total Comprehensive Expenditure and Income		**(26,534)**	-	-	**139,590**	-	-	-	-	**113,056**	**35,379**	**148,435**	**(7,459)**	140,976
Adjustments between accounting basis and funding basis under regulations	Note 19	(22,142)			(138,317)		5,911	(1,822)	2,108	(154,262)	154,262	-		-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**(48,676)**	-	-	**1,273**	-	**5,911**	**(1,822)**	**2,108**	**(41,206)**	**189,641**	**148,435**	**(7,459)**	140,976
Transfers to/(from) Earmarked Reserves	Note 20	48,676	(40,532)	(8,144)	3,527	(3,527)				-		-		-
Increase/(Decrease) in 2016/17		-	**(40,532)**	**(8,144)**	**4,800**	**(3,527)**	**5,911**	**(1,822)**	**2,108**	**(41,206)**	**189,641**	**148,435**	**(7,459)**	140,976
Balance at 31 March 2016 Carried Forward		**20,000**	**65,446**	**5,459**	**54,237**	**8,790**	**45,709**	-	**3,340**	**202,981**	**1,063,826**	**1,266,807**	**(8,743)**	1,258,064

The Group Comprehensive Income and Expenditure Account

2015/16				2016/17		
Gross Exp	Gross Income	Net Exp Restated		**Gross Exp**	**Gross Income**	**Net Exp**
£'000	£'000	£'000		**£'000**	**£'000**	**£'000**
546,630	(290,474)	271,445	People	535,729	(298,911)	236,818
113,130	(60,474)	59,053	Place	139,901	(80,116)	59,785
327,764	(260,184)	77,121	Neighbourhoods	316,862	(243,923)	72,939
12,469	(7,961)	2,584	City Director	9,379	(789)	8,590
52,444	(7,414)	21,082	Resources	54,443	(7,146)	47,297
2,463	(2,166)	(5,054)	Other Budgets	7,523	(2,480)	5,043
(150,620)	(123,969)	(43,520)	HRA	(22,592)	(123,212)	(145,804)
904,280	**(752,642)**	**382,711**	**Cost of services**	**1,041,245**	**(756,577)**	**284,668**
		3,619	Other operating expenditure			(1,680)
		2,004	Financing and investment income and expenditure			20,871
		(423,271)	Taxation and non-specific grant income			(409,456)
		(266,010)	**(Surplus)Deficit on provision of services**			**(105,597)**
		(61,566)	(Surplus) / Deficit on revaluation of Property, Plant and Equipment assets			(227,585)
		-	Impairment losses on non-current assets charges to the revaluation reserve			-
		(202)	Surplus\deficit on revaluation of available for sale financial assets			302
		(51,846)	Remeasurement of the net defined benefit liability/asset			191,904
		(113,614)	**Other comprehensive income and expenditure**			(35,379)
		(379,624)	**Total comprehensive income and expenditure**			**(140,976)**

Group Consolidated Balance Sheet as at 31 March 2017

31-Mar-16 Restated £'000		Note	31-Mar-17 £'000
847,047	Property, Plant & Equipment		915,913
1,124,462	Council dwellings		1,477,193
100,459	Heritage Assets		100,459
9,149	Intangible Assets		10,259
240,328	Investment Property		253,976
3,292	Long Term Investments		7,852
62,754	Long Term Debtors		54,928
2,387,489	**Long Term Assets**		**2,820,580**
118,668	Short Term Investments		33,180
1,282	Inventories		1,649
106,194	Short Term Debtors		116,328
32,876	Cash and Cash Equivalents		40,239
259,020	**Current assets**		**191,396**
(7,004)	Short Term Borrowing		(7,769)
(135,147)	Short Term Creditors		(155,297)
(5,438)	Provisions		(2,384)
(42,976)	Capital grants received in advance		(11,839)
(190,565)	**Current liabilities**		**(177,288)**
(414,289)	Long Term Borrowing		(430,489)
(8,387)	Provisions		(12,044)
(902,207)	Other Long Term Liabilities		(1,122,681)
(13,972)	Capital Grants Receipts in Advance		(11,408)
(1,338,855)	**Long-term liabilities**		**(1,576,622)**
1,117,089	**Net assets**		**1,258,065**
(242,902)	Usable Reserves		(194,238)
(874,187)	Unusable Reserves		(1,063,827)
(1,117,089)	**Total reserves**		**(1,258,065)**

Group Cash Flow Statement for the year ended 31 March 2017

2015/16 £'000		Note	2016/17 £'000
266,006	Net surplus on the provision of services		105,594
(145,663)	Adjustment to net surplus on the provision of services for non-cash movements		(26,260)
(91,815)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(86,597)
28,528	Net cash flows from Operating Activities		(7,263)
(80,918)	Investing Activities		(18,973)
15,460	Financing Activities		33,599
(36,930)	Net increase (decrease) in Cash and Cash Equivalents		7,363
69,806	Cash and Cash Equivalents at the beginning of the reporting period		32,876
32,876	**Cash and Cash Equivalents at the end of the reporting period**		**40,239**

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.

ACCOUNTING POLICIES – The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

ACCRUALS - The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

ACTUARY - An independent consultant who advises on the financial position of the Pension Fund.

ACTUARIAL GAINS AND LOSSES - 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

ACTUARIAL VALUATION - Every 3 years a review is carried out by the actuary on the Pension Fund's assets and liabilities reporting to the Council on the Fund's financial position and recommended employers' contribution rates.

AMORTISATION - The writing off of a loan balance or intangible asset over a period of time to revenue.

ANNUAL GOVERNANCE STATEMENT – The annual governance statement is a statutory document that explains the processes and procedures in place to enable the Council to carry out its functions effectively.

ASSET - An asset is something that the Council owns that has a monetary value. Assets are either current or long term.

- A current asset is one that will be used by the end of the next financial year (e.g. stock, debtors)
- A long term (fixed) asset provides the Council with benefits for a period of more than one year (e.g. property, plant and equipment).

BAD DEBT PROVISION - An amount set aside to cover money owed to the Council where it is considered doubtful payment will be received.

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

BILLING AUTHORITY - The billing authority is responsible for levying and collecting the Council Tax in its area, both on its own behalf and that of its precepting authorities.

BUDGET - The budget represents a statement of the Council's planned expenditure and income.

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 property, plant & equipment in the provision of services.

CAPITAL EXPENDITURE - Expenditure on acquisition of a non-current asset or expenditure that adds to and not merely maintains the value of an existing asset.

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.

CARRYING AMOUNT/ CARRYING VALUE - These terms refer to the capitalised cost of a non current asset, less accumulated depreciation and impairment.

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 short-term, highly liquid investments that are readily convertible to cash; e.g. bank call accounts.

CODE - The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

COLLECTION FUND – A fund operated by the billing authority into which all receipts of Council Tax and National Non-Domestic Rates are paid. Payments are made from the fund to support the Council's general fund services and to the precepting authorities and the NNDR pool. The fund must be maintained separately from the Council's General Fund.

COMMUNITY ASSETS - Assets that the Council intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal, such as parks and historic buildings.

COMPONENTISATION - The recognition of distinct parts of an asset (components) as separate assets for depreciation purposes.

COMPRESHENSIVE INCOME AND EXPENDITURE ACCOUNT – A statement which details the total income received and the expenditure incurred by the Council during a year in line with IFRS reporting as required by the Code.

CONSUMER PRICE INDEX (CPI) - The measure of inflation used for the indexation of benefits, tax credits and public service pensions. The CPI is an internationally comparable measure of inflation and is used to compare inflation across the European Union.

CONTINGENT ASSET - A possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

CONTINGENT LIABILITIES - Sums of money that the Council will be liable to pay in certain circumstance, e.g. as a result of losing a court case.

COUNCIL TAX - A system of local taxation, which is set by both the billing and precepting authorities at a level determined by the revenue expenditure requirement for each authority, divided by the Council Tax Base for its area.

COUNCIL TAX BASE - An amount calculated by the billing authority, by applying the band proportions to the total properties in each band in order to ascertain the number of band D equivalent properties in the authority's area. The tax base is also used by the precepting and some levying bodies in determining their charge to the area.

CREDITORS - Amounts of money owed by the Council for goods or services received.

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.

DEBTORS - Amounts of money owed to the Council for goods or services provided.

DEDICATED SCHOOLS GRANT (DSG) - A ring-fenced grant from the Department for Education paid to Local Education Authorities for the Education of Children and Young Adults up to the age of 25.

DEPRECIATION - A provision made in the accounts to reflect the cost of consuming assets during the year, e.g. a vehicle purchased for £30,000 with a life of five years would depreciate on a straight-line basis at the rate of £6,000 per annum. Depreciation forms part of the 'capital charges' made to service revenue accounts and is covered by International Accounting Standard (IAS) 16.

DIRECT REVENUE FINANCING - Funding of capital expenditure directly from revenue budgets.

EARMARKED RESERVES - Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish a provision.

EXIT PACKAGES - The cost to the Council of early termination of staff employment before normal retirement age.

EVENTS AFTER THE BALANCE SHEET DATE (POST BALANCE SHEET EVENTS) - Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXTERNAL AUDITOR - The auditor appointed by the Audit Commission to carry out an audit of the Council's accounts. The current auditor is BDO.

FAIR VALUE - Fair Value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no motive in their negotiations other than to secure a fair price.

FINANCE LEASE - A contractual agreement for the use of an asset, where in substance the risks and rewards associated with ownership reside with the user of the asset (lessee) rather than the owner (lessor).

FINANCIAL YEAR - The local authority financial year starts on 1 April and ends on the following 31 March.

GENERAL FUND - This is the main revenue account of the Council. It includes the cost of all services provided which are paid from Government grants, generated income, NNDR retention and the City Council's share of Council Tax. It excludes the Housing Revenue Account. By law, it includes the cost of services provided by other bodies who charge a levy to the Council.

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.

GROUP ACCOUNTS – Where a Council has a material interest in another organisation (e.g. a subsidiary organisation) group accounts have to be produced. These accounts report the financial position of the Council and all organisations in which it has an interest.

HERITAGE ASSET - Assets held and maintained principally for their contribution to knowledge and culture. Examples of Heritage Assets are historical buildings, civic regalia and museum and gallery collections.

HOUSING REVENUE ACCOUNT (HRA) - The HRA includes expenditure and income arising from the provision of rented dwellings. It is, in effect, a landlord account. Statute provides for this account to be separate from the General Fund and any surplus or deficit must be retained within the HRA.

IMPAIRMENT - This is where the value of an asset falls below the carrying value in the accounts and so to reflect the commercial reality of the situation a charge is made in the running costs.

INFRASTRUCTURE ASSETS – Non-current assets that are unable to be readily disposed of, the expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.

INTANGIBLE ASSETS - Assets which do not have a physical form but provide an economic benefit for a period of more than one year; e.g. software licences.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - Since 1 April 2010, local authorities are required to adopt a code of practice based on an internationally agreed set of financial rules, referred to as International Financial Reporting Standards (IFRS). These dictate a greater level of analysis and disclosure than previous requirements to allow readers of the Statement of Accounts to gain a clearer understanding of the Council's financial position and activities.

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

LIABILITIES - Amounts the Council either owes or anticipates owing to others, whether they are due for immediate payment or not.

MAJOR REPAIRS RESERVE (MRR) - This reserve is for capital expenditure on HRA assets

MINIMUM REVENUE PROVISION (MRP) - A statutory amount, that has to be charged to revenue, to provide for the redemption of debt.

MOVEMENT IN RESERVES STATEMENT – This financial statement presents the movement in usable and unusable reserves (the Council's total reserve balances).

NATIONAL NON-DOMESTIC RATE (NNDR) – More commonly known as 'business rates', these are collected by billing authorities from all non-residential buildings. Since 1 April 1990 the poundage level has been set by the Treasury. Amounts payable are based on rateable values multiplied by this poundage level.

NET BOOK VALUE - The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value, less the cumulative amounts provided for depreciation.

NON-CURRENT ASSETS - Assets which yield a benefit to the Council for a period of more than one year.

NON-OPERATIONAL ASSETS - Fixed assets held by a Council, but not directly occupied, used or consumed in the delivery of services; for example, investment properties and assets surplus to requirements held pending sale or redevelopment.

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

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

OUTTURN - This is the actual level of expenditure and income for the financial year.

PENSION FUNDS - For the Local Government Pension Scheme, the funds that invest employers' and employees' pension contributions in order to provide pensions for employees on their retirement and pensions for employees' dependants in the event of death of an employee.

PENSION STRAIN - The cost to the Council of reimbursing the Pension Fund should it agree to employees aged 55 and over drawing their pension before normal retirement age.

PRECEPT - This is the method by which a precepting authority (Avon and Somerset Police & Crime Commissioner, Avon Fire Authority) obtains income from the billing authority to cover its net expenditure. This is calculated after deducting its own Revenue Support Grant. The precept levied by the precepting authority is incorporated within the Council Tax charge. The Council pays the amount demanded over an agreed time scale.

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

PRIVATE FINANCE INITIATIVE (PFI) - PFI started in 1997/98 and offers a form of Public-Private Partnership in which local authorities do not buy assets but rather pay for the use of assets held by the private sector.

PROPERTY, PLANT AND EQUIPMENT (PPE) - Covers all tangible (physical) assets used in the delivery of services, for rental to others, or for administrative purposes, that are used for more than one year.

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.

PRUDENTIAL CODE - The Prudential Code frees authorities to set their own borrowing limits having regard to affordability. In order to demonstrate this has been done, and enable adherence to be monitored, authorities are required to adopt a number of appropriate 'Prudential Indicators'

PUBLIC WORKS LOAN BOARD (PWLB) - A body, part of the Debt Management Office (a government agency) which lends money to public bodies for capital purposes. At present nearly all borrowers are local authorities. Monies are drawn from the national Loans Fund and rates of interest are determined by the Treasury.

RATEABLE VALUE - The Valuation Office Agency (part of HM Revenue and Customs) assesses the rateable value of nondomestic properties. Business rate bills are set by multiplying the rateable value by the year's NNDR poundage (which is set by the Government). Domestic properties no longer have rateable values; instead they are assigned to one of the eight council tax valuation bands.

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.

RETAIL PRICE INDEX (RPI) - The measure of inflation used prior to the adoption of CPI by the Government.

REVALUATION - Recognises increases or decreases in the value of non-current assets that are not matched by expenditure on the asset; gains or losses are accounted for through the revaluation reserve.

REVENUE EXPENDITURE – The regular day to day running costs of items including salaries and wages and other running costs incurred to provide services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFFCUS) - Expenditure which is legitimately financed from capital resources, but which does not result in, or remain matched with tangible assets.

REVENUE SUPPORT GRANT (RSG) - The main grant paid to a local authority by Central Government to help fund the cost of its services.

SURPLUS ASSETS - Assets not being used in the delivery of services that do not qualify as being 'held for sale' under accounting guidance.

SOFT LOANS - Funds received and advanced at less than market rates.

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

UNSUPPORTED BORROWING - Local authorities can set their own borrowing levels based upon their capital need and their ability to pay for the borrowing, costs are not supported by the Government so services need to ensure they can fund the repayment costs. The borrowing may also be referred to as Prudential Borrowing.

USABLE CAPITAL RECEIPTS - This represents the amount of capital receipts available to finance capital expenditure in future years, or to provide for the repayment of debt.

Appendix 2

BDO LLP
Bridgewater House
Counterslip
Bristol
BS1 6BX

Reply to	Denise Murray
Telephone	0117 35 76255
E-mail	Denise.murray@bristol.gov.uk
Our ref	
Your ref	
Date	21st September 2017

Dear Sirs,

Financial statements of Bristol City Council for the year ended 31 March 2017

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2017 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Director of Finance has fulfilled her responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2017 and of its income and expenditure and cash flows for the year then ended 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) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with international financial reporting standards and preventing and detecting fraud and error.

Corporate Finance
City Hall
College Green, Bristol

Denise Murray
Service Director Finance

Website
www.bristol.gov.uk

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving councillors, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by councillors, employees, former employees, regulators or any other party.

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

We confirm that the above representations are made on the basis of enquiries of councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Denise Murray
S151 officer
21st September 2017

Councillor Jos Clark
Signed on behalf of the Audit Committee
21st September 2017

Audit Committee

21st September 2017

Report of: Director of Finance

Title: **Risk Management Policy**

Ward: Citywide

Officers Presenting Report: Jonathan Idle, Chief Internal Auditor (Interim) and Alison Mullis, Head of Internal Audit

Contact Telephone Number: O117 92 22063/22448

Recommendation

The Audit Committee review and endorse the draft Risk Management Policy attached as Appendix 1 to this report and recommend it for approval by Cabinet.

Summary

This report presents a refreshed Risk Management Policy aimed at delivering improvements in the current approach to Risk Management within the Council.

The significant issues in the report are:

- The refreshed Risk Management Policy (attached at Appendix 1)
- Details of the key amendments to the Council's approach to risk management (Paragraph 3)

Policy

The Audit & Accounts Regulations 2015 require the Council to have effective arrangements for the management of risk and each year, in the Council's Annual Governance Statement, the Council is required to comment on the effectiveness of its arrangements in this regard. The statement must also identify any significant governance issues that may have resulted from failures in governance and risk management.

The Audit Committee's Terms of Reference includes providing independent assurance to Full Council in relation to the effectiveness of the risk management framework and overseeing the risk management strategy.

Consultation

1. Internal

Interim Chief Internal Auditor, S151 Officer, Strategic Leadership Team, Service Director for Legal and Democratic Services, the Mayor and the Cabinet Member for Finance, Governance & Performance, Audit Committee.

Two officer workshops were held to trial the new guidance and Risk Matrix.

External

Research was undertaken looking at how risk is managed by other authorities, and the good practice promoted by various bodies:

- ALARM: Risk Excellence.
- Institute of Risk Management (IRM).
- Local Government Information Unit (LGIU).
- GovUK.

2. Context

2.1 The Council has had a risk management policy in place for several years which is reviewed periodically. The policy was last reviewed and approved by Audit Committee in January 2016. The Policy has now been refreshed again. Its purpose is to set out the Council's approach to and arrangements for effective risk management.

3. Risk Management Policy – Key Amendments

3.1 Areas highlighted in yellow in the attached draft policy represent key changes to the policy. They include:

3.2 An introduction at the start of the policy, endorsed by the Cabinet, Mayor and Strategic Leadership Team, strengthens messages to Members and officers regarding the importance of risk management in achievement of the Councils objectives, its legal basis and how it links to the assurances required for the statutorily required Annual Governance Statement.

3.3 Clarity over how the Council's risk tolerance is identified for endorsement of that approach by Members and senior management at the Council. The policy has been strengthen to provide fuller guidance on how risk tolerance is dealt with setting out an approach of escalation to ensure that officers deliver services within the Council's risk tolerance.

3.4 Arrangements for the review and scrutiny of the Corporate and Directorate risk registers have been reviewed to reflect the need for more active Member involvement in corporate risk management. The Policy now suggests that the Corporate Risk Register (CRR) is considered by Cabinet on a quarterly basis and is subject to the call in procedure following Cabinet. Directorate risks registers will no longer be subject to formal Member scrutiny. Instead, risks will escalate to the Corporate Risk Register as appropriate. Additionally, Cabinet Members will be sighted on risks and issues affecting their portfolio area from the Corporate and Directorate Risk Registers. The Audit Committee will continue to receive and review the CRR twice annually and will receive an overview of the effectiveness of the risk management processes annually to provide the relevant assurance that the whole process is working effectively.

3.5 The definition of a 'Corporate Risk' has been revisited and amended to clarify that the CRR should contain risks with a risk score of 14 or above on the risk matrix.

3.6 The risk matrix has been revised. The previous 6 x 4 matrix has been replaced by a more straight forward 4 x 4 matrix and the 'emotive' language (eg catastrophic impact) used in assessing the risk levels has been removed. Previously, using such wording in the risk assessment methodology was found to be distracting rather than value adding and was not consistent with the language used by partners.

