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Audit Committee

Agenda

Date: Tuesday, 18 September 2018

Time: 2.00 pm

Venue: Meeting room, City Hall

Distribution:

Councillors: Mark Brain, Olly Mead, Anthony Negus, Steve Pearce, Liz Radford, Afzal Shah, Clive Stevens

Independent members: Adebola Adebayo and Simon Cookson

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Date: 10 September 2018

Agenda

1. Apologies 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. Exclusion of Press and Public

The committee is asked to agree that under s.100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the next item of business (i.e. item 4 on the agenda) on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of schedule 12A of the Act.

NOTE – ONLY AGENDA ITEM 4 IS EXEMPT

4. IT corporate risks

(Pages 4 - 12)

5. Minutes of previous meetings

2.20 pm

a. Minutes – 26 July 2018
b. Minutes – 31 July 2018

(Pages 13 - 28)

6. Action sheet

(Pages 29 - 30)

7. 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 Wednesday 12 September 2018 at latest.
Petitions and statements - Petitions / written statements must be submitted by 12.00 noon on Monday 17 September 2018 at latest.

8. Work programme

(Pages 31 - 32)

9. Governance tracking report

2.40 pm

(Pages 33 - 61)

10. Internal Audit activity report

3.10 pm

(Pages 62 - 82)

11. Peer review implementation update

3.40 pm

(Pages 83 - 98)

12. Treasury Management annual report 2017-18

4.00 pm

(Pages 99 - 118)

13. Updated draft Statement of Accounts 2017-18

4.20 pm

(Pages 119 - 279)

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

Bristol City Council
Minutes of the Audit Committee

26 July 2018 at 1.00 pm

Members present:-
Councillors: Mark Brain, Olly Mead, Anthony Negus, Liz Radford, Clive Stevens

Independent member: Adebola Adebayo

Officers in attendance:-
Denise Murray, Director – Finance
Jonathan Idle, Interim Chief Internal Auditor
Alison Mullis & Melanie Henchy-McCarthy, Head of Internal Audit (job share)
Chris Holme, Interim Head of Corporate Finance
Tony Whitlock, Finance Manager
Jan Cadby, Risk Manager
David Lawrence, Shareholder Liaison Director
Quentin Baker, Interim Director – Legal and Democratic Services
Nancy Rollason, Head of Legal Service and Deputy Monitoring Officer
Ian Hird, Democratic Services
Matthew Toms, GDPR Project Manager
Steve Somerfield, Interim Director – ICT
Ian Gale, ICT Service Manager

Also in attendance:
David Eagles, Donald Plane and Chris Wlaznik, BDO (External Auditor)

1. Apologies and safety information

At the start of the meeting, it was noted that the Chair, Cllr Mead would unavoidably be arriving slightly late for this meeting (and had sent apologies to this effect).
Cllr Stevens (as Vice-Chair) therefore took the chair and welcomed everyone to the meeting. He also reminded those present of the safety information as detailed on the agenda.

Apologies were received from Simon Cookson (independent member), Cllr Pearce and Cllr Shah.

2. Declarations of interest

In relation to agenda item 9 (Internal Audit activity report):
* Cllr Radford advised that her husband was an employee of Bristol Port Company.
* Cllr Brain advised that he was a trustee of Hawkspring (drug and alcohol support services).

3. Minutes of previous meetings - to be confirmed as a correct record

a. Minutes - Audit Committee – 29 March 2018
RESOLVED:
That the minutes of the meeting of the Audit Committee held on 29 March 2018 be confirmed as a correct record.

b. Minutes - Extraordinary Audit Committee – 2 May 2018
RESOLVED:
That the minutes of the extraordinary meeting of the Audit Committee held on 2 May 2018 be confirmed as a correct record.

c. Minutes - Audit Committee – 31 May 2018
RESOLVED:
That the minutes of the meeting of the Audit Committee held on 31 May 2018 be confirmed as a correct record.

4. Action sheet from previous meeting

The action sheet (tracking actions agreed at the 31 May meeting of the committee) was noted.

5. Public forum

None.

6. Work programme

The latest update of the work programme was noted.

7. Final Statement of Accounts 2017-18

(Note: the details set out in this section of the minutes also affect item 8 - BDO ISA 260 report and item 10 – Annual Governance Statement 2017-18).

The External Auditor gave a verbal update on the progress of their audit of the Council's 2017-18 accounts and related matters. In terms of the overall position, the External Auditor advised that the audit was not yet completed as there were a number of outstanding queries and issues (identified from the audit process) to be resolved. Given this, it was not going to be possible for the committee to receive the Final Statement of Accounts for approval at the Extraordinary meeting of the committee scheduled for 31 July. The External Auditor's ISA 260 report would also not be completed by 31 July. The issues currently outstanding in relation to the audit included:

a. Heritage assets (increase in valuation for insurance purposes): Further work was taking place to review the adjustment and disclosures in the final set of accounts.
b. Pension liability assumptions: Clarification was being sought in relation to mortality assumptions.
c. Severance payment in respect of former Chief Executive: Clarification was being sought from BCC officers relating to the interpretation of the employment contract.
d. Management override of controls: In addition to pension assumptions, there was outstanding work in relation to property, plant, equipment and investment properties.
e. Risk of fraud in expenditure recognition: The External Auditor was awaiting documentation from the Council in relation to a number of items of expenditure to confirm that amounts had been recorded in the correct period.
f. Non-domestic rates appeals provision: The value of the appeals provision had increased to over £20m. Further information was awaited from the Council to confirm possible reclassification from the appeals provision to creditors.

In terms of context, it was also noted that the date for finalising the accounts had been brought forward 2 months compared to previous years. There had also been a change during the past year in terms of the BDO staff allocated to the audit of the BCC accounts although the External Auditor confirmed that this change had not impacted on BDO's capacity and ability to deliver the audit.

In discussion, the following points were raised/noted/clarified:

a. The Chair and members were very concerned that the committee was not going to be in a position to approve the accounts by the 31 July deadline.
b. Queries were raised as to whether the External Auditor had allocated sufficient resources to this audit. In response, the External Auditor advised that the audit had been appropriately resourced from the outset. Additional resource had also been allocated as issues for further investigation had been identified as the audit had progressed.

Cllr Mead arrived at the meeting at this point and took the Chair.

c. In relation to the issue of the severance payment in respect of the former Chief Executive, the External Auditor confirmed that information was awaited in relation to BCC's interpretation of the employment contract.
d. The External Auditor confirmed that a number of local authorities were facing the position of not being able to approve their finalised 2017-18 accounts by the 31 July deadline.
e. It was noted that in light of the fact that the finalised accounts and ISA 260 report would not be able to considered at the 31 July Extraordinary meeting, the committee's consideration of the final Annual Governance Statement 2017-18 would also need to be deferred.

Following further discussion, it was

RESOLVED:

1. **That the External Auditor be requested to submit a written audit progress report on their audit of the BCC accounts for the year ended 31 March 2018 to the Extraordinary meeting of the committee scheduled for 31 July.**

2. **That it be noted that Cllr Cheney, Cabinet member for Finance, Governance and Performance will be briefed on the position regarding the audit.**

3. **That it be noted that once the audit has been completed, a further Extraordinary meeting of the committee will be arranged to enable the committee to consider the following items:**
   *** Finalised Statement of Accounts for the year ended 31 March 2018**
   *** BDO (External Auditor) ISA 260 report 2017-18**
   *** Final Annual Governance Statement 2017-18**

8. External Auditor ISA 260 report

Item deferred. See minute no. 7 above.

9. Internal Audit activity report

The committee considered the latest Internal Audit activity report.

The Chair reminded the committee that in relation to the section of the report setting out summaries of completed audits, an exempt appendix had been prepared by officers in relation to some of these summaries. At the appropriate point in the meeting, the committee would be asked to agree the required resolution to exclude the press and public from the meeting whilst those particular matters were discussed.

The Interim Chief Internal Auditor then presented the report, highlighting the following key messages:

a. For quarter 1, planned work was below target as resources had been used predominantly to finalise assignments from the 2017-18 plan and certify grant claims. Some progress had, however, been made on assignments in 2018-19 plans.
b. The Annual Governance Statement had been drafted, consulted on and finalised and (as per the discussion earlier at this meeting) would be brought to the committee for final approval once the committee had approved the finalised 2017-18 accounts and received BDO's ISA 260 report for 2017-18.
c. Proactive counter-fraud work continued to identify a good level of recoverable savings and had resulted in a number of recovered council tenancies.

d. The recommendation implementation rate was currently 84% implemented or partially implemented.

Main points then raised/noted/clarified in relation to the summaries of completed audits (reference numbers quoted below relate to those used in the report):

A - Corporate / Adults, Children and Education

A1 - Contract management:
7 Internal Audit recommendations for improvement had been agreed, including recommendations to address the following areas /findings:
* There was no corporate framework for managing contracts.
* There was no formal training or establishment of baseline competencies for contract managers.
* There was little evidence of contract risks being formally mapped in a standard and structured manner; also, the Corporate Risk Register and Directorate Risk Registers did not include risks associated with contract management.
A significant amount of improvement action was being taken in relation to contracts and procurement. Further to the discussion at the 31 May meeting of the committee, a specific report on action being taken to improve the situation with regard to contract waivers would be submitted to the 20 September meeting of the committee.

A2 - Adult Care Provider Failure:
The outcomes of this review, as highlighted, were noted. The Internal Audit recommendations had been agreed for implementation.

A3 - Adult Social Care (ASC) Commissioning:
The outcomes of this review, as highlighted, were noted. The Internal Audit recommendations had been agreed for implementation.

A4 - Changes to Payment Terms:
The outcomes of this review, as highlighted, were noted. The Internal Audit recommendations had been agreed for implementation. New procurement regulations were in place as part of the constitutional changes approved at the 22 May Annual Council meeting.

A5 - Voluntary Sector Commissioning:
The outcomes of this review, as highlighted, were noted. The Internal Audit recommendations had been agreed for implementation.

C - Corporate

C1 - Partnership Governance:

The outcomes of this review, as highlighted, were noted. It was also noted that, based on the completion of the fieldwork, a Limited Assurance audit opinion had been assigned. The Internal Audit recommendations had been agreed for implementation.

D – Adults, Children and Education

D1 - Schools Financial Governance:
Audit reviews were undertaken at 5 BCC schools / nurseries to provide assurance that controls relating to financial administration and governance were effective. An overarching report was also prepared, collating the themes and giving oversight of school financial governance, for example in relation to financial support provided to schools. This review resulted in a Limited Assurance audit opinion being assigned.

The Internal Audit recommendations had been agreed for implementation.

In discussion, members asked for confirmation to be provided as to whether the governing bodies of all maintained schools have BCC councillor representation.

D2 - SS Peter and Paul Catholic Primary School:
The outcomes of this review, as highlighted, were noted. The Internal Audit recommendations had been agreed for implementation.

D3 - Schools Financial Value Standard Return:
The outcomes of this review, as highlighted, were noted. The Internal Audit recommendations had been agreed for implementation.

E – Growth and Regeneration

E1 - Major Projects Delivery
The outcomes of this review, as highlighted, were noted. The Internal Audit recommendation around clarifying the Growth and Regeneration Board's role, remit / terms of reference, governance and reporting arrangements had been agreed for implementation.

E2 - Investment Property Portfolio
The outcomes of this review, as highlighted, were noted. The Internal Audit recommendations had been agreed for implementation.

In discussion the committee noted with concern the finding identified in the review that there was little evidence of progress in developing an overarching corporate property investment policy as had been stated in the presentation made to the Place Scrutiny Commission in December 2016.

F – Resources:

F1 - Payroll System Controls and Right to Work:
The outcomes of this review, as highlighted, were noted. The Internal Audit recommendations had been agreed for implementation.

F2 - Web Page Control
The outcomes of this review, as highlighted, were noted. The Internal Audit recommendations had been agreed for implementation.

B – Corporate Resources / Communities

B1 - Future State Assessment of ICT
Internal Audit had worked alongside the ICT review team examining their methodology, findings and recommendations (i.e. a "critical friend" approach).

The work had concluded that:
* The assessment delivered was comprehensive, sufficiently detailed, reflected the current state of the Council ICT and recommended a future state that was modern, flexible and stable.
* The methodology used by the review team had been appropriate, comprehensive and had been executed by experienced and appropriately skilled staff.
* The transition plan appropriately prioritised projects required to deliver the future state and phased their delivery across a five year period.

Internal Audit recommendations had been agreed for implementation.

On a related subject, it was noted that work was being progressed on a number of ICT issues raised by councillors (e.g. data control issues faced by councillors). A written update would be sent to committee members.

EXCLUSION OF PRESS AND PUBLIC:
At this point in the meeting, the committee noted that it would need to move into exempt session in order to consider an exempt appendix.

The committee accordingly

RESOLVED:
That under section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting in respect of the committee's consideration of this exempt appendix on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of schedule 12A to the Act.

The committee then received updates on the following summaries of completed audits:

B2 - Digital Strategy:
The outcomes of this review, as highlighted, were noted. The Internal Audit recommendations had been agreed for implementation. It was noted the recommendations were based around digital vision, the governance of digital transformation, digital leadership capacity and organisational capacity to support digital transformation.

B3 - Third Party Assurance:
The outcomes of this review, as highlighted, were noted. The Internal Audit recommendations had been agreed for implementation.

It was noted that the purpose of the review had been to ensure that robust mechanisms were in place to ensure that the commissioning of IT hosted services had considered availability, security, and resilience to protect the Council's data.
The action plan identified from the review was being progressed.

B4 - Financial Systems Security and Resilience:
The outcomes of this review, as highlighted, were noted. The Internal Audit recommendations had been agreed for implementation.

B5 - Operations Centre - On Premise Security and Environmental Controls:
The outcomes of this review, as highlighted, were noted. The Internal Audit recommendations had been agreed for implementation.

RESOLVED:
That the report and the above information be noted.

10. Final Annual Governance Statement 2017-18

Item deferred. See minute no. 7 above.

11. Corporate risk register & risk management report

The committee considered a report seeking their review and comment about progress made on the Council's risk management arrangements and the Corporate Risk Report (CRR) (appendix A of the report), as a source of assurance that risk management arrangements are in place and developing.

The Interim Risk Manager presented the report, highlighting the following:

a. The CRR was a key tool in managing the authority's risk, providing an overview of the significant risks faced by the Council and how they are being managed.
b. As work continued to progress and strengthen the Council's strategic planning, resource management and resilience processes, the identification, management and communication of risk

in relation to the achievement of the Council's strategic priorities and objectives would also continue to embed.

c. The risk management policy would be reviewed annually and outputs from the CRR would contribute to the annual Audit Plan.
d. There was a particular focus currently on increasing the level of engagement and ownership by service managers in relation to risk management, and to embed best practice and principles across the organisation.
e. No critical risks were identified currently in the CRR; there were 12 high rated risks, 5 medium rated risks, and 1 high and 1 medium event risks.

Main points raised/clarified/noted in discussion:

a. It was confirmed that there was currently a high emphasis on engagement with key managers and staff in promoting learning and development around effective risk awareness and management. A series of workshops were being held currently. Training could also be offered to members.
b. The format of the CRR as presented was generally welcomed. It was noted that the "arrow" symbol shown in the performance column was intended to provide a "quick" visual indication of the direction of travel in terms of the management /mitigation of each identified risk.
c. The CRR was designed to highlight the organisation's significant and highly rated risks. All other risks were included in directorate risk registers and monitored accordingly.
d. In terms of wider partnership governance, it was noted that further work was likely to be needed to align certain risks in the Council's risk registers with those of partners, e.g. in relation to the risks around student suicides and those affecting vulnerable people.
e. Scrutiny commissions would be actively reviewing directorate risk registers.

Noting and taking the above into account, it was:

RESOLVED –
That the progress made on the Council's risk management arrangements and the Corporate Risk Report (appendix A of the report) be noted as a source of assurance that risk management arrangements are in place and developing.

12. Updated Audit Committee terms of reference and establishment of Values & Ethics Sub-Committee

The committee considered a report of the Interim Director - Legal and Democratic Services.

In discussion, it was noted that the proposed membership of the sub-committee was 4 councillors (one from each political group represented on the committee) plus an independent member who would chair the committee. It was noted that in circumstances where the sub-committee was investigating an alleged breach of the member code of conduct by a councillor, the relevant political group representative (i.e. of the political group that the councillor under investigation belonged to) would not participate in the sub-committee investigation of the breach.

Noting and taking the above into account, it was:

RESOLVED –

1. **That the updated terms of reference of the committee, as approved by the Full Council on 17 July be noted.**

2. **That a Values and Ethics Sub-Committee be established, as per the terms of reference set out in Appendix A. In relation to the membership for 2018-19, it was noted this would comprise 4 councillors: 1 Labour (Cllr Mead), 1 Conservative (Cllr Radford), 1 Green (Cllr Stevens) and 1 Liberal Democrat (Cllr Negus). The sub-committee would be chaired by 1 of the 2 independent members of the Audit Committee.**

3. **That arrangements be made for an inaugural meeting of the sub-committee.**

13. Audit Committee Programmes relating to the Bristol City Council wholly owned companies

The committee considered a report of the Shareholder Liaison Director.

The Shareholder Liaison Director presented the report, highlighting the following:

a. The role of the company's own audit committees in identifying the risks faced by the companies and thus the appropriate audit programme. Specifically, each of the company audit committees would:
   * Develop and approve an annual audit plan.
   * Initiate audits.
   * Consider audit outcomes and the need for additional work.
   * Review external audits and meet with the auditors to discuss any issues raised.
   * Report to their respective Company Board.
b. The role of the Shareholder Group in ensuring that the programmes of activity identified by the company's audit committee are delivered in a timely manner.

Main points raised/clarified/noted in discussion:

a. It was clarified that the role of the BCC Audit Committee in relation to the company audit processes would be:
   * To review the consolidated annual audit plans for the companies.
   * To consider sampling the company audit reports (in detail or in summary) to the company audit committees.
   * By exception, to initiate audits to investigate areas of concern or issues that may arise due to the nature of the interface between the Council and the companies.
   * By exception / rotation, to request meeting with representatives of a company's audit committee as part of the annual review of effectiveness.

b. In terms of the company audit committee membership, this comprised a Non-Executive Director as Chair plus another company director, and a councillor. The company managing director, finance director and operations director would attend as required by the committee.
c. It was suggested that it may be appropriate for the relevant councillor appointed to the company audit committees to attend the BCC Audit Committee periodically, e.g. when the BCC Audit Committee received the consolidated company audit plans. Essentially, the BCC Audit Committee needed to seek assurance that the companies were managing their risks effectively.
d. It was suggested that at the point when the Overview and Scrutiny Management (OSM) Board receives an update on the recent review of the governance of the companies, it would be appropriate for a member of the BCC Audit Committee to be invited to attend the OSM Board for that item.

Noting and taking the above into account, it was

RESOLVED –
That as part of the Audit Committee annual work programme, the committee should consider the following items in overseeing the Company's audit programmes:

1. **Annual accounts (within the context of the overall Council audit).**

2. **Annual Governance Statement.**

3. **A consolidated version of the Company's Annual Audit Programme (prepared by each of the company's audit committees).**

4. **A 6 month update on progress with the Annual Audit Programme.**

14. GDPR update

The committee considered a report of the Interim Director – Legal and Democratic Services.

Main points raised/clarified/noted in discussion:

a. A good rate of progress had been achieved over the last few months. The project deliverables (in relation to the project established to deliver the essential elements of compliance with GDPR) had been achieved by 25 May (the date that GDPR came into effect). As a consequence of the action taken, the GDPR risk rating for the organisation had been reduced to "medium" from "high". Members generally welcomed the progress achieved.
b. A significant amount of work had taken place to raise organisational awareness about GDPR, including training for officers and members.
c. Further work was planned to embed GDPR into the organisation to ensure ongoing compliance. This included ensuring training for staff joining the organisation, refresher training for all employees and ensuring that ICT systems met GDPR requirements.

RESOLVED:

That the steps taken to implement the General Data Protection Regulations be noted.

15. Exempt Appendix (A2) to Item 9.1

See item 9 above.

CHAIR _____

Bristol City Council
Minutes of the Audit Committee
Extraordinary meeting
31 July 2018 at 4.00 pm

Present:-
Councillors: Mark Brain, Olly Mead, Anthony Negus, Steve Pearce, Liz Radford, Afzal Shah, Clive Stevens,

Independent members: Adebola Adebayo and Simon Cookson

Officers in attendance:-
Denise Murray, Director – Finance
Jonathan Idle, Interim Chief Internal Auditor
Chris Holme, Interim Head of Corporate Finance
Tony Whitlock, Finance Manager
Nancy Rollason, Head of Legal Service and Deputy Monitoring Officer
Ian Hird, Democratic Services

Also in attendance:
David Eagles, BDO (External Auditor) – via telephone dial in
Chris Wlaznik, BDO (External Auditor)
Jackson Murray, Grant Thornton

1. Welcome, apologies and safety information

The Chair welcomed everyone to the meeting and attendees introduced themselves.
The Chair drew attention to the safety information as detailed on the agenda.

2. Declarations of interest

None.

3. Public forum

It was noted that a public forum statement from Cllr Hopkins had been received, circulated and noted. It was noted that this statement was likely to be re-submitted to the future meeting at which the committee would consider the finalised Statement of Accounts for the year ended 31 March 2018.

4. Statement of Accounts - year ended 31 March 2018 & BDO (external auditor) ISA 260 report

The Chair reminded members that at the meeting of the committee held on 26 July 2018, the External Auditor had given a verbal update on the progress of their audit of the Council's 2017-18 accounts and related matters. It had been noted at that meeting that it was not going to be possible for the committee to receive the Final Statement of Accounts for approval at this meeting and that therefore the Council would not be meeting the 31 July deadline for approving the accounts.

The committee then considered the audit progress report submitted for discussion at this meeting by BDO, the External Auditor. The report set out details of the outstanding queries and issues (identified from the audit process) to be resolved, together with details of the work currently taking place to seek to resolve these issues.

Main points raised/clarified/noted:

1. The External Auditor confirmed that the progress report set out the latest position in relation to all matters that were still currently outstanding.

2. In relation to the identified pension liability issue, the External Auditor advised that 3 of the 4 mortality assumptions used were outside of the range of values submitted by the actuary to PWC. The Council had been asked to contact the actuary to obtain an explanation for this deviation. In discussion, Cllr Pearce (BCC's appointed representative on the Avon Pension Fund Committee) expressed particular concern around the timing of the identification of this issue, especially in light of the fact that the pension fund committee had signed off these assumptions. In discussion, the External Auditor confirmed that from their perspective, a satisfactory explanation was awaited from the actuary on the query raised.

3. Queries were raised by members as to whether the External Auditor had allocated sufficient resources to this audit and whether it was the case that an under-resourcing of the audit was a contributory factor to the failure to meet the deadline for the finalisation of the accounts. In response, the External Auditor gave a categorical assurance that the audit had been appropriately resourced from the outset. Additional resource had also been allocated as issues for further investigation had been identified as the audit had progressed. The reality was that a number of unforeseen additional issues had been identified that had not been anticipated at the audit planning stage; BCC officers had been helpful in responding to the issues raised as the audit had progressed.

4. Members expressed deep concern that the Council would not be in a position to be able to approve the finalised accounts by the 31 July deadline. In response to a question, the External Auditor confirmed that a number of other local authorities were also faced by this situation. It was also important to note the context that the date for finalising the 2017-18 accounts had been brought forward by 2 months compared to previous years, thus accelerating the timescale for delivery.

5. In relation to the issue of the severance payment in respect of the former Chief Executive, the External Auditor confirmed that information was awaited in relation to BCC's legal interpretation of the employment contract, specifically in relation to the issue of payment in lieu of notice. The External Auditor advised that the request for this information had been submitted to the Council within the last month.

6. The Chair suggested that in relation to item 2 (risk of fraud in revenue recognition) and item 5 (risk of fraud in expenditure recognition), it would be helpful for committee members to be advised of the dates on which the External Auditor had requested further information from the Council.

7. In relation to heritage assets, it was noted that the Council held £201m of heritage assets at the balance sheet date, representing an increase of approx. £100m from the previous year. This significant increase in valuation was due to a thorough valuation exercise carried out through the Council engaging a new insurer, as a result of which a considerable number of assets had been valued in 2017-18 that had not been valued before. The External Auditor was satisfied with the current (£201m) valuation.