3.7 The guidance to assessing risk using the risk matrix has been reviewed. Officer experts have been consulted in respect of measuring the severity of impact and their comments included in the guidance at Appendix A to the policy. This guidance is critical as the severity of impact parameters effectively contribute to setting the risk tolerance /acceptable risk level.

3.8 A standard risk register template has been developed which provides consistency in capturing risk information and information to enhance accountability and the audit trail for each risk.

3.9 The policy has been amended to include management of risks that have occurred and resulted in significant 'issues' for the Council or its services. Additionally, clarity is also given between negative risk, that poses a threat to the organisation, and positive risks that offer a potential opportunity and how each are prioritised and managed.

3.10 Roles and responsibilities have been amended to reflect the changes included in the policy.

4. Next Steps:

4.1 Once the policy is approved, communication of the requirements to managers and Members will need to take place so all are clear on expectations on them. This will be managed through briefings and targeted training where necessary.

4.2 Consideration is currently being given to resourcing the facilitation of risk and managing the escalation processes in line with the Policy.

Proposal

5. The Audit Committee review and endorse the draft Risk Management Policy attached as Appendix 1 to this report and recommend it for approval by Cabinet.

Other Options Considered

6. None necessary, the Policy builds on the work that already takes place within the City Council and is consistent with principles for good governance, and fulfils the legal obligations that apply.

Risk Assessment

7. The Risk Management Policy will further develop risk management within the City Council, and improve its management.

8. Public Sector Equality Duties

8a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:

i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.

ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --

- remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
- encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –

- tackle prejudice; and
- promote understanding.

8b) No equalities assessment necessary for this report.

Legal and Resource Implications:

Legal - N/A

Financial – N/A

Land – N/A

Personnel – N/A

Appendices:

- Appendix 1 - Risk Management Policy

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Risk Management Strategy

Corporate Risk Register

Risk Management Policy

September 2017

Golden Rules:

Be risk aware not risk averse. Some risks are worth taking but just need careful management.

Active ownership and accountability for managing risk.

Keeping it Simple

Consistency in approach

Effective Challenge and review.

Policy Contents:

1. Introduction:

1.1 The Mayor, Cabinet and Senior Leadership Team view risk management as an integral part of good internal control and corporate governance. The way in which we manage our risks directly impacts our success in achieving our objectives, and in delivering services to the communities to which we are accountable.

1.2 Legally (under the Audit & Accounts Regulations 2015), the Council is required to have effective arrangements for the management of risk and each year, in the Council's Annual Governance Statement, the Council is required to comment on the effectiveness of its arrangements in this regard. The statement must also identify any significant governance issues that may have resulted from failures in governance and risk management.

1.3 Legal requirements aside, effective risk management is required to ensure the continued financial and organisational well-being of the Council and council-wide ownership and accountability for managing risk is critical to the success of delivering the organisations priorities and objectives. Management of risk is inseparable from effective management of the Councils performance.

1.4 The benefits from an effective risk management framework are:

- Better decision making
- Improved customer service, and better outcomes
- Improved strategic, operational and financial management and value for money
- Enhanced reputation, and securing trust from our stakeholders
- Enhanced resilience
- Continuity of knowledge
- Improved compliance.

1.5 To achieve an effective approach to Risk Management, the Council requires:

- An organisation culture that embraces and embeds consideration of risk in its day to day operations at every level.
- A risk culture that emanates from the strategic leadership team throughout the organisation to ensure all levels buy into and adhere to the corporate risk process.
- All functions to work to actively anticipate and manage their business risks, embracing opportunities and mitigating threats in line with risk tolerances.
- 'One' clear and evidenced approach, consistently applied across the organisation that embeds consideration of risk in policy formulation, planning and decision making at all levels.
- The right level of training and support for Members and managers
- Effective tools and methodology for identifying, assessing and prioritising risks.

1.6 The purpose of this Risk Management Policy is to set out the Council's attitude and approach to risk management and the expectations/ responsibilities on all managers and decision makers with regard to considering and managing risk in pursuit of achieving the Council's priorities and objectives.

2. Risk Attitude

2.1 As a modern local authority, the Council is committed to delivering quality services to the citizens and communities of Bristol. In doing so, our over-riding attitude to risk is that it should be identified and managed rather than avoided. Risk Management is about understanding and evaluating opportunities and threats and making informed decisions about how these are to be managed in order to achieve our aims and deliver beneficial outcomes. The Council recognises it needs to take risks but must do so in a controlled manner to reduce its exposure to the level acceptable by the Mayor, Cabinet and relevant regulators and inspectors. Innovative solutions are encouraged, and while they often involve risk, they can be implemented with awareness, authority and management of the risks that each respective case carries.

3. Risk Tolerance (the acceptable level of risk)

3.1 Risk tolerance is in effect, “the amount of risk an organisation is willing to accept” in order to achieve its objectives. It is both the tendency to take risk and the desire to exercise control.

3.2 Culture, strategy and competitive position all influence our risk tolerance and defining it can be challenging as every case will be different. The diversity of the services delivered by the Council and nature of the risks it faces, means it is not possible to set a ‘one size fits all’ risk tolerance that managers and Members alike can apply and embed in strategic and operational decision making.

3.3 Instead, the Council’s approach is to identify risk tolerance on a case by case basis.

3.4 To deliver its corporate priorities, the Council recognises that it will have to manage certain business risks. Intolerable risks are those that could:

- Negatively affect the safety of employees or our customers/clients
- Have a damaging impact on our reputation
- Have financial consequences that could endanger the Council’s viability
- Lead to breaches of laws and regulations
- Endanger the future operations of the Council.

4. Risk Management Framework

Risk is the **chance** of something happening **in the future** that will have an impact (positive or negative) on achievement of objectives.

4.1 Risk Management needs to be an integral part of how services are developed and delivered every day. As well as instinctively managing risk on a day to day basis, consideration and recording of risk is required in the following management processes:

- policy and decision making.
- strategic and service planning and resourcing (at all levels)
- planning when implementing change
- project management
- commissioning and procurement activity
- partnership working
- business continuity planning
- health and safety arrangements

- performance management.

4.2 When potential risks are identified, it is important that we ascertain what might go wrong, what the potential consequences may be, what could trigger the occurrence and deciding how best to minimise the risk materialising. There are times however, when things will go wrong despite our attempts to prevent them, which could result in ‘issues’ that need resolution. Proactive risk management of these will ensure the impact is kept to a minimum. The Council’s approach therefore provides for both risk and issues management and maintenance of both risk and issues registers for regular review, monitoring and reporting in line with this policy.

Risk Registers:

4.3 The Council maintains registers to record and monitor risks at various levels. ***Standard risk register templates*** are to be used for recording risk. Appendix B and C provide the Councils risk register template. It includes provision for recording future risks as well as risks that have already occurred which have caused ‘issues’ to be addressed. Where more detailed plans are in place, the risk register need not duplicate these but simply cross refer.

4.4 The ***Corporate Risk Register*** (**CRR**) contains risks that, should they occur, could have a fundamental impact on the Council’s ability to operate, achieve its strategic objectives or successful delivery of outcomes.

4.5 Risks with a current risk score of 14 or above on the risk matrix at Appendix A, need to be escalated for inclusion in the CRR. Issues that have arisen that are significantly impacting on the Council are recorded in the issues element of the CRR.

4.6 The CRR is the means by which Members and leaders of the organisation will be focussed on the strategic and business critical risks and review the effectiveness of risk management arrangements in place to monitor these risks. The CRR is ‘owned’ by the Senior Leadership Team (SLT) and used by them and Cabinet to ensure the highest risks are being managed effectively within an agreed risk tolerance.

4.7 The ***Directorate Risk Registers*** (**DRR**) detail the highest risks faced by each Directorate in delivering their Directorate Plan. They also include significant issues that have impacted the Directorate objectives. These registers are owned by the relevant Strategic Directors, and are reviewed at least quarterly by Directorate Leadership Teams (DLT) and Cabinet Members in line with their portfolio.

4.8 ***Other processes*** where risk is captured and recorded, also underpin the Directorate and Corporate Risk Registers:

- Service delivery plans
- Budget planning and monitoring cycle
- Project or Programme delivery
- Partnership working
- Contract and commissioning
- Health & Safety
- Civil Protection
- Business Continuity Planning

4.9 Key information contained in the risk registers includes details of the control framework currently in place to manage the risk and the current risk level taking that control framework into consideration when assessing the level of risk.

4.10 The risk tolerance for each risk is also recorded together with further actions required to ensure the current level of risks is in line with the agreed risk tolerance.

4.11 **Risk Owners** will be assigned to all risks and are responsible for ensuring the risk is managed within the agreed risk tolerance.

Risk Reporting and Review:

4.12 The CRR is subject to quarterly review by SLT and Cabinet and is subject to the call in procedure following Cabinet.

4.13 The DRR's are subject to quarterly review by DLT's and Member Portfolio holders and as per paragraph 4.5 above, risks and issues will be escalated to the CRR.

4.14 Audit Committee are provided with the CRR twice each year to provide independent challenge and assure themselves that risk management arrangements are effective. They can request additional information as necessary. An overview of the effectiveness of the risk management process is also provided annually to give them the relevant assurance that the whole process is working effectively.

4.15 Other registers are maintained and reviewed monthly as part of core management processes such as service planning and performance and project management processes.

Escalation of Risk/Relationship between Risk Registers:

4.16 The Council's risk management framework relies on escalation of risks from service/operation level through to strategic risk registers to ensure SLT and Members are aware of the highest risks. As part of this process consideration can be given to the mitigations proposed, whether the tolerance level recorded is appropriate and whether it is aligned to the correct functional area. Additionally, in reviewing the CRR, SLT and Cabinet may identify risks to which the assessment may need to be revised or risk transferred.

4.17 Where risk levels are high (amber and above) on the risk matrix, the register owner (eg service manager for service planning risks, project manager for project risks) must escalate the risk for potential inclusion in Directorate Risk Register via management reporting mechanisms. The Directorate Leadership Team will determine if the risk is to be monitored via the DRR.

4.18 Directorate Leadership Teams will consider if risks need to be escalated to the Corporate Risk Register and if so, the Strategic Director must ensure this escalation occurs. For, example, where the risk level is 14 or above or if a Directorate risk has a corporate impact and management across the Council needs to understand its role in managing the risk.

(Diagram of framework to be added here)

5. Responsibility for Risk Management

5.1 Effective Risk Management requires that there is clarity of the responsibilities for risk, and ownership of the risks identified. This policy requires that the elected Mayor, Members and mangers at all levels assist in, and take responsibility for, identifying, considering and controlling risk and opportunities (and the better use of resources) in all their activities and areas of responsibility.

Group / Individual	Responsibilities
MEMBERS	
1. **Elected Mayor and Cabinet**	• Determine overall risk tolerance for the Council and for each corporate risk. • Ensure consideration of risk in decision making. • Quarterly review of Corporate Risk and Issues Registers. • Mayor to sign the Annual Governance Statement. • Approve the Risk Management Policy.
2. **Cabinet Member Leads**	• Oversee risks relating to their portfolio. • Oversee risk management policy (Cabinet Member Resources).
3. **Scrutiny**	• Challenge decisions made by Cabinet where risks have not been properly considered.
4. **Audit Committee**	• Provide independent assurance to the Council on the effectiveness of risk management and internal control by: o Reviewing the Corporate Risk Register to ensure it is reflective of the strategic risks to the delivery of the Council's objectives and management of risks is effective. o Scrutinising the Annual Governance Statement to ensure it is a correct reflection of internal control, risk management and governance. o Receiving reports from Internal Audit, External Audit and other inspection bodies indicating strengths and weakness in internal control, risk management or governance.
OFFICERS	
5. **Head of Paid Service /Strategic Leadership Team**	Overall responsibility to: • Ensure the Annual Governance Statement is an accurate reflection of internal control, risk management and governance (Head of Paid Service to sign). • Oversee corporate and cross cutting risks (CRR), and resolve conflicts and competing demands for resources.
6. **Strategic Director – Resources**	• Lead a quarterly review of Corporate Risks with the Strategic Leadership Team, and the Cabinet. • Arrange for the annual review of the risk management policy. • Support the roll-out of a risk management framework across the Council, including advice and training, including to Members. • Report progress with risk management to Members, particularly the Audit Committee, and to Strategic Directors.

Group / Individual	Responsibilities
7. **Strategic Director Neighbourhoods**	Overall responsibility for Civil Contingency and Business Continuity Planning, (informed by the Corporate Risk Register, Directorate Risk Registers and by liaison with Civil Protection Unit), and: • Act as the Business Continuity lead officer. • Ensure that strategic decisions do not undermine organisational resilience, or adversely affect the ability of the Council to respond, and maintain the delivery of critical services, during emergencies and disruptions. • Act as the Senior Information Risk Owner (SIRO) for the Council.
8. **Strategic Directors (All)**	Ensure there are effective risk management arrangements in their directorate in line with this policy. Maintain the Directorate Risk Register, ensure it is reviewed at least quarterly by the Directorate Leadership Team and that risks are escalated to the CRR where appropriate. Approve actions/plans with residually high risk i.e. those outside the City Council's risk tolerance and where necessary are escalate to SLT. Ensure key decision reports contain balanced and considered risk assessments.
9. **Monitoring Officer**	Provide assurances regarding overall legal risk management of the Council for the Annual Governance Statement and input to risk registers as required.
10. **Service Director: Finance**	Identify and monitor key revenue budget and capital programme risks. Ensure appropriate external insurance cover, and as s151 Officer provide assurances regarding overall financial risk management of the Council for the Annual Governance Statement.
11. **Service Directors, third and fourth tier/ Service managers**	Ensure that risks to services are properly managed and that: • Service team risk and issues registers are maintained as needed and reviewed regularly. • Any significant new risks identified through the business planning process are fed through to the line manager, and escalated for consideration by the Directorate Leadership Team. • The Risk Management Framework is embedded in their Service areas, and that staff are aware of the underlying risk management principles.
12. **Internal Audit**	• Plan audit work to take into account key risks, and how effectively they are managed providing assurances for the Annual Governance Statement, the Corporate Risk Register and Audit Committee. • Undertake periodic reviews of the effectiveness of risk management. • Undertake proactive fraud prevention and detection work based on an assessment of fraud risk to the Council. • Prepare, on behalf of the Mayor and Head of Paid Service, the Annual Governance Statement.

Group / Individual	Responsibilities
13. **Civil Contingency Manager/ Civil Protection Unit**	Ensure: • Service continuity risks affecting a critical service are addressed in a Business Continuity Plan, and reflected in the Directorate Business Continuity Plan. • The Directorate Leadership Teams are aware of emerging new high risks to business continuity planning. • Ensure Corporate Continuity Planning takes account of risks in the Corporate, Directorate and Service Planning Risk Registers, as well as external risks in the Community Risk Register. • Promote and assist contingency planning and business continuity at Corporate, Directorate and Service Delivery level to mitigate risks outside the Council's risk tolerance.
14. **Strategic Intelligence & Performance Team**	Support the development of strategic and service planning which ensures robust consideration of risk in achievement of objectives. .
15. **Councillor(s) Support Officers**	Monitor inclusion of a risk assessment in all reports to Cabinet requiring a decision.
16. **Corporate Safety Team**	• Provide technical and advisory assistance to Strategic Directors, Managers and staff to promote and maintain effective safety, health, and welfare services. • Conduct audits of health and safety arrangements, including the completion of Health and Safety risk assessments.
17. **All Staff**	Be familiar with the Risk Management Policy. Maintain an awareness of risks, and feed into the formal processes, including alerting management to: • Risks which are not effectively managed, or the level of current risk is unacceptably high (amber or above) • Issues that arise or near misses.

6. Further Guidance – The Risk Management Process

Risk Management is the planned and systematic approach to the identification, evaluation, prioritisation and control of risks and opportunities facing the Council.

Identification and Evaluation

6.1 Risk identification should be forward looking and focus on both potential threats to, and opportunities that may present in achievement of objectives. The assessment will identify whether the matter is a risk (an event in the future) or an issue (an event that is already happening).

A Risk:
- Is an event that may or may not, happen in the future.
- Is managed through prevention and mitigation.
- Is not an issue.

An Issue:
- Is an event that has already, or will definitely, happen.
- Is managed through action and resolution.
- An issue may have been a risk that has now happened.

6.2 Risk identification should include the following to ensure clear articulation of the risk:

- the potential causes of the risk and how likely those are to happen.
- the impact/consequences if the risk happened.

Risk Assessment is the measurement of the likelihood and impact on objectives, of an action or event occurring.

6.3 Once identified, the risks need to be assessed and prioritised using the risk matrix at Appendix A to identify the current level of risk. This is the level of risk there is if we take into account the controls/mitigation currently in place to prevent/manage the risk.

6.4 The matrix measures the potential impact and the likelihood of the risk, prioritising them for review and action via a risk 'score' and RAG rating. To ensure consistency in measuring risk across the organisation, guidance is also provided at appendix A on impact and likelihood measures that should be used in making this assessment.

6.5 The impact guidance identifies several categories of risk. For each risk, consideration should be given to the impact under each category and the highest impact category used in assessing the impact level.

6.6 The current level of risk needs then to be considered against the risk tolerance for each risk (the level of risk the Council is prepared to accept). This will vary according to the nature of the risk and must be agreed by DLT if not in the green area of the matrix.

6.7 Where the current level of risk is higher than the risk tolerance, an action plan is required that will result in the risk level reducing.

6.8 Where current risk levels are lower than the risk tolerance, removal of some controls is permitted to release costs to other risk management priorities.

6.9 Where issues are identified, these can be assessed against the impact guidelines within the Risk Management framework, to judge whether the issue needs to be addressed, whether a contingency plan had already been developed or if a plan of further action is needed. There will also be a need to assess whether this means that a risk has ceased to exist, or whether there is a possibility that it may recur.

Managing Risk

6.10 When we have identified a risk we need to decide what to do about it.

Positive and Negative Risk

6.11 The general impression of risk is that it is a negative event; however it is also possible that positive events and opportunities can arise and the risk score then becomes the reverse of the rating for a negative risk, e.g, an opportunity with a high rating could deliver a good return for little effort.

In managing a negative risk (Threat), we are aiming to see the risk rating decrease so that the likelihood and consequence of the risk decreases should it materialise.

A positive event or opportunity is measured in a similar way to a negative risk but the desired direction of travel is reversed.

6.11 The recognised approaches for controlling risks are described in the four T's; **T**reatment, **T**ransfer, **T**olerate or **T**erminate, as described below.

- **Treatment:** Using control countermeasures to mitigate impact or likelihood. Ensuring effectiveness of existing mitigations and implementing new controls where considered necessary and cost effective.
- **Transfer:** This involves another party bearing or sharing the risk; e.g. through insurance or strategic partnerships. Care is required though as some risks will not transfer.
- **Tolerate:** Where it is not possible to treat or transfer. Consideration needs to be given to how the risk and consequences of such are to be managed should they occur. This may require putting contingency plans in place, which is why Business Continuity is has such an important role to play in risk management, as it creates capacity to tolerate a certain degree of risk.
- **Terminate:** Deciding, where appropriate, not to continue or proceed with the activity in view of the unacceptable level of risks involved.

6.12 As a principle, when a risk is identified we need always to bear in mind the four T's. The most important consideration is that the chosen approach can be seen to be cost-effective so that risk control is not implemented where the cost and effort is disproportionate to the expected benefits.

Review Date: September 2017

Approved by Cabinet: XX/XX/XXXX

Risk Matrix

To Determine the Level of Risk

Likelihood	4	4	12	20	28
	3	3	9	15	21
	2	2	6	10	14
	1	1	3	5	7
Likelihood x Impact = Overall Risk Level		1	3	5	7
		Impact			

Likelihood Guidance

Likelihood	**Likelihood Ratings**			
	1	**2**	**3**	**4**
Description	Might happen on rare occasions	Will possibly happen, possibly on several occasions	Will probably happen, possibly at regular intervals	Likely to happen, possibly frequently
Numerical Likelihood	Less than 10%	Less than 50%	50% or more	75% or more

Severity of Impact Guidance

N.B. Risk to be assessed against all of the Categories, and the highest score used in the matrix.