8. In response to a question, it was confirmed that PSAA (Public Sector Audit Appointments Ltd) were fully informed of the position/progress in relation to this audit.

9. Members stressed the importance of ensuring that all necessary lessons were learned from the experience of this audit to help ensure that the Council would not be placed in this position in future years. It was noted that Grant Thornton would be taking over from BDO as the Council's External Auditor and that a full de-brief in relation to this audit would take place as part of a properly structured handover; an established handover protocol would be followed.

At the conclusion of the meeting, it was noted that once the audit had been completed, a further Extraordinary meeting of the committee would be arranged to enable the committee to consider the following items:
* Finalised Statement of Accounts for the year ended 31 March 2018
* BDO (External Auditor) ISA 260 report 2017-18
* Final Annual Governance Statement 2017-18

Members noted that this meeting would be scheduled as soon as possible after the audit had been completed, but would also need to comply with the agenda notice / public access to information requirements as set out in the Council's constitution.

RESOLVED –
That the BDO audit progress report and the above information be noted.

Meeting ended at 5.05 pm

CHAIR _____

Audit Committee Action Sheet – actions from meeting held on 26 July 2018

Action number	Item/report	Action and deadline	Responsible officer	Action taken / progress
1	Statement of accounts – year ended 31 March 2018	Written update from External Auditor to be considered at Extraordinary Audit Committee on 31 July 2018	BDO (external auditor)	Update submitted to 31 July meeting. Issue ongoing
2	BDO ISA 260 report 2017-18	Deferred pending finalisation of Statement of Accounts	BDO (external auditor)	Issue ongoing
3	Final sign-off of Annual Governance Statement 2017-18	Deferred pending 1 and 2 above	Jonathan Idle	To be brought to committee once 1 and 2 above are resolved
4	Values and Ethics Sub-Committee	Inaugural meeting to be arranged	Democratic Services	Meeting arranged for 18 September
5	BCC wholly owned companies	As per report, BCC Audit Committee to review the consolidated annual audit plans for the companies.	Jonathan Idle / Shareholder Liaison Director	To be included in Audit Committee work programme

Action number	Item/report	Action and deadline	Responsible officer	Action taken / progress

AUDIT COMMITTEE

DRAFT WORK PROGRAMME 2018/19

Meeting Date	Report Author	Report Details	Routine Work Programme/ Other?	ToR Ref	Officer Providing Report	Comments:
26th July 2018 1.00pm	**Proposed Training:**	**Assurance arrangements for Major Projects and Programmes**	**Training**		**Head of Internal Audit**	
	Finance	Final Statement of Accounts 2017/18	Routine	3.1	Director - Finance	
	External Audit:	ISA 260 Report	Routine	1.8/3.2	External Audit Lead	
	Internal Audit:	Internal Audit Activity Report	Routine	1.5/1.7/2.1	Chief Internal Auditor	
		Final Annual Governance Statement 2017/18	Routine	2.5/4.4	Chief Internal Auditor	
	Risk Management:	Corporate Risk Register and Risk Management Report	Routine	4.1/4.3	Risk Manager	
	Corporate:	Companies Audit and Assurance Arrangements	Ad Hoc		Director - Finance	
		GDPR Update	Ad Hoc		Senior Information Risk Owner (SIRO)	
		Establishment of Values and Ethics Sub-Committee			Director: Legal& Democratic Services	
		Information Items: None				
20th September 2018 2.00pm	**Proposed Training:**	**Information Technology and Information Security Risks**	**Training**		**Internal Audit**	
	External Audit:	Annual Audit Letter	Routine	1.8/3.2	External Auditor Lead	
	Corporate:	Governance Tracking Report	Routine	2.5/4.4	Executive Director Resources / Director Finance	
	Risk Management:	Review of a Specific Corporate Risk	Routine	4.1/4.3	Risk Manager / Risk Owner	
	Internal Audit:	Internal Audit Activity Report	Routine	1.5/1.7/2.1	Chief Internal Auditor	
		Peer Review Implementation Update	Routine	1.6	Chief Internal Auditor	
	Finance:	Treasury Management Annual Report 2017/18	Routine	3.3	Director - Finance	
	Legal:	**Member Standards items:**				
		Information Items:				
		Ombudsman Letter		1.12		
22nd November 2018 2.00pm	**Planned Training:**	**Partnership Governance Arrangements**	**Training**		**Internal Audit**	
	External Audit:	Update Report	Routine	1.8/1.10	External Audit Lead	
	Risk Management:	Risk Management Annual Report and Policy Update	Routine	4.1	Risk Manager	
		Review of a Specific Corporate Risk	Routine	4.1/4.3	Risk Manager / Risk Owner	
	Internal Audit:	Internal Audit Half-Year Activity Report	Routine	1.5/1.7/2.1	Chief Internal Auditor	
		Internal Audit - Half-Year Investigation Update Report and Anti-Fraud and Anti-Corruption Policy	Routine	2.4./2.10	Chief Internal Auditor	
		Internal Audit Quality Assurance and Improvement Plan	Routine	1.6	Chief Internal Auditor	
		Internal Audit Charter & Strategy Refresh	Routine	1.1	Chief Internal Auditor	
	Finance:	Treasury Management Report	Routine	3.3	Director - Finance	
		Information Items: None				
24th January 2019 2.00pm	**Proposed Training:**	**Performance Management - Assurance Arrangements**	**Training**			
	External Audit:	Grants Audit Report	Routine	1.8	External Audit Lead	
		External Audit Update Report	Routine	1.8/1.9	External Audit Lead	
	Internal Audit:	Annual Whistleblowing Review	Routine	2.4	Chief Internal Auditor	
		Annual Review of the effectiveness of the system of Internal Audit	Routine	1.13	Director - Finance	
	Risk Management:	Corporate Risk Register and Risk Management Report	Routine	4.1/4.3	Risk Manager	
	Corporate:	Companies Audit and Assurance Arrangements	Ad Hoc		Director - Finance	

Meeting Date	Report Author	Report Details	Routine Work Programme/ Other?	ToR Ref	Officer Providing Report	Comments:
		Governance Tracking Report	Routine	2.5/4.4	Executive Director Resources / Director Finance	
		Inspection Agency reports	Routine	1.12	Risk Manager	To cover those Inspection reports which provide assurance in relation to risks on the Corporate Risk Register
	Legal:	**Member Standards items:**				
		Value and Ethics Sub-Committee Report/Minutes including Budget Dispensations	Routine		Director: Legal& Democratic Services	
		Information Items: None				
28th March 2019	**Proposed Training:**	**Audit Committee Effectiveness Workshop**	**Training**		**Chief Internal Audit/Head of Internal Audit**	To equip the Committee with an understanding of the Accounts and the areas where it requires assurance
2.00pm	Risk Management:	Review of a Specific Corporate Risk	Routine	4.1/4.3	Risk Manager / Risk Owner	
	External Audit:	Audit Approach and Planning Letter	Routine	1.8/1.10	External Audit Lead	
		Fee Letter	Routine	1.8/1.10	External Audit Lead	
	Internal Audit:	Draft Annual Plan 2019/20	Routine	1.2	Chief Internal Auditor	
		Peer Review Implementation Update	Routine	1.6	Chief Internal Auditor	
		Internal Audit Activity Report	Routine	1.5/1.7/2.1	Chief Internal Auditor	
	Legal:	Review of Committee Terms of Reference	Routine		Director: Legal& Democratic Services	
		Member Standards items:				
		Information Items: None				
May 2019 (AGM)	**Proposed Training:**	**Statement of Accounts and Annual Governance Statement**	**Training**		**Finance/Internal Audit to facilitate**	
2.00pm	External Audit:	Update Report	Routine	1.8/1.9	External Audit Lead	
	Internal Audit:	Draft Annual Governance Statement 2018/19	Routine	2.5/4.4	Chief Internal Auditor	
		Annual Fraud Report	Routine	2.4/2.10	Chief Internal Auditor	
		Audit Committee Annual Report to Full Council (Draft)	Routine	5.1	Chief Internal Auditor	
	Finance:	Draft Statement of Accounts 2018/19	Routine	3.1	Executive Director Resources / Director Finance	
	Legal:	**Member Standards items:**				
		Information Items: None				

Audit Committee

18 September 2018

Report of: Director of Finance

Title: Annual Governance Statement Tracker 2016/17 and 2017/18

Ward: N/A

Officer Presenting Report: Denise Murray

Contact Telephone Number: 0117 92 22452

Recommendation

The Audit Committee note progress made to date against the Action Plan for 2016/17 and new draft proposed action plan for 2017/18 (subject to final approval of the statement of accounts and Annual Governance Statement (AGS) by external audit) and consider any issues arising.

Summary

The AGS identified a number of issues that needed to be addressed to ensure continuous improvement in the governance framework and financial and budget management within the Council.

The areas identified for improvements have been incorporated into a separate AGS Action Plan for 2016/17 and 2017/18 (draft) to be regularly monitored in 2018/19 and progress reported to the Audit Committee.

1. Purpose

1.1. To report on progress made to date against the Action Plan for 2016/17 and new draft proposed action plan for 2017/18 (subject to final approval of the statement of accounts and AGS by external audit).

2. Background

2.1 The members of the Audit Committee previously endorsed, in their meeting on 23rd June 2017, that the Committee should receive regular monitoring reports advising of progress against the AGS Action Plan. The last report was presented to Committee in March and this report sets out the progress made since then as well as the actions to address the improvements identified in the 2017/18 AGS.

2.2 The progress made to date against the implementation of the agreed actions arising from the Councils response to the Bundred review is summarised below and the high level narrative and detailed schedule is outlined in Appendix A.

Table 1 - Changes in the Implementation of Actions from the Bundred Review

Status	March 2018	September 2018
Green – Completed and Evidenced	58 (68%)	75 (88%)
Amber – In Progress with Evidence	27 (32%)	10 (12%)
Red – Not Started / Started but not Evidenced, date at risk	0 (0%)	0 (0%)
Total	**85**	**85**

2.3 Since the previous report to the Audit Committee in March 2018, the principal changes in the implementation of the Bundred review have been:

- **B29** – Timeliness of reports - Amber to Green
- **B31** – Documentation Protocols - Amber to Green
- **B36** – Member Development - Amber to Green
- **B37** – Quality of reports - Amber to Green
- **B46** – Focus on strategic priorities - Amber to Green
- **B48** – Performance Objectives - Amber to Green
- **B52** – Strategic Priorities - Amber to Green
- **B59** – Children's Social Care Peer Challenge - Amber to Green
- **B64** – Managing non-compliance - Amber to Green
- **B65** – Transforming Finance - Amber to Green
- **B67** – Implementation of improvement plan - Amber to Green
- **B69** – Pilot for testing internal shared service arrangements - Amber to Green
- **B70** – IT systems development - Amber to Green
- **B75** – Structure implementation - Amber to Green
- **B76** – Business support function - Amber to Green
- **B77** – Mentoring and trainee scheme - Amber to Green

2.4 For those actions that are deemed to have remained amber, a number of which are ongoing, the narrative sets out the progress made since the previous report.

2.5 The progress made to date against implementation of the actions required from the AGS for 2016/17 is summarised below and the high level narrative and detailed schedule is outlined in Appendix B:

Table 2 - Changes in the Implementation of Actions from the AGS

Status	March 2018	September 2018
Green – Completed and Evidenced	5 (23%)	15 (68%)
Amber – In Progress with Evidence	17 (77%)	7 (32%)
Red – Not Started / Started but not Evidenced, date at risk	0 (0%)	0 (0%)
Total	**22**	**22**

2.6 Since the previous report to the Audit Committee in March 2018, the principal change in the implementation of the AGS has been:

- **AGS 4.1** – Performance Management Process - Amber to Green
- **AGS 4.2** – Employee Performance Management - Amber to Green
- **AGS 6.1** – Commissioning and Procurement Group - Amber to Green
- **AGS 7.1** – Decision Making - Amber to Green
- **AGS 7.3** – Constitution, Scheme of Delegation and Financial Regulations- Amber to Green
- **AGS 8.2** – External Audit Reporting - Amber to Green
- **AGS 10.1** – Risk Management Policy - Amber to Green
- **AGS 10.2** – Corporate Risk Register - Amber to Green
- **AGS 12.1** – Review of protocol - Amber to Green
- **AGS 13.1** – Effectiveness of Audit Committee - Amber to Green

2.7 Attached in Appendix C are the 12 draft areas of improvement identified as part of the 2017/18 Annual Governance Review which still remain draft until formally endorsed by external auditors. In anticipation that the areas outlined remain unchanged, we have prepared our proposed action plan to address these. Thereafter these will form part of regular monitoring reports to Audit Committee.

3. Proposal

3.1. The Audit Committee considers the progress made to date against the Action Plan and proposed actions to address 2017/18 improvement areas, consider any issues arising and challenge where appropriate.

4. Other Options Considered – N/A

5. Risk Assessment

5.1. The publication of an AGS is a legal requirement and the processes of implementation, monitoring and reporting of improvement actions arising therefore constitute an important element of the Council's governance arrangements. The actions identified within the response to the AGS constitute important measures whereby the Council's overall management of organisational risk can be enhanced.

6. Public Sector Equality Duties

6.1. 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.

6.2 No Equality Impact anticipated from this report.

7. Legal and Resource Implications

Legal – N/A
Financial – N/A
Land – N/A
Personnel – N/A

8. Appendices:

- Appendix A – Bundred Review Actions
- Appendix B – Annual Governance Actions 2016/17
- Appendix C - Annual Governance Statement 2017/18 – Proposed Action

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

9. Background Papers:

None.

Appendix A – Bundred Review Actions

Bundred Actions by Recommendation

#	Recommendation	Total Actions	All			% Complete
			Green	Amber	Red	
1	1 - For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight	14	14	0	0	100%
2	2 - Wherever possible, the Council should ensure that responsibility for the delivery of specific savings initiatives is allocated to Directorates so that ownership of savings programmes and accountability for them is clear	1	1	0	0	100%
3	3 - The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved	7	7	0	0	100%
4	4 - The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice	13	13	0	0	100%
5,6	5 - Members should be less tolerant of poor quality reports than they appear to have been in the past 6 - Where they do not already exist, arrangements should be made for report authors to receive feedback from Member or senior officer discussion of their reports as a matter of routine	2	2	0	0	100%
7	7 - Relevant officers should be reminded of their responsibilities to keep backbench and Opposition Members properly informed	6	6	0	0	100%
8	8 - The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings	17	13	4	0	76%
9	9 - The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned as a matter of urgency	11	11	0	0	100%
10	10 - The previous recommendation that the Council should "Develop a Competency Framework and agree the way forward re Assessment and Development centres" in relation to its Finance staff is overdue and should be given priority	4	1	3	0	25%
11	11 - This should be actioned alongside a review of the role and requirements of Business Partners as part of the current review of the Finance Directorate structure	5	2	3	0	40%
12	12 - The more timely reporting of budget monitoring information that has now been introduced should continue into the future. If the Council opts to return to quarterly budget monitoring and the first quarter report cannot be considered in July, there should be routine reporting in June or July of the position as at the end of May	5	5	0	0	100%
		85	75	10	0	88%

Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service Director)	Revised Date (if applicable)	R/A/G	Comments on RAG - Sept 2018
1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B1	A new process has been designed and implemented that issues all budget Managers with 'Directorate Cash Limits'	Denise Murray	Ongoing	G	Activity complete Feb 2018 - no update required
1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B2	Each savings proposal has been allocated a named Strategic and Service Director lead as accountable officers	Denise Murray	Mar-17	G	Activity complete Feb 2018 - no update required
1. For future significant savings programmes, especially any involving	B3	A new governance and delivery assurance framework provides a robust framework for tracking and monitoring delivery, and provides early sight of any issues that may arise allowing for early intervention and mitigations - this new governance will be kept under review and adapted to ensure maximum effectiveness	Denise Murray	n/a	G	Activity complete Feb 2018 - no update required
1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B4	All savings proposals now undergo a formal sign off procedure to ensure that appropriate accountability is clearly and transparently defined and responsibilities are clearly delegated to the appropriate Strategic or Service Director for delivery and tracking	Denise Murray	Mar-17	G	Activity complete Feb 2018 - no update required
1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B5	Alignment and combination of the monthly mechanisms for managers and Service/Strategic directors to submit a holistic view of savings delivery from a financial and action focussed perspective	Denise Murray	Mar-17	G	Activity complete Feb 2018 - no update required
1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B6	Member oversight as an element to the governance process that now includes a Delivery Executive	Denise Murray	Mar-17	G	Activity complete Feb 2018 - no update required
1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B7	An OSMB led review of the Council's arrangements for Scrutiny	Quentin Baker	Completed	G	Activity complete Feb 2018 - no update required
1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B8	Updated position in respect of the delivery of savings will be routinely reported as part of the budget monitoring report	Denise Murray	Jun-17	G	Activity complete Feb 2018 - no update required

1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B9	A one-off investment fund has been allocated to support savings related change activity across the council	Denise Murray	Feb-17	G	Activity complete Feb 2018 - no update required
1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B10	Further consultation is expected to be required in respect of some areas of savings proposals and will commence when the General Elections have concluded	Quentin Baker	completed	G	Activity complete Feb 2018 - no update required
1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B11	Where there is a risk to the delivery of savings, mitigation plans will be developed immediately in conjunction with the relevant Portfolio Holder	Denise Murray	Oct'17 - in terms of next steps identified. Other 'evidence based' items already in place	G	Activity complete Feb 2018 - no update required
1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B12	Directorates will be challenged to explore alternative options for meeting the cost pressures faced within their existing resources or seek supplementary estimate to increase the directorate spending limit	Denise Murray	Ongoing	G	Activity complete Feb 2018 - no update required
1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B13	The first budget monitoring report will be reported to Cabinet in June 2017	Denise Murray	Ongoing	G	Activity complete Feb 2018 - no update required
1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B14	Between March 2017 and June 2017, when there is no Cabinet a draft budget monitoring report will be made available to Members as per normal procedure	Denise Murray	Jun-17	G	Activity complete Feb 2018 - no update required
2. Wherever possible, the Council should ensure that responsibility for the delivery of specific savings initiatives is allocated to Directorates so that ownership of savings programmes and accountability for them is clear (paragraph 66).	B15	Cross cutting projects allocated to specific Strategic and Service directors, who will design and ensure delivery of the saving	Denise Murray	Mar-17	G	Activity complete Feb 2018 - no update required
3. The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved (paragraph 65).	B16	A new business case template has been implemented which covers all development gateway stages and adopts the principles of the HM Treasury Green Book best practice methodology	Denise Murray	Mar-17	G	Activity complete Feb 2018 - no update required

3. The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved (paragraph 65).	B17	Ensure that the protocols regarding the independent assurance of reports is refreshed and strengthened to make sure that all of the relevant professionals e.g. legal, HR, finance, ICT, Property services are given ample time to comment on reports	Denise Murray	May-17	G	Activity complete Feb 2018 - no update required
3. The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved (paragraph 65).	B18	Review of the decision pathway, associated protocols and process map to ensure consistent implementation	Quentin Baker	Completed	G	Decision Pathway has been implemented with associated protocols and templates
3. The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved (paragraph 65).	B19	Business Case training for managers when required along with support from a Change Business Partner	Denise Murray	Nov'18	G	Activity complete Feb 2018 - no update required
3. The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved (paragraph 65).	B20	All officers have access to the new business case template through the source which provides a step by step guide to developing a robust business case at all stages in the project lifecycle	John Walsh	Apr-17	G	Activity complete Feb 2018 - no update required
3. The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved (paragraph 65).	B21	The Change Business Partners will work alongside service leads and signpost them to the guidance available on The Source as required	John Walsh	Apr-17	G	Activity complete Feb 2018 - no update required
3. The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved (paragraph 65).	B22	The officer responsible for delivering the agreed business case, will be responsible for tracking the assumptions underpinning the business case and, where there is a material change are expected to report this to SLT and their portfolio holder(s) in a timely manner, particularly with respect to benefits realisation	CLB - for each of its Directors	completed	G	Activity complete Feb 2018 - no update required
4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B23	All reports must include all of the feasible options available to be implemented and be supported by a robust evidence base or business case	CLB - for each of its Directors	completed	G	Activity complete Feb 2018 - no update required
4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B24	SLT have reinforced the need for reports rather than presentations to be used as the basis of discussions and decisions at all meetings.	CLB	completed	G	Activity complete Feb 2018 - no update required

4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B25	In future each report should have sufficient detail to 'stand- alone', key messages and recommendations must be clear and succinct, supported by appropriate evidence and relevant professional advice; and where necessary, reports must enable councillors to refer easily to relevant policies and previous decisions and discussions	CLB	Completed	G	Activity complete Feb 2018 - no update required
4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B26	Each report / business case requires Director & Portfolio holder sign off	CLB	Completed	G	Activity complete Feb 2018 - no update required
4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B27	Officers are currently developing a new development programme for the Bristol Manager framework that will assist managers with the key competency requirements	John Walsh	Mar-18	G	Work to date includes: - Change services have provided coaching support for individuals. - Improved templates and online guidance - L&D and Change Service colleagues are running regular learning events for report writing skills and the decision pathway. Over 50 managers have attended so far. - Leadership development programme (Bristol Leads) for team managers and team leaders that will include core business skills. First tranche complete and a further 100 managers to be recruited for tranche 2 in October/November. - Leadership development programme for second and third tier managers will include core business skills - currently in planning stage. (SG 06/9/18)
4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B28	In addition to formal arrangements for reporting and challenging budget performance, such as Cabinet and Scrutiny, the Council will also develop more informal, but nevertheless robust arrangements for Member briefings on key issues or ward matters	Quentin Baker and CLB	Completed	G	Activity complete Feb 2018 - no update required
4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B29	Strategic and Service Directors ensure that sufficient time is provided to enable reports to be fully considered and signed off by all the relevant professionals (Legal, Finance, HR etc.) and in accordance with the protocol prior to submission for inclusion on agendas	CLB	Ongoing	G	New Decision Pathway includes clear guidance on professional advice, but timeliness needs to be monitored. In addition to this a star chamber of officers (Deputy Montioring Officer / Head of Democratic Engagement / Head of Executive Office / Mayor's Office Policy Advisor / Cabinet DSO) meets twice to review the papers in the run up to publication and is providing regular feedback on quality of reports and timing back to report authors and CLB.
4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B30	SLT and Service Directors will ensure that the minute taking of meetings and working groups is improved ensuring that a summary of the report and discussion is included along with clear agreements/recommendations and timescales	Quentin Baker	Completed	G	Activity complete Feb 2018 - no update required
4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B31	New protocols will be issued to emphasise the need to comply with internal storage of documents to facilitate audit trails and transparency	Quentin Baker	Completed	G	The document retention schedule has been reviewed and refreshed in Dec 2017. This was covered in part by the information security training that has taken place across the organisation. The New Retention schedule will be reviewed every 12 months Modern.Gov records are available for up to five years currently, the documentation retention policy is six years and the retention policy for our public and modern record is being reviewed with our ICT and Data Protection leads.