Impact Category	Impact Levels			
	1	3	5	7
Service provision	Very limited effect (positive or negative) on service provision. Impact can be managed within normal working arrangements	Noticeable and significant effect (positive or negative) on service provision. Effect may require some additional resource, but manageable in a reasonable time frame.	Severe effect on service provision or a Corporate Strategic Plan priority area. Effect may require considerable additional resource but will not require a major strategy change.	Extremely severe service disruption. Significant customer opposition. Legal action. Effect could not be managed within a reasonable time frame or by a short term allocation of resources, and may require major strategy changes. The Council risks 'special measures' Officer / Member forced to resign.
Communities	Minimal impact on community	Noticeable (positive or negative) impact on the community or a more manageable impact on a smaller number of vulnerable groups / individuals which is not likely to last more than six months.	A more severe but manageable impact (positive or negative) on a significant number of vulnerable groups / individuals which is not likely to last more than twelve months.	A lasting and noticeable impact on a significant number of vulnerable groups / individuals.
Environmental	No effect (positive or negative) on the natural and built environment.	Short term effect (positive or negative) on the natural and or built environment.	Serious local discharge of pollutant or source of community annoyance that requires remedial action.	Lasting effect on the natural and or built environment.
Financial Loss / Gain	Under £0.5m	Between £0.5m - £3m	Between £3m - £5m	More than £5m
Fraud & Corruption Loss	Under £50k	Between £50k - £100k	Between £100k - £1m	More than £1m

Impact Category	Impact Levels			
	1	3	5	7
Legal	No significant legal implications or action is anticipated	Tribunal / BCC legal team involvement required (potential for claim)	Criminal prosecution anticipated and / or civil litigation.	Criminal prosecution anticipated and or civil litigation (> 1 person)
Personal Safety	Minor injury to citizens or colleagues.	Significant injury or ill health of citizens or colleagues causing short-term disability / absence from work.	Major injury or ill health of citizens or colleagues may result in. long term disability / absence from work.	Death of citizen(s) or colleague(s). Significant long-term disability / absence from work.
Programme / Project Management ***(Including developing commercial enterprises)***	Minor delays and/or budget overspend, but can be brought back on schedule with this project stage. No threat to delivery of the project on time and to budget and no threat to identified benefits / outcomes.	Slippage causes significant delay to delivery of key project milestones, and/or budget overspends. No threat to overall delivery of the project and the identified benefits / outcomes.	Slippage causes significant delay to delivery of key project milestones; and/or major budget overspends. Major threat to delivery of the project on time and to budget, and achievement of one or more benefits / outcomes.	Significant issues threaten delivery of the entire project. Could lead to project being cancelled or put on hold.
Reputation	Minimal and transient loss of public or partner trust. Contained within the individual service.	Significant public or partner interest although limited potential for enhancement of, or damage to, reputation. Dissatisfaction reported through Council Complaints procedure but contained within the Council. Local MP involvement. Some local media/social media interest.	Serious potential for enhancement of, or damage to, reputation and the willingness of other parties to collaborate or do business with the council. Dissatisfaction regularly reported through Council Complaints procedure. Higher levels of local or national interest. Higher levels of local media / social media interest.	Highly significant potential for enhancement of, or damage to, reputation and the willingness of other parties to collaborate or do business with the council. Intense local, national and potentially international media attention. Viral social media or online pick-up. Public enquiry or poor external assessor report.

Risk Scores – Required Action and Escalation:

Negative Risks (Threats)	
Level	**Actions Required**
1-5	**Low**: May not need any further action / monitor at the service level.
6-12	**Medium**: Action required, manage and monitor at the Directorate level.
14-21	**High**: Must be addressed –escalate to the Corporate Risk Register, if corporate consider escalating to the Cabinet Lead.
28	**Very High:** Action required - escalate (if a Directorate level risk, escalate to the Corporate Level, if Corporate bring to the attention of the Cabinet Lead to confirm action to be taken).

Positive Risks (Opportunities)	Where an opportunity presents, a cost benefit analysis is required to determine whether the opportunity is worth pursuing, guided by the score for the matrix, e.g. an opportunity with a score of 28 would be pursued as it would offer considerable benefits for little risk.

XXX Risk Register

Appendix B

Negative Risks that offer a threat to XXXXXX and its Strategic Aims (Aim - Reduce Level of Risk)

Ref	Risk Description	Key Causes	Key Consequence	Risk Category	Risk Owner	Key Mitigations	Direction of travel	Current Risk Level			Monetary Impact of Risk	Risk Tolerance				Actions to be undertaken		Escalation			Portfolio Flag	Audit Trail				
								Likelihood	Impact	Risk Rating	£k	Likelihood	Impact	Risk Rating	Date	(Include dates as appropriate)	Resp. Officer	Escalated to: DRR/CRR	Escalated by:	Date		Date risk identified	Date Risk Closed	Closed by:	Amends / Updates Completed Date:	By:
1										0				0												
2										0				0												
3										0				0												
4										0				0												
5										0				0												
6										0				0												

Positive Risks that offer an opportunity to XXXXX and its Strategic Aims (Aim - Increase Level of Risk / Opportunity)

Ref	Risk Description	Key Causes	Key Consequence	Risk Category	Risk Owner	Key Mitigations	Direction of travel	Current Risk Level			Monetary Impact of Risk	Risk Tolerance				Actions to be undertaken		Escalation			Portfolio Flag	Audit Trail				
								Likelihood	Impact	Risk Rating	£k	Likelihood	Impact	Risk Rating	Date	(Include dates as appropriate)	Resp. Officer	Escalated to: DRR/CRR	Escalated by:	Date		Date risk identified	Date Risk Closed	Closed by:	Amends / Updates Completed Date:	By:
7										0				0												
8										0				0												
9										0				0												
10										0				0												

NB Columns reduced to enable legibility of this document, will be increased for normal usage

XXXXX Issue Register

Appendix C

Issues that are a threat to the Organisation and its Strategic Aims (Aim - Reduce impact of the issue)

Ref	Issue	Cause	Consequence	Issue Category	Issue Owner	Current Impact Rating	Monetary Impact of Issue £k	Action Plan in Place (Date Agreed))	Target Impact Rating	Target Date	Progress	Actions to be undertaken (Include dates as appropriate)	Actions to be undertaken: Resp. Officer	Escalation: Escalated to: DRR/CRR	Escalation: Escalated by:	Escalation: Date	Portfolio Flag	Audit Trail: Date issue identified	Audit Trail: Date Issue Closed	Audit Trail: Closed by:	Audit Trail: Amends / Updates Completed Date:	Audit Trail: By:
1																						
2																						
3																						
4																						
5																						
6																						

Page 208

Positive Issues that offer an opportunity to the Organisation and its Strategic Aims (Aim - Increase Level of Risk / Opportunity)

Ref	Issue	Cause	Consequence	Issue Category	Issue Owner	Current Impact Rating	Monetary Impact of Issue £k	Action Plan in Place	Target Impact Rating	Target Date	Progress	Actions to be undertaken (Include dates as appropriate)	Actions to be undertaken: Resp. Officer	Escalation: Escalated to: DRR/CRR	Escalation: Escalated by:	Escalation: Date	Portfolio Flag	Audit Trail: Date issue identified	Audit Trail: Date Issue Closed	Audit Trail: Closed by:	Audit Trail: Amends / Updates Completed Date:	Audit Trail: By:
7																						
8																						
9																						
10																						

NB Columns reduced to enable legibility of this document, will be increased for normal usage

Audit Committee

21st September 2017

Report of: Director of Finance

Title: **Corporate Risk Register Review – Progress Update**

Ward: Citywide

Officers Presenting Report: Jonathan Idle, Chief Internal Auditor (Interim) and Alison Mullis, Head of Internal Audit

Contact Telephone Number: O117 92 22063/22448

Recommendation

The Audit Committee notes the approach and progress made on reviewing the Corporate Risk Register (CRR).

Summary

This report presents an outline of the recent approach to and progress to date with reviewing the CRR.

The significant issues in the report are:

- The CRR should be an important tool in managing risk. It aims to provide an overview of the key risks and issues facing the Council and how they are being managed. (Paragraph 3)
- The CRR review process has been amended to provide a comprehensive “bottom-up” approach to corporate risk identification and to ensure that it complies with the new Risk Management Policy. (Paragraph 4)
- Risk themes arising from the work to date. (Paragraph 5)
- The next steps for completion of the current review. (Paragraphs 4 and 6)

1. Policy

The Audit & Accounts Regulations 2015 require the Council to have effective arrangements for the management of risk and each year, in the Council's Annual Governance Statement, the Council is required to comment on the effectiveness of its arrangements in this regard. The statement must also identify any significant governance issues that may have resulted from failures in governance and risk management.

Risk Registers are an important part of risk management, and the new CRR will comply with and support the proposed new Risk Management Policy which is also being considered by the Committee at this meeting.

2. Consultation

Internal – SLT including S151 Officer, Executive Board.

External - Research was undertaken regarding approaches by other authorities, and recognised good practice.

3. Context

3.1. Risk management is an important management tool and has been used by the Council for a number of years.

3.2. Risk registers have an important role in summarising risk information to provide assurance that risks and issues are correctly identified and are being effectively managed. The Council maintains registers to record and monitor risks at various levels. At the strategic level, in the Corporate Risk Register; and at an operational level in Directorate, Service, Programme and Project risk registers.

3.3. The Corporate Risk Register (CRR) contains strategic risks that, should they occur, could have a fundamental impact on the Council's ability to operate or achieve its strategic objectives; and is the means by which senior management and Members monitor and review the effectiveness of risk management arrangements in place to manage these risks.

3.4. The CRR was last updated and reviewed in January 2017. At that time, 11 strategic risks were included in the register as detailed in appendix A. Feedback on the risk register format (for all levels of risk) suggested that the registers need to contain more focussed and robust information and needed to be better aligned to delivery of the corporate priorities. It was also felt that clearer linkages and escalation from other risk register into the CRR was required. Active management of the corporate risks by both Members and Officers alike also needed to be strengthened.

3.5. Alongside the review of the CRR, the Risk Management Policy is also being reviewed providing the opportunity to refresh the approach to the review and the format of the CRR. The aim is to produce a CRR that is reflective of the risks faced and opportunities available to the Council in achievement of its priorities and objectives.

3.6. Additionally, the new approach is being extended to the management of risks that have already occurred which have caused significant issues that need to be managed – i.e. issues management. To ensure that risk information is presented in a more focussed and succinct format to allow for better review and challenge, the style of the risk registers is also being reviewed.

4. Review Process

4.1 This review has been prompted both by the need to develop a tool that reflects the current period of change that the City Council is undergoing, and to ensure risks and issues that could impact on the delivery of the corporate priorities are addressed.

4.2 Previously, risk identification was undertaken by members of the Extended Leadership Team which included Strategic and Service Directors (a top down approach). At a time when there is significant change at this level of management, and to engage a wider management view, the current review has included gathering of views on the key corporate risks from as many managers as possible so that the CRR can be built from using a top down/bottom-up approach.

4.3 To this end, a survey has been conducted which was circulated to all Directors, Service, Team, Programme and Project Managers to capture what they considered to be the main strategic risks facing the City Council at this time. In total, over 250 managers were invited to provide their views on the top five risks the Council faces in achieving its priorities and objectives.

4.4 To date, 204 separate risks have been identified by 53 officers, spread across the Council and from all managerial levels. Some were team responses rather than individual manager responses.

4.5 The 204 risks identified have been collated and reviewed with ‘like’ risks grouped together and duplications removed – some of the submissions were specific to teams/work areas but when jointly and collectively considered, identify an overarching corporate and cross cutting risk.

4.6 The 11 risks that currently form the CRR were also examined as part of this process and compared to the submissions from the survey. Additionally, an analysis of risks included in Directorate risk registers is under way for significantly high risks or common themes at this time that should be escalated for consideration as a corporate risk.

4.7 This work to date has identified a ‘long list’ of risks which is still subject to senior leadership consideration and of those:

- 28 potential negative risks (threats);
- 6 potential positive risks (opportunities); and
- 2 strategic issues that need to be managed.

4.8 For each of these, a member of the Strategic Leadership Team has been identified as the Risk Owner and further work is being undertaken with them to refine the risks that will be included in the CRR. In doing so, the current risk levels and risk appetite will be determined in accordance with the proposed new Risk Management Policy. Work to identify current mitigations controlling the risk and further actions required to ensure risk levels are within the risk appetite for each risk is also progressing.

5. Risk Themes Identified from the Survey

5.1. Many of the risks identified to date, mirror some of the strategic risks that were already included in the previous CRR. Themes around the following were commonly identified from the survey which will help to strengthen and update the risks currently in the CRR as well as add potential new risks:

- Organisational Resilience
- Financial Resilience
- Information Security
- IT systems
- City Infrastructure
- Flooding and other major events
- Managing demand for services
- Governance processes
- WECA
- Commissioning and procurement
- Business Continuity
- Health and safety

5.2 Additionally risks in the current CRR, not mentioned above, are being considered for continued relevance:

- Safeguarding
- Community Resilience
- Educational attainment
- Demographic changes/pressures
- Trading Company Operations

6. The Next Stages

6.1. The CRR needs to reflect any significant risks to achievement of the Council's strategic priorities and objectives. Mapping of the risks already identified to these will determine the need for further work in corporate risk identification. Work is currently in progress corporately to strengthen strategic planning processes which will help to embed this alignment of the CRR with strategic priorities going forward.

6.2. When this exercise has been completed the CRR will need to be signed off by the Strategic Leadership Team and Cabinet, and will be brought back to the Audit Committee.

6.3. There is also a need for Directorate risk registers to be reviewed in line with the new risk management policy and ensure that Strategic Directors and their leadership teams continually review these and escalate risks where appropriate to the CRR.

7. Monitoring and Review

7.1 The CRR will be a working document, and will be monitored and updated to reflect work undertaken and any events that have arisen, and will be reported on a regular basis to SLT and Cabinet for their consideration. The Audit Committee will continue to receive the risk register twice a year to review and gain assurance that the Council is effectively managing its key risks.

8. Proposal

That the Audit Committee notes the change in approach and progress made on reviewing the Corporate Risk Register.

9. Other Options Considered

None necessary, the CRR builds on the current CRR, and brings it into line with the proposed Risk Management Policy**.**

10. Risk Assessment

The new CRR will further develop risk management within the City Council, and help improve its management.

11. Public Sector Equality Duties

7a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:

i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.

ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to:-

- remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
- encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to :-

- tackle prejudice; and
- promote understanding.

7b) No equalities assessment necessary for this report.

Legal and Resource Implications:

Legal - N/A

Financial – N/A

Land – N/A

Personnel – N/A

Appendices:

Appendix 1 - Previous CRR Risks.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Risk Management Policy

Corporate Risk Register

Appendix 1

Corporate Risks – January 2107

1	Safeguarding	The Council fails to ensure adequate safeguarding measures are in place, resulting in harm or death to a vulnerable adult or child.
2	Organisation Achievement and Resilience	The Council fails to achieve its corporate strategy and business plan, maintain a balanced budget and be resilient in the short term - 2016/17 initially and medium term - 2017/18 onwards
3	Governance	The Council fails to comply with internal controls and to effectively meet the framework of obligations within the statutory Annual Governance Statement and the Code of Corporate Governance.
4	Infrastructure	The Council fails to generate the investment necessary to maximise its influence upon the delivery and maintenance of a sustainable infrastructure which will support the City to grow and prosper.
5	Community Resilience	Failure of the Council and the community at large to anticipate, sufficiently mitigate, respond to or recover quickly enough from a significant and unexpectedly disruptive event. This risk is focused on how the Council and communities can adapt to significant changes in society over time rather than focussing on the Council's physical infrastructure that is in place
6	Finance	Failure to deliver robust Financial Plans that will secure ongoing financial resilience to deliver statutory services and mayoral priorities.
7	Educational Attainment	Failure to enable an effective Learning City Partnership and prioritise our limited resources to effect the changes necessary to ensure equality of education opportunities across all ages and all communities
8	Demographic and Service Pressures	The Council fails to appropriately predict and manage demand for its services and does not maximise all potential delivery methods to ensure that services are provided in the most cost effective way.
9	Devolution	Failure of the 3 Councils to work together and with the community at large to maximise the benefits of the Government's devolution deal to the best advantage of the people across the West of England
10	***Delivering Democracy - No longer on the Register. Risk decreased due to completion of four year election cycle.***	

11	Trading Company Operations	Failure to successfully manage the trading companies where the Council is the majority shareholder, or has an interest in the company.
12	Information and Cyber Security	The Council loses; or is denied access to; or unauthorised persons gain access to; critical and/or confidential data.

Audit Committee

21st September 2017

Report of: Interim Chief Internal Auditor

Title: Internal Audit Activity Report for the period of 1st April to 31st August 2017

Ward: N/A

Officer Presenting Report: Jonathan Idle – Interim Chief Internal Auditor

Contact Telephone Number: 0117 92 22452

Recommendation

The Audit Committee note the Internal Audit Activity for the period of 1st April to 31st August 2017.

Summary

This Activity Report provides the Committee with an accumulative summary view of the work undertaken by Internal Audit in the period of 1st April to 31st August 2017, together with the resulting conclusions, where appropriate. Additionally, the report provides the Committee with oversight of grant certification work completed on behalf of the Council, the Internal Audit recommendation implementation rate for the period, an update on the Team's fraud work, and enhanced reporting in terms of individual summaries for a number of audit reviews completed in the period. This is the second planned activity report for the municipal year of 2017/18.

Significant Matters Arising:

- Key messages arising from this report at Section 2 of Appendix A;
- Update on Ad-Hoc work requests, paragraph 3.1 and Section 5 of Appendix A
- Value of Grants Certified by the Service in the period, Section 3, paragraph 3.3 of Appendix A
- Potential savings for the Council as a result of the work of the Investigations Team, as detailed in Section 3, paragraph 3.6 of Appendix A
- Recommendation implementation rate, paragraph 3.4 of Appendix A
- Summaries of completed Internal Audit reviews - Appended to Appendix A

1. Policy

Audit Committee Terms of Reference

2. Consultation

Internal – SLT including S151 Officer, Cabinet Member for Governance, Resources and Finance.
External – N/A

3. Context

3.1 This is the second of the IA Activity reports to the Audit Committee, which are designed to provide the Committee with a summary view of the work completed by the Service throughout the year. The activity reports will be provided to the Committee on a quarterly basis, with the exception of the November 2017 Committee meeting, when a fuller half-year report will be provided. The Activity report is provided to:

- Provide an overview of the work of Internal Audit to date, and the level of assurance that can be derived from that work;
- Provide a summary of the outcomes from our fraud and Value for Money (VfM) work to the end of the period.
- Present the assurance work completed and in progress by the Internal Audit team during the period, together with the conclusions we have drawn from that work.
- Update the Committee on the Internal Audit recommendations implementation rate.
- Spotlight audit review outcomes, both positive and negative, to management and the Audit Committee for their consideration and action, where appropriate.

This second Activity Report in 2017/18 can be found at Appendix (A), with the key points to note provided below:

3.2 Key points arising from the Activity Report:

- Audit Plan – Temporary resources supporting the completion of the planned audit work, however Audit resources further reduced due to recent resignations;
- Enhanced reporting to the Audit Committee with the inclusion of summaries of completed audit reviews;
- Pro-active fraud work continues to identify a good level of recoverable savings and an increased number of recovered council tenancies;
- 13 grants with a total value of £5.2m certified to date;
- Risk Management improvements are progressing with a successful response to an internal Risk Survey;

- Recommendation implementation rate currently at 91% implemented or partially implemented, however recommendation Follow-up is behind schedule, with resources to be redirected to resolve backlog.

4. Proposal

4.1 The Audit Committee considers the accumulative work of the Internal Audit Team (IA), during the period of 1st April to 31st August 2017, and the results thereof, raising challenge where appropriate.