4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B32	As part of the development of the revised working arrangements for the Council, the necessity for all of the current officer working groups will be reviewed, terms of reference will be refreshed / or developed	CLB	Completed	G	Activity complete May 2018 - no update required
4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B33	Review of levels of delegation of working groups and Boards, linking back to the constitution, decision pathway and budget and policy framework	Quentin Baker	closed	G	Scehemes of Delegation published 7/9/18
4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B34	The schemes of internal officer delegations will also be reviewed at least annually	Quentin Baker	closed	G	Schemes of Delegation published 7/9/18
4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B35	A learning and development programme will be created that will help support colleagues across the council to have the right skills and tools to enable them to do their job to a high standard	John Walsh	Mar-18	G	As per B27 above (SG 6/9/18)
5. Members should be less tolerant of poor quality reports than they appear to have been in the past (paragraph 120). 6. Where they do not already exist, arrangements should be made for report authors to receive feedback from Member or senior officer discussion of their reports as a matter of routine (paragraph 113).	B36	Members will be supported through the Member Development programme to recognise & challenge when a report is of poor quality	Quentin Baker	Dec-18	G	Officers, supported by the LGA, are drafting a programme for Members to develop a programme of essential and desirable skills for all members which is to include support in how to constructively challenge. 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. Officers are waiting on availability from the LGA. A gap analysis has been completed against the LGA Chartermark and action plan developed from this. Members Development Group will meet on the 10th October when the timetable and programme will be provisionally agreed.The session on challenge and feedback will be delivered in November/December 18
5. Members should be less tolerant of poor quality reports than they appear to have been in the past (paragraph 120). 6. Where they do not already exist, arrangements should be made for report authors to receive feedback from Member or senior officer discussion of their reports as a matter of routine (paragraph 113).	B37	All Strategic and Service Directors will provide the appropriate support and guidance to ensure that the quality of reports improve	CLB	Completed	G	New Decision Pathway includes clear guidance on professional advice, but timeliness needs to be monitored. In addition to this a star chamber of officers (Deputy Montioring Officer / Head of Democratic Engagement / Head of Executive Office / Mayor's Office Policy Advisor / Cabinet DSO) meets twice to review the papers in the run up to publication and is providing regular feedback on quality of reports and timing back to report authors and CLB.
7. Relevant officers should be reminded of their responsibilities to keep backbench and Opposition Members properly informed (paragraph 125).	B38	Strategic and Service Directors will make arrangements to brief Members on major issues e.g. MTFP, corporate strategy, savings proposals and policy changes concerning the Council and, more specifically, about issues and events affecting the Ward areas as appropriate	Quentin Baker	Completed	G	

7. Relevant officers should be reminded of their responsibilities to keep backbench and Opposition Members properly informed (paragraph 125).	B39	Portfolio holders will also facilitate briefings with backbenchers and opposition members to ensure Councillors are fully briefed on key policy decisions as they evolve	Quentin Baker	Completed	G	
7. Relevant officers should be reminded of their responsibilities to keep backbench and Opposition Members properly informed (paragraph 125).	B40	The development of a Protocol On Councillor/Officer Engagement	Quentin Baker	Completed	G	Activity complete Feb 2018 - no update required
7. Relevant officers should be reminded of their responsibilities to keep backbench and Opposition Members properly informed (paragraph 125).	B41	Strategic Directors will provide the appropriate support and guidance to ensure these protocols are embedded throughout their Directorates	Quentin Baker and CLB	Sep-18	A	Following adoption by full Council of the revised codes and protocols training will be shared and cascaded through a number of channels, of which Management Brief may be one. The next Management Briefing is planned for early September
7. Relevant officers should be reminded of their responsibilities to keep backbench and Opposition Members properly informed (paragraph 125).	B42	Officers will continue to reflect upon the feedback from OSMB and other Members to further enhance the approach adopted to engaging with all Members on the 2017/18 budget issues in the development of key strategic documents	Denise Murray	Ongoing	G	Activity complete Feb 2018 - no update required
7. Relevant officers should be reminded of their responsibilities to keep backbench and Opposition Members properly informed (paragraph 125).	B43	In developing the Medium Term Financial Plan we will provide comprehensive information on the challenges and options we face and stage a series of early engagement meetings with political groups and scrutiny to	Denise Murray	May to July 2017	G	Activity complete Feb 2018 - no update required
8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B44	Development of a programme to address the weaknesses identified in this report and issues raised in the staff survey	John Walsh	Oct-17	G	An organisational culture and leadership development plan is underway. This includes the values and beahvious roll-out, leadership development programme for team managers and team leaders, the launch of diversity and inclusion initiatives such as Stepping Up, a new corporate induction, a refreshed internal comms strategy and a broadning of the L&D offer. The next phase will include development programme for the new senior leadershiop team, further communication and engagament enhancements, diversity and inclusion initiatives and an ongoing programme of L&DThis programme has been build around the feedback from the staff survey, Bundred report recomendations, feedback from staff reference groups and uses the funding allocated by the Mayor for the 17/18 and 18/19 budget. This work contributes to the overarching 'organisational improvement programme' which supports the council's Workforce Plan (SG 06/9/18)
8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B45	Development of a new target operating model that will provide the necessary clarity to ensure the organisation is clear about its priorities, values and behaviours	Denise Murray	Senior management restructure Dec 2018 Values & Behaviours/Corporate Plan/Business Plans final approval at Full Council Feb 2018	G	

8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B46	Clarify and focus on strategic priorities with measurable success factors	Tim Borrett	Jun-18	G	Corporate Strategy 2018 - 2023 approved; Business Plan 2018/19 approved (see earlier RAG comments). Performance Framework now approved via Statutory and Policy Board on 10 May 2018 following widespread engagement with CLB and EDMs. This activity is now complete and can be closed (save for ongoing monitoring, refreshing and communications as part of business as usual).
8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B47	Develop and pilot a programme to ensure a single culture in BCC	John Walsh	Ongoing	G	Organisational values have been approved as part of the Corporate Strategy at Full Council in Feb. An organisation wide roll-out commenced in February, with sessions for team leaders and staff to connect with the values and how they work within their work areas. Over 2000 staff have participated so far, with further sessions planned for the Autumn. This includes tailored sessions for off-site or off-line teams to ensure everyone has the opportunity to engage. Sessions are also being designed for Members and companies. This will be an opportunity for everyone to connect with the organisation vision and priorities in the Corporate Strategy and the values and behaviours which underpin it. There is also a wide ranging communications plan to give visibility to the values. A refreshed performance management framework for 18/19 includes the organisational values and behaviours as part of a wider leadership
8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an C(paragraph 129).	B48	Ensuring that performance objectives for all managers flow from our strategic objectives but equally are a demonstration of commitment to values and behaviours	John Walsh	Apr-18	G	The 'My Performance' reporting system has been updated for 18/19 to include the organisational values and leadership framework - which sets out our expectations of our colleagues' behanviour. A re-launch of the system and the approach to performance management was launched in mid-June. A project is about to get under way which will take a look at a whole new approach to performance and talent management for all levels of the organisation - to drive a high performance culture where people feel valued. It is due for launch in April 19 to coincide with the new HRPayroll system which will include a new performance reporting system. a 360 feedback process designed around the leadership framework is being piloted in September (SG 6/9/18)
8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B49	Strategic Directors will monitor and challenge the number of Officers at meetings	CLB	Completed	G	Activity complete Feb 2018 - no update required
8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B50	The Chief Executive to visit a range of workplaces to listen and talk with colleagues, providing an opportunity for them to share work priorities and challenges	CLB	Completed	G	Activity complete Feb 2018 - no update required

8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B51	Creation of space for working collaboratively and transparently on cross-cutting issues	Gemma Dando	Sep-17	G	Activity complete Feb 2018 - no update required
8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B52	Develop a single shared view amongst colleagues of our strategic priorities and our progress against them	Tim Borrett	Jun-18	G	Corporate Strategy 2018 - 2023 approved; Business Plan 2018/19 approved (see earlier RAG comments). Performance Framework now approved via Statutory and Policy Board on 10 May 2018 following widespread engagement with CLB and EDMs. This activity is now complete and can be closed (save for ongoing monitoring, refreshing and communications as part of business as usual).
8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B53	A culture that ensures it is "safe for truth to be spoken to power", encourages two way feedback and values honesty integrity and transparency	John Walsh	01-Sep-17	G	Our organisational values set out how we will work with each other and expected behaviours. It is supported by the leadership framework which sets out the behaviours and qualities we expect of our senior leaders - and this has been the basis on which we have recruited the new senior team.These include showing respect and treating each other fairly. An organisation wide roll-out commenced in February, with sessions for team leaders and staff to connect with the values and discuss what they mean for their work. Our refreshed internal communication and engagement strategy has introduced new products which give greater visibility and approachability of senior leaders and encourage greater dialogue. These include Executive Director weekly blogs, a regular celebrating success bulletin to recognise and value the contribution and achievements of colleagues. There are plans for cross-council town-hall events. The values and and leadership framework is built in to a refreshed performance management framework for 18/19 and a leadership development programme for our senior leaders is in the planning stages
8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B54	A learning and development programme will be created for The Bristol Manager	John Walsh	Oct-17	G	As B27 and B34 above
8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B55	Actively seek opportunities to recognise and celebrate success	John Walsh and CLB	Ongoing	A	Recognition of success and our learning is an integral part of the refreshed internal communication strategy that supports the organisational culture work programme. Its important that colleagues can see the values reflected in their own and peers' work. A weekly celebration of success bulletin has been introduced where CLB review the achievements of the workforce each week and publish them each Wednesday. This will be supplemented with a quartely printed staff bulletin with feature length stories of the values in action and celebrating colleagues' success.

8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B56	A fund to be allocated to support the work on culture development and invest in colleagues learning and development	John Walsh	Ongoing	G	The additional OD funding has been used to fund the organisational culture work programme and other actions in the organisational improvement programme. This includes L&D, OD, communications, continued work on embedding the values, diversity and inclusion initiatives as outlined in B44 above. (SG 6/9/18)
8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B57	Participation in the LGA Corporate Peer Challenge	Mike Jackson	Sep-18	A	The Council has invested in a comprehensive programme to develop and imbed a set of values and behaviours across the organisation. A new internal communications programme has been developed, and is being implemented, with regular communication in the Source from Executive Directors, and a revamped 'Leadership Forum' to ensure more effective engagement. The Peer Challenge has been organised for 11-14 September, and will be a very helpful independent measure of our progress.
8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B58	Participation in the Housing Delivery and HRA Peer Challenge	Patsy Mellor	TBC	A	
8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B59	Participation in the Children's Social Care Peer Challenge	Jacqui Jensen	TBC	G	The requirement for a LGA peer review of children's services has been superceded by the Ofsted ILAC inspection commenced 3rd September 18
8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B60	Participation in the Adult Social Care Peer Challenge	Jacqui Jensen	TBC	A	A decision will be made after the Corporate Peer Challenge whether an Adult Social Care Peer Challenge should be initiated. Any Peer Challenge will take place before March 2019 if the decision is taken to have one.
9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of	B61	Finance functions are being restructured to implement a more robust business partnering delivery model	Denise Murray	Ongoing	G	Activity complete - no update required
9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of transactional processes Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned as a matter of urgency (paragraph 130).	B62	The finance function will improve the efficiency of transactional processes which will bring insight, intelligence and support complex propositions	Denise Murray	Ongoing	G	Activity complete Feb 2018 - no update required

9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of transactional processes Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned as a matter of urgency (paragraph 130).	B63	Improve how reports produced by the internal / external auditor, other regulators and inspectors are dealt with and shared and continue to strengthen our approach for responding to recommendations	Denise Murray	Oct-17	G	Activity complete - no update required
9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of transactional processes Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned as a matter of urgency (paragraph 130).	B64	Monitoring and proactively managing non-compliance	Denise Murray	Ongoing	G	Improvements in MTFP, budget process and monitoring has facilitated early identification of potential overspends, other risks and opportunities. Financial reilience of the Council has been significantly improved - savings progrramme and benefits realisation prcesses embedded, and systems improvements both delivered or in train
9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of transactional processes Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned as a matter of urgency (paragraph 130).	B65	Transformation of the Finance function. It will be necessary to take an end-to-end approach and combine top down and bottom up initiatives	Denise Murray	Ongoing	G	Finance Transformation Programme is inflight and progressing. There are a number of project and ongoing workstreams that will deliver continous improvement and efficiencies
9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of transactional processes Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned as a matter of urgency (paragraph 130).	B66	A more robust approach to providing assurance through the Annual Governance Statement has been developed, ensuring that all budget managers and responsible officers are an integral part of the overall governance assessment. All responsible officers now complete and sign off an AGS statement that feeds into the wider overall assurance across the authority	Denise Murray	Oct-17	G	
9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of transactional processes Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned as a matter of urgency (paragraph 130).	B67	Continued implementation of the Improvement Plan which will be updated to take into account the recommendations of the Bundred Report	Denise Murray	Ongoing	G	Financial Regs and Procurement Rule have been refreshed and will be presented with update of Constitution. Capital Strategy to be developed in line with updated Prudential Code and Period 4 monitoring report to include review of capital programme and updated programme implications of ICT strategy and Future Service Assessment

9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of transactional processes Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned as a matter of urgency (paragraph 130).	B68	DUPLICATION of above B66 - A more robust approach to providing assurance through the Annual Governance Statement	Denise Murray	Oct-17	G	
9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of transactional processes Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned as a matter of urgency (paragraph 130).	B69	The Resources Directorate are piloting a new delivery model in accordance with the approved policy framework to test internal shared service arrangements in the first instance, which also responds to the advice from the external review of finance	Denise Murray	Ongoing	G	This is an ongoing objective, and given improvements delivered to date considered achieved. However Finance Transformation Programme is continuous. There are a number of project and ongoing workstreams that will deliver continous improvement and efficiencies. Significant changes to business partner roles and personnel have been implemented and individuals are supporting key transformational projects whilst taking ownership of finance teams
9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of transactional processes Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned as a matter of urgency (paragraph 130).	B70	Work continues on the Finance systems to progress the identified requirement to conclude the IT system developments and avoid the need for significant use of spreadsheets etc. which jeopardises the "single version of the truth"	Denise Murray	Ongoing	G	During 17/18 we introduced a new monthly monitoring and reporting framework for Cabinet and Scrutiny. This facilitated early identification of areas of likely overspend in areas such as Adults and Childrens Social Care and Property Services, and a process for budget scrutiny that enabled in year mitigations to be implemented. Further developments to dashboard reporting are scheduled for 2018/19, as part of a continuous improvement programme, along with improved system based techniques for triangulating the process. Also programmed improvements on key issues incl. improving debt management reporting and payments, as part of end-to-end review of procure to pay processes
9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of transactional processes Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned as a matter of urgency (paragraph 130).	B71	Peer review of the Internal Audit function has been commissioned which will also embed Key Audit deliverables in Service BAU	Denise Murray	Mar-18	G	Activity complete - no update required
10. The previous recommendation that the Council should "Develop a Competency Framework and agree the way forward re Assessment and Development centres" in relation to its Finance staff is overdue and should be given priority (paragraph 134).	B72	Appointment of a permanent structure based on CIPFA principles	Denise Murray	Oct-18	A	Structural review in progress and on target for September launch
	B73	Utilise an assessment centre based on those which have been developed and used in other authorities	Denise Murray	Oct-18	A	Preparartions for assessment centre in hand and will take place following completion of consultation process on new structure
	B74	The finance function needs to create the conditions that enable it to be agile, adaptable, and accountable and to learn from success as well as failure so that responding quickly to change is second nature, constantly striving for the best possible services and outcomes	Denise Murray	Oct-18	A	New structure aimed to enhance the service, making it more agile, proactive and adaptable. There will be a new focus on professional qualifications and continued professional development and learning embedded in team planning.
	B75	A transitional structure will be implemented	Denise Murray	Ongoing	G	Structural review in progress and on target for September launch

11. This should be actioned alongside a review of the role and requirements of Business Partners as part of the current review of the Finance Directorate structure (paragraph 134).	B76	Business Partners and the new internal shared service will lead the Business Support function, ensuring the smooth, seamless coordination and execution of the finance service provider function, including project delivery	Denise Murray	Apr-18	G	Competency framework will be implemented as part of new structure
11. This should be actioned alongside a review of the role and requirements of Business Partners as part of the current review of the Finance Directorate structure (paragraph 134).	B77	Interim and final Finance structures will incorporate a mentoring and larger trainee scheme to enable BCC to "grow its own"	Denise Murray	Ongoing	G	Learning and development framework agreed and arrangements in hand for partnership arrangement with Cipfa
11. This should be actioned alongside a review of the role and requirements of Business Partners as part of the current review of the Finance Directorate structure (paragraph 134).	B78	Appointment of Business Partner roles on a skills based assessment	Denise Murray	Sep-18	A	Structural review in progress and on target for September launch
11. This should be actioned alongside a review of the role and requirements of Business Partners as part of the current review of the Finance Directorate structure (paragraph 134).	B79	A competency framework will be implemented which outline the set of competencies needed to perform each of the roles effectively and career progression pathway	Denise Murray	Sep-18	A	Competency framework will be implemented as part of new structure
11. This should be actioned alongside a review of the role and requirements of Business Partners as part of the current review of the Finance Directorate structure (paragraph 134).	B80	The organisation is in the process of building the learning & development programme	Denise Murray	Sep-18	A	Learning and development framework agreed and arrangements in hand for partnership arrangement with Cipfa
12. The more timely reporting of budget monitoring information that has now been introduced should continue into the future. If the Council opts to return to quarterly budget monitoring and the first quarter report cannot be considered in July, there should be routine reporting in June or July of the position as at the end of May (paragraph 118).	B81	Members and scrutiny receive regular, detailed budget reports that provide information on progress, variance against plans and corrective action already underway or planned	Denise Murray	Ongoing	G	Activity complete Feb 2018 - no update required
12. The more timely reporting of budget monitoring information that has now been introduced should continue into the future. If the Council opts to return to quarterly budget monitoring and the first quarter report cannot be considered in July, there should be routine reporting in June or July of the position as at the end of May (paragraph 118).	B82	Clear links between the Council's capital programme and its service and revenue budget planning processes, both of which take account of the MTFP	Denise Murray	Oct-17	G	Activity complete Feb 2018 - no update required
12. The more timely reporting of budget monitoring information that has now been introduced should continue into the future. If the Council opts to return to quarterly budget monitoring and the first quarter report cannot be considered in July, there should be routine reporting in June or July of the position as at the end of May (paragraph 118).	B83	Finalise the guidance for the new monthly monitoring process and embed these processes for 2017/2018	Denise Murray	Mar-17	G	Activity complete Feb 2018 - no update required

12. The more timely reporting of budget monitoring information that has now been introduced should continue into the future. If the Council opts to return to quarterly budget monitoring and the first quarter report cannot be considered in July, there should be routine reporting in June or July of the position as at the end of May (paragraph 118).	B84	Publish the 2017/2018 budget monitoring timetable that reflects the 6 weekly cabinet cycle	Denise Murray	Apr-17	G	Activity complete Feb 2018 - no update required
12. The more timely reporting of budget monitoring information that has now been introduced should continue into the future. If the Council opts to return to quarterly budget monitoring and the first quarter report cannot be considered in July, there should be routine reporting in June or July of the position as at the end of May (paragraph 118).	B85	Capital reporting to be automated and reflect multiple year programme direct from the Finance System	Denise Murray	May-17	G	Activity complete Feb 2018 - no update required

Appendix B – Annual Governance Statement Actions 2016/17

Annual Governance Statement Actions by Recommendation

#	Recommendation	Total Actions	All			% Complete
			Green	Amber	Red	
2	Internal Audit introduce more rigorous tracking of Internal Audit recommendations, incorporating more regular provision of Monitoring Information to Strategic and Service Directors.	1	1	0	0	100%
3	Develop a wider strategic approach to delivering the Mayor's vision and strategic priorities.	3	1	2	0	33%
4	Performance objectives to be linked to the Council's overarching principles and priorities outlined in the TOM.	2	2	0	0	100%
5	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	1	0	1	0	0%
6	Improve the timing and advanced planning for procurement and subsequent post award Contract Management	3	2	1	0	67%
7	The number of decision documents and processes need to be simplified bringing together the Mayor and Cabinet's decision making and internal working groups	3	3	0	0	100%
8	Partnership Agreements be reviewed and to provide guidelines on best practice, value for money and minimising the risk to which the Council is exposed.	2	1	1	0	50%
9	An information security risk assessment has been completed to identify risks, lessons learnt and Action Plan developed. This will inform the Internal Audit plan for 2017/18	1	0	1	0	0%
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	2	2	0	0	100%
11	The Member Development Programme be reviewed and approved.	1	0	1	0	0%
12	The Protocol for Member /Officer Relations be updated and approved.	1	1	0	0	100%
13	The Audit Committee should formally review its effectiveness annually in year and prioritise any improvements for the subsequent reporting period.	1	1	0	0	100%
14	Audit report relating to the control and treatment of Council assets identifying lessons learnt from assets disposal be concluded.	1	1	0	0	100%
		22	15	7	0	68%

Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service Director)	Point of contact	Revised Date	R/A/G	Comments on RAG - September 2018
The responses to the Bundred report agreed at Cabinet will be regularly monitored in 2017/18 in line with the AGS action plan.	AGS 1.1	See Actions 1-12 above	CLB	see above		N/A	See supplementary schedule.
Internal Audit introduce more rigorous tracking of Internal Audit recommendations, incorporating more regular provision of Monitoring Information to Strategic and Service Directors.	AGS 2.1	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.	Denise Murray	Jonathan Idle	n/a	G	Actions as previously set out in January 2018 remain relevant. No change in RAG rating.
Develop a wider strategic approach to delivering the Mayor's vision and strategic priorities.	AGS 3.1	Developing a wider strategic approach to delivering the Mayor's vision and strategic priorities including : 20-50yr City wide plan, the Economic Growth Strategy, Refreshed Corporate Strategy, Target Operating Model (TOM), Medium Term Financial Plan (MTFP), Business plans, Performance management framework, Workforce plan, the employee offer, experience and development, Transformation plans, Communication and employee engagement plan and Values and behaviours framework	CLB	Ben Mosely	Ongoing	A	Actions as previously set out in February 2018 remain relevant. No change in RAG rating.
Develop a wider strategic approach to delivering the Mayor's vision and strategic priorities.	AGS 3.2	Target Operating Model components to be finalised and approved.	Mike Jackson	Steph Griffin	Jun-18	A	Corporate Strategy, Business Plan and Performance Framework complete and approved (all component part of the TOM). Workforce Plan and an organisational improvement plan are in development. Senior management structure recruitment ongoing, with the final two vacancies now out to advert with selection in late October/early November. (SG 6/09/18)
Develop a wider strategic approach to delivering the Mayor's vision and strategic priorities.	AGS 3.3	Medium Term Financial Plan to be finalised and approved.	Denise Murray	Chris Holme	n/a	G	Actions as previously set out in January 2018 remain relevant. No change in RAG rating.
Performance objectives to be linked to the Council's overarching principles and priorities outlined in the TOM.	AGS 4.1	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)	CLB	Steph Griffin & Tim Borrett	Jun-18	G	A full Performance Framework was approved at Statutory and Policy Board on 10 May 2018. My Performance reviews taking place and some are still outstanding but corporate instruction to complete has been issued. A review of our approach to performance and talent management is underway and will launch in April 19 to coincide with the new HR and Payroll system which includes a performance management tool. This action can be closed once HR report completion rates of My Performance 18/19 reviews are adequate. In addition a 360 feedback mechanism is being piloted in Sep 18 (SG 6/09/18)
Performance objectives to be linked to the Council's overarching principles and priorities outlined in the TOM.	AGS 4.2	Where the management of employee performance management is not as per the Council's target completion rates, remedial action plans be implemented.	Mike Jackson	John Walsh	Ongoing	G	The My Performance reporting system has been updated for 18/19 to include the organisational values and leadership framework - which sets out our expectations of our colleagues. A re-launch of the system and the approach to performance management was launched in mid-June and completion rates will be monitored throughout the year. A project is under way which will take a look at a whole new approach to performance and talent management for all levels of the organisation - to drive a high performance culture where people feel valued. It is due for launch in April 19 to coincide with the new Payroll system which will include a new performance reporting system. In addition a 360 feedback mechanism for senior leaders is being piloted in September 18 (SG 6/09/18)

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	AGS 5.1	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	Denise Murray	Chris Holme	Ongoing	A	Actions as previously set out in February 2018 remain relevant. No change in RAG rating.
Improve the timing and advanced planning for procurement and subsequent post award Contract Management	AGS 6.1	A Commissioning and Procurement Group has been established to consider all procurement requests including requests for waivers. The Council must 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	Denise Murray	Chris Holme	Ongoing	G	The Commissioning and Procurement Group(CPG) was established and operates a gateway approach in considering all procurement requests including requests for waivers, officers are clear on the approach and gateways. A discussion document was prepared for SLT to discuss future approach to procurement and CPG to which further consideration is required. A Category Management strategic approach is being adopted within the procurement function which aims to organise procurement resources to focus on specific areas of spends. This enables category managers to focus their time and conduct in depth market analysis to fully leverage their procurement decisions on behalf of the whole organisation. Category manager recruitment is underway.
Improve the timing and advanced planning for procurement and subsequent post award Contract Management	AGS 6.2	Contract Monitoring governance and guidelines to be reviewed and disseminated throughout the Council.	Denise Murray	Chris Holme	n/a	A	Please see response above.
Improve the timing and advanced planning for procurement and subsequent post award Contract Management	AGS 6.3	Internal Audit to complete assurance reviews of the effectiveness of procurement and contract management arrangements.	Denise Murray	Jonathan Idle	n/a	G	Various audits have now been concluded in respect of procurement and contract arrangements including reports on Contract Waivers, Contract Publication Requirements and Contract Management arrangements. RAG rating changed to Green.
The number of decision documents and processes need to be simplified bringing together the Mayor and Cabinet's decision making and internal working groups	AGS 7.1	The review of both the Decision Pathways and internal working groups to be completed with specific reference to the complexity of existing decision making.	Quentin Baker	Andrea Dell and Ben Mosley	Complete	G	Reviews of internal meetings have been undertaken and meetings / attendee's streamlined as appropriate. An officer draft rolling 12 month forward view of possible Key decisions and Officer executive decisions has been developed for planning purposes. The decision pathway has been reviewed http://intranet.bcc.lan/ccm/navigation/policy-and-procedures/decision-making/