5. **Other Options Considered – N/A**

6. Risk Assessment

The work of Internal Audit minimises the risk of failures in the Council's internal control, risk management and governance arrangements, reduces fraud and other losses and increases the potential for prevention and detection of such issues. Areas of significant risk are detailed in the report.

Public Sector Equality Duties

8a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following "protected characteristics": age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:

i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.

ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --

- remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;

- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);

- encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –

- tackle prejudice; and
- promote understanding.

8b) No Equality Impact anticipated from this report.

Legal and Resource Implications

Legal – N/A
Financial – N/A
Land – N/A
Personnel – N/A

Appendices:
Appendix A – Internal Audit Activity Report for period of 1st April to 31st August 2017

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
Background Papers:

None.

INTERNAL AUDIT ACTIVITY REPORT

FOR THE PERIOD OF

April to August 2017

1. Introduction

1.1 The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within the Council that are most at risk of impacting on the Council's ability to achieve its objectives.

1.2 Upon completion of an audit, an assurance opinion is given on the soundness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.

1.3 This activity report provides Members of the Audit Committee and Management with the status of the work carried out by the Internal Audit (IA) team for the period of 1st April to 22nd August 2017, building on the information which was provided to the Committee at its meeting in July 2017, and thereby allowing the Committee to track the progress of Internal Audit work through the year.

1.4 Additionally, the report provides an update on the Assurance Audit plan and any changes thereof, as well as updates in the following areas:

- Summaries of completed audit reviews
- Internal Audit Resources, as required by the Public Sector Internal Audit Standards (PSIAS)
- Grant certification
- Recommendation Implementation status
- An update on the Proposed changes to the Risk Management process
- The work of the Investigations Team.

1.5 The full detail of all of the Internal Audit work completed or in progress in the period 1st April to 31st August 2017, is provided at Section 5 of this report.

2. Key Messages

- Audit Plan – Temporary resources are supporting the completion of the planned audit work, however Audit resources have been further reduced due to recent resignations;
- Enhanced reporting to the Audit Committee with the inclusion of summaries of completed audit reviews;
- Pro-active fraud work continues to identify a good level of recoverable savings and an increased number of recovered council tenancies;
- 13 grants with a total value of £5.2m certified to date;
- Risk Management improvements are progressing with a successful response to an internal Risk Survey;
- Recommendation implementation rate currently at 91% implemented or partially implemented, however Follow-up coverage is behind schedule and resource needs to be redirected to resolve backlog.

3. Updates

3.1 Annual Risk Based Assurance Plan Status:

The status of the planned work, for the period 1st April to the 31st August 2017, is provided in Section 5 below. In summary; the majority of planned assurance work carried forward from 2016/17 is now either complete or at the discussion stage with draft reports issued and awaiting final sign-off. Work on the 2017/18 Assurance plan is now progressing aided by the temporary resource as detailed in paragraph 3.2. As at 31st August 2017, 32% of the assurance plan is either complete, in progress or at the early planning stage, and whilst this remains slightly lower than where the service would expect to be at this point (38%), it is an improvement on our previous position at quarter one (22%).

Ad-hoc work requests – In 2017/18, the Service has to date received a total of twelve ad-hoc requests, for Investigations/Consultancy in areas such as:

- Code of Conduct
- Tendering Process
- Procurement Process
- Grant Funding
- The use of Purchase Cards
- Cheque Controls
- Sale of Council Assets
- Governance in Decision Making
- Capital Investment
- Whistle-Blower – matters arising

Work in these areas is currently ongoing; however, summaries of our completed work in some of these areas are provided for the Committee's information in Appendix 1 of this report. The Committee will continue to receive updates as this work continues and is reported.

Revisions to the Internal Audit Annual Plan will be provided to the Audit Committee at its November 2017 meeting, as part of the detailed Internal Audit Half-Year Report.

3.2 Internal Audit Resources:

The Internal Audit Service continues to carry a number of vacancies; the equivalent of 5.7 FTE, which includes 2 recent resignations. The Service has, however, appointed temporary resource, equivalent to 2 FTE, for six months, which has already helped the service to begin to catch up on the planned assurance work and on the governance work the Service undertakes on behalf of the Council.

Due to overarching budget pressures, Internal Audit has been requested not to currently fill the recent vacancies. This situation will continue to be monitored to review the impact on the completion of the Assurance plan which includes the follow up reviews both those carried forward from the previous year and those which require follow up in-year. For further details on our follow up work, please see section 3.4 below.

3.3 Grant Certification Work:

To date in 2017/18, Internal Audit has audited and certified 13 grant claims to the value of approximately £5.2m; with a further 2 grant certifications nearing completion.

Recommendations have been made to the services' administering the grants for improvements to the grant administration process, where appropriate. Section 5 below, provides details of the grants certified in the period.

3.4 Recommendation Implementation

Internal Audit continue to work with management to improve the implementation of Internal Audit recommendations, including the provision of quarterly monitoring reports on the status of recommendation follow-up work by Internal Audit with the number of recommendations made as a result of an audit review, together with details of the number implemented, partially implemented and not implemented.

Internal Audit will follow up recommendations until they are implemented, therefore where it is concluded that a recommendation has either been partially implemented or not implemented at all, the follow up process will continue until full implementation has been achieved.

An analysis of the implementation of recommendations, based upon completed follow up reviews, is summarised in Table 1 below. The table includes a percentage implementation rate which will be regularly reported to the Committee. For the 7 concluded audits followed up in this period, there was a 91% implemented or partially implemented rate compared to the percentage total at the end of 2016/17 of 70% implemented or partially implemented. A significant number follow up reviews are to be undertaken in the remainder of 2017/18 and updates will be provided to members at each Audit Committee.

Table1: Summary of Implementation of Internal Audit Recommendations:

Follow-Up Audit	Total Recs	Implemented	Partially Implemented	Not Implemented
Bank Reconciliations	8	2 (25%)	6 (75%)	0
VAT	9	3 (33%)	5 (56%)	1 (11%)
Business Continuity Planning	10	5(50%)	5 (50%)	0
Housing Rents	14	7 (50%)	5 (36%)	2 (14%)
Leisure Centre Contract	3	2 (67%)	1 (33%)	0
Safeguarding Adults	4	2 (50%)	2 (50%)	0
Compass Point South Street Primary School	10	6 (60%)	2 (20%)	2 (20%)
Total	**58**	**27 (46 %)**	**26(45 %)**	**5 (9%)**

Full details of the status of the Follow Up plan is provided in Section 5 of this report.

3.5 Risk Management Update

A refresh of the Risk Management Policy is presented to this Committee meeting for Member consultation. Officers across the organisation have been consulted on the policy content at the Strategic Leadership Team (SLT) and the Executive Board. The Policy refresh will provide the opportunity for raising awareness of risk management across the Council and aims to encourage a culture of considering risk more routinely.

Extensive work on revitalising the Corporate Risk Register has progressed during the period. An update is also presented to this Committee meeting to advise Members of progress. In brief, Internal Audit was asked to engage managers at all levels across the organisation in refreshing and identifying the Council's corporate risks. A survey was undertaken of all 1st to 4th tier managers and the output from this is currently being reviewed by SLT and the Executive Board. Once this work has been completed, the full Risk Register will be brought to Audit Committee.

Additionally, Internal Audit has provided extensive support to the review of the Resources Directorate Risk Register. This has involved the organisation and delivery of risk workshops for the Directorate and an analysis of the risks identified for inclusion within the Risk Register.

3.6 Fraud Update

Fraud investigation work continues to identify potential savings through the team's fraud and/or value for money work, with the value of the potentially recoverable savings currently at £339,103, and avoidable costs at £8,048 per week. Avoidable costs are where work has either stopped the funding leaving the Council or Audit actions have prevented further expenditure.

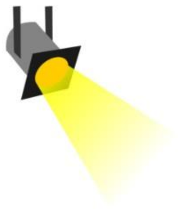
The Tenancy Fraud initiative has recovered 10 properties to date, which represents a nominal saving to the Council of £930,000. Additionally, the Team have interrupted 13 housing applications from progressing to offer, this means that the Council not only save on the administration cost of recovering fraudulent tenancies, but it also opens those properties up for those in greatest need.

Other team successes include the cancellation of 159 Blue Badges, which helps to ensure that disabled parking spaces are available for those in genuine need, and the cancellation of 129 Concessionary Bus Passes, thereby potentially saving the Council the subsidy payable on those passes when used.

The Team's work with the Department of Work and Pension's (DWP) Single Fraud Investigation Service (SFIS) continues to identify housing benefit cases for investigation and the recovery of overpaid benefits, accumulative amount identified in period is £128,684, as well as £7,390 worth of Administrative Penalty Notices, which are recovered as part of housing benefit payments. These figures are included in the recoverable savings total above.

Additionally, the National Fraud Initiative (NFI) continues to provide us with sources of potential savings, with the accumulative amount identified in the period equalling £204,086 this figure is also included in the total recoverable savings above. A half-year Fraud update report will be provided to the Committee at its November 2017 meeting.

4. Under the Spotlight!



With each activity report, IA turns the spotlight on the audit reviews not just where the residual level of risk was considered to be '**Red or Amber**', but also where the governance and controls in the area reviewed were considered to be good, providing the Audit Committee with a summary of the objectives of the review, the key findings, conclusions and recommendations; thereby giving the Committee the opportunity to explore the areas further, should it wish to do so.

In this period, the following report summaries are provided at Appendix 1, for the Committee's information and discussion:

- Purchase Card Review
- Valuation Process Review of Sale of Port Freehold
- National Non Domestic Rates Collection
- Bristol Hospital Education Service
- St Mary Redcliffe Primary School
- Security Services / Cash in Transit
- Sale of St Agnes Lodge

5. Status of Internal Audit Work for the Period of: (1st April to 31st August 2017)

Risk Based Assurance Plan:

Audit Plan			Stage of Review				Outcome		Recommendations			Summary of Findings:
Directorate	**Gov, Risk or Internal Control Area**	**Name of Review**	**Initial Planning/TOR**	**In Prog/ Ongoing**	**Draft Report**	**Complete**	**Assurance Level**	**Risk Level**	**High**	**Medium**	**Low**	**Key Issues arising from the Report**
Place	Financial Controls	Security Services (Cash In Transit)				✓	**Reasonable**	**Amber**	0	6	2	Please see Appendix (1) to this report.
Corporate	Commissioning and Procurement	Purchase Card Review				✓	**Limited**	**Amber**	6	4	0	Please see Appendix (1) to this report.
Neighbourhoods	Governance	Catering Service - Audit Compliance				✓	**N/A**	**Amber**	0	14	0	Short-term compliance review, providing guidance. Main issues - Poor control, staff changes, outdated technology
Neighbourhoods	Financial Controls	NNDR Collection b/f				✓	**Reasonable**	**Amber**	1	7	0	Please see Appendix (1) to this report.
Neighbourhoods	Fraud - Detection	Tied Properties				✓	**Reasonable**	**Green**	0	0	0	No sub-letting found, some residential addresses being used for storage and community rooms - raised with Estates.
Corporate	Fraud - Strategic	Annual Fraud Survey - CIPFA				✓	**N/A**	**N/A**				Output to be reported at November 2017 Audit Committee
Corporate	Fraud - Strategic	Open Data Reporting re Fraud (Transparency Code)				✓	**N/A**	**N/A**				Compliance with Government requirements to publish fraud statistics.
People	Internal Control	b/f Foster Care Payments and Budgetary Control			✓							
Resources	Financial Controls	Accounts Receivable			✓							
Resources	Projects and Programmes	HR/Payroll - New System Implementation			✓					Lessons learned as opposed to recommendations made		
Resources	Information Security/ICT	Data Loss Prevention Security			✓							
Neighbourhoods	Governance	b/f Budgetary Control Neighbourhoods			✓							
Corporate	Governance	Bristol is Open (BIO)			✓							
Corporate	Governance	AGS and Review - Quarterly Governance Dashboard plus annual elements		✓								In progress - responses being analysed
Corporate	Governance	Code of Governance Review		✓								Local Code of Governance being redrafted
Resources	Financial Controls	Chaps System - control and accounting (to include FASTER payment system)		✓								
Resources	Financial Controls	Bank Reconciliation/E Income Returns		✓								
Resources	Financial Controls	Accounts Payable Controls		✓								
Corporate	Information Security/ICT	Data Protection Compliance (new regulations) - GDPR - Readiness - 1 of 2 reviews (20 in total)		✓								
Corporate	Fraud - Prevention	Fraud Web page review and fraud warning bulletins		✓								
Resources	Fraud - Detection	Fiscal Fraud Module Review		✓								
People	Fraud - Prevention	Direct Payment Fraud - Fraud Awareness Training for Social Workers (E learning module + New Social Workers)		✓								
People	Fraud - Prevention	Fraud Awareness Training - Caretakers		✓								
Neighbourhoods	Fraud - Detection	Housing Benefit Fraud - DWP Liaison		✓								
Neighbourhoods	Fraud - Detection	Council Tax Reduction		✓								
Corporate	Fraud - Investigation	Fraud Hotline		✓								
Corporate	Fraud - Investigation	GAIN/Police Enquiries		✓								131 Gain requests completed as at - 21/8/17
Neighbourhoods	Fraud - Investigation	Residual Benefit Fraud Prosecution Cases		✓								
Corporate	Fraud - Prevention	Fraud Awareness Induction		✓								
Neighbourhoods	Governance	Memorandum Of Understanding between BCC and DWP		✓								
Resources	Information Security/ICT	Mobile Device Security b/f		✓								
Corporate	Fraud - Prevention	CIPFA Counter Fraud Benchmarking		✓								
Corporate	Fraud - Prevention	CIPFA Counter Fraud Assessment Review		✓								
Corporate	Governance	Transformation Programme Governance and IA continual involvement and Governance review	✓									
Corporate	Governance	Web Page Control - ensuring governance policies etc. routinely available	✓									
Resources	Financial Controls	Payroll System Controls	✓									
Corporate	Information Security/ICT	Operations Centre - Readiness	✓									

Corporate	Information Security/ICT	Technology- Data & Digital Strategy.	✓									
Neighbourhoods	HR and Asset Management	Housing Stock - Void Management	✓									

Grant Certification Plan:

Directorate	Gov, Risk or Internal Control Area	Name of Review	Initial Planning/TOR	In Prog/ Ongoing	Complete	Value of Grant Claim	Assurance Level	Risk Level	Summary of Findings:
Neighbourhoods	Governance	Scambusters Grant - NTS Funding Grant Sub-Grant 2016/7 - Trading Standards Institute			✓	£339,270	Reasonable	Green	None
People	Governance	AGS Grant 16-17			✓	£27,410	Reasonable	Green	None
Place	Governance	Cattle Market Road - Demolition LEP Grant 2016/17			✓	£278,231	Reasonable	Green	None
Place	Governance	Cattle Market Road LEP Grant 2017/18 Q1			✓	£95,019	Reasonable	Green	Late Grant Offer letter from LEP
Place	Governance	CRC Energy Efficiency Scheme Review and Certification			✓	N/A	Reasonable	Green	Separate report to Corporate Finance re Accounting Treatment
People/A&S Police	Governance	Troubled Families - July - Employment Claim			✓	N/A	Reasonable	Green	Verification of Employment Count - 3 families removed from claim
Place	Governance	EDF TQEZ - Infrastructure Package - Monitoring of Job Outputs			✓		Reasonable	Green	None
Place	Governance	EDF TQEZ - Infrastructure			✓	£1,936,043	Reasonable	Green	None
Place	Governance	PCN Penalty Charge Notice certification x2			✓	N/A	Reasonable	Green	None
Place	Governance	TQEZ - WoE Economic Development Fund 15/16			✓	£500,000	Reasonable	Green	None
People/Resources	Governance	SFVS Return			✓	N/A	Reasonable	Green	Certification that SFVS has been received from All Schools.
People	Governance	West of England- AGE - Apprenticeship Grant for Employers			✓	£126,000	Reasonable	Green	2 errors on disbursement of grant corrected
Place/Resources	Governance	IBB - Investing in Bath and Bristol - 2015/16 (Review work of BDO Certification).		✓		£938,876			
Place	Governance	IBB - Investing in Bath and Bristol - 2016/17 (31 July 2017)		✓		£998,464			
Place	Governance	LEP/WECA -Sustainable transport sub regional projects		✓					
Chief Executive	Governance	URBACT III Jacob Dunkley due 15 September		✓					
		Accumulative Amount Certified in the Period:				**£5,239,313**			

Pro-active Fraud Savings:

Directorate	Gov, Risk or Internal Control Area	Name of Review	Initial assessment	In Prog/ Ongoing	Complete		2017/18 Savings				
						Cost Avoidance (weekly figure)	Recoverable Savings	Properties Recovered	Adpens	Other positive outcomes	Key Findings (in no more than 2 short sentences)
Corporate	Fraud - Detection	National Fraud Initiative - Care Homes			✓	**£5,829**	**£176,465**				**BCC £61,602, FNC £114,863**
Corporate	Fraud - Detection	National Fraud Initiative - Blue Badge			✓					**159**	**Badges Cancelled**
Corporate	Fraud - Detection	National Fraud Initiative - Concessionary Bus passes			✓					**129**	**Concessionary Bus Passes Cancelled**
Place	Fraud - Responsive	Fuel Cards			✓		**£4,013**				**Employment Terminated**
Neighbourhoods	Fraud - Detection	National Fraud Initiative - Benefits		✓		**£884**	**£20,908**				
Neighbourhoods	Fraud - Investigation	Tenancy Fraud		✓		**£187**	**£3,431**	**10**		**13**	**Application cancelled or other**
Place	Fraud - Detection	Blue Badge enforcement		✓							
Neighbourhoods	Fraud - Detection	NNDR Proactive Testing		✓							
Corporate	VFM/Targeted Savings	Telephones - (Ceased numbers)		✓		**£229**					**Cllrs & schools comms not cancelled (mthly charge converted to weekly)**
Corporate	VFM/Targeted Savings	Card payment - Charge Backs		✓							

Place	Fraud - Detection	Residents Parking Zone		✓							
Neighbourhoods	Fraud - Detection	Housing Benefit Fraud - DWP Liaison		✓		£819	£128,684		£7,390		7 Administrative Penalties
Neighbourhoods	Fraud - Detection	Council Tax Reduction		✓		£99	£2,602				1 housing application cancelled
People	Fraud - Responsive	Direct Payment casework		✓			£3,000				
Accumulative Cost Avoidance & Savings identified in the Period:						**£8,048**	**£339,103**		**£7,390**		

Schools Financial Governance Plan:

Audit Plan			Stage of Review			Outcome		Recommendations			Summary of Findings:
Directorate	**Gov, Risk or Internal Control Area**	**Name of Review**	**Initial Planning/TOR**	**In Prog/ Ongoing**	**Complete**	**Assurance Level**	**Risk Level**	**High**	**Medium**	**Low**	**Key Issues arising from the Report**
People	Internal Control	Bristol Hospital Education Service b/f			✓	Reasonable	Amber	1	8	4	Please see Appendix (1) to this report
People	Internal Control	St Mary Redcliffe Primary School			✓	Reasonable	Green		3		Please see Appendix (1) to this report
People	Internal Control	Bristol Gateway Special School		✓							
People	Internal Control	Woodstock Special School		✓							
People	Governance/Internal Control	School Funds Audit Certs - Ongoing		Ongoing							
People	Governance	SFVS		Ongoing							

Risk Management Improvements:

Directorate	Gov, Risk or Internal Control Area	Name of Review	Initial Planning/TOR	In Prog/ Ongoing	In Draft	Complete	Assurance Level	Risk Level	Key Issues arising:
Corporate	Risk Management	Policy, Co-ordination, Facilitations		Ongoing					Policy Refresh in draft and being consulted on
Corporate	Risk Management	CRR - Alignment to Corporate Strategy		✓					
Corporate	Risk Management	Embedding Risk Management		✓					

Recommendation Follow-Up Plan Status:

Plan			Review Stage:				Revised Outcome:		Status of Followed up Recommendations:			Comments:
Directorate	**Gov, Risk or Internal Control Area**	**Name of Review**	**No. of Recs. Not yet due F/Up.**	**No. Of Recs. Due for F/Up**	**In Progress**	**Complete**	**Revised Assurance Level**	**Revised Risk Level**	**Implemented**	**Partially Implemented**	**Not Implemented**	**Key Issues arising from the Report**
Resources (Fin.)	Internal Control	Bank Reconciliation		8	✓				2	6		Full Review currently in progress
Resources (Fin.)	Internal Control	VAT		9	✓				3	5	1	Further Follow currently in progress.
Resources (Fin.)	Internal Control	General Ledger - Journal Movements		16	✓							Terms of Reference currently being discussed
Resources	Governance	Recruitment & Selection DBS Checks		10	✓							
Resources	Governance	Declarations of Business Interests		4	✓							
People	Governance/Internal Control	Compass Point Primary School		10	✓				6	2	2	Full implementation being pursued
People	Internal Control	Safeguarding Adults		4	✓				2	2		Full implementation being pursued
Neighbourhoods	Internal Control	Housing Rents		14	✓				7	5	2	Full review currently in progress.
Neighbourhoods	Internal Control	Leisure Centre Contracts		3	✓				2	1		Currently awaiting evidence of implementation of final recommendation
Neighbourhoods	Internal Control	Housing Benefits		11	✓							
Neighbourhoods	Governance	New Housing System - Improving Tenants' Experience		13	✓							Ongoing monitoring as part of continuous assurance on projects
Corporate Matters	Risk	Business Continuity		10	✓				5	5		Due to changes in risk level and revised arrangements in the Council, area to be subject of a full review in 2017/18
Corporate Matters	Governance	Customer Relations System (Complaints/Compliments)		9	✓							Further follow up in progress.

Resources	Internal Control	PSN Compliance and Network Security		31								Resource to be allocated
Neighbourhoods	Internal Control	Housing Management System		3								Resources to be allocated
People	Governance/Internal Control	SS Peter & Paul Primary School		6								Resources to be allocated
People	Governance/Internal Control	Badocks Wood Children Centre		12								Resources to be allocated
People	Governance	HR Process Review		4								Resources to be allocated
People	Fraud-Prevention	Direct Payments		26								Resources to be allocated
Place	Governance/Internal Control	Sale and Disposal of Council Assets		16								Resources to be allocated
Corporate Matters	Governance	Non-Pay Panel		4								Panel has been replaced with Corporate Procurement Group. Resources to be allocated.
Corporate Matters	Governance/Internal Control	Corporate Capital Programme Board		16								Terms of Reference and configuration of Board currently under discussion.
Resources (Fin.)	Internal Control	HR/Payroll Project	8									Follow-Up on hold awaiting decision on solution.
Place	Internal Control	Security Services/Cash in Transit	11									
Resources	Internal Control	Website Resilience	28									
Resources	Internal Control	Cyber Security	10									
People	Internal Control	Budgetary Control	19									
Neighbourhoods	Internal Control	National Non-Domestic Rates (Business Rates)	11									
Corporate Matters	Internal Control/Proactive Fraud Prevention	Procurement Card Review	13									
Total			**100**	**239**					**27**	**26**	**5**	

Ad-Hoc Work Requests			Stage of Review				Outcome		Recommendations			Summary of Findings:
Directorate	**Gov, Risk or Internal Control Area**	**Name of Review**	**Initial Planning/TOR**	**In Prog/ Ongoing**	**Draft Report**	**Complete**	**Assurance Level**	**Risk Level**	**High**	**Medium**	**Low**	**Key Issues arising from the Report**
Resources	Governance	Holding Companies Corporate Governance - Consultancy				✓	N/A	N/A				
Place	Governance	Sale of Council Assets				✓	N/A	N/A		**3**		Please see Appendix (1) to this report
Resources	Governance	Financial Regulations Consultancy			✓		N/A	N/A				
Resources	Governance	Tendering Process			✓		N/A	N/A				
People	Governance	Governance in decision Making		✓								
Place	Internal Control	Duplicate Cheques		✓								
Resources/ Place	Governance	Grant Funding		✓								
Corporate	Governance	Code of Conduct Matters Arising		✓								
Neighbourhoods	Risk and Internal Control	Whistle-Blowing Matters Arising		✓								
Place	Risk and Internal Control	Procurement Process		✓								
People	Governance	Capital Investment	✓									

APPENDIX 1 – SUMMARIES OF COMPLETED AUDITS

A. CORPORATE

A1 Purchase Card Review

The purpose of the review was to analyse expenditure on Council Credit Cards, Travel Cards and Procurement Cards to review:

- The effectiveness of how the use of cards is managed and monitored.
- Volume of spend before / after spending freeze.
- Delegated authorities.
- . Card Issue and exit arrangements.
- A sample of purchases for probity.

At the time of the review, there were 183 Purchase Cards, 90 Travel Cards and 7 Credit Cards with an approximate spend of £80,000 per month.

Based on the completion of the fieldwork**,** a **Limited Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- Card expenditure declined following the spending “freeze” in December 2016.
- Cards can only be issued by the Finance Department upon authorisation by a Service Director.
- Audit testing identified that no spend was linked to cardholders who had left the Council.

The audit also identified the following **areas for improvement,** for which 10 recommendations were made:

- No one had overall responsibility for the purchase card system.
- Spend via cards with some suppliers exceeded £15,000 per annum (the amount at which quotes should be sought) and savings may be possible via tendering and framework contracts.
- Spend on emergency accommodation was relatively high.
- A list of preferred suppliers was not readily available for cardholders.
- There were no controls in place to verify ongoing cardholder details (e.g. whether they are still an employee) and names on cards often differed from names held on payroll.
- There were no regular checks carried out to cancel cards of leavers and, prior to the audit, cards had not been cancelled for employees who in some cases had left BCC up to 6 years ago.
- Card spend was not always analysed by budget holders.
- Statements of Purchase card spend were not always uploaded to the ledger in a timely manner.
- Documentary evidence (e.g. receipts) was not supplied for 27/44 of the card transactions tested.
- Spend on travel cards was not restricted to travel alone.

All recommendations were agreed for implementation.

A2 Valuation Process Review – Sale of Port Freehold

Background

The Tenant had held the leasehold on the land situated at the Port of Bristol (POB) since 1991, prior to which the POB was fully owned and operated by Bristol City Council (BCC). The leases that were sold to the Tenant were for 150 years at a peppercorn rent, and as such the income to the Council was not material.

Since the leasehold purchase, the Tenant had periodically expressed an interest in purchasing the freehold for the land on which the port is situated, in order to expand its business and open the POB up to larger ships/containers. Additionally, in the report to Cabinet in 2014, the stated benefits of a sale also included that the further expansion of the POB would bring additional prosperity to the Bristol region as a whole and not just to the Tenant and the POB.

In March 2012, the Tenant put forward an offer of £3.85m for the freehold, which was subsequently declined. Prior to the rejection, however, a valuation was commissioned by the Council's Property Division, with the 'Terms of Engagement' and subsequent Valuation report having been sent to the (then) Service Director of Finance/S151 Officer.

The valuation was provided based on both the 'Market Value' and the 'Worth' of the asset to a particular tenant, including considering the value the tenant may realise in the future should they gain the freehold.

Following the above offer from the Tenant not being accepted, a further offer was made in March 2014, after discussions between the Tenant and BCC which commenced in December 2013. The revised offer was for £10m.

As the previous valuation was commissioned two years previously, it was considered prudent to commission a further external valuation, initially from the valuer who provided the original valuation, but due to delays and the proposed level of liability, the Service Director: Property determined not to proceed, but to engage another valuer instead. The terms of the engagement required the valuer to value the POB on a 'Market Value' basis; however their final evaluation was based on the 'Marriage Value'. The cost of the valuation was £15,000.

Scope

A concerned member of the electorate requested an independent review of the decision making process in respect of the sale of the freehold of the Port of Bristol.

In summary, the concerns raised were that the valuation process was not robust leading to the decision making process being flawed and that collectively the sale was illegal.

Summary of Findings and Conclusions

Valuation Procurement Exercise for 2nd Valuation:

Procurement Regulations require that when the estimated cost of a contract is £15,000 or less one written quotation should be obtained before proceeding, this process was not followed in the case of the engagement of the 2nd Valuation, due to time constraints.

Valuation Methodology and Determination of Best Consideration

Both of the valuations were undertaken in line with the Royal Institute of Chartered Surveyors (RICS) -Red Book guidance, with both taking consideration of the benefits to the leaseholder should they obtain the freehold. It was the view of the Service Director: Property that this demonstrated that the valuers had taken account of the 'special purchaser' status of the Tenant. It is Internal Audit's view that the valuations took account of the elements that would be expected in the case of a 'special purchaser', as in the additional worth to the Tenant should they own the freehold, as such the valuations were considered appropriate.

Internal Audit was informed by the Service Director: Property that in the majority of asset sales, a 'Heads of Terms' is raised as part of the process, and while this document is not enforceable, it does provide a written record of what was agreed. A 'Heads of Terms' was not, however, raised for the sale of the POB, and as such there was no clear audit trail of the negotiation discussions and what was agreed.

Adherence to Legislative Requirements

As the valuations commissioned for the POB had, in the view of the Service Director: Property, taken into consideration the 'special purchaser' status of the Tenant, and the offer of £10m was 38% higher than the top valuation, Ministerial Approval was not required or sought.

Good Practice Identified

To ensure that the Council can demonstrate good governance in the sale of assets in the future and mitigate risks of reputational damage, the following good practice points were identified to be applied to any high value sale of Council Assets:

- Any offer received or solicited for Council assets should be formally recorded by way of a 'Heads of Terms', otherwise the Council is at risk of losing transparency in the sale transaction, as well as coming under scrutiny should the sale price be in dispute.

- Negotiations for significant financial transactions should be confirmed in writing, copying the correspondence to a second party in order to protect any one individual in terms of challenge, and to provide for backup in the event that the leading officer is not available.

- Formal records of negotiations should be maintained so there is a clear 'audit trail' of what has been discussed and agreed, who agreed it and when it was agreed. Documenting this process will allow the Council to demonstrate that best practice has been applied and that "best consideration' has been achieved. It will also aid the Council in the event of a challenge.

- Procurement regulations should always be followed, however where procurement regulations are not followed due to business need then the process followed and the reason for this should be documented and a waiver sought. Otherwise, the Council cannot demonstrate that it has achieved best value in the transaction.

The Good Practice identified will be followed up by Internal Audit in conjunction with the follow up to the Disposal of Assets review conducted in 2016/17.

B. NEIGHBOURHOODS

B1 National Non-Domestic Rates (NNDR) Collection

The objective of the audit was to review control mitigations to manage the risks in the following areas:

- Collection of income in accordance with statutory requirements.
- Ensuring all income received is promptly allocated to the correct account
- Ensuring that income is monitored.
- The discount and exemption process.
- The refunds and write off process.

Based on the completion of the fieldwork**,** a **Reasonable Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- There are broadly good policies and procedures over the annual billing process.
- NNDR bills are compliant with legislation and evidence is retained to substantiate the actions taken by staff in issuing bills.
- A review of the different payments methods for NNDR found that monies received were accurately accounted for within a reasonable timeframe.
- NNDR suspense accounts are reviewed on a regular basis.
- Refunds are appropriately authorised as per the Refund Procedure.
- Discounts and Exemptions were applied correctly with evidencing of the reason for the discount and exemption being applied for 95% of the sample.

The audit also identified the following **areas for improvement,** for which 8 recommendations were made, which included:

- NNDR Group Leader system security access to be reviewed.
- The NNDR Suspense Account procedure document and the Valuation and Inspection procedure required updating.
- The Write Off Policy allows the same person to create and authorise a write off.

All recommendations were agreed for implementation.

C. PEOPLE

C1 Bristol Hospital Education Service (BHES)

The objective of the audit was to provide an independent audit opinion on the effectiveness of internal controls relating to financial arrangements at BHES, including the following arrangements:

- Governance arrangements.
- Expenditure.
- Income.
- Budgetary Control.
- Payroll monitoring arrangements.
- Asset Management.
- Information Security.
- Business Continuity Planning.

Based on the completion of the fieldwork**, a Reasonable Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- Financial Surplus for 2016/17.
- Close monitoring of individual staff hours, which is central to budgetary control.

The audit also identified the following **areas for improvement** to ensure compliance with expected controls or evidence that the control has been operated**,** for which 13 recommendations were made, including:

- The need for a Data Protection Policy.
- The evidencing of actions arising from budget monitoring.
- Inaccurate financial forecasting (although surplus achieved).
- Purchase Orders were raised retrospectively for 40% of the invoices included in the audit sample.
- Employment status checks for creditors not consistently undertaken.
- Independent checks of credit card statements and receipts not completed/ documented.
- The need for BHES to complete a Business Continuity Plan.

All recommendations were agreed by management for implementation.

C2 St Mary Redcliffe Primary School

The objective of the audit was to provide an independent audit opinion on the effectiveness of internal controls relating to financial arrangements at the school, including the following arrangements:

- Governance arrangements.
- Expenditure.
- Income.
- Budgetary Control.
- Payroll monitoring arrangements.
- Asset Management.
- Information Security.
- Business Continuity Planning.

Based on the completion of the fieldwork**, a Reasonable Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- Financial Surplus for 2016/17.
- Good controls over personal data.
- Good arrangements for business continuity.

The audit also identified the following **areas for improvement** to ensure compliance with expected controls or evidence that the control has been operated**,** for which 3 recommendations were made:

- Purchase Orders were raised retrospectively for 30% of the invoices included in the audit sample.
- Reconciliation between expected and actual income for school meals.
- The need to obtain quotes prior to the placing of an order exceeding £10,000 as required by School Financial Regulations.

All recommendations were agreed by management for implementation.

PLACE

D1 Security Services / Cash In Transit

The objective of the audit was to review control mitigations to manage the following risks:

- Business Continuity.
- Security.
- Collection/ Reconciliation/ Banking processes.
- Security Industry Authority (SIA) Registration.
- Overtime Control and Authorisation.

Based on the completion of the fieldwork**, a Reasonable Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- Cash Collection.
- SIA license applications and renewals generally up to date.
- Overtime control.

The audit also identified the following **areas for improvement,** for which 8 recommendations were made:

- SIA requirements for 2 specific officers to be obtained to finalise the licensing process.
- The Critical Service Continuity Plan to be reviewed.
- The adequacy of CCTV coverage and back up arrangements to be reviewed.
- Insurance cover for Business Interruption to be reviewed to ensure all risks are adequately covered.
- The contract for delivery of the services with an external organisation, which commenced in April 2016, needs to be signed.
- A review of the value of the total imprest held to be undertaken.
- Collections of donation boxes to be independently checked and recorded.
- The routine checking of parking meter tins to resume as soon as possible.

All recommendations were agreed for implementation.

D2 Sale of St Agnes Lodge

Background

Following concerns raised, Internal Audit was commissioned to review the sale process for St Agnes Lodge, a property listed as an “asset of community value” and offered for sale to third sector organisations.

In accordance with the surplus land procedures, the property was circulated internally to identify any alternate use for BCC. Since no expressions of interest were received, staff determined to offer the property for sale.

BCC has a formal scheme of delegation authorising appointed officers within the Property Services team to take decisions regarding best alternate use of the property. In this case, it was decided to generate capital receipts from the sale of freehold interest, in order to meet BCC’s business objectives. With due consideration to the community asset value, however, Property Services staff determined to offer the property for sale only to third sector organisations through a bidding process, which could be evaluated using published criteria of price, deliverability and social benefits.

Property Team staff are authorised to evaluate bids and recommend a successful bidder to the Service Director, Property. To reflect the interests of the local community, however, staff decided to establish a panel to advise on the bids received. The panel evaluated 10 bids received and interviewed the eight eligible bidders. Each panel member scored the bidders independently and Property Services staff aggregated scores to identify a recommended bidder.

Scope

The review covered the process adopted by the Council Property team regarding the sale, the consideration of bids and the evaluation process which led to the selection of the recommended bidder.

The review had regard to the Corporate Land Policy, the related guidance note on disposal of property and the approved scheme of delegation on property related matters to officers in designated posts.

Summary of Findings and Conclusion

The concerns raised related to the use of a panel of Council staff and community representatives to advise on the sale and that the offer from the bidder recommended by the advisory panel was not the highest received and was below the sale agent’s valuation of £250k.

Under the scheme of delegation, the authority for disposal lay with Property Service staff. There is no requirement to use a panel to advise on the bids received. The use of an advisory panel created extra work for the Property Services staff, but reflected staff’s concerns to reflect the interests of the local community.

Internal Audit did not find any evidence that the process to determine a recommended bidder was fundamentally flawed. It is noted that the panel was unanimous in selecting a recommended bidder, which to an extent mitigates concerns over the process.

With regard to the recommended bidder not providing the highest bid, it is noted that the price was not the sole criteria established to assess bids. It is also noted that valuation guidelines from the Royal Institute of Chartered Surveyors (RICS) include that a 10% difference in valuation and agreed sale consideration is generally considered acceptable; in this instance the difference was 8%.

Recommendations

In order to enhance the process for future disposals where an advisory panel is used have been made, 3 recommendations were made relating to:

- Summary notes to be taken of all panel meetings to demonstrate the activities undertaken and the rigour of the approach
- Notes of panel meetings to record requests for declaration of interest and panel members' responses' and a formal record be maintained of Declaration of Interests.
- Where possible, panel meetings and scorings to be completed on a single day.

All recommendations were agreed by management for implementation.

Audit Committee

21 September 2017

Report of: Service Director: Finance

Title: Treasury Management Annual Report 2016/17

Ward: City Wide

Officer Presenting Report: Denise Murray, Service Director: Finance

Contact Telephone Number: 0117 35 76255

Recommendation

The Audit Committee note the Annual Treasury Management Report for 2016/17, as detailed in Appendix A.

Summary

The Council is required to produce an annual treasury management review of activities and the actual treasury indicators in accordance with Local Government regulations.

The significant issues in the report are:

- The Council has complied with treasury management legislative and regulatory requirements during the period and all transactions were in accordance with the approved Treasury Management Strategy.

- The 2016-2019 Treasury Strategy identified a medium term borrowing requirement of £150m to support the existing and future Capital Programme. The Council's agreed policy is to defer borrowing while it has significant levels of cash balances (£70m at March 2017). The authority, as planned, borrowed £19.2m from the PWLB on the 31st March 2017 at a preferential rate for the Bristol Temple Meads East Regeneration, reducing the interest rate risk and liquidity risk exposed to the authority.

- The Council's long term debt at 31 March 2017 was £434m with an average annual interest rate of 4.81%.
- Investments were £70m at the 31 March 2017 with an average annual interest rate of 0.57%.

Policy

There are no policy implications as a direct result of this report.

Consultation

1. Internal

Strategic & Service Directors, and Deputy Mayor – Finance, Governance & Performance.

2. External

Capita – the Council's external treasury management advisors

Background and Context

1. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management (the Code), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also requires reports to full Council mid-year and after the year end. The 2016/17 outturn report is set out as Appendix A.

2. The Code also requires the Council to nominate one of its Committees to have responsibility for scrutiny of its treasury management strategy, policy and activity. Council has delegated that responsibility to the Overview and Scrutiny Management Board and Audit Committee. Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.

3. Treasury management is defined as:

   "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.".