The number of decision documents and processes need to be simplified bringing together the Mayor and Cabinet's decision making and internal working groups	AGS 7.2	Briefing sessions provided on the Constitution and the Scheme of Delegation for all managers.	Denise Murray	Shahzia Daya	n/a	G	Management Brief - Thursday 4 May: Governance process and decision making; DLT'S
The number of decision documents and processes need to be simplified bringing together the Mayor and Cabinet's decision making and internal working groups	AGS 7.3	The Constitution, Scheme of Delegation and Financial Regulations be submitted to full Council for full approval.	Quentin Baker	Quentin Baker	Complete	G	The Constitution has been approved. Delegations will follow in July
Partnership Agreements be reviewed and to provide guidelines on best practice, value for money and minimising the risk to which the Council is exposed.	AGS 8.1	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.	Mike Jackson	Quentin Baker	Ongoing	A	This is being monitored via the AGS 2017/18 tracker.
Partnership Agreements be reviewed and to provide guidelines on best practice, value for money and minimising the risk to which the Council is exposed.	AGS 8.2	External Audit reporting of both the Council's partnership arrangements and its interest in companies be reported to the Audit Committee	Mike Jackson	Quentin Baker	Ongoing	G	The Governance Report has been reviewed and an Action Plan drawn up responding to each issue that the report draws attention to. This has been agreed with the Shareholder Group on the 8th of Feb 2018. and submitted to Scrutiny and Cabinet. Actions will continue to be monitored by the Shareholder Group.
An information security risk assessment has been completed to identify risks, lessons learnt and Action Plan developed. This will inform the Internal Audit plan for 2017/18	AGS 9.1	An information security risk assessment has been completed to identify risks, lessons learnt and Action Plan developed. This will inform the Internal Audit plan for 2017/18	Quentin Baker	Quentin Baker	Nov-18	A	We are resubmitting this month for a new PSN certificate and will continue with the PSN compliance activities. There are concerns about the long decommissioning times (April - December 2019) for the Windows Server 2003 systems used by HR as they dependant on HR projects. PSN Phase one (actions arising from ITHC 2017) is due for completion 01/11/18 – this should ensure continuation of PSN compliance.
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	AGS 10.1	The Risk Management Policy be reviewed and approved . Internal Audit will review Risk Management arrangements and recommend improvements to arrangements.	Denise Murray	Jan Caddy	Ongoing	G	Risk Manager appointed CRR / DRR refreshed

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	AGS 10.2	The Corporate Risk Register be reviewed, refreshed and approved.	Denise Murray	Jan Caddy	Ongoing	G	This will be formally assessed in both the AGS for 2017/18 and the Annual Internal Audit report, both of which will be taken to the Audit Committee in May 2018. There have been developments which will be reflected in this assessment but the Corporate Risk Register was only formally reviewed once in 2017/18, which does not equate to stating that risk management is embedded.
The Member Development Programme be reviewed and approved.	AGS 11.1	The Members Development Programme is currently being reviewed and formulated. Training sessions and financial briefings to be provided to members	Quentin Baker	Lucy Fleming	Dec-18	A	Officers, supported by the LGA, are drafting a programme for Members to develop a programme of essential and desirable skills for all members which is to include support in how to constructively challenge. 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. Officers are waiting on availability from the LGA. A gap analysis has been completed against the LGA Chartermark and action plan developed from this. The work has been delayed slightly following a series of requests from the Members Development Group to postpone meetings. The next one will be on the 10th October when the timetable and programme will be provisionally agreed. The session on challenge and feedback will be delivered in November/December 18
The Protocol for Member /Officer Relations be updated and approved.	AGS 12.1	The Protocol will be reviewed and updated as part of the Constitution review and will be presented to Full Council November 2017	Quentin Baker	Shahzia Daya	Complete	G	COMPLETE - The member Protocol has been reviewed and updated as part of the Constitution review, presented to Full Council for approval in May 2018
The Audit Committee should formally review its effectiveness annually in year and prioritise any improvements for the subsequent reporting period.	AGS 13.1	The Audit Committee should formally review its effectiveness annually in year and prioritise any improvements for the subsequent reporting period.	Denise Murray	Chair of Audit Committee	Ongoing	G	2016/17 Self assessment carried out and reported to full council, the improvements noted will be implemented in year and this process will continue for 2017/18 and feedback will be sought from the Chair of the Committee re; its effectiveness. Completed 2018.
Audit report relating to the control and treatment of Council assets identifying lessons learnt from assets disposal be concluded.	AGS 14.1	Audit report to be concluded to identify lessons learnt from asset disposal.	Denise Murray	Jonathan Idle	n/a	G	Actions as previously set out in January 2018 remain relevant. No change in RAG rating.

Appendix C – Annual Governance Statement 2017/18 – Proposed Action

Issue No.	Issue Identified	Suggested Action Owner	Action Plan	Lead
1	The Local Government and Social Care Ombudsman report into the treatment of a homeless family identified a number of recommendations to be addressed. This report was considered by Cabinet in May 18 with a further detailed action plan to be considered at a future Cabinet meeting, date to be confirmed.	Acting Executive Director, Communities	A follow up report will be going to Cabinet on the 2nd October 2018 and any actions for BCC will be outlined in the report.	Pam Wharfe
2	The Multi-Agency review following the death of Mr Bijan Ebrahimi identified recommendations for the Council which require ongoing monitoring.	Executive Director, Adults, Children and Education	An action plan for the partnership is being produced with support from Avon & Somerset police. This plan will enable the commitments made by all the relevant agencies (BCC, SARI and Avon & Somerset Police) following the review to be monitored.	Pam Wharfe
3	There is a need to enhance the support of the integration of health and social care by ensuring effective governance is in place in relation to delayed transfers of care.	Executive Director, Adults, Children and Education	• The Third Tier Structure review will provide further capacity to support the work around integration and DTOC. The work on DTOC is governed through the Urgent Care Oversight Board (UCOB) which meets monthly and oversees how the ring-fenced spend is distributed. The outcome of this meeting is to assure NHS England that the DTOC system is being managed and supported and the Better Care Fund is being spent appropriately. • Work on the wider integration of health and social care is managed through the STP framework which has Executive Director membership and will ultimately lead to recommendations on how integration should be progressed. • The application by the CCG and Council to join the National Integrated Care System programme has been approved and the programme will bring system leaders together through the next six months to progress integration on both provider	Terry Dafter

			and commissioning.	
4	A detailed review is required and plan developed which supports schools to deliver a good or improved level of education within a reduced funding envelope.	Executive Director, Adults, Children and Education	A new Director of Education, Learning and Skills has been appointed and starts at the beginning of October 2018. They will continue the work underway in bring together a fully costed whole system improvement. This will include the following:: • A plan for school improvement which will optimise the successful funding bid for £1m for school improvement. • Attendance strategy signed off by schools and partners • SEND transformation plan • Inclusion approach implemented	Sue Rogers / Alan Stubbersfield
5	The Future State Assessment of ICT within the Council has recognised the need to stabilise ICT and ensure it supports transformation going forward. This should include reviewing disaster recovery arrangements.	Executive Director Resources	A governance board has been set up to oversee the delivery of FSA. The FSA Delivery Board commenced on 28th August, chaired by Head of Paid Service with Cabinet Member oversight. BCC is currently represented and considering is being given as to whether this should be extended. The review will consist of the following things: • Outline business cases in line with the FSA plan. • Key project around data centre migration and migration out of the data centre back to BCC site in a precursor to maintain services as the Swindon data centre contract expires. • Migrate out systems to both Azure cloud and Ark data centres in line with our data centre strategy.	Simon Oliver
6	Having a strong business led digital vision and strategy for the organisation will support service change and drive the organisation to delivery to citizen expectations with regards to the digitisation of services.	Executive Director Resources	Director of digital Transformation has been appointed and this role will lead the development of our digital vision. Current actions in relation to digital strategy are: • Currently building enabling platforms for future digital transformation to utilise; FSA does not provide this transformation. - The strategy (technology, process and	Simon Oliver

			procurement) will be developed based on the direction taken within FSA (decisions still to be made). - The CRM deliverable is the first proof of concept of the digital approach and this will help form the final approach. • Disaster recovery will be addressed via two approaches: - Cloud hosting which provides a range of resilience and DR capabilities. - A move to an improved physical asset data centre which removes some of the issues with our current arrangements. The physical hosting will not provide the level of resilience as our cloud option, so further work (outside of FSA) will need to be commissioned to move some key systems to the new arrangements; some of these will involve re-procurements so best wait for the CRM approach to be proven. Some will be part of an already planned Phase 2 where possible/compatible.	
7	Arrangements for the Council's approach to working in partnerships have been set up with varying levels of formality. Governance and risk management arrangements are inconsistent in the absence of clearly defined governing principles. (This was reported in the 2016/17 AGS).	Executive Director Resources	1. Reviewing and refreshing the Partnership Policy and Toolkit by end October 2018. 2. 2. Creating a central Partnership Register including SLAs, ToRs and contracts where appropriate by end October 2018. 3. Creating a template TOR and porting existing TORs to it by end October 2018. 4. Scope and review need for Commercial Training for relevant managers as part of Procurement and Commercial Strategy. This has now been updated and replaces the item on the 2016/17 AGS tracker.	1,2, 3 – Andrea Dell 4 – Penny Fell

8	Risk Management processes need to be consistently applied in order to embed risk management across the Council. (This was reported in the 2016/17 AGS).	Executive Director Resources	• Appointment of a Risk and Insurance Manager. • Risk Management Assurance Strategy. • Risk Management Improvement Plan. • Strengthening and further embedding the risk management process, reporting and alignment to other business processes. • Focused risk workshops rolled out across the organisation. • Risk Management Awareness training and supporting E-learning package. This has now been updated and replaces the item on the 2016/17 AGS tracker.	Jan Cadby
9	There has been significant slippage in delivery of key capital projects in line with the agreed capital programme. (This was reported in the 2016/17 AGS)	Interim Executive Director: Growth and Regeneration	Corporate deep dive of all capital projects due in September 2018. Transport Delivery Board in transport division will review their capital programme fortnightly, and is governed by the Growth and Regeneration Board (G&R Board). G&R Board currently review capital programmes within G&R and will continue to do so. Finance and G&R officers have drafted new TOR for the G&R Board which will incorporate reviewing the whole capital programme as part of its remit. Chris Holme to review this with Mike Jackson. This has now been updated and replaces the item on the 2016/17 AGS tracker.	Colin Molton

10	Audit reviews and responses in the Assurance Statements identified weaknesses in the consistency of contract management arrangements and also the use of contract waivers continues to be high and reflects the need for improved contract planning have been identified by both. (This was reported in the 2016/17 AGS)	Executive Director Resources	1. Use Category Planning to help better manage contracts through their lifecycle 2. Make use of corporate Contract Templates with Standardised Language to improve consistency and common approaches 3. Empower Procurement leaders to continuously engage service area plans and approved budgets, to increase commitments to contract management. 4. Make intelligent use of technology and software to improve visibility of contracts 5. Design, assess and gain commitment to bespoke performance goals, before setting contracts in place, always based on an understood need 6. Standardise the approach for contract management across all service areas, using corporate training to deliver key principles, embed performance measurement based on importance of need and increase quality standards This has now been updated and replaces the item on the 2016/17 AGS tracker.	Gareth Spencer
11	It has been identified that there is a need for the member development programme to focus on members' core skills, community leadership and decision making roles. (This was reported in the 2016/17 AGS).	Executive Director Resources	The aim: Officers, supported by the LGA, to draft a programme for Members to develop a programme of essential and desirable skills for all members. This is to include support in how to constructively challenge. • A gap analysis has been completed against the LGA Chartermark. • Members Development Group will meet on the 10th October when the timetable and programme will be provisionally agreed • The member development programme will be supported by the LGA and once endorsed will be rolled out in accordance with an agreed implementation plan. • The session on challenge and feedback will be delivered in November/December 18	Quentin Baker

			This has now been updated and replaces the item on the 2016/17 AGS tracker.	
12	Performance management of our employees has been inconsistent with only 42% having registered completed performance reviews. (This was reported in the 2016/17 AGS)	Executive Director Resources/CLB	1. The My Performance reporting system has been updated for 18/19 to include the organisational values and leadership framework - which sets out our expectations of our colleagues. 2. A re-launch of the system and the approach to performance management took place in June and completion rates will be monitored throughout the year. There is also a statutory 'Knowledge skills framework' for social worker's which is widely used in the service. 3. A corporate project is underway which will look at the whole approach to performance management for all levels of the organisation - to drive a high performance culture where people feel valued. This will be launched during 2019. 4. A 360 feedback mechanism for senior leaders is being piloted in September 2018 5. Performance management will also be reviewed by HR committee and it is on their forward plan for 18/19. This has now been updated and replaces the item on the 2016/17 AGS tracker.	John Walsh

Audit Committee

18th September 2018

Report of: **Interim Chief Internal Auditor/ Head of Internal Audit**

Title: **Internal Audit Activity Report for Period 1st April 2018 to 31st August 2018**

Ward: N/A

Officer Presenting Report: Jonathan Idle – Interim Chief Internal Auditor

Recommendation

The Audit Committee considers the accumulative work of the Internal Audit Team (IA), during the period of 1st April to 31st August 2018, and the results thereof.

Summary

This report provides details of the work carried out by Internal Audit during 2018/19 to date and the results of that work. This is the second planned update provided by Internal Audit during 2018/19.

The significant issues in the report are:

- Key messages from the work completed to date are provided in section 2 of the Activity Report
- Section 5 of the Activity report provides details of all planned and unplanned work completed by the section in quarter one.
- Appendix A to the Activity Report provides summary details, including key findings and recommendations, for a selection of reports to give the Committee the opportunity to explore these areas further, should it wish to do so.

Policy

1. Audit Committee Terms of Reference.

Consultation

2. **Internal -** None
3. **External -** None

Context

4. This is the first 'in year' Internal Audit (IA) Activity reports to the Audit Committee. The Activity reports are designed to provide the Committee with a summary view of the work completed by the Service throughout the year to date and the results of that work. The Activity reports are provided to:

- Provide an overview of the work of Internal Audit to date.
- Present the assurance work completed and in progress by the Internal Audit team during the period, together with the conclusions 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.
- Provide an overview of the work of the Internal Audit Investigations Team in advance of a fuller report to Committee in November 2018

The Activity Report covering the period 1st April 2018 to 31st August 2018 can be found at Appendix A.

Proposal

5. The Audit Committee note the report.

Other Options Considered

6. N/A

Risk Assessment

7. 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 assessment is required for this report. The matters concern internal control, governance and risk management arrangements only.

Legal and Resource Implications

Legal – Not sought

Financial – None arising from this report.
Financial advice provided by N/A

Land/Property – Not applicable
<Land/property advice provided by N/A

Human Resources – Not applicable
HR advice provided by N/A

Appendices:
Appendix A – Internal Audit Activity Report – Period 1st April 2018 to 31st August 2018

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

Various Audit Files

BRISTOL INTERNAL AUDIT

INTERNAL AUDIT ACTIVITY REPORT

FOR THE PERIOD OF

1st April 2018 to 31st August 2018

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 team for the period of 1st April 2018 to 31st August 2018.

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
- The work of the Investigations/ Counter Fraud 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 2018, is provided at Section 5 of this report.

2. Key Messages

- Audit plan coverage is currently at 27% of planned reviews commenced and 12% at draft or final report stage;
- Pro-active fraud work continues to identify a good level of recoverable savings and a number of successes regarding council tenancies;
- 11 grants/ certifications with a total value of £10m have been certified to date;
- Recommendation implementation accumulative rate has slightly reduced by 1% in the period;
- A summary of matters arising for 8 of the completed audit assignments has been provided at Appendix A.

3. Updates

3.1 Annual Risk Based Assurance Plan Status:

Our work so far in this second quarter has concentrated on progressing reviews from the 2018/19 annual plan, and although the planned coverage remains below target at this stage of the year with only 12% of planned reviews at either draft or final reporting stage, 27% of the plan has been progressed. We would therefore, expect an increased number of reviews at draft/final report stage by the end of the quarter, taking us closer to our Q2 performance target of 35% reviews to draft report stage.

Full details of the status of planned work, for the period of 1st April to 31st August 2018, are provided at section 5 of this report, with key messages from audits finalised in the period provided at Appendix A.

3.2 Grant Certification Work:

To date, the team has audited and certified 10 grant claims to the value of approximately £10m. Work is progressing on a further 5 certifications. Details of all certifications can be seen in section 5.

3.3 Annual Governance Statement Status:

The final 2017/18 AGS is complete and signed as appropriate. This will be formally presented to the Audit Committee when there is completion of the external audit of the Statement of Accounts.

3.4 Internal Audit Resources:

Whilst the service continues to carry vacancies, recruitment to some of our current structure vacancies, has commenced with interviews being planned in late August/early September 2018. Additional resource via agency has also been extended to assist the service in this transition period.

A proposed skills review of the Internal Audit and Counter Fraud service is dependent upon wider resource considerations in the Council. Consequently, assurance cannot be provided that the service will have sufficient skill sets and capacity to deliver the required added value on the very wide range of assurance, governance and counter fraud matters it engages on and to the expectations of its stakeholders on a continual basis.

3.5 Counter Fraud Update:

The Investigations / Counter Fraud team continues to progress its programme of proactive fraud prevention and detection work, with 52% of its planned fraud programme in progress or complete. This programme includes work to identify recoverable savings and cost avoidance, as well as identifying areas where value for money can be achieved. A summary of savings achieved to date is provided in Table 1 below, with full details of the fraud work programme provided in Section 5 to this report. With regards to the Team's tenancy fraud work, recoveries currently stand at 7 properties regained as a direct result of our work, with a further 5 properties regained by Housing in partnership with the Team. The Team has also cancelled 1 housing application, thereby avoiding the need to recover a property that has been tenanted incorrectly.

The team continue to progress responsive fraud investigations, with 27 cases currently in various stages of completion. A Summary of the areas where investigations are being completed is provided at Table 2 below:

Table 1 – Summary of recoverable and notional savings for period 1st April – 31st August 2018:

Fraud Area	Recoverable	Notional	Weekly cost avoidance
Tenancy Fraud	£10,948	£651,000	£526
Benefits	£264,040		£638
Council Tax Reduction	£10,804		£670
Admin Penalties (Adpens)	£2,357		
National Non Domestic Rates	£62,474		
Responsive Investigations	£1,020		
TOTAL	£351,643	£651,000	£1,834

Figures used for notional savings are: Council property recovered = £93000 (figure recommended by Cabinet Office)
NB: The above does not reflect the extent of recovery of any savings.

Table 2 – Current Responsive Investigations by Type:

Investigation Area:	In Progress	Complete	On Hold	Not Required	Total
Blue Badge	1	2			3
Social Care	5				5
Procurement	3	1		2	6
Employee	1	4	3	1	9
NNDR	1				1
Other Benefits	2				2
Grants	1				1
Totals	**14**	**7**	**3**	**3**	**27**

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3.6 Recommendation Implementation

A number of Follow Up reviews have been completed during the period and an analysis of the implementation of recommendations is summarised in Table 3 below. For the 9 concluded Follow Up audits in this period, 83% of recommendations (which had not been superseded), were either fully or partially implemented, this is a slight reduction of 1% in recommendation implementation since the previous quarter and the comparative rate for 2017/88 was 88%. Senior management support in the implementation of audit recommendations includes recommendation implementation progress being part of the weekly Executive Director Meeting (EDM) agendas now and going forward.

For each of these Follow Up reviews, the objective was to test whether the recommendations identified in the original audit report had been implemented. Summaries of the findings from the most recently completed follow up audits are provided at Appendix A, with section 5 of this report providing a breakdown of the number of High and Medium recommendations that have been implemented/partially implemented/not implemented.

Table 3: Summary of Implementation of Internal Audit Recommendations:

Follow-up Audit	Date of Org. Report	Total Recs	Implemented	Partially Implemented	Superseded	Not Implemented
Accounts Receivable	19/09/17	**14**	4 (29%)	9(64%)	0	1(7%)
Budgetary Control - People	31/03/17	**8**	5(71%)	2(29%)	1	
Security Services Cash in Transit	30/06/17	**6**	3(50%)	3(50%)		
Sale and Disposal of Council Assets	28/03/17	**13**	8(62%)	5(38%)		
Contract Waivers	22/01/18	**6**	4(67%)	2(33%)		
Mobile Devices	05/11/15	**16**	2(20%)	1(10%)	6	7(70%)
HR Process Review	12/04/17	**4**	4(100%)			
Foster Care Payments	20/09/17	**3**		2 (67%)		1(33%)
Corporate and IT Business Continuity	23/03/16	**8**	1(12%)	4(50%)		3(38%)
Total		**78**	**31(44%)**	**28(39%)**	**7**	**12(17%)**

The Committee should note that some recommendations have either been in progress or outstanding for some considerable time, as referred to in Table 2 above.

4. Under the Spotlight!

With each activity report, Internal Audit 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 A, for the Committee's information and discussion.

A Corporate:

1. Executive Officer Decision Making
2. Corporate and IT Business Continuity Plan – Follow up
3. Contract Waivers to Procurement Regulations – Follow up

B Adults, Children and Education:

1. Foster Care Payments – Follow up

C Communities:

1. Planned Maintenance

D Growth & Regeneration:

1. Car Parking Income
2. Sale and Disposal of Assets – Follow up

E Resources:

1. Mobile Devices – Follow up

5. Status of Internal Audit Work for the Period of: (1st April to 31st August)

A. Risk Based Assurance Plan including Proactive Fraud Work: 2018/19 - Progress to Date

Audit Plan				Stage of Review				Outcome		
Directorate	Gov, Risk or Internal Control Area	Name of Review	Initial Planning	TOR	In Prog/Ongoir	Draft Report	Complete	Assurance Level	Risk Level	Summary of Findings:
Corporate	Governance	Annual Governance Statement and Review Process 2017/18					✓	N/A	N/A	
Resources	Financial Controls	Payroll System Controls - b/f					✓	**Reasonable**	**Amber**	Generally well controlled, some issues with right to work and overpayments of salary. (Summary Report provided at July 18 meeting)
Corporate	Information Security/ICT	Third Party Assurance (b/f)					✓	**None**	**Amber**	No assurances obtained from 3rd party providers at either commissioning stage or throughout the contract re resilience and security of their service. No control over shadow IT. (Summary report provided to July 18 meeting)
Communities	HR and Asset Management	Planned Maintenance (b/f)					✓	**Reasonable**	**Amber**	Summary provided at Appendix A to this report
Adults Children and Education	Commissioning and Procurement	Adult Social Care Commissioning (b/f)					✓	**Limited**	**Amber**	Commissioning strategy not yet fully embedded. No consistent framework for commissioning. (Summary report provided at July 18 Meeting)
Growth and Regeneration	Financial Controls	Car Parking Income					✓	**Reasonable**	**Green**	Summary provided at Appendix A to this report.
Growth and Regeneration	Projects and Programmes	Replicate (EU Grant funded Project)					✓			
Corporate	Commissioning and Procurement	Voluntary Sector Commissioning (Avoidance of Procurement Regulations) (b/f)					✓	**Reasonable**	**Green**	Good control via Voluntary Commissioning Service but inconsistency elsewhere. Recs need resource/ senior management engagement to implement. (Summary report provided at July 18 meeting)
Corporate	Governance	Senior Officer Decision Recording				✓		**Limited**	Amber	Summary provided at Appendix A to this report
Corporate	Financial Controls	Grant Application Process (from 2017/18)				✓				
Communities	Financial Controls	Security Services - Use of Imprest (Colston Hall)				✓				
Corporate	Governance	Companies Governance - Oversight			✓					
Adults Children and Education	Risk Management	CRR 16 - Children's and Safeguarding - assurance mapping			✓					
Adults Children and Education	Risk Management	School Places Planning and allocation processes.			✓					
Resources	Financial Controls	Development contributions (s 106 plus)			✓					
Adults Children and Education	Financial Controls	Care Services - Accuracy of Billing			✓					
Adults Children and Education	Projects and Programmes	Embedded assurance - Strengthening Families Transformation			✓					
Resources	Information Security/ICT	IT Project Management Approach (design and security)			✓					
Resources	Information Security/ICT	Privileged Access Management			✓					
Corporate	Financial Controls	Savings Tracker for Change Programme (b/f)			✓					
Corporate	Financial Controls	Directorate Budgetary control (b/f)			✓					
Adults Children and Education	Governance	Three Tier Model (b/f)			✓					
Adults Children and Education	Financial Controls	Direct Payments - Prepayment Cards		✓						
Communities	Risk Management	CRR 10 - Harbour and Harbour Estate	✓							
Corporate	Financial Controls	Corporate Debt Model - Use and effectiveness	✓							
Resources	Financial Controls	Apprentice Levy Account	✓							
Adults Children and Education	VFM/Targeted Savings Identification	Direct Payments - Full Study to include systems, processes and targeted testing. Joint with fraud team	✓							
Corporate	Fraud - Strategic Fraud Risk Management	CIPFA Fraud Survey					✓	**N/A**	N/A	Statistics for national reporting.
Resources	Fraud - Strategic Fraud Risk Management	Transparency Data Reporting - Fraud					✓	**N/A**	N/A	Open data statutory reporting requirement.
Corporate	Fraud - Prevention	Bribery and Corruption Review - Fraud Controls Framework Review			✓					
Corporate	Fraud - Prevention	E learning roll-out			✓					
Corporate	Fraud - Prevention	Fraud Web page updates			✓					
Resources	Fraud - Prevention	Fraud Awareness Training - Benefits Administrators			✓					
Adult, Children and Education	Fraud - Prevention	Education Team Requests			✓					
Corporate	Fraud - Proactive Detection Exercises	NFI Output			✓					
Resources	Fraud - Proactive Detection Exercises	NNDR b/f			✓					
Resources	Fraud - Proactive Detection Exercises	AP Forensics - Accounts Payable fraud testing			✓					
Communities	Fraud - Proactive Detection Exercises	Tenancy Fraud Case work			✓					

Communities	Fraud - Proactive Detection Exercises	Gain work			✓					
Corporate	Fraud Investigation	Fraud hotline management			✓					
Resources	Fraud Investigation	Benefit Fraud casework			✓					
Resources	Fraud Investigation	CTR Casework			✓					
Growth and Regeneration	Fraud Investigation	Blue Badge - on going investigations and publicity			✓					
Communities	Fraud - Proactive Detection Exercises	Key Amnesty (under consultation)		✓						
Communities	Fraud - Prevention	Social Housing Gateway Review (allocations)	✓							
Corporate	Fraud - Proactive Detection Exercises	Continuous Matching/Data Warehouse	✓							
Corporate	Fraud - Proactive Detection Exercises	National Fraud Initiative (NFI) Download	✓							
Adult, Children and Education	Fraud - Proactive Detection Exercises	Direct Payment - Analytical Review & Testing	✓							

C. Certifications

Directorate	Gov, Risk or Internal Control Area		Initial Planning	TOR (Where App.)	In Prog/Ongoing	Complete	Value of Grant Claim
Communities	Financial Controls	NTS Funding and Grant (Scambuster)				✓	£ 300,000
Communities	Financial Controls	NTS Funding and sub Grant (Scambuster)				✓	£ 81,000
Growth and Regeneration	Financial Controls	IF 13 Development of Hengrove				✓	£ 400,000
Growth and Regeneration	Financial Controls	GBVS - GIGABIT				✓	£ 20,574
Communities	Financial Controls	Disabled Facilities Grant				✓	£ 261,339
Growth and Regeneration	Financial Controls	WECA Highways and Capital Grant				✓	£ 7,632,000
Growth and Regeneration	Financial Controls	Pothole Action Grant				✓	£ 218,435
Growth and Regeneration	Financial Controls	Cattle Market Grant				✓	£ 502,225
ACE	Financial Controls	Fututer Bright Programme				✓	£ 27,711
Growth and Regeneration	Financial Controls	WECA Community Transport				✓	£ 886,000
Communities	Financial Controls	Carbon Reduction Commitment (CRC)			✓		£ -
Growth and Regeneration	Financial Controls	TQEZ Jobs				✓	£ -
Growth and Regeneration	Financial Controls	Bristol Temple Quarter Enterprise Zone (TQEZ) RIF 008			✓		£ 7,185,793
Growth and Regeneration	Financial Controls	Local Sustainable Transport Package Grant			✓		£ 970,627
Growth and Regeneration	Financial Controls	URBACT III			✓		
		Total Grants Certified					**£ 18,485,703**

D. Recommendations Follow Up Work Completed:

					Implemented:		Partially Implemented		Not Implemented		Superceeded	Total
Directorate	**Gov, Risk or Internal Control Area**	**Name of Review**	**No. of Recs.**	**Status**	**H**	**M**	**H**	**M**	**H**	**M**		
Resources	Financial Controls	Accounts Receivable	**14**	Complete	1	3	2	7		1		14
Adults & Children Education	Financial Controls	Budgetary Control - People	**8**	Complete	1	4	1	1			1	8
Growth and Regeneration	Financial Controls	Security Services Cash -in- Transit	**6**	Complete		3		3				6
Place	HR and Asset Management	Sale and Disposal of Council Assets, including St Agnes Lodge and POB	**13**	Complete		8		5				13
Corporate	Commissioning and Procurement	Contract Waivers	**6**	Complete		4		2				6
Resources	Information Governance and ICT	Mobile devices	**16**	Complete	1	1		1	6	1	6	16
Resources	HR and Asset Management	HR Process Review	**4**	Complete		4						4
Care and Safeguarding	Financial Controls	Foster care Payments	**3**	Complete				2		1		3
Corporate	Risk Management	Business Continuity	**8**	Complete		1	1	3		3		8
Resources	Fraud - Prevention	Purchase card review	**13**	In Progress								0
Communities	Financial Controls	Housing Benefits	**11**	In Progress								0
		Total Recommendations followed up or in progress	**102**		**3**	**28**	**4**	**24**	**6**	**6**	**7**	**78**

E Adhoc Work Requests/ Consultany & Advice

				Stage of Review				Outcome				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**			**Key Issues arising from the Report**
Resources	Information Governance and ICT	Changes to payment terms					✓	N/A	N/A			Issues around unauthorised changes to contract terms
Resources	Information Governance and ICT	Information Security Policy Review			✓							
Communities	Governance	New Hosing System Project (Advice)			✓							

APPENDIX A - SUMMARIES OF COMPLETED AUDITS

A. CORPORATE

A1 Executive Officer Decision Making

Decision making is a key activity that lies at the core of the Council. Regulations require officers to produce and publish written records of decisions made in connection with the discharge of executive functions. Bristol City Council has established criteria for making and publishing Executive Officer Decisions as:

- Any decision involving a resource commitment of between £100,000 and £499,999 that has not been deemed to be a key decision by virtue of its significant impact on two or more wards. And/or;
- Any decision that meets the below criteria:

  • Those deemed to have significant impact upon one or more specific communities
  • Those deemed to be of high interest to public or councillors.
  • Those that have involved dispute or where a decision is necessary but the evidence has not supported an outright conclusion (e.g. where one or more options could have been implemented but a decision has been necessary and so one options has had to be selected).

The objective of the audit was to provide an opinion on the arrangements in place to ensure Executive Officer Decisions are correctly recorded in line with regulations. Specifically the audit included coverage of the following:

- Compliance with legislative requirements.
- Management policies procedures and processes.
- Guidance and training available to executive officers on decision making, recording and publication.
- Completeness of documentation, recording and publication of decisions.
- Arrangements for monitoring the timeliness of publication and the quality of published records of decisions.

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:

- Guidance and information is available on both 'The Source' and BCC's website for BCC staff and the public, which is in line with the legislation; however this needs to be revised and relaunched to give greater clarity and enhanced profile to the requirements.
- Some decisions were appropriately recorded and published in accordance with the process and guidelines; however this was not consistent, including from a sample, only 2/15 relevant decisions were appropriately published on BCC website.

The audit identified the following **areas for improvement,** for which 6 recommendations were made:

- Guidance should be enhanced to provide examples of what decisions are classed as Executive Officer decisions and need to be published. The decision recording form should include the reason the matter is considered an Executive Officer Decision and the monetary value of the decision if relevant.

- The requirement to record and publish Executive Officer Decisions should be effectively communicated to ensure the requirements are complied with and an escalation process should be put in place where officers fail to comply which includes action where managers fail to comply.
- The procurement process should better link to the requirements for Executive Office Decision recording and publication.
- Clarity is required regarding who is responsible for publication of decisions. (It has since been agreed that the Business Support Officers will hold responsibility for ensuring that decisions recorded are published.)
- The timescales within which decisions must be published should be included within the guidance.
- The number of decisions reported and published should be monitored to provide quarterly assurance to the Monitoring Officer that legal requirements are being complied with.

All recommendations were agreed for implementation.

A2 Corporate and IT Business Continuity Planning Follow Up

The objective of the follow up review was to establish the level of implementation in respect of the eight recommendations made as a result of the original audit in March 2016. Of the eight recommendations, the follow up review concluded that 1 recommendation had been fully implemented, 4 where implementation was in progress and 3 where implementation has not yet commenced.

The key findings from the review were:

- Since the previous audit a more robust framework has been introduced to oversee the Council's arrangements for Business Continuity Planning, but is not fully implemented.

- A new Disaster Recovery partner has been appointed which has delayed a Disaster Recover Exercise occurring; it will now take place in October 2018.

- Risk Registers do not yet fully reflect Business Continuity risks.

- A case for additional resource for the Civil Protection Team will be presented in September 2018.

Recommendations Implemented:

✓ The Corporate Resilience Group endorsed an Annual Business Continuity Exercise which took place on 25 May 2018.

Recommendations Partially Implemented:

- The issue of mobile IT equipment being left in offices will be addressed in guidance to be issued by the end of September 2018.
- Corporate, Directorate and Service Risk Registers are still to incorporate fall back plans as part of management actions to manage Business Continuity risk.
- The creation of Business Continuity Plans and testing will continue until complete across the Council.
- A more robust framework to oversee the Council's arrangements for Business Continuity Planning will continue to be implemented.

Recommendations Not Implemented:

- A Disaster Recovery Exercise cannot take place until October 2018 due to a change in Disaster Recovery partner.
- Failover testing has not occurred.
- Critical Systems checks have still to be undertaken.
- Fall back plans in risk registers are not yet subject to review and challenge.

Timescales for all outstanding recommendations were agreed, with a further follow up on implementation scheduled for the last quarter of this year.

A3 Contract Waivers to Procurement Regulations - Follow Up

The objective of the follow up review was to establish the level of implementation in respect of the six recommendations made as a result of the original audit in January 2016. The review concluded that four recommendations had been fully implemented, with a further two where implementation is in progress.

The key findings from the review were:

- Three waivers, for contract values in excess of EU thresholds, put the Council at risk of challenge and breach of EU Procurement Regulations, due to insufficient evidence to justify urgency beyond the Council's control.

- The reason relied upon in one of the above EU threshold waivers, where the original contract was procured 15 years ago, was that it was in the Council's best interest to award directly. There is, however, no provision in the Public Procurement Regulations that would justify this.

- A high number of waivers still being 'noted' by the Commissioning and Procurement Group (CPG) as authorised retrospectively.

- A high number of waivers still being requested on the grounds of urgency or sole supplier, with insufficient evidence to justify reasons beyond the Council's control, leaving the Council at risk of challenge.

Recommendations Implemented:

✓ Improved CPG tracker evidence trail.
✓ Periodic reports of contract review dates produced and due dates discussed with commissioners by the relevant category manager.
✓ Mandatory field set within ABW to ensure that requisitions will not be authorised without relevant contract number.
✓ Waivers now only progressed if supporting documentation complete.
✓ CPG approval number cross referenced to 'ProContract' record.
✓ Mandatory Procurement E-Learning is now in place for relevant officers.

Recommendations Partially Implemented:

- Where waivers are being requested as a result of poor contract management, and where the Council is being left open to risk of challenge, there should be a clear escalation process, including sanctions.
- The contract where waiver documentation was unavailable is currently being followed up by the Commercial Development Manager.

Timescales for completing the implementation of the recommendations in progress, have been agreed, and will be subject to a further follow up review in the last quarter of 2018/19.

B. ADULTS, CHILDREN AND EDUCATION

B1 Foster Care Payments – Follow Up

The objective of the follow up review was to establish the level of implementation in respect of the three recommendations made as a result of the original audit in September 2017. The follow up review concluded that none of the recommendations had been fully implemented, however there were two recommendations where implementation was in progress and one where implementation has not been achieved.

The key findings from the review were:

- Delays remain in the production of FOSPAY forms.
- The Individual Placement agreement remains unsigned.
- Progress has been made in producing reports more efficiently.

Recommendations Partially Implemented:

- Signed Individual Placement Agreements (IPAs) should be put in place for each placement.
- More efficient financial reporting (due date April 2018).

Recommendations Not Implemented:

- FOSPAY forms to be completed in a timely manner when a child moves from an in-house foster carer to agency.

Timescales for completing the implementation of the recommendations in progress and those outstanding, have been agreed, and will be subject to a further follow up review in the last quarter of 2018/19.

C. COMMUNITIES

C1 Planned Maintenance

Planned Maintenance is the collective term for major repairs and improvements to BCC's housing stock. This includes improvements such as installation of new central heating, fitted kitchens, windows, wiring, etc. as they reach the end of their useful life, as well as repairs to the outside of the properties. Planned maintenance is a proven and cost-effective way to maximise and retain the value and extend the life cycle of the housing stock and to provide good living conditions for the residents, as part of the Decent Homes standard.

The objective of the assignment was to provide an independent opinion on the adequacy and effectiveness of the policy, procedures and controls in place at BCC to address the key risks in relation to Planned Maintenance arrangement for housing stock. Specifically, the audit reviewed:

- Management policies and procedures and processes
- Existence, approval, completeness and review of the Planned Maintenance Programme
- Implementation of the Planned Maintenance Programme
- Monitoring of delivery of the Planned Maintenance Programme regarding budget and quality
- Reporting to DLT, SLT and members.

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 is a rolling 30 year Housing Planned Maintenance programme.
- There is a Service Plan and policies in place to support the delivery of Planned Maintenance service and business objectives.
- There is a computerised property register/asset management system – Keystone, and a housing management system – Northgate; the two systems are being migrated into one single system, although implementation has been delayed.
- Statutory and Health & Safety inspections (e.g. Gas Servicing, Lift Maintenance, Fire Safety Testing) are regularly undertaken.
- Planned Maintenance capital and revenue performance and budgets are regularly monitored and reported quarterly to the Housing Services Leadership Team (HSLT) and also to the relevant Cabinet member.

The audit also identified **areas for improvement**, for which 12 recommendations were made, including:

- A summary analysis explaining the reasons for non-completion of works is not produced at year end.
- Issues surrounding gaining access to properties to progress repairs need to be reviewed.
- The need for increased monitoring of failed/successful visits.
- No indication that a management report was run on failed visits and the length of time taken to rebook.
- Reliability of quarterly performance reports.
- The need to formalise a risk based approach to properties surveys.
- Inclusion of property maintenance risks in the Communities Risk Register and the lack of a fraud risk register.

All recommendations were agreed for implementation within appropriate timescales.

D. GROWTH AND REGENERATION

D1 Car Parking Income

The Council manages all its own public car parks and on street parking. There are 781 payment machines of which 11 are pay stations in three multi storey car parks that take payments in cash and cashless methods. The Parking Service uses BCC Security Services to collect cash income under a Service Level Agreement (SLA).

The objective of the audit was to provide an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and internal controls regarding the car parking income systems. Specifically, the audit reviewed:

- Governance, including reporting
- Policies and procedures
- Risk management
- Fraud prevention
- Income generation and KPI's
- Internal Controls and Reconciliations
- Collection
- Banking
- Insurance.

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 were generally adequate internal control arrangements; however, the testing did identify that vault tickets that identified the cash collected from the pay stations' cash tins were not always available.
- There were adequate insurance arrangements.

The audit also identified **areas for improvement**, for which 11 recommendations were made, which included:

- Failure to record the risks associated with parking services cash collection, including the identification of fraud risks;
- Service Level Agreements (SLAs) with customers are required to be updated on an annual basis, however this was not the case, additionally the SLAs did not have benchmarking KPIs;
- Failure to investigate income variances;
- Out of Date tariffs, resulting in loss of income;
- Lack of current procedures manual for the collection and reconciliation of parking income.

All recommendations were agreed for implementation within appropriate timescales.

D2 Sale and Disposal of Assets – Follow Up

The objective of the follow up review was to establish the level of implementation in respect of the thirteen recommendations made as a result of a number of audits completed during 2016/17. The follow up review concluded that eight recommendations had been fully implemented, with a further five where implementation is in progress.

The key findings from the review were:

- All recommendations reported as 'Partially Implemented' relate to good practice in sale procedures and maintaining adequate records to establish these have been followed. While these have been evidenced in our sample checks, further action is needed to incorporate the procedures formally in the Corporate Land Policy and revised Scheme of Delegations.

- The reviews highlighted the imperative need of Case management software to hold on record all documents relating to a property sale. Documents relating to negotiations of contract terms, revisions of terms of sale and offers received are considered critical to be able deal with challenges on best consideration and establish the justification of decisions made.

Recommendations Implemented:

- ✓ Authorisation of contract price revisions and deviations on exchanged contracts.
- ✓ Process clarity on contract price revisions.
- ✓ Revaluation of assets beyond six months.
- ✓ Familiarisation with Money-laundering policy.
- ✓ Minutes of meeting not recorded.
- ✓ Recording of Declaration of Interests.
- ✓ Meeting panel and scoring.
- ✓ Recording of bid scores.

Recommendations Partially Implemented:

- Updating of Corporate Land policy and Surplus Land procedures.
- Recording Heads of Terms of Contract.
- Recording of contract negotiations details.
- Demonstrating best practice applied and best consideration received.
- Recording waivers to Procurement regulations.

Timescales for completing the implementation of the recommendations in progress, have been agreed, and will be subject to a further follow up review in the last quarter of 2018/19.

E RESOURCES

E1 Mobile Devices – Follow Up

The object of the follow up review was to establish the level of implementation in respect of the sixteen recommendations made as a result of the original audit in November 2015. The follow up review was completed at a time when the ICT Future State assessment had been undertaken and ICT improvement plans determined. It was confirmed that six of the original recommendations were superseded by the ICT improvement plans which will see them negated or resolved, i.e.:

- Three recommendations to improve IT Asset Management
- Processes around de-commissioning of assets.
- Implementation of security incident and event management solution.
- Consideration of technologies to ensure that non-council devices cannot connect to the network.

Of the remaining ten recommendations, two had been fully implemented, one had been partially implemented but for seven recommendations, implementation had not yet commenced.

Recommendations Implemented:

- ✓ As at April 2018, 99% of online users had completed the ICT Security training.
- ✓ User based certification to authenticate access to the wireless network had been implemented.

Recommendations Partially Implemented at the time of the review:

- Procedural documentation and guidance had been developed to reflect new agile working arrangements however, procedures have yet to be developed to confirm that users are aware of the requirements.

Recommendations Not Implemented:

- Control procedures to be followed when mobile devices are reported lost or stolen had not been developed to ensure the security risk is minimised.
- A goods received process had yet to be developed to ensure that all purchases can be accounted for.
- Procedures which clarify management responsibilities for IT equipment had not been developed.
- The IT Security Guide had yet to receive annual review. Issue of the guide to new users upon issue of equipment to them had not been implemented.
- Procedures for testing of 'wipe' commands (e.g. when equipment is lost/stolen/ decommissioned) had not been developed and implemented.
- IT health checks for laptops and I pads had not been implemented.
- An IT risk register did not reflect the risks identified in this report.

Timescales for all outstanding recommendations were agreed, with a further follow up on implementation scheduled in 2018/19.

Audit Committee

18th September 2018

Report of: Interim Chief Internal Auditor

Title: Peer Review Implementation Update

Ward: City-Wide

Officer Presenting Report: Jonathan Idle - Interim Chief Internal Auditor

Recommendations
That the Committee:

1. Note the progress on the implementation of the recommendations from the Peer Review.

Summary

The Internal Audit Service was externally reviewed against the Public Sector Internal Audit Standards (PSIAS) in line with professional requirements. The assessment concluded that Bristol City Council's Internal Audit Service "Generally Conforms" with the requirements of the Standards. This report highlights the status of the implementation of the recommendations contained in the Peer Review.

The significant issues in the report are:
- As at September 3rd 2018, 43% of the recommendations had been implemented with a further 46% in progress.

Policy

The external review of the Internal Audit function once every five years is a requirement of the Public Sector Internal Audit Standards (PSIAS) which are mandatory for the Internal Audit service within Bristol City Council.

Consultation

1. **Internal**

Interim Chief Internal Auditor, S151 officer, Corporate Leadership Board, Cabinet member for Finance, Governance & Performance, Audit Committee.

2. **External**

Not Applicable.

3. **Context**

In April 2013, a new set of Public Sector Internal Audit Standards (PSIAS) became effective. These standards apply to the Internal Audit function in all parts of the public sector in the UK and are mandatory. Within the PSIAS there is a requirement for an independent external review of the internal audit function once every five years. In order to address this requirement, the Core Cities Chief Internal Auditors Group set up a peer review process, managed by the constituent members, to provide the external reviews.

The purpose of the external review was to establish compliance with the PSIAS, ensure that governance is embedded within the service and identify areas where further improvement was required, thereby ensuring that the service is fit for purpose and free from any influencing factors which may impact on its independence.

The Peer Review was undertaken by the Chief Internal Auditor from Sheffield City Council and reported in February 2018. The outcome of the Review was reported in full to the Audit Committee in March 2018 and concluded that "*BCC's Internal Audit Service* ***Generally Conforms*** *with the requirements of the Public Sector Internal Audit Standards*. "The Internal Audit Service was assessed against 342 Standards, of which the reported outcome was:

- 84% Fully Conformed
- 98% Fully / Partially Conformed

Areas were identified for improvement and the key themes are summarised as:

- The role of Internal Audit in the Council's Risk Management process and its impact upon independence (Recommendations 1 & 16).
- Training and Appraisals (Recommendations 5-9 & 11).
- Working Papers (Recommendations 18 & 21).
- Reporting Format (Recommendations 2 & 24).
- Other Processes (Recommendations 13 & 19).

The Peer Review identified 28 recommendations, which if implemented, would further increase the level of conformity with the PSIAS and enhance the service.

4. **Update on Implementation**

The status of implementation of the 28 recommendations is set out in Appendix A.

In summary, as at September 3rd 2018:

- 43% complete (12 recommendations)
- 46% in progress (13 recommendations)
- 11% not complete. (3 recommendations)

5. **Proposal**

That the Committee note progress on the implementation of recommendations from the Peer Review.

6. **Other Options Considered – N/A**

7. **Risk Assessment –N/A**

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 A –Peer Review Implementation Update September 2018**

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

- Public Sector Internal Audit Standards
- Local Government Application Note for UK Public Sector

Peer Review Report Observations	Recommendations	Update –September 2018
Whilst the Internal Audit Charter acknowledged that the team was not organisationally independent and safeguards were described that would go some way to mitigate any perceived or actual conflict of interest, testing confirmed that to date there have been no independent assurance reviews of risk management commissioned.	**Recommendation 1:** It was stated that the role of IA with regards to risk management and governance was being considered with a view to the responsibility being moved out of Internal Audit leaving it free to provide scrutiny and challenge as appropriate. It is recommended that this review be concluded and the safeguards required to maintain the independence of the service be embedded.	**Status: Complete** **Comment:** The responsibility for Risk Management now lies with the Interim Head of Risk and Insurance. In respect of the role undertaken by Internal Audit in the compilation of the Council's Annual Governance Statement, it has been agreed that in the absence of alternative provision, experience and expertise within the Council, Internal Audit will continue to undertake this core Council activity. In relation to the Health and Safety responsibilities previously undertaken on behalf of the Finance Department, this has been reviewed and Internal Audit will no longer be required to undertake such tasks.
Threats to objectivity at a functional level were identified because of the role of Internal Audit in risk management and governance (see above). It was further noted that the periodical rotation of assurance assignments between staff was naturally occurring as there had been continual movement in staffing in the service; however no formal staff rotation policy was in place.	**Recommendation 2:** As recommended above, safeguards should be developed and embedded to maintain functional independence. For specific audit assignment an independence statement should be included within the Terms of Reference and Draft and Final reports to confirm there is no conflict of interest for the auditor performing the review.	**Status: In Progress** **Comment:** The various report templates and Terms of Reference are currently being updated in relation to independence statements with an expected completion date prior to the November Audit Committee.