Other Options Considered

Not applicable

Risk Assessment

The principal risks associated with treasury management are:

Risk	Mitigation
Loss of investments as a result of failure of counterparties	Limiting the types of investment instruments used, setting lending criteria for counterparties, and limiting the extent of exposure to individual counterparties
Increase in the net financing costs of the authority due to borrowing at high rates of interest / lending at low rates of interest	Planning and undertaking borrowing and lending in light of assessments of future interest rate movements, and by undertaking most long term borrowing at fixed rates of interest (to reduce the volatility of capital financing costs)

Public Sector Equality Duties

None necessary for this report

Legal and Resource Implications

Legal

The Council is under a duty to manage its resources prudently and therefore due consideration must always be given to its borrowing and lending strategy. A wide range of local authority financial activities, including borrowing, lending, financial management, and the approval of types of investment vehicle are governed by legislation and various regulations. The Council is obliged to comply with these. **(Legal advice provided by Shahzia Daya - Service Director: Legal and Democratic Services)**

Financial
(a) Revenues
The financing costs arising from planned borrowing are provided for in the revenue budget and medium term financial plan. Any additional operating costs arising from capital investment must be contained within the revenue budget of the

relevant department.

(b) Capital
Not Applicable
(Financial advice provided by Jon Clayton – Principal Accountant)

Land
Not applicable

Personnel
Not Applicable

Appendices:
Appendix A – Treasury Management Annual Report 2016/17

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
Background Papers:

None

Appendix A

Treasury Management Annual Report 2016/17

Purpose of the report:

1. Under the CIPFA Code of Practice on Treasury Management (the Code) the Section 151 Officer is required to produce an outturn report on activities in the year to account for how the Strategy set at the start of the year has been implemented. This report meets the requirements of both the Code and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

Background

2. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management (the Code), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also requires reports to full Council mid-year and after the year end.

3. The Code also requires the Council to nominate one of its Committees to have responsibility for scrutiny of its treasury management strategy, policy and activity. Council has delegated this responsibility to the Overview and Scrutiny Management Board and Audit Committee. Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.

4. Treasury management is defined as:

   "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Economy and Interest Rates for 2016/17

5. The two major landmark events that had a significant influence on financial markets in the 2016/17 were the UK EU referendum on 23 June and the election of President Trump in the USA presidential elections on 9 November.

   The first event had an immediate impact in terms of market expectations of when the first increase in Bank Rate would happen, pushing it back from quarter 3 2018 to quarter 4 2019. At its 4 August meeting, the Monetary Policy Committee (MPC) cut the Bank Rate from 0.50% to 0.25% and the Bank of England's Inflation Report produced forecasts warning of a major shock to economic activity in the UK, which would cause economic growth to fall almost to zero in the second half of 2016. The MPC also warned that it would be considering cutting Bank Rate again towards the end of 2016 in order to support growth. In addition, it restarted quantitative easing, and introduced the "Term Funding Scheme" whereby cheap financing was made available to banks.

In the second half of 2016, the UK economy confounded the Bank's pessimistic forecasts of August. After a disappointing quarter 1 of only +0.2% GDP growth, the three subsequent quarters of 2016 increasing to produce an annual growth of +1.8%, which was nearly the fastest rate of growth of any of the G7 countries.

This meant that the MPC did not cut Bank Rate again after August. Since then, inflation has risen due to the effects of the sharp devaluation of sterling after the referendum. By the end of March 2017, sterling was 17% down against the dollar but had not fallen as far against the euro.

In February 2017, the latest CPI inflation figure had risen to 2.3%, above the MPC's inflation target of 2%. However, the MPC's view was that it would discount near term supply side driven inflation, (i.e. not raise Bank Rate), caused by sterling's devaluation, despite forecasting that inflation would reach nearly 3% during 2017 and 2018. This outlook, however, is dependent on domestically generated inflation, (i.e. wage inflation), continuing to remain subdued despite the fact that unemployment is at historically very low levels and is on a downward trend. Market expectations for the first increase in Bank Rate moved forward to quarter 3 2018 in response to increasing concerns around inflation.

6. USA. Quarterly growth in the US has been very volatile during 2016 but a strong performance since mid-2016, and rising inflation, prompted the Federal Reserve into raising rates in December 2016 and March 2017. The US is the first major western country to start on a progressive rise in rates. Overall growth in 2016 was 1.6%.

7. EU. The EU is furthest away from an upswing in rates; the European Central Bank (ECB) has cut rates into negative territory, provided large tranches of "cheap" financing and carrying out major quantitative easing purchases of debt during the year to boost growth and to get inflation up from near zero towards its target of 2%. These purchases have resulted in depressed bond yields in the EU, but, towards the end of 2016, yields rose, probably due at least in part to rising political concerns around the positive prospects for populist parties and impending general elections in 2017 in the Netherlands, France and Germany. The action taken by the ECB has resulted in economic growth improving in the eurozone to an overall figure of 1.7% for 2016, with Germany achieving a rate of 1.9% as the fastest growing G7 country.

8. President Trump's election and promise of fiscal stimulus, which are likely to increase growth and inflationary pressures in the US, have resulted in US Treasury yields rising sharply. Gilt yields in the UK have been caught between these two influences and the result is that the gap in yield between US treasuries and UK gilts has widened during 2016/17 due to market perceptions that the UK is still likely to be two years behind the US in starting on an upward trend in rates despite four years of strong growth.

9. China and emerging market counties. At the start of 2016, there were considerable fears that China's economic growth could be heading towards a hard landing, which could destabilise some emerging market countries particularly exposed to a Chinese economic slowdown and / or to the effects of a major reduction in revenue from low oil prices. These fears have largely subsided and oil prices have partially recovered so, overall, world growth prospects have improved during the year.

10. Equity markets. The result of the referendum, and the consequent devaluation of sterling, boosted the shares of many FTSE 100 companies which had major earnings which were not denominated in sterling. The overall trend since then has been upwards and received further momentum after Donald Trump was elected President as he had promised a major fiscal stimulus to boost the US economy and growth rate.

Treasury position as at 31 March 2017

11. The table below indicates the balance of borrowing and investments at the beginning and end of the year:

	31 March 2016		31 March 2017	
	£m	Rate %	£m	Rate %
Long Term Debt (fixed rates) - PWLB	292	5.09	311	5.09
Long Term Debt (fixed rates) – LOBOS	120	4.07	100	4.14
Long Term Debt (fixed rates) – Market	3	6.88	23	4.24
Short Term Borrowing	2	0.55	-	-
Total borrowing	**417**	**4.81**	**434**	**4.81**
Investments	146	0.63	70	0.57
Net Borrowing Position	**271**		**364**	

12. In June 2016, Barclays Bank removed their options inherent within two LOBO loans amounting to £20m at no cost to the authority. These loans are now classed as market loans with their rates remaining fixed until maturity reducing the interest rate / re-financing risk of the authority.

13. The total borrowing excludes accrued interest of £5m (£5m at 31/3/16) and the outstanding finance on PFI and service contracts of £146m at 31 March 2017 (£152m at 31/3/16).

14. During the year, the authority as planned, borrowed £19.2m from the PWLB on the 31st March 2017 at a preferential rate for the Bristol Temple Meads East Regeneration (Arena) scheme reducing the interest rate risk and liquidity risk exposed to the authority.

15. The authority also has long term service investments costing £18.45m primarily relating to the equity investments in Bristol Holdings Company (£15.95m) and the Bristol Port Company (£2.5m). In addition the authority recently invested £5m in a long term treasury investment in a property fund to support Homelessness.

16. The Net debt has increased by £93m from £271m to £364m primarily due to;
    - Funding of the capital programme financed by borrowing (£67m)
    - Application / use of Reserves (£41m)
    - Other changes to working capital / provisions +£15m

Long Term Borrowing – Strategy and outturn

17. The 2016–2019 Treasury Strategy (approved 16th February 2016) identified a medium term

borrowing requirement of £150m to support the existing and future Capital Programme with the debt servicing costs predominately met from revenue savings from capital investment and the economic development fund. The £150m was planned to be borrowed equally in 2016/17 (£75m) and 2017/18 (£75m).

18. The Council's Strategy is also to defer borrowing while it has significant levels of cash balances (£70m at March 2017 and £146m at March 2016). Deferring borrowing will reduce the "net" revenue interest cost of the Authority as well as reducing the Councils exposure to counter party risk for its investments. The Council recognises that utilising investments in lieu of borrowing clearly has a finite duration and that future borrowing will be required to support capital expenditure (see 2016/17 Treasury Management Strategy approved by Council 16th February 2016).

https://democracy.bristol.gov.uk/Data/Full%20Council/201602161400/Agenda/0216_5.pdf

19. Borrowing activity in year was in accordance with the Strategy approved at the beginning of the year**:**

- **Borrowing** – The authority, as planned, borrowed £19.2m from the PWLB on the 31st March 2017 at a preferential rate for the Bristol Temple Meads East Regeneration (Arena) scheme reducing the interest rate risk and liquidity risk exposed to the authority. No further borrowing was undertaken, as the authority maintained higher levels of investments than originally anticipated for a variety of reasons including the time taken to progress capital schemes where the source of financing is external borrowing.

- **Rescheduling –** No debt rescheduling activity was undertaken in 2016/17. As set out in the Treasury Mid-Year report the total life cycle cost of rescheduling loans on a discounted cash-flow basis has been reviewed with no loans providing a positive cash-flow benefit to the authority. This would in part be due to large early repayment penalties that the authority will incur, circa £261m penalty to repay the PWLB loans (£311m) early as at 31st March 2017.

- **Repayment –** A short term loan (£2m for 1 day) was repaid on the 1st April 2016.

Annual Investment Strategy and Outturn

20. After the EU referendum, Bank Rate was cut from 0.5% to 0.25% on 4 August and remained at that level for the rest of the year. Market expectations as to the timing of the start of monetary tightening started the year at quarter 3 2018, but then moved back to around the end of 2019 in early August before finishing the year back at quarter 3 2018.

21. Deposit rates continued into the start of 2016/17 at previous depressed levels falling during the first two quarters and fell even further after the 4 August MPC meeting resulted in a large tranche of cheap financing being made available to the banking sector by the Bank of England. Rates made a weak recovery towards the end of 2016 but then fell to back at the end of the year.

22. Security of capital remained the Council's main investment objective. This was maintained by following the Council's policy for assessing institutions to which the council might lend. This

policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

23. Investments held by the Council - the Council maintained an average balance of £146m (£245m 2015/16) of internally managed funds. The internally managed funds received an average return of 0.57% (0.63% 2015/16). The comparable performance indicator is the average 7-day LIBID rate, which was 0.20%.

Compliance with Treasury Limits and Treasury Related Prudential Indicators

24. The Council can confirm that:

- All treasury related transactions were undertaken by authorised officers and within the limits and parameters approved by the Council;
- All investments were to counterparties on the approved lending list
- The Council operated within the Prudential Indicators within Appendix 1.

Performance Indicators set for 2016/17

25. One of the key requirements in the Code is the formal introduction of performance measurement relating to investments, debt, and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide. The Council's performance indicators were set out in the Annual Treasury Management Strategy.

26. The following performance indicators have been set:

- £19.2m long-term borrowing was undertaken in 2016/17 @ 2.21%. The target rate for the year is 25 year PWLB, the annual average for the year was 2.92%.
- Debt – Average rate movement year on year
- Pool rate in 2015/16: 4.81 %
- Pool rate in 2016/17: 4.81%
- Investments – Internal returns above the 7 day LIBID rate
- Average rate for the year 0.57% vs. annual average 7 day LIBID of 0.20%

Consultation and scrutiny input

27. The report does not require any internal consultation to be undertaken. The report has been discussed with the Council's external treasury management advisers.

Risk Assessment

28. The principal risks associated with treasury management are:

Risk	Mitigation
Loss of investments as a result of failure of counterparties	Limiting the types of investment instruments used, setting lending criteria for counterparties, and limiting the extent of exposure to individual counterparties
Increase in the net financing costs of the authority due to borrowing at high rates of interest / lending at low rates of interest	Planning and undertaking borrowing and lending in light of assessments of future interest rate movements, and by undertaking most long term borrowing at fixed rates of interest (to reduce the volatility of capital financing costs)

Public sector equality duties:

29. There are no proposals in this report, which require either a statement as to the relevance of public sector equality duties or an Equalities Impact Assessment.

Environmental checklist / eco impact assessment

30. There are no proposals in this report which have environmental impacts

Legal and Resource Implications

31. Legal- the Council is under a duty to manage its resources prudently and therefore due consideration must always be given to its borrowing and lending strategy. A wide range of local authority financial activities, including borrowing, lending, financial management, and the approval of types of investment vehicle are governed by legislation and various regulations. The Council is obliged to comply with these.

    Advice provided by Shahzia Daya (Service Director: Legal and Democratic Services)

Financial

(a) Revenue

32. The financing costs arising from planned borrowing are provided for in the revenue budget and medium term financial plan.

    Advice given by Jon Clayton (Principal Accountant)

(b) Capital

33. There is no direct capital investment implications contained within this report.

Land

34. There are no direct implications for this report.

Personnel

35. There are no direct implications for this report.

Appendices:

Appendix 1: Treasury Management Annual Report 2016/17

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

36. Treasury Management Strategy 2016/17
https://democracy.bristol.gov.uk/Data/Full%20Council/201602161400/Agenda/0216_5.pdf

Appendix 1

Annual Report on the Treasury Management Service 2016/17 (Incorporating Outturn Prudential Indicators)

Introduction

1. This report summarises:

- The capital activity during the year
- What resources the Council applied to pay for this activity;
- The impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The reporting of the required prudential indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- A summary of interest rate movements in the year;
- The detailed debt activity;
- The detailed investment activity;
- Local Issues

The Council's Capital Expenditure and Financing 2016/17

2. The Council undertakes capital expenditure to invest in the acquisition and enhancement of long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or

- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

3. The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	2015/16 Actual £m	**2016/17 Original Budget £m**	**2016/17 Final Budget £m**	**2016/17 Actual £m**
Non-HRA capital expenditure	157	134	157	147
HRA capital expenditure	43	56	56	49
Total capital expenditure	**200**	**190**	**213**	**196**
Resourced by:				
Capital receipts	18	29	24	15
Capital grants	76	38	63	62
HRA Self Financing	37	32	32	34
Prudential borrowing	39	81	81	67
Revenue	30	10	13	18
Total Resources	**200**	**190**	**213**	**196**

The Council's Overall Borrowing Need

4. The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. It represents 2016/17 and prior years' net capital expenditure that has not yet been paid for by revenue or other resources.

5. Part of the Council's treasury activities is to address this borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council.

6. Reducing the CFR – Whilst under treasury management arrangements actual debt can be borrowed or repaid at any time within the confines of the annual treasury strategy, the Council is required to make an annual revenue charge to reduce the CFR – effectively a repayment of the Non-Housing Revenue Account (HRA) borrowing need. There is no statutory requirement to reduce the HRA CFR.

7. This statutory revenue charge is called the Minimum Revenue Provision - MRP. The total CFR can also be reduced by:

- the application of additional capital resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary

Revenue Provision (VRP).

8. The Council's 2016/17 MRP Policy (as required by CLG Guidance) was originally approved on the 16th February 2016 and revised on the 13th December 2016 because the current MRP policy was created in 2007 and has been in place for 9 years.

9. A review of this policy was undertaken to ensure it remains prudent. This review resulted in a change to the MRP policy that will generate a medium-term revenue saving through the re-profiling of the provision. This saving has been made available to assist with mitigating the current revenue budgetary pressures along with providing a stable and deliverable financial position going forwards whilst ensuring the prudent management of the Council's finances generally.

10. The Council's CFR for the year is shown below, and represents a key prudential indicator. Accounting rule changes in previous years has meant that PFI schemes are now included on the balance sheet, which increases the Council's borrowing need, the CFR. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

CFR	General Fund 31 March 2016 Actual £m	General Fund 31 March 2017 Actual £m	HRA 31 March 2016 Actual £m	HRA 31 March 2017 Actual £m	Total CFR 31 March 2017 Actual £m
Opening balance	**470**	**489**	**245**	**245**	**734**
Add unfinanced capital expenditure (as above)	39	67	-	-	67
Less MRP/VRP	(11)	(8)	-	-	(8)
Less PFI & finance lease repayments	(9)	(5)	-	-	(6)
Closing balance	**489**	**543**	**245**	**245**	**787**

Treasury Position at 31 March 2017

11. Whilst the Council's gauge of its underlying need to borrow is the CFR, Finance can manage the Council's actual borrowing position by either:

- Borrowing to the CFR; or
- Choosing to utilise some temporary internal cash flow funds in lieu of borrowing or
- Borrowing for future increases in the CFR (borrowing in advance of need).

12. The figures in this report are based on the principal amounts borrowed and invested and so may differ from those in the final accounts by items such as accrued interest.

	31 March 2016 Principal £m	31 March 2016 Average Rate %	31 March 2017 Principal £m	31 March 2017 Average Rate %
Fixed Interest Rate Debt	417	4.81%	433	4.81
Variable Interest Rate Debt	-	-	-	-
PFI / Service Contracts	152	-	146	-
Total Debt	**569**	**4.81%**	**579**	**4.81**
Debt administered of behalf of Unitary Authorities (Ex Avon Debt)	(48)	-	(46)	-
Revised Debt	521	4.81%	533	4.81
Capital Financing Requirement	734		787	
Over/(Under) borrowing	(213)		(254)	
Investment position				
Investments (Fixed & Call)	146	0.63%	70	0.57
Net borrowing position (excl leasing arrangements)	**271**	**-**	**363**	**-**

13. The fixed Interest rate debt is apportioned between the General Fund and HRA as set out in the table below.

Fixed Interest Rate Debt	**31 March 2016 £m**		**31 March 2017 £m**	
	Principal £m	**Average Rate%**	**Principal £m**	**Average Rate%**
General Fund	177	4.98	195	4.98
HRA	240	4.69	240	4.69
Total	417	4.81	433	4.81

14. The maturity structure of the debt portfolio (excluding accrued interest) was as follows:

	Approved Min Limit%	**Approved Max Limit%**	**31 March 2016 Actual £m**	**31 March 2016 %**	**31 March 2017 Actual £m**	**31 March 2017 %**
Under 12 Months	0	20	2	0.5	3	0.7
1 to 2 years	0	20	3	0.7	-	-
2 to 5 years	0	40	-	-	-	-
5 to 10 years	0	40	20	4.8	20	4.6
10 years and over	25	100	392	94.0	392	94.7
Total			**417**	**100**	**433**	**100**

15. The Council hold £100m of LOBOS with maturities averaging 50 years. Inherent within these

loan instruments are options (averaging an option every 4 years) that could give rise to the debt being repaid early. These loans are regularly reviewed with the current and expected structure of interest rates. The risk of the lenders exercising their options is currently low for the short to medium term. Therefore, the maturity of these loans in above table is based on their maturity date, 10 years and over.

16. The Council will continually review these loans in accordance with economic forecasts and will update the maturity structure of the debt portfolio accordingly and assess the future re-financing risks exposed to the authority and report any changes within future monitoring reports.

17. The authority's borrowing strategy is to delay borrowing and use its existing resources to support the Capital Programme to reduce its exposure to counterparty risk and the net interest cost of the authority. The authority, as planned, borrowed £19.2m from the PWLB on the 31st March 2017 at a preferential rate for the Bristol Temple Meads East Regeneration (Arena) scheme reducing the interest rate risk and liquidity risk exposed to the authority. No further borrowing was undertaken, as the authority maintained higher levels of investments than originally anticipated for a variety of reasons including the time taken to progress capital schemes where the source of financing was external borrowing.

Prudential Indicators and Compliance Issues

18. Some of the prudential indicators provide either an overview or specific limits on treasury activity. These are shown below:

19. **Net Borrowing and the CFR** - In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. The table below highlights the Council's net borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2016 Actual £m	**31 March 2017 Actual £m**
Net borrowing position	271	363
CFR (excluding PFI)	582	641

20. **The Authorised Limit** - The Authorised Limit is the "Affordable Borrowing Limit" required by Section 3 of the Local Government Act 2003. Once agreed the authorised limit cannot be breached. The Council does not have the power to borrow above this level. The table below demonstrates that during 2016/17 the Council has maintained gross borrowing within its Authorised Limit.

21. **The Operational Boundary** – The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary is acceptable subject to the Authorised Limit not being breached.