Peer Review Report Observations	Recommendations	Update –September 2018
The CAE is at a 3rd Tier - Head of Service level which can impact on the influence they have on the rest of the organisation. In practice, however, the Chief Internal Auditor regularly attends Leadership Team meetings and provides constructive challenge.	**Recommendation 3:** The position of the CAE would be enhanced by the formalisation of Internal Audit attendance at SLT/DLT etc.	**Status: Complete** **Comment:** The Chief Internal Auditor and Head of Internal Audit regularly attend the Corporate Leadership Board, Statutory & Policy Board and Directorate EDM's.

Peer Review Report Observations	Recommendations	Update –September 2018
The Board (Audit Committee) does not approve the internal audit budget.* * denotes generally accepted practice within the sector	**Recommendation 4:** The Audit Committee should determine whether it is satisfied with the current arrangements for approving the Internal Audit budget.	**Status: Complete** **Comment:** The Audit Committee approves the resources for delivery of assurances but not the budget per se and can make recommendations to senior management if it considers resources are insufficient. Additionally, members can propose a budget amendment as part of the budget setting process should they consider appropriate.
The Heads of Internal Audit have not had a performance appraisal for a number of years. The Chief Executive or equivalent does not undertake, countersign, contribute feedback to or review the performance appraisal of the CAE * The Chair of the Audit Committee does not contribute to feedback to the performance appraisal of the CAE.*	**Recommendation 5:** Identified as part of self-assessment. As a minimum, the Heads of Internal Audits should have an annual performance appraisal undertaken. Consideration should be given to method for obtaining feedback from the Head of Paid Service and Chair of the Audit Committee	**Status: Complete** **Comment:** Performance Appraisals for the Head of Internal Audit have been undertaken.
A draft Training Strategy for the Finance Service has been produced which focusses on professional qualifications only. A skills review within Internal Audit is to be undertaken by the Chief Internal Auditor as part of the Improvement Plan to ensure the service has the correct skills, knowledge and competence to perform its responsibilities.	**Recommendation 6:** As outlined in the Improvement Plan, the skills review should be undertaken by the Chief Internal Auditor.	**Status: In Progress** **Comment:** The Skills Review is in progress with the intention of identifying how gaps in skills and knowledge will be addressed.

Peer Review Report Observations	Recommendations	Update –September 2018
All auditors do not currently have sufficient knowledge of computer assisted audit techniques. This has arisen as experienced staff have left the services.	**Recommendation 7:** Identified as part of self-assessment. Training in this area is planned, and should be rolled out as appropriate.	**Status: Not Complete** **Comment:** The completion of this action was planned for the end of November 2018 and is part of a wider review of Training Strategy and needs of the section. Computer assisted audit training (CAAT) is ongoing within the team, for example in data analytics, but requires acceleration and the identification of specific CAAT training needs will be prioritised.
Whilst internal auditors have had an annual appraisal and mid-year review, objectives and targets for the 17/18 financial year were not established.	**Recommendation 8:** Identified as part of the self-assessment. Targets should be established for the all auditors going forward. Performance against targets should be monitored throughout the year.	**Status: Complete** **Comment:** Objectives and targets have been set for the section and for individuals.
Professionally qualified staff are responsible for meeting their own professional body requirements. A Training Strategy for the team is not in place.	**Recommendation 9:** Following the outcome of the Skills Review and the establishment of performance targets, a training strategy should be formulated to guide the future development of the team.	**Status: In Progress** **Comment:** Work has commenced on the Training Strategy and includes an assessment of current staffing needs following individual performance reviews undertaken.

Peer Review Report Observations	Recommendations	Update –September 2018
		The Training Strategy will be completed incorporating skill needs for all differing roles within the team and differentiate between organisational and professional training expectations.
Compliance with routine quality monitoring processes was not consistently demonstrated.	**Recommendation 10:** Consideration should be given to re-introducing the quality control checklist to ensure Audit Managers clearly demonstrate compliance with the review process.	**Status: In Progress** **Comment:** Quality control has been reviewed and will be shared with management and the Assurance Team with an expected completion date prior to the November Audit Committee.
Whilst performance monitoring was undertaken, the Chief Internal Auditor confirmed that the current suite of PI's were outdated and needed refreshing.	**Recommendation 11:** The performance targets for Internal Audit should be refreshed in line with the wider corporate performance review and in consultation with appropriate parties. Once the performance target refresh has been undertaken, the new suite of PI's should be regularly monitored and reported.	**Status: Complete** **Comment:** Performance Targets have been refreshed for 2018/19 and submitted to the Audit Committee.

Peer Review Report Observations	Recommendations	Update –September 2018
The self-assessment identified a non-conformance in respect of the risk based plan taking into consideration the Council's assurance framework. It is acknowledged that a number of attempts have been made to develop an assurance framework for the Council but this has not been achieved. The PSIAS requires that an assurance mapping exercise is undertaken as part of identifying and determining the approach to using other sources of assurance.	**Recommendation 12:** Within the Improvement Plan there is an agreed action to progress assurance mapping for the Council. The approach to using other sources of assurance and any work that may be required to place reliance upon those sources should be further developed as part of the assurance mapping exercise.	**Status: In Progress** **Comment:** As planned, Assurance mapping has commenced on a phased and pilot basis and incorporated when undertaking risk based audits on the Corporate Risk Register.
Whilst procedures were agreed to guide the internal audit activity, these were not fully documented in the form of an audit manual and/or use of an electronic management system. This has led to variations in application and thus inconsistencies in areas such as working papers and file storage.	**Recommendation 13:** Documented procedures should be developed to guide staff in performing their duties in a manner that conforms to the PSIAS.	**Status: Not Complete** **Comment:** The completion of this action was planned for the end of November 2018 and can be completed following the implementation of other recommendations.
The Chief Internal Auditor identified that liaison between internal and external audit was very limited. It is acknowledged that the External Auditors do attend the audit committee meetings and so are updated on the planned work of the team, however regular liaison meetings do not occur.	**Recommendation 14:** It is anticipated that these will be reinstated when the new EA providers are engaged.	**Status: Complete** **Comment:** Planning and Liaison meetings with the Council's new External Auditor have commenced and a schedule of meetings has been established.

Peer Review Report Observations	Recommendations	Update –September 2018
A new approach to following-up audit recommendations has been devised to monitor implementation of high and medium priority recommendations. The Head of Internal Audit acknowledged however that the follow-up programme was behind schedule due to reduced resources.	**Recommendation 15:** Resources to conduct the new follow-up process should be established, with the results reported to DLT and SLT's.	**Status: Complete** **Comment:** This was a short-term issue only at the time of the Peer Review and resources are allocated for the Follow Up Programme.
Due to the role of Internal Audit in risk management, it is difficult to assess how the service could evaluate the effectiveness of the organisation's risk management processes.	**Recommendation 16:** The role of the Internal Audit team in the risk management process should be formally reviewed and appropriate safeguards introduced to protect independence. An option would be the implementation of the proposed external reviews of risk management.	**Status: Complete** **Comment:** The responsibility for Risk Management now lies with the Interim Head of Risk and Insurance.
Testing established that Audit Managers are not required to demonstrate approval of engagement work programmes as part of their quality review, and instead the issuing of the Terms of Reference by the manager was considered sufficient.	**Recommendation 17:** The quality review checklist recommended above should incorporate a requirement for approval of the engagement work programme to be demonstrated.	**Status: In Progress** **Comment:** Quality control has been reviewed and will be shared with management and the Assurance Team with an expected completion date prior to the November Audit Committee.

Peer Review Report Observations	Recommendations	Update –September 2018
From a review of four audit assignments, there was insufficient detail within the working papers of three assignments to fully demonstrate that conclusions within the reports had been based on sufficient analysis and evaluation.	**Recommendation 18:** Consistent completion of the working papers, particularly the RCES, should be undertaken to ensure that all conclusions within the audit reports are adequately supported by documented testing.	**Status: In Progress** **Comment:** While working paper processes had been inconsistent, audit reports issued are soundly based and occur after discussion and scrutiny of findings by relevant managers receiving the reports. Expectations and standards for consistent working papers are being reviewed and will be shared with management and the Assurance Team with an expected completion date prior to the November Audit Committee.
The methodology used to file and store audit assignment working papers was not consistently applied. For 2 files sampled, the Head of Internal Audit was unable to immediately locate the working paper file and had to contact the auditor who had performed the review for assistance.	**Recommendation 19:** File storage protocols should be documented and adhered to for all types of engagement record.	**Status: Not Complete** **Comment:** The completion of this action was planned for the end of November 2018.

Peer Review Report Observations	Recommendations	Update –September 2018
The standard requires that all engagements are properly supervised and whilst it was stated that an agreed approach existed, this was not consistently applied. With one of files reviewed, the working papers had not been fully completed and this had not been raised as part of the quality review by the Audit Manager.	**Recommendation 20:** The approach to undertaking and document the quality review by the Audit Manager should be evaluated to ensure it meets the requirements of the PSIAS. If necessary, the checklist of requirements should be reintroduced.	**Status: In Progress** **Comment:** Quality control has been reviewed and will be shared with management and the Assurance Team with an expected completion date prior to the November Audit Committee.
The review of four audit assignments identified that the working papers for three of these were not sufficiently completed and detailed to enable another experience internal auditor, with no previous connection with the audit, to ascertain what work was performed, to re-perform it and if necessary to support the conclusions reached.	**Recommendation 21:** As above, consistent completion of the working papers, particularly the RCES, should be undertaken to ensure that all conclusions within the audit reports are adequately supported by documented testing.	**Status: In Progress** **Comment:** While working paper processes had been inconsistent, audit reports issued are soundly based and occur after discussion and scrutiny of findings by relevant managers receiving the reports. Expectations and standards for consistent working papers are being reviewed and will be shared with management and the Assurance Team with an expected completion date prior to the November Audit Committee.

Peer Review Report Observations	Recommendations	Update –September 2018
The working paper which was in place to demonstrate the supervision and review of an audit engagement by an Audit Manager was not always completed. In addition, the checklist of items that should be checked/reviewed as part of the quality monitoring was no longer in use.	**Recommendation 22:** As above, the approach to undertaking and document the quality review by the Audit Manager should be evaluated to ensure it meets the requirements of the PSIAS. If necessary, the checklist of requirements should be reintroduced.	**Status: In Progress** **Comment:** Quality control has been reviewed and will be shared with management and the Assurance Team with an expected completion date prior to the November Audit Committee.
As a consequence of the findings identified from the assignment working paper reviews, there is a risk that that reports do not disclose all material facts, or that the opinions are not supported by sufficient, reliable, relevant and useful information. Whilst testing did not identify material omissions, the lack of consistency with working paper completion and quality review processes increases the risk that this may occur.	**Recommendation 23:** See recommendations above to ensure complete, detailed working papers are maintained.	**Status: In Progress** **Comment:** While working paper processes had been inconsistent, audit reports issued are soundly based and occur after discussion and scrutiny of findings by relevant managers receiving the reports. Expectations and standards for consistent working papers are being reviewed and will be shared with management and the Assurance Team with an expected completion date prior to the November Audit Committee.

Peer Review Report Observations	Recommendations	Update –September 2018
Audit reporting at Bristol City Council is by exception. The standards encourage internal auditors to acknowledge satisfactory performance in engagement communications. Interviews with key officers confirmed the audit reports have improved in recent months and further reviews of the report formats are planned as part of the Improvement Plan.	**Recommendation 24:** Identified as part of self-assessment. To be considered as part of the review of report formats.	**Status: In Progress** **Comment:** The various report templates are currently being updated an expected completion date prior to the November Audit Committee.
The self-assessment has identified an area of partial conformance surrounding the timeliness of the audit communications.	**Recommendation 25:** Chief Internal Auditor and Audit Committee to determine any actions arising.	**Status: Complete** **Comment:** A new performance measure will monitor the length of the audit process and this will be measured, monitored and reported to the Audit Committee in 2018/19.
The annual internal audit report generally incorporates the requirements of the PSIAS, however the self-assessment identified that the results of the QAIP together with progress against any improvement plans resulting from the QAIP, were not fully covered.	**Recommendation 26:** The annual internal audit report should incorporate the results of the QAIP, together with progress against any improvement plans resulting from the QAIP.	**Status: Complete** **Comment:** The QAIP was approved by the Audit Committee in November 2017 and annual performance was reported to the Audit Committee in May 2018.

Peer Review Report Observations	Recommendations	Update –September 2018
Whilst the annual report included a summary of performance of the internal audit activity against its performance measures and targets, the Chief Internal Auditor has acknowledged that the suite of PI's need to be refreshed.	**Recommendation 27:** Once the refresh of the PI's has been completed (see previous recommendation), the annual report should include a summary of performance against these measures.	**Status: In Progress** **Comment:** Performance measures were refreshed for 2018/19 but this recommendation cannot be fully implemented until the Annual Internal Audit report for 2018/19 is submitted to the Audit Committee in May / June 2019.
The Head of Internal Audit confirmed that the follow-up programme of work is behind schedule due to resourcing constraints, and so the assessment has been changed to a partial conformance.	**Recommendation 28:** Plans should be developed to progress the follow-up work programmed.	**Status: Complete** **Comment:** As per Recommendation 15, this was a short-term issue only at the time of the Peer Review and resources are allocated for the Follow Up Programme.

Audit Committee

18th September 2018

Report of: Service Director: Finance

Title: Treasury Management Annual Report 2017/18

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 2017/18, 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 2017-2022 Treasury Strategy identified a medium term borrowing requirement of £450m 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 (£64m at March 2018).
- The Council's long term debt at 31 March 2018 was £431m with an average annual interest rate of 4.68%.
- Investments were £64m at the 31 March 2018 with an average annual interest rate of 0.44%.

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

Link Asset Services – 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 2017/18 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 Quentin Baker - Interim 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 2017/18

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

None

Appendix A

Treasury Management Annual Report 2017/18

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 borrowing, 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 2017/18

5. **UK.** During the year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised with strong growth in the second half of 2016, growth in 2017 was weak in the first half of the year; quarter 1 came in at +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y), which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, increasing the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up in quarter 3 to 0.5% before dipping to 0.4% in quarter 4.

6. Consequently, market expectations during the autumn rose that the MPC would be heading in the direction of raising Bank Rate. The **MPC meeting of 14 September** provided a shock to the markets with a sharp increase in tone in the minutes where the MPC considerably hardened their wording in terms of a raise in Bank Rate very soon. The **2 November MPC quarterly Inflation Report meeting** delivered on this by withdrawing the 0.25% emergency rate cut which had been implemented in August 2016. Market debate then moved on as to whether this would be a one and done move for maybe a year or more by the MPC, or the first of a series of increases in Bank Rate over the next 2-3 years. The MPC minutes from that meeting were viewed as being dovish, i.e. there was now little pressure to raise rates by much over that time period. In particular, the GDP growth forecasts were weak while there was little evidence of pressure on wage increases despite the low unemployment. The MPC forecast that CPI would peak at about 3.1% and chose to look through that breaching of its 2% target as this was a one off result of the devaluation of sterling caused by the result of the EU referendum. The inflation forecast showed that the MPC expected inflation to come down to near the 2% target over the two to three year time horizon meaning cooling expectations of further action to raise Bank Rate over the next two years.

7. However, GDP growth in the second half of 2017 came in stronger than expected, while in the new-year there was evidence that wage increases had started to rise. The **8 February MPC meeting** minutes therefore revealed another sharp hardening in MPC warnings focusing on a reduction in spare capacity in the economy, weak increases in productivity, higher GDP growth forecasts and a shift of their time horizon to focus on the 18 – 24 month period for seeing inflation come down to 2%. (CPI inflation ended the year at 2.7% but was forecast to still be just over 2% within two years.) This resulted in an increase in expectations that there would be another Bank Rate in 2018 and a bringing forward of the timing of subsequent increases in Bank Rate. This shift in expectations resulted in **investment rates** from 3 – 12 months increasing sharply during the spring quarter.

8. **PWLB borrowing rates** increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 25 basis points for much of the year), compared to **US**. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Fed raising rates by 0.25% in June, December and March. The effect of these increases was greater in shorter terms around 5 year, rather than longer term yields.

9. **Equity markets**, the FTSE 100 hit a new peak near to 7,800 in early January before there was a sharp sell-off in a number of stages during the spring, replicating similar developments in US equity markets.

10. The major UK landmark event of the year was the inconclusive result of the **general election** on 8 June. However, this had relatively little impact on financial markets. However, **sterling** did suffer a sharp devaluation against most other currencies, although it has recovered about half of that fall since then. Brexit negotiations have been a focus of much attention and concern during the year but so far this has been progressing.

11. **Manufacturing sector** has been the bright spot in the economy, seeing stronger growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, the manufacturing sector only accounts for around 11% of GDP so expansion in this sector has a

much more muted effect on the average total GDP growth figure for the UK economy as a whole.

12. **EU.** Economic growth in the EU, (the UK's biggest trading partner), was lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of quantitative easing to stimulate growth. However, growth eventually picked up in 2016 and subsequently gathered further momentum to produce an overall GDP figure for 2017 of 2.3%. Nevertheless, despite providing this massive monetary stimulus, the ECB is still struggling to get inflation up to its 2% target and in March, inflation was still only 1.4%. It is, therefore, unlikely to start an upswing in rates until possibly towards the end of 2019.

13. **USA.** Growth in the American economy was volatile in 2015 and 2016. 2017 followed that path again with quarter 1 at 1.2%, quarter 2 3.1%, quarter 3 3.2% and quarter 4 2.9%. The annual rate of GDP growth for 2017 was 2.3%, up from 1.6% in 2016. Unemployment in the US also fell to the lowest level for 17 years, reaching 4.1% in October to February, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has been the first major western central bank to start on an upswing in rates with six increases since the first one in December 2015 to lift the central rate to 1.50 – 1.75% in March 2018. There could be a further two or three increases in 2018 as the Fed faces a challenging situation with GDP growth trending upwards at a time when the recent Trump fiscal stimulus is likely to increase growth further, consequently increasing inflationary pressures in an economy which is already operating at near full capacity. In October 2017, the Fed also became the first major western central bank to make a start on unwinding quantitative easing by phasing in a gradual reduction in reinvesting maturing debt.

14. **Chinese economic growth** has been weakening over successive years, despite repeated rounds of central bank stimulus and medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Treasury position as at 31 March 2018

15. The table below indicates the balance of borrowing and investments at the beginning and end of the year and average borrowing cost and investment returns for each period:

	31 March 2017		**31 March 2018**	
	£m	**Average Rate %**	**£m**	**Average Rate %**
Long Term Debt (fixed rates) - PWLB	311	5.09	311	4.92
Long Term Debt (fixed rates) – LOBOS	100	4.11	100	4.11
Long Term Debt (fixed rates) – Market	23	4.24	20	3.84
Short Term Borrowing	-	-	-	-
Total borrowing	**434**	**4.81**	**431**	**4.68**
Investments	70	0.57	64	0.44
Net Borrowing Position	**364**		**367**	

16. The total borrowing excludes accrued interest of £5m (£5m at 31/3/17) and the outstanding finance on PFI and service contracts of £140m at 31 March 2018 (£146m at 31/3/17).

17. The authority also has long term service investments costing £36m primarily relating to the holdings in Bristol Holdings Company (£23m), Bristol Port Company (£3m) and a property fund to support Homelessness (£10m).

18. The Net debt has increased by £3m from £364m to £367m primarily due to;
    - Funding of the capital programme financed by borrowing +£44m
    - Net increase of reserves (£55m)
    - Other changes to working capital / provisions +£14m

Long Term Borrowing – Strategy and outturn

19. The 2017–2022 Treasury Strategy (approved 21st February 2017) identified a medium term borrowing requirement of £450m 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 £450m was planned to be borrowed in the following periods, 17/18 - £130m, 18/19 - £140m, 19/20 - £90m, 20/21, £50m and 21/22 - £40m.

20. The Council's Strategy is also to defer borrowing while it has significant levels of liquid treasury investments, £64m at March 2018 (£70m at March 2017). 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 2017/18 Treasury Management Strategy approved by Council 21st February 2017).

    https://democracy.bristol.gov.uk/documents/s11926/Appendix%204%20Treasury%20Management%20Strategy%20201718.pdf

21. Borrowing activity in year was in accordance with the Strategy approved at the beginning of the year**:**

    - **Borrowing** – No 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 2017/18. 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 £253m penalty to repay the PWLB loans (£311m) early as at 31st March 2018.

Annual Investment Strategy and Outturn

22. Investment rates for 3 months and longer have been on a rising trend during the second half of the year in the expectation of Bank Rate increasing from its floor of 0.25%.

23. Bank Rate was raised from 0.25% to 0.50% on the 2nd November 2017 and remained at that level for the rest of the year, with further increases expected over the next few years. Deposit rates continued into the start of 2017/18 at previous depressed levels due, in part, to a large tranche of cheap financing being made available under the Term Funding Scheme to the banking sector by the Bank of England; this facility ended on the 28th of February 2018.

24. 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.).

25. Investments held by the Council - the Council maintained an average balance of £94m (£146m 2016/17) of internally managed funds. The internally managed funds received an average return of 0.44% (0.57% 2016/17). The comparable performance indicator is the average 7-day LIBID rate, which was 0.22%.

Compliance with Treasury Limits and Treasury Related Prudential Indicators

26. 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 2017/18

27. 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.

28. The following performance indicators have been set:
    - Debt – Average rate movement, noting no borrowing undertaken during the year.
    - Investments – Internal returns above the 7 day LIBID rate
    - Average rate for the year 0.44% vs. annual average 7 day LIBID of 0.22%

Consultation and scrutiny input

29. The report has been discussed with the Council's external treasury management advisers and internally with Strategic & Service Directors, and Deputy Mayor – Finance, Governance & Performance.

Risk Assessment

30. 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:

31. 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

32. There are no proposals in this report which have environmental impacts

Legal and Resource Implications

33. 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 Quentin Baker (Interim Service Director: Legal and Democratic Services)

Financial

(a) Revenue

34. 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

35. There is no direct capital investment implications contained within this report.

Land

36. There are no direct implications for this report.

Personnel

37. There are no direct implications for this report.

Appendices:

Appendix 1: Treasury Management Annual Report 2017/18

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

38. Treasury Management Strategy 2017/18

https://democracy.bristol.gov.uk/documents/s11926/Appendix%204%20Treasury%20Management%20Strategy%20201718.pdf

Appendix 1

Annual Report on the Treasury Management Service 2017/18 (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 2017/18

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.

	2016/17 Actual £m	2017/18 Original Budget £m	2017/18 P10 - Final Budget £m	2017/18 Actual £m
Non-HRA capital expenditure	147	173	114	104
HRA capital expenditure	49	41	34	32
Total capital expenditure	**196**	**214**	**146**	**136**
Resourced by:				
Capital receipts	15	3	5	6
Capital grants	62	39	40	45
HRA Self Financing	34	25	25	24
Prudential borrowing	67	130	59	44
Revenue	18	17	17	17
Total Resources	**196**	**214**	**146**	**136**

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 2017/18 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 2017/18 MRP Policy (as required by CLG Guidance) was approved on the 17th February 2017.

9. 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 2017 Actual £m	General Fund 31 March 2018 Actual £m	HRA 31 March 2017 Actual £m	HRA 31 March 2018 Actual £m	Total CFR 31 March 2018 Actual £m
Opening balance	**489**	**543**	**245**	**245**	**788**
Add unfinanced capital expenditure (as above)	67	44	-	-	44
Less MRP/VRP	(8)	(3)	-	-	(3)
Less PFI & finance lease repayments	(5)	(6)	-	-	(6)
Closing balance	**543**	**578**	**245**	**245**	**823**

Treasury Position at 31 March 2018

10. 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).

11. 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 2017		31 March 2018	
	Principal £m	**Average Rate %[2]**	**Principal £m**	**Average Rate %[2]**
Fixed Interest Rate Debt	311	5.09	311	4.92
Variable Interest Rate Debt	-	-	-	-
Market Debt – LOBO[1]	100	4.11	100	4.11
Market Debt	23	4.24	20	3.84
PFI / Service Contracts	146	-	140	-
Total Debt	**580**	**4.81**	**571**	**4.68**
Debt administered of behalf of Unitary Authorities (Ex Avon Debt)	(46)	-	(44)	-
Revised Debt	534	4.81	527	4.68
Capital Financing Requirement	788		823	
Over/(Under) borrowing	(254)		(296)	
Investment position				
Investments (Fixed & Call)	70	0.57	64	0.44
Net borrowing position (excl leasing arrangements)	**364**	**-**	**367**	**-**

1 Lender option Borrower option, 2 reflects the average rate for the year taking account of new loans and repayments.

12. 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 2017 £m**		**31 March 2018 £m**	
	Principal £m	**Average Rate%**	**Principal £m**	**Average Rate%**
General Fund	194	4.96	193	4.68
HRA	240	4.69	238	4.68
Total	434	4.81	431	4.68

13. The maturity structure of the debt portfolio (excluding accrued interest) was as follows:

	Approved Min Limit%	**Approved Max Limit%**	**31 March 2017**		**31 March 2018**	
			Actual £m	**%**	**Actual £m**	**%**
Under 12 Months	0	20	3	1	-	-
1 to 2 years	0	20	-	-	-	-
2 to 5 years	0	40	10	2	15	3
5 to 10 years	0	40	37	9	49	11
10 years and over	25	100	384	88	367	86
Total			**434**	**100**	**431**	**100**

14. 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.

15. 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.

16. 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, did not undertake further borrowing while the authority maintained higher levels of investments than originally anticipated. This was due to a variety of reasons including the time taken to progress capital schemes where the source of financing was external borrowing.

17. If it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than expected, perhaps arising from an acceleration in bank rate, an increase in world economic activity or a sudden increase in inflation risks, then this course of action would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be over the short to medium term.

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. **Gross Borrowing and the CFR** - In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement over the medium term. This essentially means that the Council is not borrowing to support revenue expenditure. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2017 Actual £m	**31 March 2018 Actual £m**
Gross borrowing position	434	431
CFR (excluding PFI)	642	683

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 2017/18 the Council has maintained gross borrowing within its

Authorised Limit.

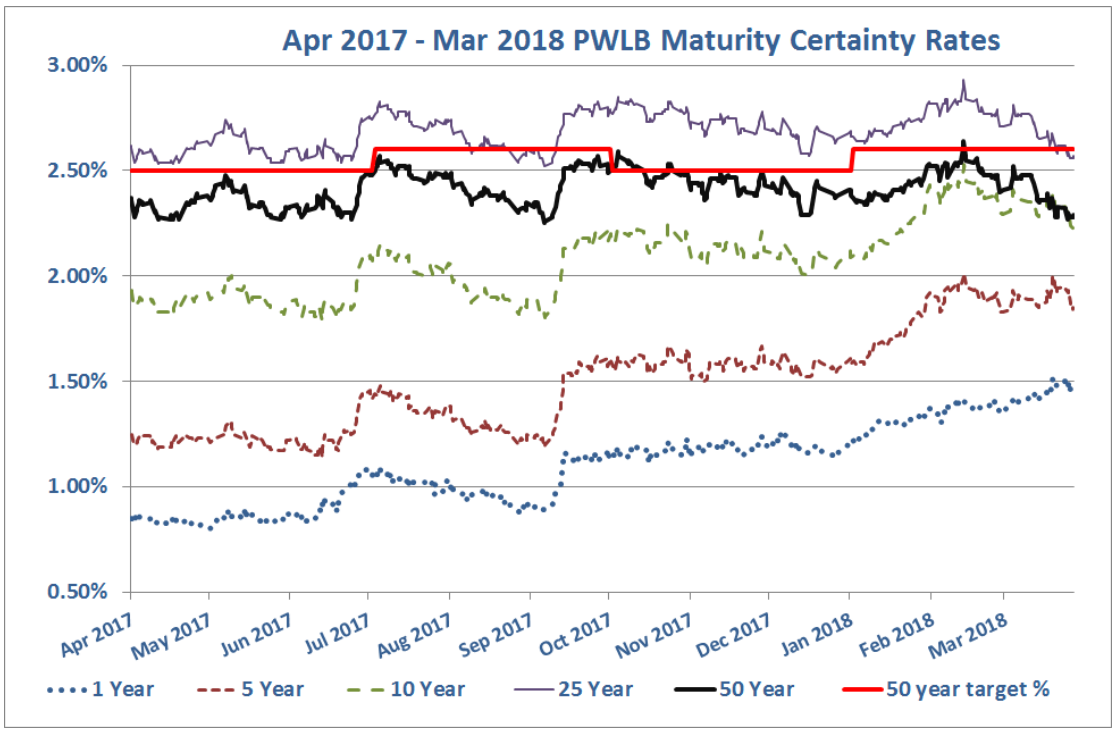
21. **The Operational Boundary** – The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary is acceptable subject to the Authorised Limit not being breached.

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.

	2017/18 £m
Authorised Limit	900
Operational Boundary	683
Average gross borrowing position (including PFI)	575
Financing costs as a proportion of net revenue stream: General Fund HRA	 6.35% 8.80%

Borrowing Rates in 2017/18

23. PWLB borrowing rates - the graph below shows how PWLB certainty rates have fluctuated throughout the year. The PWLB 25 and 50 year rates have been volatile during the year with little consistent trend, while the shorter rates were on a rising trend during the second half of the year and reached peaks in February / March.



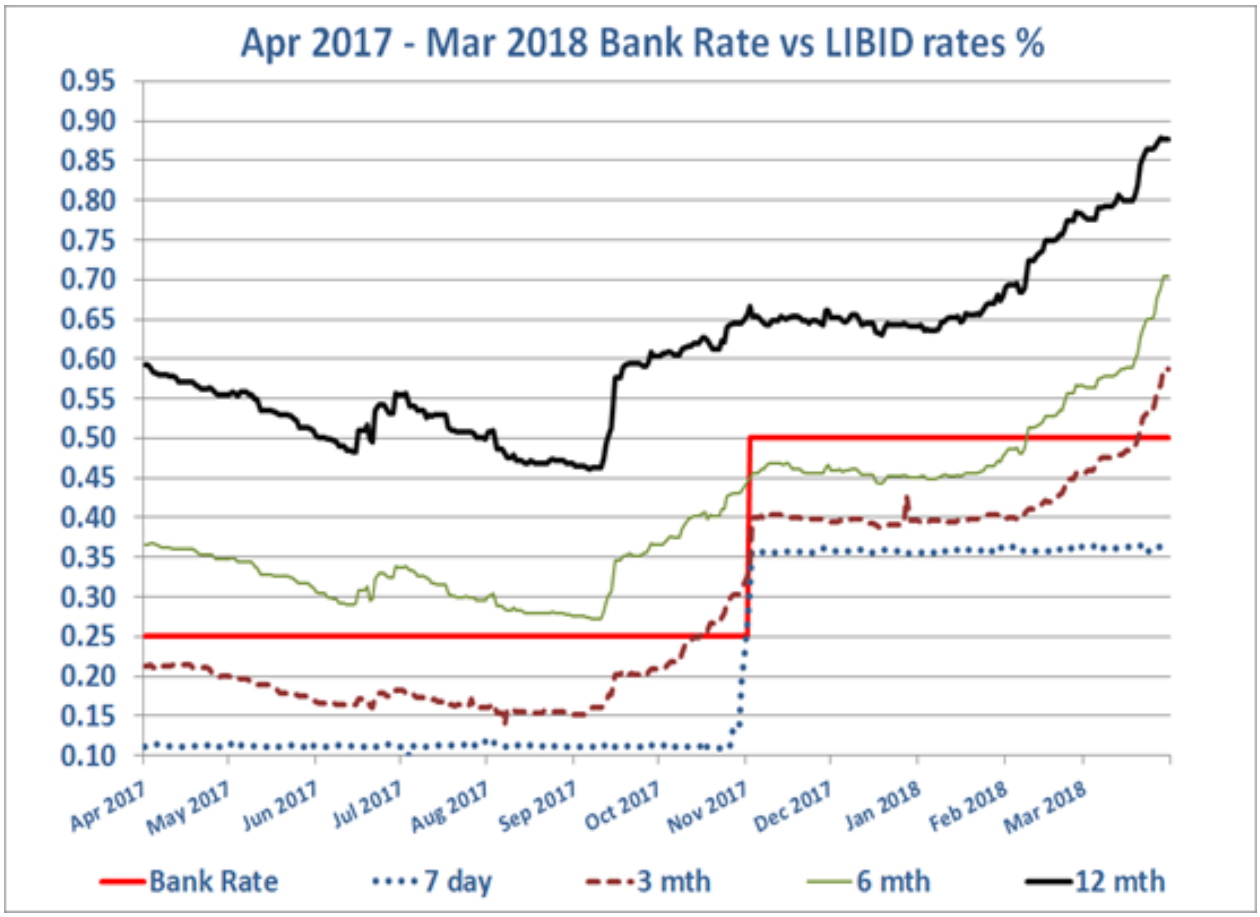
24. **Summary of Debt Transactions –** No long term borrowing was undertaken during year as mentioned previously within the report.

25. The average rate of interest for the debt portfolio is 4.68%.

Investment Rates in 2017/18

26. Investment rates for 3 months and longer have been on a rising trend during the second half of the year in the expectation of Bank Rate increasing from its floor of 0.25%, and reached a peak at the end of March.

    Bank Rate was duly raised from 0.25% to 0.50% on the 2nd of November 2017 and remained at that level for the rest of the year. However, further increases are expected over the next few years. Deposit rates continued into the start of 2017/18 at previous depressed levels due, in part, to a large tranche of cheap financing being made available under the Term Funding Scheme to the banking sector by the Bank of England; this facility ended on the 28th February 2018.



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 21st February 2017. 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.

Revised Cipfa Codes

32. In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued a revised Treasury Management Code and Cross Sectoral Guidance Notes, and a revised Prudential Code.

33. A particular focus of these revised codes was how to deal with local authority investments which are not treasury type investments. The outcome being that local authorities will produce a new report to members to give a high level summary of the overall capital strategy and to enable members to see how the cash resources of the Authority have been apportioned between treasury and non-treasury investments. Officers will report this new report, "Capital Strategy" during 2018/19.

Markets in Financial Instruments Directive II (MiFID II)

34. The EU set the date of 3 January 2018 for the introduction of regulations under MIFID II. These regulations govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This has had little effect on this Authority apart from having to fill in forms sent by each institution dealing with this Authority and for each type of investment instrument we use, apart from for cash deposits with banks and building societies.

35. The EU set the date of 3 January 2018 for the introduction of regulations under MIFID II. These regulations govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This has had little effect on this authority apart from the completion on annual forms sent by each institution dealing with this authority and for each type of investment instrument that we currently use apart from standard cash deposits with banks and building societies.

Audit Committee

18th September 2018

Report of: Director of Finance

Title: Updated Draft Statement of Accounts 2017/18

Ward: City Wide

Officer Presenting Report: Chris Holme

Contact Telephone Number: 0117 3521157

Recommendation

The Audit Committee note the draft, unaudited, Statement of Accounts for 2017/18, pending sign-off by the Council's external auditors

Summary

The Statement of Accounts sets out the Council's updated financial position as at the 31 July 2018, following on from those presented to Committee at its meeting of the 31st May. The accounts have yet to be signed off by the Council's external auditors. There are a small number of changes to those presented at the May meeting following initial audit findings. These are;

- A prior adjustment to the accounts to reflect the increased valuation of the Council's heritage assets following revaluation. This did not change the balance sheet for the year ended 31st March 2018 (as reflected on pages 46 and 89 of the draft accounts
- A changed valuation basis for Bristol Holdings from fair value to cost less impairment and originally treated as a prior year adjustment, which following review was changed to an in year adjustment (as set out on page 96 of the draft statement of accounts
- A change to the accounting treatment of a provision totalling £3m and reflected in the provision of services and level of reserves set out on pages 44 and 45 of the updated statements.

Policy

None affected by this report. BDO are the Council's appointed external auditors. In carrying out their audit and inspection duties they have to comply with the relevant statutory requirements, namely the Local Audit and Accountability Act 2014.

Consultation

1. Internal
Denise Murray – Acting Executive Director of Resources

2. External
None

Other Options Considered

3. None

Risk Assessment

4. None necessary for this report

Public Sector Equality Duties

5. None necessary for this report

Legal and Resource Implications

Legal
None arising from this report

Financial
(a) Revenue
None arising from this report

(b) Capital
None arising from this report

Land
Not Applicable

Personnel
Not Applicable

Appendices:
Draft Annual Statement of Accounts 2017/18.

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

None

Statement of Accounts

Bristol City Council For the Year Ended 31 March 2018

Subject to Audit

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 2017/18 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

BRISTOL CITY COUNCIL

Contents

Councillor Preface

An introduction to the 2017/18 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, which sets out the council's financial performance for the last year. It summarises what we spent, how we spent it and what we have achieved. The statements include the wider consolidated accounts both for the council and its subsidiaries.

2017/18 has been another challenging year as we have continued to get a grip of the financial problems we faced in 2016, bringing down the budget deficit and stabilising the council's finances. I believe, as these accounts demonstrate, we have gone long way towards achieving that goal and we are in a financially more resilient position than last year. However there is still much to do in improving our financial management. We now need to focus on some specific areas to ensure resources are properly aligned to those priorities set out in our Corporate Strategy, and that programmes have the capacity to deliver better outcomes within budget and timescales.

In February 2017 the council agreed a package of some £62m of efficiencies and savings of which £33m were planned to be delivered during the 2017/18 financial year. Of those £25m were delivered during the year and £8m was offset by other one-off savings. Some very difficult decisions had to be taken, but we have still had to grapple with a further £100m of pressures over the next five years. This is because Government support continues to reduce whilst our population and demand for our essential services continues to grow. As part of this year's budget we agreed a further schedule of savings, to be delivered over the next five years, to meet that challenge. They were agreed on the back of a new Medium Term Financial Strategy. At the same time we have developed a new Corporate Strategy which provides strategic direction and helps inform our financial planning processes over the next five years.

Along with our key partners we are now creating a One City Plan which will look at what priorities we can achieve together over the medium and long term, and how key public agencies, including the council will respond to the challenges facing Bristol. This will help make sure we harness opportunities so that everybody benefits from success.

We continue to face a challenging and uncertain economic environment as budgets across the public sector continue to be reduced and as we rapidly approach the uncertainty of Brexit - which could have implications on our local economy and how we generate the income that pays for essential services. We must make sure every pound we spend is spent wisely and that we continue to focus on financial resilience, so that we remain in a better place to tackle any challenges. However we will continue to be resolute in our determination to provide the best possible and most cost-effective services for our residents in the face of ongoing austerity.

Given the above, it is vitally important that we continue to improve our financial governance arrangements, systems and processes. Many of the required improvements are set out in the Annual Governance Statement, which is published alongside the accounts.

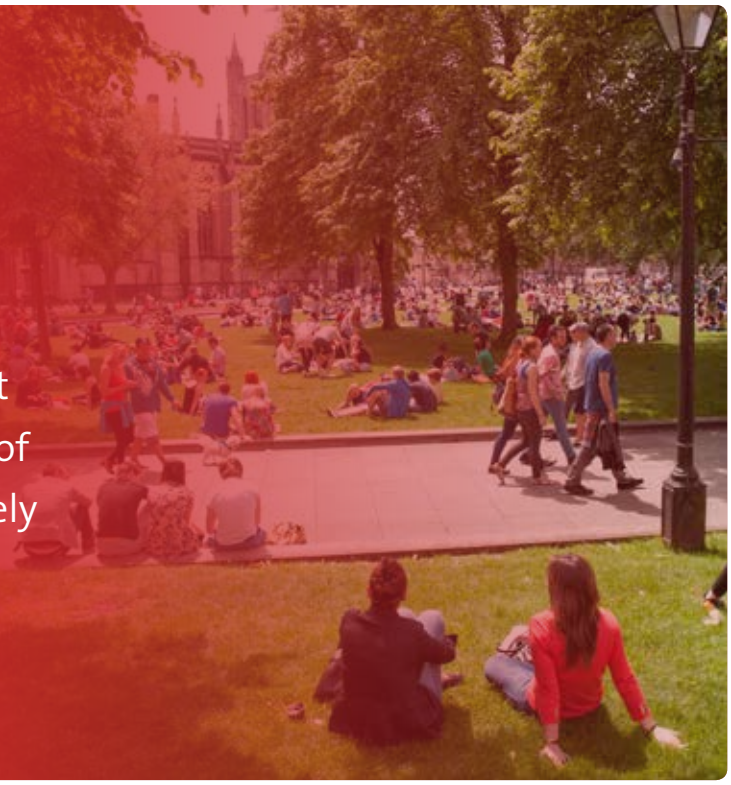
This year we have had to prepare and publish our accounts earlier than before, and I am grateful to all involved that we have been able to meet that challenge. Early publication facilitates improved transparency so that you can have greater assurance that taxpayers' money is spent appropriately. I should like to thank all colleagues involved in the process for making this happen.

Councillor Craig Cheney
Deputy Mayor – Finance, Governance and Performance

Narrative Report

Background

Bristol is a city in the south west of England, covering an area of 110 square kilometres. It is the 8th largest city in England and has a population of around 456,000 living in approximately 195,000 dwellings.



Bristol is part of the West of England Combined Authority and is well connected by road, rail, sea and air. From Brunel to Banksy, the city has a history of achieving great things.

This is affirmed by recent accolades such as becoming England's first UNESCO Learning City, European City of Sport in 2017, European Green Capital 2015 and the UK's smartest city.

However, like all cities Bristol has its challenges and long-standing health, social and economic inequalities exist within the city. Economic success has also brought challenges such as congestion, environmental pollution and high house prices. The city also has a rapidly growing population, especially child population.

The council and its partners across the city are working hard to address these issues and are creating the One City Plan, which will look at what needs to change in the short, medium and long term. The Corporate Strategy 2018-2023 starts to explain how Bristol City Council will contribute to this, and how services are being re-shaped to meet the challenge of having to save over £100m whilst the city's population grows and the need for life-and-limb care services increases. The council will no longer just be a provider of services, but more of an enabling and empowering organisation.

This is all driven by the ambition to make sure everyone is included in this city's success and will have a home where they can achieve their aspirations, regardless of their background or where they grew up. Despite its challenges, Bristol is a city of hope.

Our Corporate Strategy – at a glance

Our Vision

We play a leading role in driving a city of hope and aspiration where everyone can share in its success.

Our Themes

In achieving this vision we have based our activities around four themes:

Empowering and Caring:	Work with partners to empower communities and individuals, increase independence and support those who need it. Give children the best possible start in life.
Fair and Inclusive:	Improve economic and social equality, pursuing economic growth which includes everyone and making sure people have access to good quality learning, decent jobs and homes they can afford.
Well Connected:	Take bold and innovative steps to make Bristol a joined up city, linking up people with jobs and with each other.
Wellbeing:	Create healthier and more resilient communities where life expectancy is not determined by wealth or background.

Our Principles

We develop people and places to improve outcomes, empower communities and reduce the need for council services.

- Maximise opportunities to work with partners and other stakeholders locally, nationally and globally.
- Focus on planned long-term outcomes not short-term fixes, prioritising early intervention and prevention.
- Build city resilience, improving our ability to cope with environmental, economic or social 'shocks and stresses'.
- Plan inclusively with everyone in mind, but with a particular focus on our children and their future.
- Contribute to safer communities, including zero-tolerance to abuse or crime based on gender, disability, race, age, religion or sexuality.
- Use our assets wisely, generating a social and/or financial return. Raise money in a fair but business-like way.

Our Values and Behaviours

- **We are Dedicated** – We strive to make a difference
- **We are Curious** – We ask questions and explore possibilities
- **We show Respect** – We treat each other fairly
- **We take Ownership** – We accept personal accountability
- **We are Collaborative** – We come together to reach shared goals

Our key commitments

Empowering and Caring:

- Give our children the best start in life by protecting and developing children's centre services, being great corporate parents and protecting children from exploitation or harm.
- Reduce the overall level of homelessness and rough sleeping, with no-one needing to spend a 'second night out'.
- Provide 'help to help yourself' and 'help when you need it' through a sustainable, safe and diverse system of social care and safeguarding provision, with a focus on early help and intervention.
- Prioritise community development and enable people to support their community.

Fair and Inclusive:

- Make sure that 2,000 new homes – 800 affordable – are built in Bristol each year by 2020.
- Improve educational outcomes and reduce educational inequality, whilst ensuring there are enough school places to meet demand and a transparent admissions process.
- Develop a diverse economy that offers opportunity to all and makes quality work experience and apprenticeships available to every young person.
- Help develop balanced communities which are inclusive and avoid negative impacts from gentrification.

Well Connected:

- Improve physical and geographical connectivity; tackling congestion and progressing towards a mass transit system.
- Make progress towards being the UK's best digitally connected city.
- Reduce social and economic isolation and help connect people to people, people to jobs and people to opportunity.
- Work with cultural partners to involve citizens in the 'Bristol' story, giving everyone in the city a stake in our long-term strategies and sense of connection.

Wellbeing:

- Embed health in all our policies to improve physical & mental health and wellbeing, reducing inequalities and the demand for acute services.
- Keep Bristol on course to be run entirely on clean energy by 2050 whilst improving our environment to ensure people enjoy cleaner air, cleaner streets and access to parks and green spaces.
- Tackle food and fuel poverty.
- Keep Bristol a leading cultural city, helping make culture, sport and play accessible to all.

Our Obligations

These Key Commitments are not an exhaustive list of everything we will do. Indeed, much of our work is 'business as usual' meeting statutory and regulatory obligations which are set out in legislation.

Some of these are covered within our Key Commitments, but it can be taken as read that we'll make sure that we meet all of our legal obligations. Others include, but aren't limited to:

Highway Maintenance; Road Network Management; Public Health Strategy; Public Sector Equality Duty; Planning; Licensing; Care Act 2014; Waste Collection; Environmental Health And Enforcement; Elections; Registrar Services; Coroner Services; Special Educational Needs; Harbour; Information and Advice; Emergency Planning; Homelessness; Trading Standards; Libraries (Core Service); Tax Collection; Land Charges; Community Safety; Landlord Services; Property Services; General Data Protection Regulation

Helping us achieve our priorities

One City Plan: The long-term city-wide plan for Bristol, created and owned by partners across the city. It guides our thinking around all key issues.

Regional Devolution: Working as a key member of the West of England Combined Authority to help shape how £900m of investment is spent to improve transport, provide jobs and strengthen adult education.

Medium Term Financial Plan: Providing us with a five-year forward look at the financial environment and the principles by which we can make good financial decisions.

Health and Social Care integration: Working with our NHS partners to bring health and social care closer together and make the most of joint commissioning opportunities, with a bigger focus on prevention.

Business Infrastructure: Working with back office services to identify what needs to change to be a more effective and efficient council.

Workforce Plan: Sets out how the council will support our colleagues to be able to deliver for our citizens by developing their skills and careers as a model employer.

Our Services

The following core services are provided by the Council:

Core Services:

- **Adults, Children and Education**
  Education, Learning and Skills Improvement
  Safeguarding vulnerable adults and children
  Social care and support for adults including the elderly
  Support for carers
  Commissioning services
- **Communities**
  Coordinates Bristol's response to crime, community safety and antisocial behaviour
  Community Services
  Parks and open spaces
  Public Health
  Library services
  Licencing
  Housing and Landlord Services
- **Growth & Regeneration**
  Culture including major projects such as the Arena Planning
  Property including the management of the Council buildings and the City Docks
  Transport including the introduction of the Metrobus
  Economic development
- **Resources**
  Provides internal support services including;
  ICT, Finance, Workforce and Change
  Policy Strategy and Communications
  Legal and Democratic Services

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.

Our services

Financially the Council has significant challenges in the coming years including:

- Continuing budget pressures, in the past seven years the Council has had to save over £200m with a further £100m to save by 2023.
- The move away from Central Government grant funding towards a greater reliance on locally sourced taxation such as council tax and business rates.
- Demographic growth, and an increasingly aging population will continue to put pressure on the Council's budget.
- The financial impact of Brexit is as yet uncertain, but it is likely to affect interest and inflation rates, labour costs and property and rental values.

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.