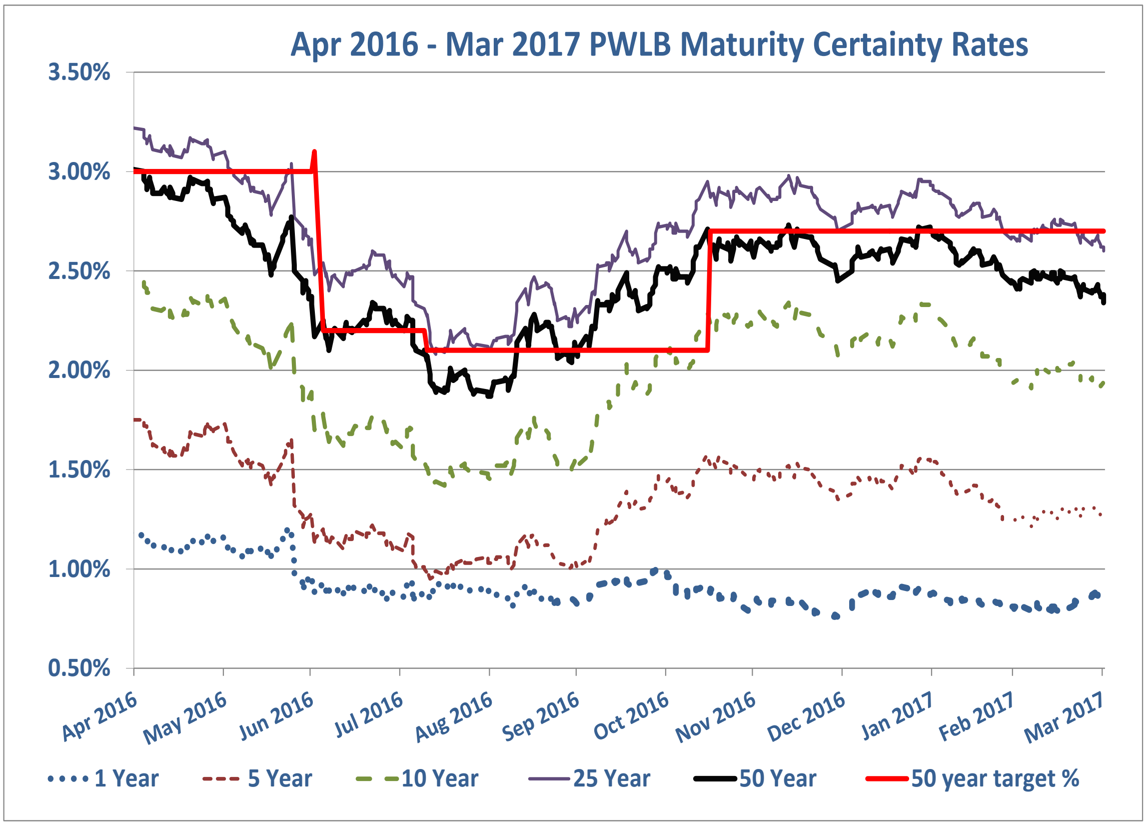
22. **Actual financing costs as a proportion of net revenue stream** - This indicator identifies the cost of capital (borrowing and other long term obligation costs net of investment income)

against the net revenue stream.

	2016/17 £m
Authorised Limit	799
Operational Boundary	589
Average gross borrowing position (including PFI)	579
Financing costs as a proportion of net revenue stream: General Fund HRA	 7.69% 8.66%

Borrowing Rates in 2016/17

23. PWLB borrowing rates - the graph below shows how PWLB certainty rates have fluctuated throughout the year. PWLB rates fell from April to June and then further following the referendum and Bank Rate cut, before staging a partial recovery through to December and then falling slightly through to the end of March.

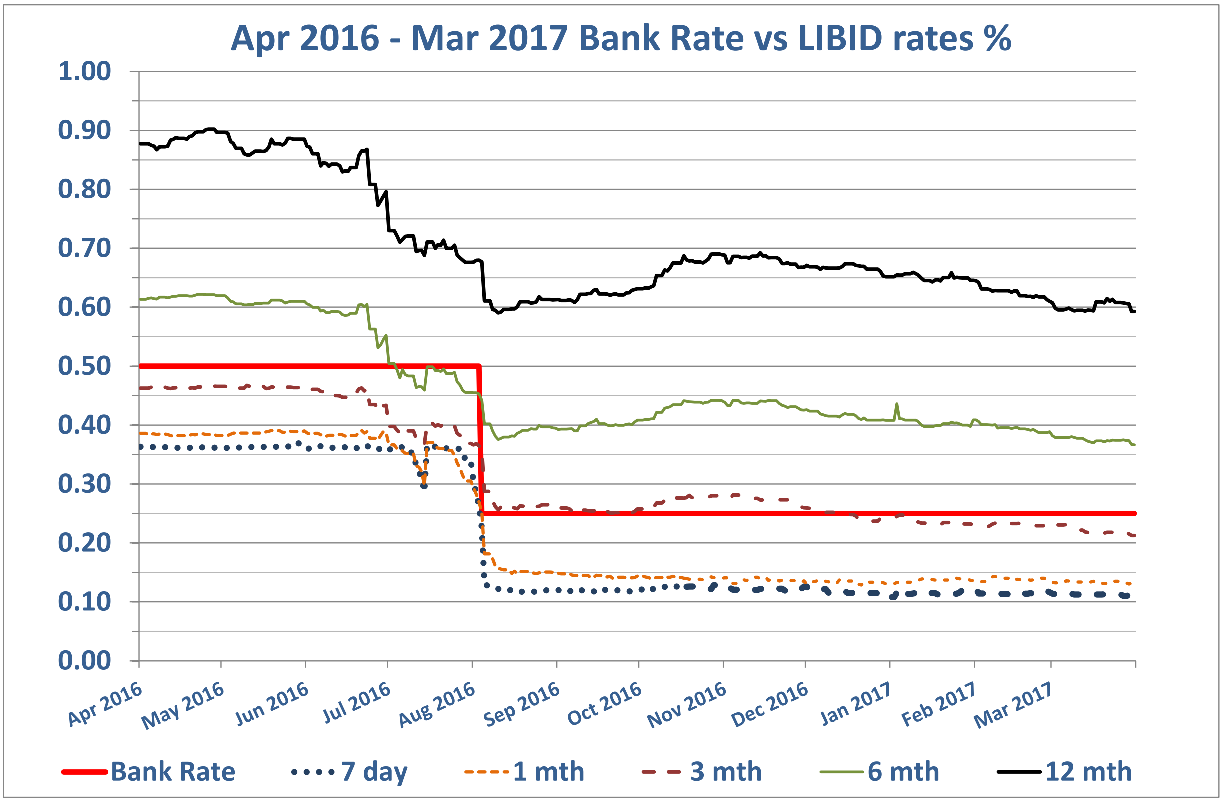


24. **Summary of Debt Transactions –** One new loan for £19.2 was drawn from the PWLB on the 31st March 2017 for a period of 46 years at a rate of 2.21% to fund capital expenditure for the Bristol Temple Meads East Regeneration (Arena) project.

25. The average rate of interest for long term borrowing for the year was 4.81%.

Investment Rates in 2016/17

26. After the EU referendum, Bank Rate was cut from 0.5% to 0.25% on 4 August and remained at that level for the rest of the year. Market expectations as to the timing of the start of monetary tightening started the year at quarter 3 2018, but then moved back to around the end of 2019 in early August before finishing the year back at quarter 3 2018. Deposit rates continued into the start of 2016/17 at previous depressed levels but then fell during the first two quarters and fell even further after the 4 August MPC meeting resulted in a large tranche of cheap financing being made available to the banking sector by the Bank of England. Rates made a weak recovery towards the end of 2016 but then fell to further lows in March 2017



27. The Council's investment policy is governed by CLG guidance, which has been implemented in the annual investment strategy approved by the Council on 16th February 2016. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.). The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Local Issues

28. **Ethical Investment Policy-** The "Ethical Investment Policy" was approved by Cabinet on 15th December 2011 (updated February 2015). There are no breaches to report.

Regulatory Framework, Risk and Performance

29. The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:

    - The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
    - The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions have been made);
    - Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
    - The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
    - The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
    - Under the Act the CLG has issued Investment Guidance to structure and regulate the Council's investment activities.
    - Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8th November 2007.

30. The Council has complied with all of the above relevant statutory and regulatory requirements which require the Council to identify and, where possible, quantify the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.

31. The Council has ensured that the principles of security, liquidity and yield have been adhered to within the treasury operation. This implies that the safeguarding of the principal investment with a suitable counterparty remains the Council's highest priority followed by liquidity (i.e. ease of access to the principal amount deposited) and yield (i.e. return) on investment.

Audit Committee

21st September 2017

Report of: Director of Finance

Title: Unspent Returned Grants 2016/17

Ward: N/A

Officer Presenting Report: For Information Item

Contact Telephone Number: 0117 35 76255

Recommendation

The Audit Committee note the response to the enquiry.

Summary

In response to a request for additional information, this report provides the details to the Audit Committee of grants received for which funds were repaid to the relevant body within the 2016/17 financial year.

1. Purpose of Report

1.1. To provide the details to the Audit Committee of grants received for which funds were repaid to the relevant body within the 2016/17 financial year.

2. Recommendations

2.1. Audit Committee is requested to note the content of this report.

3. Summary

3.1. During the financial year 2016/17, the Council repaid grants to the awarding bodies in the 3 areas below, totalling £3.569m:

- Looked After Children Pupil Premium
- Year 7 Catch-up Pupil Premium
- Green Deal Community Capital Grant Funding

This report summarises the grant conditions, allocations, draws attention to the primary matters in relation to individual grant underspends or overpayment and where appropriate key points for consideration going forward.

Table 1- Unspent Returned Grants 2016/17

Grant	Description	Funding Type	Total £	Eligible Expenditure £	Repaid 2016/17 £	Reason for Repayment
Looked After Children Pupil Premium	Raising the attainment of disadvantaged pupils (in this instance Looked-after children) of all abilities to reach their potential	Revenue	9,484,095	9,205,835	278,260	Note 1
Year 7 - Literacy and Numeracy Catch-up Pupil Premium	To support yr. 7 pupils who do not reach the governments expected standard in reading and maths by the time they leave primary school	Revenue	75,025	73,525	1,500	Note 2
Green Deal Community Grant Funding	Energy efficiency improvements in the community and private rented sector	Capital	7,292,200	4,002,045	3,290,155	Note 3
	Total		**16,851,320**	**13,281,405**	**3,569,915**	

4. Note 1 - Looked after Children (LAC) Pupil Premium - £278,260 Underspend

Grant Conditions

4.1. The LAC premium must be managed by the designated Virtual School (VS) head and used as described in their personal education plan for each looked-after child. It is the responsibility for the VS to verify the eligible pupils and ensure there are arrangements in place to discuss how the child will benefit from pupil premium funding with the designated teacher or another member of staff in the child's education setting who best understands their needs and allocate the funds.

4.2. The conditions are very clear that the Education Funding Agency (EFA) will recover LAC premium that has not been spent by 31 March of each respective year. Local authorities cannot carry forward funding held centrally into the next financial year and Schools shall repay any overpayment made.

Allocations

4.3. Pupil Premium Grant (PPG) is paid to local authorities in quarterly instalments and the final allocation amounts are not notified until very late in the financial year, generally December 2016 for the 16/17 financial year.

4.4. The HOPE Virtual School (VS) allocates the PPG three times during the financial year in order to target monies as accurately as possible, taking account of the high level of mobility and changes of school placements during the year.

4.5. Following the last Children Services' Inspection more robust arrangements were introduced re improved focus of support for these vulnerable learners and improve their education outcomes. For the 2016/17 financial year these criteria were that school had to upload to a VS database:

a) relevant progress/attainment data for each Child in Care
b) a current Personal Education Plan (PEP) judged by HOPE staff as good or better (this must have included that PPG funding showed impact on educational achievement)
c) attendance data on the VS database.

Underspend

4.6. As the delivery expectation has been made clear, more schools are taking longer to meet the conditions of the grant. The full funding for 2016/17 was forecasted to be allocated; however there were some specific circumstances which have meant that an element of funding has not been spent as planned. These include:

- Proposed restructure of the Virtual School , Some proposed projects to support Looked After Children and delay in SLAs meant specific pieces of work couldn't start in the original proposed timescales
- Larger proportion of education settings did not meet the compliance criteria - less grant was pass-ported to the settings
- Some places on activity commissioned with this funding were not taken up
- Incorrect allocation of activity by academic rather than financial year.

4.7. Nationally, VSHs have been reporting to the DfE for some time that spending all of the LAC PPG within the financial year is unrealistic, particularly as the final allocation amounts are notified very late in the financial year (December 2016 for the 2016/17 financial year). The National Association of Virtual School Headteachers (NAVSH) is lobbying the DfE to allow the carry forward of unspent monies from the LAC PPG from one financial year to the next, as schools are permitted to do. Representation was made to the EFA in relation to the ability to carry forward this fund and the request was declined.

Going Forward

4.8. Key points for consideration:

- timely meetings for decisions on how funds will be targeted to achieve the desired outcomes;
- robust information provided to aid decision making;
- progress and take up promptly monitored;
- funds reallocated where it is evidenced by December (period 9) via monitoring processes in place that progress is slower than intended; and
- agree an escalation process with sufficient time for positive action to ensue.

5. Note 2 – Year 7 literacy and numeracy Catch Up Pupil Premium - £1,500

Grant Conditions

5.1. The year 7 literacy and numeracy catch-up premium grant is paid to Secondary schools to support year 7 pupils who do not reach the governments expected standard in reading and maths by the time they leave primary school. Schools have flexibility in how they use the funds but the government advises to use it only for programmes they can be certain will be effective, such as tuition programmes and summer schools.

Allocation

5.2. In 2015/16 schools received £500 for each pupil who did not achieve at least level 4 in reading and/or mathematics at key stage 2. In 2016/17schools received broadly the same amount (give or take a small movement for changes in cohort size) regardless of whether they have more or less pupils not meeting the expected standard, thus per pupil figure no longer transparent.

Overpaid

5.3. The LA allocation is based on the number of pupils recorded on the October school census for secondary schools and for Alternative Provision the January 16 Alternative Provision census. In the 2016/17 claim only 1 eligible pupil / setting was identified as opposed to the 4 assumed in the early census. Any overpayment of grant must be repaid by the LA to the EFA.

6. Note 3 - Green Deal Community Grant Funding - £3,290,155

Grant Conditions

6.1. Green Deal Community capital funding from the Department for Energy and Climate Change (DECC), now Department for Business, Energy and Industrial Strategy (BEIS) -

£80 million of capital funding available for ambitious and innovative street/area based energy efficiency proposals of a minimum value of £1 million.

6.2. Local authorities can carry forward funding (subject to approval) but it must all be expended by the award end date. Claw back arrangements are in place for funds not fully spent or underspent within the period.

Allocation

6.3. In July 2014 the Council was awarded £7,292,200 broken down as follows:

1. £5.29m grant for supporting the then national Green Deal programme for installation of a community based street by street installation programme of energy efficiency measures. Green Deal aimed to reach as many households as possible and funding can also be used to support households who choose to self-finance measures.

2. £2m grant for energy efficiency improvement in the private rented sector, a particular hard sector to install sector energy efficiency measures in due to the tenant / landlord split on who receives the energy cost benefits of the installation, as compared to the capital expenditure

The grant was the largest in the Country and was awarded from 2014 to March 2016 with claw back arrangements.

Underspend

6.4. The following are some of the key changes that influenced the delivery of the project:

- The government's flagship programme, Green Deal was abandoned in July 2015 which had consequential impacts on the market due to a change of policy, direction and commitment.

- W arm Up Bristol was set up in 2014 as a 4 year city wide retrofitting offer for private domestic householders. The scheme launched in October 2014 and was originally due to have all funding allocated by March 2015. This was extended on 3 separate occasions to 30/09/2015, then 31/03/2016 and finally 30/09/2016 with a small number of jobs also allowed to complete by a deadline of 29th November 2017, following liquidation of an installer company (October 2015).

6.5. There were discussions with BEIS about the delivery progress and likely underspend, there were also proposals presented in order to extend the delivery period and / or retain the under spend for use in a capital revolving loan (as per Cabinet report that was approved in October 2016); these alternatives where not supported and a refund was requested of the unspent grant.

6.6. Due to the scale of this refund Internal Audit were commissioned to undertake a more in depth review and report, which is due to conclude shortly.

AUDIT COMMITTEE - 21 SEPTEMBER 2017
INFORMATION ITEM

Local Government & Social Care
OMBUDSMAN

20 July 2017

By email

Nicola Yates
Director
Bristol City Council

Dear Nicola Yates,

Annual Review letter 2017

I write to you with our annual summary of statistics on the complaints made to the Local Government and Social Care Ombudsman (LGO) about your authority for the year ended 31 March 2017. The enclosed tables present the number of complaints and enquiries received about your authority and the decisions we made during the period. I hope this information will prove helpful in assessing your authority's performance in handling complaints.

The reporting year saw the retirement of Dr Jane Martin after completing her seven year tenure as Local Government Ombudsman. I was delighted to be appointed to the role of Ombudsman in January and look forward to working with you and colleagues across the local government sector in my new role.

You may notice the inclusion of the '*Social Care Ombudsman'* in our name and logo. You will be aware that since 2010 we have operated with jurisdiction over all registered adult social care providers, able to investigate complaints about care funded and arranged privately. The change is in response to frequent feedback from care providers who tell us that our current name is a real barrier to recognition within the social care sector. We hope this change will help to give this part of our jurisdiction the profile it deserves.

Complaint statistics

Last year, we provided for the first time statistics on how the complaints we upheld against your authority were remedied. This year's letter, again, includes a breakdown of upheld complaints to show how they were remedied. This includes the number of cases where our recommendations remedied the fault and the number of cases where we decided your authority had offered a satisfactory remedy during the local complaints process. In these latter cases we provide reassurance that your authority had satisfactorily attempted to resolve the complaint before the person came to us.

We have chosen not to include a 'compliance rate' this year; this indicated a council's compliance with our recommendations to remedy a fault. From April 2016, we established a new mechanism for ensuring the recommendations we make to councils are implemented, where they are agreed to. This has meant the recommendations we make are more specific, and will often include a time-frame for completion. We will then follow up with a council and seek evidence that recommendations have been implemented. As a result of this new process, we plan to report a more sophisticated suite of information about compliance and service improvement in the future.

This is likely to be just one of several changes we will make to our annual letters and the way we present our data to you in the future. We surveyed councils earlier in the year to find out, amongst other things, how they use the data in annual letters and what data is the most useful; thank you to those officers who responded. The feedback will inform new work to provide you, your officers and elected members, and members of the public, with more meaningful data that allows for more effective scrutiny and easier comparison with other councils. We will keep in touch with you as this work progresses.

I want to emphasise that the statistics in this letter comprise the data we hold, and may not necessarily align with the data your authority holds. For example, our numbers include enquiries from people we signpost back to the authority, but who may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website. The aim of this is to be transparent and provide information that aids the scrutiny of local services.

The statutory duty to report Ombudsman findings and recommendations

As you will no doubt be aware, there is duty under section 5(2) of the Local Government and Housing Act 1989 for your Monitoring Officer to prepare a formal report to the council where it appears that the authority, or any part of it, has acted or is likely to act in such a manner as to constitute maladministration or service failure, and where the LGO has conducted an investigation in relation to the matter.

This requirement applies to all Ombudsman complaint decisions, not just those that result in a public report. It is therefore a significant statutory duty that is triggered in most authorities every year following findings of fault by my office. I have received several enquiries from authorities to ask how I expect this duty to be discharged. I thought it would therefore be useful for me to take this opportunity to comment on this responsibility.

I am conscious that authorities have adopted different approaches to respond proportionately to the issues raised in different Ombudsman investigations in a way that best reflects their own local circumstances. I am comfortable with, and supportive of, a flexible approach to how this duty is discharged. I do not seek to impose a proscriptive approach, as long as the Parliamentary intent is fulfilled in some meaningful way and the authority's performance in relation to Ombudsman investigations is properly communicated to elected members.

As a general guide I would suggest:

- Where my office has made findings of maladministration/fault in regard to routine mistakes and service failures, <u>and</u> the authority has agreed to remedy the complaint by implementing the recommendations made following an investigation, I feel that the duty is satisfactorily discharged if the Monitoring Officer makes a periodic report to the council summarising the findings on all upheld complaints over a specific period. In a small authority this may be adequately addressed through an annual report on complaints to members, for example.
- Where an investigation has wider implications for council policy or exposes a more significant finding of maladministration, perhaps because of the scale of the fault or injustice, or the number of people affected, I would expect the Monitoring Officer to consider whether the implications of that investigation should be individually reported to members.
- In the unlikely event that an authority is minded not to comply with my recommendations following a finding of maladministration, I would always expect the Monitoring Officer to report this to members under section five of the Act. This is an exceptional and unusual course of action for any authority to take and should be considered at the highest tier of the authority.

The duties set out above in relation to the Local Government and Housing Act 1989 are in addition to, not instead of, the pre-existing duties placed on all authorities in relation to Ombudsman reports under The Local Government Act 1974. Under those provisions, whenever my office issues a formal, public report to your authority you are obliged to lay that report before the council for consideration and respond within three months setting out the action that you have taken, or propose to take, in response to the report.

I know that most local authorities are familiar with these arrangements, but I happy to discuss this further with you or your Monitoring Officer if there is any doubt about how to discharge these duties in future.

Manual for Councils

We greatly value our relationships with council Complaints Officers, our single contact points at each authority. To support them in their roles, we have published a Manual for Councils, setting out in detail what we do and how we investigate the complaints we receive. When we surveyed Complaints Officers, we were pleased to hear that 73% reported they have found the manual useful.

The manual is a practical resource and reference point for all council staff, not just those working directly with us, and I encourage you to share it widely within your organisation. The manual can be found on our website www.lgo.org.uk/link-officers

Complaint handling training

Our training programme is one of the ways we use the outcomes of complaints to promote wider service improvements and learning. We delivered an ambitious programme of 75 courses during the year, training over 800 council staff and more 400 care provider staff. Post-course surveys showed a 92% increase in delegates' confidence in dealing with complaints. To find out more visit www.lgo.org.uk/training

Yours sincerely

Michael King
Local Government and Social Care Ombudsman for England
Chair, Commission for Local Administration in England

Local Authority Report: Bristol City Council
For the Period Ending: 31/03/2017

For further information on how to interpret our statistics, please visit our website:
http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
16	26	12	12	19	15	32	20	4	156

Decisions made

				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
6	13	56	43	17	22	56%	157

Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.

The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

Complaints Remedied	
by LGO	Satisfactorily by Authority before LGO Involvement
17	3

Audit Committee

21st September 2017

Report of: Interim Chief Internal Auditor

Title: Audit Committee Annual Report 2016/17 – Addendum

Ward: N/A

Officer Presenting Report: Interim Chief Internal Auditor

Contact Telephone Number: 0117 92 22063

Recommendation

Members to consider whether the priorities to enhance the effectiveness of the Audit Committee for 2017/18 require amendment.

Summary

To review the effectiveness of the Committee's activities during the year and its oversight of the Assurance and Risk Management Frameworks within which the Council operates.

The significant issues in the report are:

The self-assessment of the effectiveness of the Audit Committee in Appendix B.

Policy

The Audit Committee's Terms of Reference are determined by Full Council and are reflected in the Risk Management Strategy and Policy Statement. The City Council has a duty to ensure adequate and effective risk management, internal control and governance arrangements and the economy, efficiency and effectiveness of its activities. The Audit Committee has a key role in assessing the extent to which this responsibility is being met and advising the Council on the adequacy and effectiveness of these arrangements.

Consultation

1. **Internal**
   S151 Officer, Head of Internal Audit

2. **External**
   Not applicable

Context

3. The Committee's Terms of Reference include a requirement to provide full Council with an Annual Report summarising its conclusions from the work it has undertaken during the year. This report was submitted to the Committee in June 2017 and is provided at Appendix A.

4. At the Audit Committee on 20th July 2017, it was identified that the Annual Report of the Audit Committee submitted to Full Council on 18th July 2017 did not include complete details of the self-assessment evaluation of the effectiveness of the Audit Committee.

5. This paper, therefore, rectifies this position with Appendix B providing completeness.

6. The Annual Report of the Committee (Appendix A) summarised the Committee's priorities for 2017/18 to enhance its own effectiveness (paragraph 5.1). Although this summary is not insubstantial, members may wish to consider if these priorities require amendment.

Proposal

7. Members to consider if the priorities to enhance the effectiveness of the Audit Committee for 2017/18 require amendment.

Other Options Considered

None

Risk Assessment

The assurances provided to the Council by the Audit Committee are an important element of the Council's governance arrangements.

Public Sector Equality Duties

8a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following "protected characteristics": age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:

i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.

ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to:
   - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
   - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
   - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
   – tackle prejudice; and
   – promote understanding.

8b) N/A

Legal and Resource Implications

Legal
None necessary

Financial
None necessary

Land
None necessary

Personnel
None necessary

Appendices:

Appendix A –Annual Report of the Audit Committee for 2016/17

Appendix B – Self Assessment - Evaluating the Effectiveness of the Audit Committee

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

CIPFA Guidance on Audit Committee Effectiveness 2013

Appendix A

BRISTOL CITY COUNCIL

AUDIT COMMITTEE

ANNUAL REPORT
2016-17

1. Introduction:

1.1 This is the annual report of the Audit Committee and covers the financial year 2016/17. The format of the report has been developed to enable the reader to form a view about the effectiveness of the Committee's activities during the year and its oversight of the Assurance and Risk Management Frameworks within which Bristol City Council operates.

2. Role of the Committee:

2.1 The Committee's approved Terms of Reference, which are detailed on the Bristol City Council website Audit Committee Terms of Reference.pdf, can be summarised as providing independent assurance to the Council in relation to the:

- Effectiveness of the Council's governance arrangements, risk management framework and internal control environment;
- Overseeing of the work of Internal and External Audit;
- Effectiveness of the Council's financial and non-financial performance;
- Reviewing of the Annual Statement of Accounts and the Annual Governance Statement.

A commentary on the Committee's work during 2016/17 is set out in the following paragraphs.

2.2 The Audit Committee is, therefore, the primary means by which the Council ensures that adequate assurance and internal control systems are in place. It ensures that these are regularly reviewed and reflect regularity and propriety. It also oversees the Council's risk management processes, corporate governance arrangements and treasury management. The Audit Committee's responsibilities are additional and supportive to those of the Section 151 Officer.

2.3 A total of forty five reports were considered during the year, the details of which are provided in Appendix 1.

2.4 In addition to the Committee members, the Section 151 Officer, Head of Internal Audit, Monitoring Officer, representatives from External Audit (BDO LLP) and other officers, as appropriate, attended Committee meetings.

3. Adoption of Recommended Practice:

3.1 The Committee considered its effectiveness in 2016/17 against the Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance on Audit Committees' 'Good Practice' checklist to ensure it operated in line with generally accepted practices. The results from the assessment will be used to inform the Committee's training strategy going forward as well as its work programme. A copy of the checklist is attached to this report for information at Appendix 2.

3.2 The Audit Committee also reviews the Council's Annual Governance Statement, which is consistent with the principles of the *CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.*

4. The Work of the Committee in 2016/17:

Has the Committee Fulfilled its Terms of Reference?

4.1 The specifics objectives of the Committee relate to overseeing the following arrangements:

Table 1 - Audit Committee Key Oversight:

Oversight
Internal Control Environment
Corporate Risk Management
Regulatory Framework
Internal Audit
External Audit
Financial Reporting
Treasury Management
Members Conduct
Anti-Fraud Arrangements
Granting Dispensations
Member Complaints

4.2 The Committee received reports on all of these requirements in terms of relevant agenda items. Audit activity is reviewed at every meeting with plans and reports received from Internal and External Audit.

4.3 Specific aspects of governance which have been reviewed include risk management arrangements, whistle-blowing arrangements, and an update on the Council's financial governance arrangements. The Annual Governance Statement and the Accounts for 2015/16 were considered prior to their final production in addition to considering the related External Auditor's report.

4.4 The Committee received an Annual Report from the Head of Internal Audit, in line with best practice in the CIPFA Public Sector Internal Audit Standards (PSIAS). This provided an opinion on the control environment and an update on the Council's current fraud risk, together with details of the assurance, fraud/irregularity and Value for Money work which has been undertaken on the Council's behalf and the outcomes there of.

4.5 The Committee has also expressed an interest in the extent to which Internal Audit recommendations have been implemented. The Committee has continued to emphasise the importance of implementing Internal Audit's recommendations and has supported Internal Audit in its work to ensure control weaknesses are effectively dealt with.

4.6 In order for the Committee to be effective, it is necessary that the members of the Committee be apolitical and objective, have a clear understanding of risk management, internal control and governance issues and how the arrangements in place across the City Council operate. A number of Committee members were newly appointed and, during 2016/17, training was arranged to support the induction process and for existing members to reinforce the need for the Committee to be able to deliver a robust and appropriate challenge environment within the Council.

Whilst improvements have been noted, there remain a number of areas where the Committee needs to be vigilant to ensure compliance with the following responsibilities under the Committee's Terms of Reference:

- Maintaining an apolitical/independent approach to meeting agendas and items thereon.
- Providing robust challenge to determine the effectiveness of the Council's governance framework.
- Ensuring focused meetings to maximise the Committee impact

The Committee has recognised its need for further and possibly more focused / targeted training sessions and these will be jointly planned in the coming year. Details of 2016/17 training courses are outlined at paragraph 4.14 below.

How has the Committee Added Value?

4.7 The Committee has been presented with a wide range of issues during the year, providing scrutiny of the governance within the Council. Outlined below are examples of where the Committee has sought to improve the governance of the Council:

- Following receipt of updates from Internal Audit on the level of implementation of their recommendations, the Committee as well as expressing dissatisfaction has, where appropriate, called officers to account.

- The Committee has requested improved tracking of whistleblowing incidences in order to ensure that matters are appropriately dealt with, lessons are learned and the whistle-blower is not disadvantaged in any way.

Membership of the Committee and Attendance Record

4.8 September 2016, the Committee comprised of nine members and was chaired by Councillor Olly Mead. The other members were Councillors Clive Stevens, Vice Chair, Nicola Beech, Nicola Bowden-Jones, Helen Godwin, Liz Radford, and Gary Hopkins, plus two independent members Brenda McLennan and Ken Guy.

4.9 In September 2016 the Committee lost one of its independent members, Brenda McLennan, who was not replaced for the residual part of the year. Additionally, the other independent member of the Committee left at the end of the 2016/17 municipal year.

4.10 The Committee met formally on six occasions during 2016/17, all of which were quorate.

Table 2 Audit Committee Attendance 2016/17:

Member	No. of Meetings Held	No. of Meetings Attended	% of Meetings Attended
Olly Mead - Chair	6	6	100%
Clive Stevens – Vice Chair	6	4	67%
Nicola Beech	6	6	100%
Nicola Bowden-Jones	6	5	83%
Helen Godwin	6	2	33%
Liz Radford	6	6	100%
Gary Hopkins	6	5	83%
Ken Guy	6	3	50%
Brenda McLennan	3	2	67%

4.11 One declaration of a non-pecuniary interest was made at the September 2016 meeting. The Committee member did not take part in the discussions appertaining to that interest.

Training and Development Activity to Support Committee Members

4.12 A key requirement of an effective Audit Committee is a well-informed membership who has substantial experience of the key areas to be considered by the Committee. The training plan for 2016/17 has been aimed at assisting members to improve their knowledge and understanding of some of the complex issues; for example preparation of the Council's Annual Accounts and Annual Governance Statement and the important duty that the Committee has to perform in terms of scrutinising those accounts and passing them for external audit.

4.13 The Committee attended training in the following areas during the municipal year:

- The Role of the Audit Committee
- Risk Management and Governance – the Committee's responsibilities
- Scrutinising the Annual Statement of Accounts
- Treasury Management
- Governance and the Annual Governance Statement

4.14 Additionally, the Committee received the following CIPFA Better Governance Forum publications to aid its understanding of its role:

- Good Governance in Local Government – 2016 Framework
- The Audit Committee and Internal Audit Quality

4.15 The Committees' completion of the CIPFA Self-assessment, which is provided at Appendix 2, will be utilised to inform the Committee's training programme going forward to the next municipal year.

4.16 The Council has an established budget for member development and training in 2017/18 and this can be accessed to support external trainers or facilitators, or to fund members' attendance on external training programmes where this is considered beneficial.

5. Priorities for 2017/18

5.1 Looking forward, the Committee will be enhancing its effectiveness by developing in the following areas, which have been informed, in part, by its effectiveness self-assessment:

- Reviewing it's Terms of Reference in accordance with CIPFA Guidance
- Monitoring of the Annual Governance Statement Action Plan
- Commissioning Governance
- Partnership Governance
- Business Continuity Planning
- Trading Companies (establishing Committee's role if appropriate)
- Information Security / Strategy
- Implementation of recommendations from both Internal and External Audit
- Transparency and accessibility of reporting within the Council
- The Control, Risk and Governance framework

6. CONCLUSION

6.1 The Committee's primary contribution to the Council's objectives is to ensure that Governance, Control, Risk Management and Audit systems which underpin the work of the Council are sound, reliable, robust and secure.

6.2 This review gives an overview of the range of work undertaken by the Committee, which has enabled it to conclude that the Council's system of checks and balances, whilst not having been as robust as required, have been subject to some improvement during the year, with further improvements planned going forward.

6.3 The Committee has noted that a Governance improvement action plan has been developed and will be monitored at Member level as appropriate.

6.4 A review of Committee effectiveness against its terms of reference and opportunities to enhance the effectiveness of the Committee have been identified for implementation in 2017/18. The Committee recognises the significant challenges facing the Council over the coming years, and aims to promote and support good governance throughout the Council.

6.5 I would like to thank my Vice Chair, fellow Committee members and Officers for their support in enabling the Committee to achieve its objectives in 2016/17. I would also like to take this opportunity to thank our two independent members for their support of the Committee over the last 7 years and to wish them both well in the future.

7. Appendix:

- Appendix 1 – Reports considered by the Audit Committee in 2016/17
- Appendix 2 - CIPFA 'Good Practice' checklist for Audit Committees.

Self - Assessment - Evaluating the Effectiveness of the Audit Committee

Assessment key

5 **Clear evidence is available from a number of sources that the Committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.**

4 **Clear evidence from some sources that the Committee is actively and effectively supporting improvement across some aspects of this area.**

3 **The Committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.**

2 **There is some evidence that the Committee has supported improvements, but the impact of this support is limited.**

1 **No evidence can be found that the Committee has supported improvements in this area.**

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	2016/17 Self Evaluation	2016/17 Overall assessment: 5:1 (see key above)
Promoting the principles of good governance and their application to decision making.	Providing robust review of the AGS and the assurances underpinning it.	The Committee received the updated Action plan for the 2015/16 AGS in July 2016 and the final AGS and Action Plan update in September 2016	3
	Working with key members/governors to improve their understanding of the AGS and their contribution to it.	The Committee received training on; Risk and Governance, provided by IA in July 2016, the role of the Audit Committee in January 2017 and attending Governance training in May 2017.	3
	Supporting reviews/audits of governance arrangements	The Committee receives details of the outcomes from IA reviews and, where appropriate, has raised challenge and/or requested a more in-depth report back to it. The Committee commented on the IA Governance Dashboard at its March 2016 meeting.	3
	Participating in self assessments of governance arrangements.	Completed by the Committee as part of its consideration of its annual report.	2
	Working with partner audit committees to review governance arrangements in partnerships	The Committee have not had the opportunity to join with other Audit Committees in this municipal year.	1
Contributing to the development of an effective control environment's	Monitoring the implementation of recommendations from auditors	The Committee has received limited update on the implementation of recommendations resulting from Internal Audit reviews. The External Auditor has not provided any update on its recommendation implementation rate, to date.	2
	Encouraging ownership of the internal control framework by appropriate managers	The Committee has received reports from key officers within the Council, as in Finance, Internal Audit and Legal, as well as regular reports from the appointed external auditor.	3
	Raising significant concerns over controls with appropriate senior managers.	As above	3
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking.	The Committee provides scrutiny and challenge for the Corporate Risk Register (CRR) which it formerly reviews every 6 months. The Committee also maintain a watching brief on Directorate Risk Registers (DRR), which it receives as information items once they have been cleared by Directorate Scrutiny Commissions.	3
	Monitoring improvements	The Committee has raised concerns with regard to the risks and mitigations contained within the Corporate Risk Register, however improvement to the CRR has yet to be achieved.	3
	Holding risk owners to account for major/strategic risks	Risk owners have been actively challenged as part of the Committee's scrutiny of the CRR.	4
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying its assurance needs, identifying gaps in overlaps in assurance.	The Committee's work programme is collated in consultation the Internal and External auditors whilst taking into account the work of other committees such as Scrutiny, in order to ensure duplication does not occur. However, as the Committee in 2016/17 was constituted of predominantly new Members, a proportion of whom were new to the concept of an audit committee, an understanding of the level of assurance the Committee requires remains in the development stage at this time.	2
	Seeking to streamline assurance gathering and reporting.	The Committee has maintained a watching brief on the resources available to Internal Audit, as well as providing feedback on the Internal Audit work plan and the feasibility of achievement.	3
	Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.	The Committee receives regular reports from both the Internal and External auditors. Both provide the Committee with their annual work programmes for scrutiny and challenge.	3
Supporting the quality of the Internal Audit activity, particularly by organising its organisational independence.	Assessing the effectiveness of Internal Audit arrangements and supporting improvements	The Committee has received update reports on the Internal Audit provision and has utilised these to assess the effectiveness of the Internal Audit service, including the level of resource and audit coverage.	3
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.	The Committee has challenged the governance arrangements in place in the previous Change Programme, and are currently awaiting the Council's response to the issues highlighted in an independent report on said arrangements, in order to determine its role in ensuring improvement within the framework.	2
	Reviewing the effectiveness of performance management arrangements.	This function is carried out by the Scrutiny Commissions.	1

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	2016/17 Self Evaluation	2016/17 Overall assessment: 5:1 (see key above)
Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurance received by the audit committee.	A large proportion of the Value for Money assurance is monitored by the Scrutiny Commissions, however the Committee are aware that VfM is within its remit, but it has yet to identify areas where it would require assurance going forward.	1
	Considering how performance in value for money is evaluating as part of the AGS	The Committee scrutinise the AGS process and subsequent final statement which takes consideration of the Council's achievement of Value for Money.	2
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	Reviewing arrangements against the standards set out in CIPFA's Management the Risk of Fraud (Red book 2).	The Committee receives an annual Fraud update, as part of the Internal Audit Annual report, which provides the outcomes from an annual review of the Council's fraud arrangements against relevant fraud checklists and key indicators.	3
	Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.	The Committee review fraud risk as part of the annual review as detailed above, as well as taking reports through out the year from the Internal Auditor on the pro-active and reactive fraud work.	4
	Assessing the effectiveness of ethical governance arrangements for both staff and Members.	The Committee retain responsibility for reviewing the behaviour of Members against the Members Code of Conduct, with an independent member appointed to deal with any issues considered to need independent review. The Committee relies on its Internal Audit service to provide assurance regarding the behaviour of staff which is adjudged against the Council's Code of Conduct for Employees.	4
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English.	The Committee actively supports the need to ensure that reports are not made inaccessible due to the language/terminology used, challenging reports where the language and terminology impinges on the transparency of the published information.	3
	Reviewing whether decision making through partnership organisations remains transparent and publicly assessable and encouraging greater transparency.	The Committee's default stance is that all reports should be available in the public domain, with exemption only applied where the information is either commercially or personally sensitive. The Committee will actively challenge where a report has been exempt but could have been considered in public session.	2