Mayor, Marvin Rees, elected Mayor for Bristol, with City Council responsibilities that include ultimate responsibility for all major policy decisions, setting the vision and direction of the Council; and making '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 executive directors
- make executive decisions as delegated by the Mayor

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 – Which include 4 Executive Directors and Statutory Officers responsible for:

- Advising councillors on policy;
- Implementing councillors' decisions; and
- Service performance; and
- Ensuring that we are legally compliant and operating within our budget

Our workforce - Overall, our workforce comprises 7,566 'full time equivalent' employees. Of this total, 2,471 are employed within our locally maintained schools

Our Performance

Communities and living

- The Bristol Quality of Life survey 2017-18 highlighted 76% of residents were "satisfied with their local area as a place to live" and 2 out of 3 people did voluntary work or helped out in the community regularly (at least 3 times a year).
- Bristol was a "European City of Sport 2017" Over 1,500 people attended free sports taster events during the year. This legacy is continuing through Bristol Active City – see www.bristolactivecity.org.uk for more details.

Housing

- During 2016-17, 1,994 new homes were built in Bristol, including 700 units of student accommodation (2017-18 comparative information available September 2018).
- During 2017-18, 188 new affordable homes were built, and we helped to return 381 private sector empty properties back into occupation.
- Addressing homelessness is a priority issue, and our outreach teams continue to actively work with rough sleepers. Numbers continue to rise, and Bristol reported one of the highest numbers of rough sleepers in the national Rough Sleeper count (86 people in Nov 2017).

Economy and employment

- The Employment rate of 78.2% (Dec 2017) remains significantly higher than the national average for Britain (74.9%) and is the joint highest of the British Core Cities.
- Bristol contributed £14.31bn to the UK economy (Gross Value Added, GVA) in 2016 - up from £13.67bn in 2015.

Culture and creativity

- In 2017 Bristol was also named by UNESCO as a Creative City of Film.
- Bristol continues to be a major destination for tourists and entertainment, and had 11.6 million day visitors in 2016, and over 3.9 million visitors to the city for visitor attractions and performance venues in 2017-18.
- We run and maintain 8 Leisure Centres and swimming pools, where over 2.6 million individual visits occurred during 2017/18.

Sustainability

- Citywide CO_2 emissions have decreased by a third (32% fall, 2005-2015), and the renewable energy capacity in Bristol has doubled (from 2013 to 2017).
- However, the increased numbers of people using public transport, and continued levels of vehicle use mean that reported air pollution levels of nitrogen dioxide still remain high.
- In 2017 the council had reduced carbon emissions from its own operations by 50% since 2011 (3 years ahead of the 2020 target)
- 44.7% of household waste was sent for reuse, recycling, composting or anaerobic digestion as at December 2017.

Our performance

Education

- Bristol was the first city in England to become part of the UNESCO Global Network of Learning Cities – see www.bristollearningcity.com for more details.
- The percentage of children with a good level of development at Early Years is solid at 67.7%.
- For Key Stage 2 pupils (at 11 years of age) new 2017 data shows 61% achieved the expected standard in Reading, Writing and Maths combined. This is much improved from 54% in 2016, and the same as the England average (61%).
- For Key Stage 4 (at age 16), 2017 data shows the average Attainment 8 score per pupil is 44 points, down from 47.7 points in 2016. Nationally this is 44.6, down from 48.5 points in 2016. [Attainment 8 is a student's average achievement across 8 subjects, with extra weighting given to maths and English].
- The percentage of Bristol Schools rated 'Good or Better' by Ofsted dips slightly on previous year, for Primary and Secondary schools:
  - Nurseries @ 100%
  - Primaries @ 86%
  - Secondary's @ 86%.

Adult social care

- At the end of 2017/18, around 6,100 adults were being supported by adult social care. Of these, 66.3% of service users (4,040 people) are supported to live independently in the community, with around 2,060 people in care homes.
- 68.3% of eligible adult social care service users (around 2,300 people at end 2017/18) receive "self-directed support" to meet their needs - giving people more choice and control to live their life independently; doing the things they want to do when they want to.
- In addition, around 1,400 carers had received support from adult social care during 2017/18.

Our performance

Key facts: Communites & living

66% of residents volunteer or help out in their community at least 3 times a year (QoL 2017)

Key facts: Culture & Creativity

Visting film & TV activities contributed **£18.3m** of investment to the Bristol economy in 2016/17

11.6m

"day visitors" to Bristol

Key facts: Housing

1,994 new homes built in Bristol in 2016/17

188 affordable homes built in 2017/18

Source: Bristol City Council (2018)

721 homeless households in 2017/18 (979 in 2016/17)

Key facts: Air pollution monitoring:

Nitogen dioxide **42.1 ug/m³**

Up from 40.1 ug/m³ in 2014

51 MWe (MegaWatt Equivalent) produced locally (2016/2017)

22 MWe from wind

12 MWe from solar PV

* Source: Bristol Waste Company/WasteDataFlow (2017)

44.7% of all household waste was sent for reuse, recycling and composting (2017) from **31.9%** in 2007*

Key facts: Education & skills

67.7% of children under five have a good level of development at Foundation Stage

National average **70.7%**

40.5% of Bristol pupils achieved a "strong pass" in English and Maths GCSE

61% of 11 year olds achieved the expected standard in Reading, Writing and Maths.

National average **61%**

Source: DfE 2017

Key facts: Adult social care

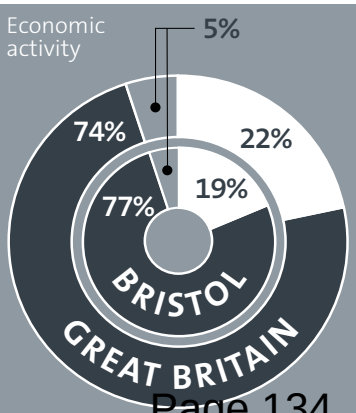
6,100 adults Supported by social care at the end of 2017/18

66.3% live independently

Key facts: Economy & employment

- % in employment
- % unemployed
- % economically inactive

Source: ONS 2017



Bristol GVA contributes **£14.31bn** to the UK econony

Source: ONS 2016

Financial Performance

Along with the rest of local government the Council has faced a year on year decline in Government funding. The 2017/18 budget was set against this backdrop of financial uncertainty and increasing demand for our services. During the year the Council developed a Medium Term Financial Plan (MTFP), based on a rolling five year time frame from 2017/18 to 2021/22, ensuring that resources are aligned to outcomes in the Corporate Strategy.

The Council is a large and diverse organisation and our accounts are by their nature 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 of 2017/18.

- The Council collects £219.1m of business rates of which £152.5m is retained in year by the Council. This is net of the tariff of £53.5m which the Council returns to central government. We also collect business rates on behalf of the West of England Combined Authority and Avon Fire Authority.
- The Council also collects £227.2m of council tax (on behalf of Avon and Somerset Police and Crime Commissioner, Avon Fire Authority and itself), of which £193.6m is retained in year by the Council.
- Council tax in year collection for 2017/18 reached its highest level ever at 96.79%. This percentage was joint top across our comparable group of Cities. Overall collection including arrears also reached an all-time high equivalent to 98.73%. Business Rate in year collection fell slightly to 97.93% but was a great achievement when set against a backdrop of a Business Rate revaluation, administering numerous new reliefs and billing for a new City Centre Business Improvement District. During this year we have also seen a reduction in cases of non-payment being referred to our enforcement agents.
- The Council holds £3.157b of fixed assets comprising £2.631b of operational assets for delivering services and £255m of investment property.
- The Council is responsible for managing cashflows with an annual churn exceeding £1.3b.
- The Council accounts for £804m of fees, charges and grants receivable used to deliver services and keep council tax down.

West of England Combined Authority (WECA)

As part of the governments West of England devolution deal Bristol, Bath and North East Somerset and South Gloucestershire Councils agreed to the establishment of the West of England Combined Authority (WECA) to support economic growth and development across the region.

The creation of WECA enables the participating authorities to deliver joint aspirations for the region and take more local control over funding and decision making. This includes how £900m of investment is spent to improve transport, provide jobs and strengthen adult education as part of the regions devolution deal.

A further benefit includes the opportunity to take part in a 100% business rates retention pilot. This enables the three Council's to retain the majority of their business rates, in return for significantly reduced core funding from Central Government.

Financial performance

Revenue Financial Summary 2017/18

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

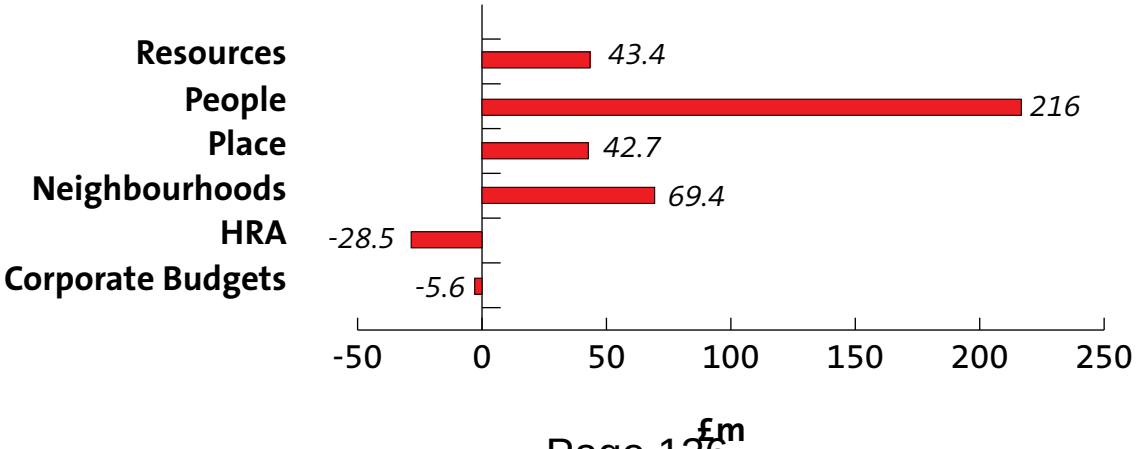
Net revenue expenditure across General Fund services was £363.8m, against a budget of £364.1m. The £300k underspend has been achieved primarily through delivery of savings across all services and also, in a number of areas taking mitigating action following early identification of potential budget risks and overspends so there was sufficient time for remedial actions to be taken. The Council also received more than anticipated S31 Grant relating to small business rate relief following a late change in calculation of the threshold by the Government.

To meet funding challenges in 2017/18 the Council identified reductions in its net revenue budget of £33.1m. These reductions have been achieved through a combination of on-going deliverable savings, one off tactical savings or additional non-recurring income.

The gross cost of services during the year was £1.094b (1.027m in 2016/17). This includes both General Fund services and the Housing Revenue Account (HRA). After deducting specific grants and income from fees and charges, the net cost of services was £337.4m (£277.2m in 2016/17). The breakdown of net expenditure between the different service areas is shown in the following chart.

Council Spending in £'s per Household

Directorate Net Expenditure (£m)

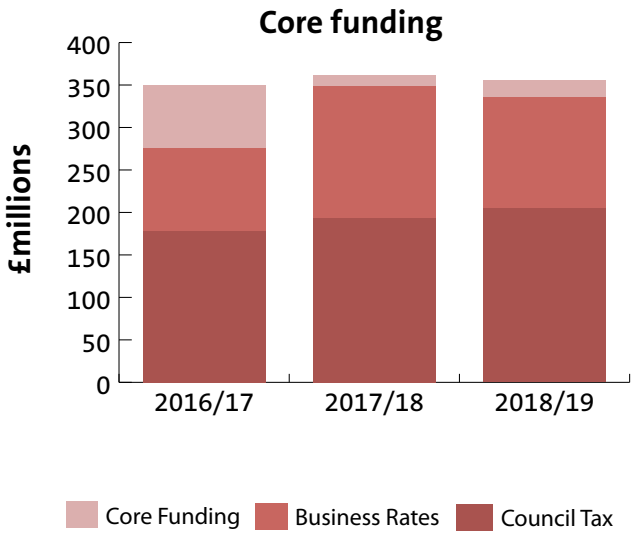


Financial performance

Sources of Funding

During 2017/18 the Council has been piloting 100% business rates retention. Pilot authorities retain 100% of locally raised business rates. In return they forgo Revenue Support Grant (RSG) and a number of other funding streams. Each pilot authority's tariffs and top-ups calculated by central government are adjusted to ensure the change is cost neutral for central government.

In tandem with this, during the last eight years, there has been a move away from central government core funding towards a greater reliance on locally sourced taxation such as business rates and council tax. The chart below shows where the Council gets its core funding.



From 2016/17 the government allowed councils to apply an additional levy on council tax to fund adult social care pressures. In 2017/18 this levy was 3% and raised an additional £9m towards social care services.

The budget for 2018/19

Despite an on-going backdrop of increased service costs and reduced central government funding the Council is required to set a balanced budget. To meet these pressures the Council has had to identify a total savings requirement of over £100m for the next five years with £34.5m proposed for 2018/19.

In 2018/19 the Council will spend over £1.2b on both capital investments and running day to day services including schools and welfare benefits. Spending by schools and on benefits is largely funded by the Government. This specific funding, together with the income the council receives from people who use its services, amount to £686.2m in 2018/19 leaving a spending total of £357.4m.

The money available to spend on day to day services is made up of council tax, business rates and some government grants and amounts to £355.8m. To meet our spending plans we also intend to use £1.6m of our reserves bringing the total net expenditure budget to £357.4m. This includes £12.8m earmarked for priority service areas such as adult social care, improved waste services.

Further details of the Council's budget are included in the Budget Report 2018/19 which is available on the Council's website.

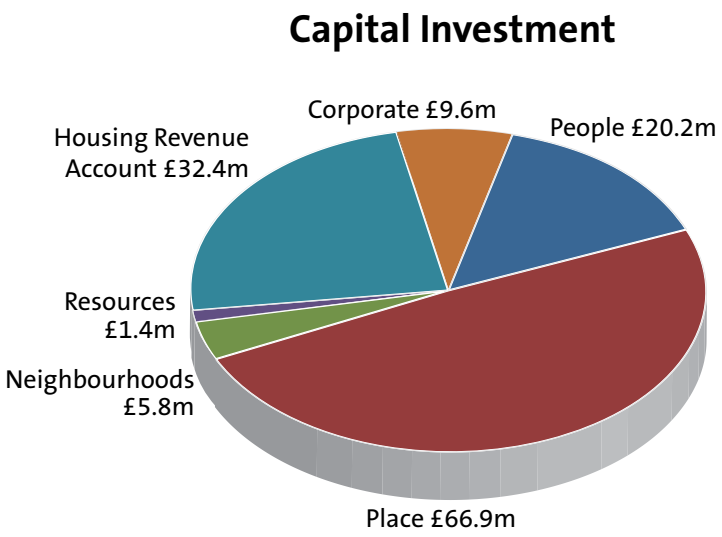
Financial performance

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 on-going financial stability.

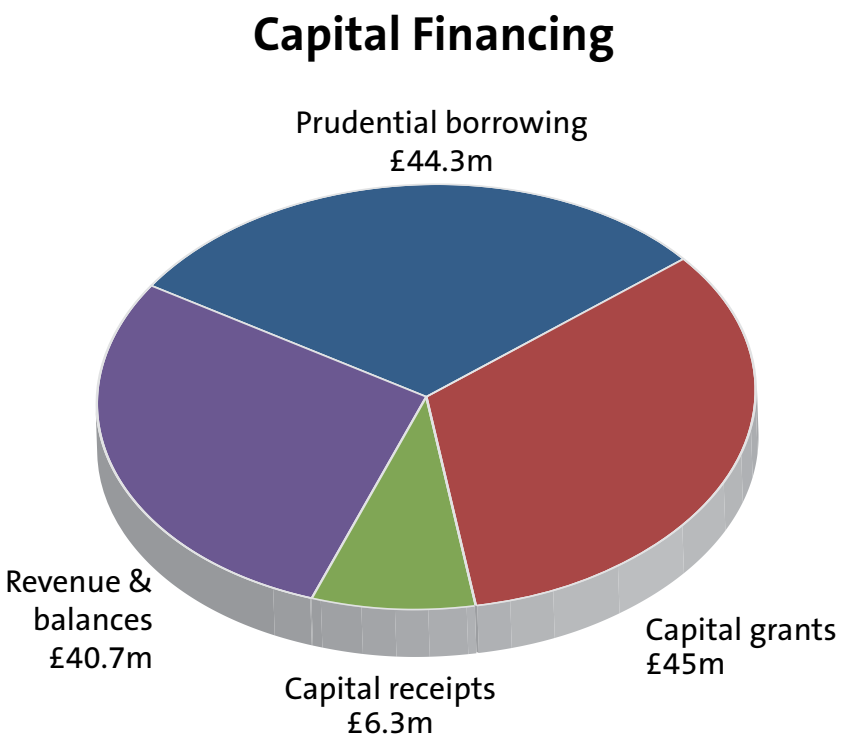
Overall the Capital Programme for 2017/18 was originally set at £213.5m. Capital spending during the year totalled £136.3m. An analysis of capital investment by directorate and sources of capital funding are shown in the charts below.

The Capital Programme was financed from a combination of borrowing (£44.3m) and from grants, contributions and reserves (£92m).



The major areas of investment have included:

- £42m invested in transport schemes including the Metrobus programme, cycling network improvements, traffic infrastructure and maintenance
- £32m invested in the Council's housing stock
- £18m invested in schools buildings to provide additional pupil capacity to meet increased demand
- £9m invested in housing enabling works to accelerate the affordable provision including Hengrove and Lockleaze regeneration programmes and homelessness solutions
- £5m invested in preparatory work and infrastructure development for major projects including the Arena
- £4m invested in ICT development improvements including Bristol Operations Centre and the Integrated Education Management System
- £3m in core building improvements including Temple Street



Financial performance

Housing Revenue Account (HRA)

The HRA Income and Expenditure Statement sets out the financial position for the year, before taking account of the 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 £17m
- The Council's housing stock is a ring fenced landlord account
- The Council manages 27,038 homes
- The Council collected £112m in dwelling rent in 2017/18 (£113m in 2016/17)
- The Council spent £32.4m in 2017/18 (£48.8m in 2016/17) on new builds and improvements to existing housing stock.

Treasury Management

The 2017-2022 Treasury Management Strategy identified a medium term borrowing requirement of £450m to support the existing and future Capital Programme. The Council's Strategy is to defer borrowing while it has significant levels of cash balances. 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 has a finite duration and that future borrowing will be required to support capital expenditure.

Net debt (borrowing less investment) was £367m at the end of the year. The average level of funds available for investment purposes during the year was £94m. The return for the period was 0.44% compared to the recognised benchmark of 0.22% (7 day London Interbank Bid Rate (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 2018 is £832m. 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 set contribution rates for three years commencing on 1 April 2017.

The current funding level is an estimated 86%. 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 £24m within the collection fund for any business rates appeals against rateable values in future years. The increase from £11m in 2016/17 reflects the fact that the Council, as a business rates retention pilot, has a significantly greater exposure to the risk of business rates appeals. The annual contribution is in line with government recommendations. There were approximately 1,000 appeals outstanding at the 31 March 2018.

Financial performance

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.
- **Group accounts.** 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 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 Limited. Full details of the relationship can be found in the Group Accounts section of the Statement.

  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 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 2017/18 and our system of internal control, which is a critical component of our overall governance arrangements.

Denise Murray

Acting Executive Director of Resources (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 Acting Executive Director of Resources;

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

- Approve the Statement of Accounts by the 31st July 2018.

The Acting Executive Director of Resources Responsibilities

The Acting Executive Director of Resources 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 Acting Executive Director of Resources has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code.

The Acting Executive Director of Resources 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 Acting Executive Director of Resources

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 2018.

Denise Murray

Denise Murray
Acting Executive Director of Resources (Section 151 Officer)
25th May 2018

Independent Auditor's Report (To Follow)

Draft - Annual Governance Statement

Purpose of Statement

The purpose of this Annual Governance Statement (AGS) is to provide an overview of how the Council's governance arrangements operated, during the period 2017-18 and the subsequent period, up to the sign off of the 2017/18 financial statements and how the Council has reviewed the effectiveness of these arrangements. This statement includes an appraisal of the key controls in place to manage the principal governance risks. Where significant governance issues are identified, an explanation of what actions have been taken to bring about required improvements, and the work still to be undertaken are recorded in an action plan.

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 draft statement is presented to Directors and to the Audit Committee in May 2018, following which this statement will be finalised and formally approved.

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). The code 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 was refreshed and approved by the Audit Committee in January 2018 and will be reviewed on an annual basis.

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 decisions, 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 (S151), Monitoring Officer and Statutory Scrutiny Officer are outlined in the Council's Constitution.

Committees & Boards

Scrutiny Commissions:

- Overview and Scrutiny Management Board (and call in Sub committee)
- Resources*
- Neighbourhoods* (Communities)
- People* (Adults, Children & Education)
- Place* (Growth & Regeneration)

*Constituted but did not meet in 2017/18 (see Decision Making , p.7)

Regulatory Committees:

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

Other Committees:

- Audit
- HR
- Selection Committee
- Appeals Committee
- Womens Commission

Partnership Boards:

- Bristol Homes
- Health & Wellbeing
- Learning City
- Children's and Adult's Safeguarding
- WECA Committee
- WOE Joint Committee

Accountability within the Governance Framework

O&S Management Board; and Audit Committee

Mayor & Cabinet

Accountability

All Councillors

Code of Corporate Governance (The Council's commitment to good governance is based on " Good Governance in Local Government: Framework (CIPFA/Solace, 2016)"

Policy Development
Mayor & Cabinet - providing strategic leadership; determining policy aims and objectives, resource allocation and prioritisation in line with strategic direction, Legal and regulatory frameworks but not engaging directly in operational management of Council services

Policy Implementation
Corporate Leadership Team - It is the duty of senior Officers to ensure that the policies of the Council are implemented

Legal & Democratic Policies & Procedures
- The Constitution
- Scheme of Delegation
- Shareholder Group
- Scrutiny Commissions incl. Call In / Reviews
- Members Codes of Conduct
- Member Officer Protocol
- Complaints reporting
- Public Consultations

Corporate Policies & Procedures
- Corporate Strategy
- Strategic Partnership Protocols
- Quarterly Performance Monitoring
- Management Assurance Statements
- Corporate & Directorate Risk Register
- Decision Pathway

Financial Management Framework
- Compliance with CIPFA Guidelines
- Medium Term Financial Plan
- Annual Budget Setting
- Budget Monitoring Process
- Statement of Accounts
- Treasury Management Strategy
- Procurement Regulations
- External Audit Letter
- Internal Audit Opinion

HR Policies & Procedures
- Employee Code of Conduct
- Equality & Diversity
- Whistleblowing Policy
- Anti-Fraud, Bribery and Corruption Strategy
- Information Security Policy
- Pay Policy
- My Performance Framework
- Declarations of Interest

Held to account can start or stop executive action on reasoned basis

Give an account Can't start or stop executive action but can challenge reasonably

Our Citizens

Council Officers

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

How did we do?

The Council operates in a complex, uncertain and constantly evolving financial, policy and legislative environment and the role, responsibilities and funding models of local government are in a period of rapid flux.

There was recognition early in the year of the need for change in how the Council must work to manage increasing demands for our services in the context of shrinking budgets. In addition we must also consider the structures required to ensure the right support is available and the required changes to support new ways of working are in place. The Council must continue to engage in a broad programme of innovation and reform work. This is to ensure that services for residents are efficient, effective and value for money, and can be maintained within available resources.

The Council's vision for Bristol and priorities in terms of the contribution to strategic outcomes has been clearly set out in the refreshed Corporate Strategy 2018-2023. It makes new commitments and focuses more on partnership working, inclusivity and a strategic direction as a 'development organisation', with less emphasis on the traditional 'service delivery' model. One element of the Council's vision is to 'play a leading role in driving a city of hope and aspiration where everyone can share in its success.'

The underpinning annual business plan identifies four strategic themes:

- Empowering and caring
- Fair and inclusive
- Well connected
- Wellbeing

It is explained within these themes the actions we're taking, the related commitments that will help us achieve this vision and the key measures of success. The business plans are supported by more detailed service plans which will be regularly monitored and reviewed during the course of 2018.

A clear set of council values and behaviours has been agreed and communicated via a range of mechanism and forums which have included staff training workshops and are being embedded in our 'My Performance' framework.

The Council has continued to review its governance arrangements, the Constitution and underpinning strategic documents such as the Financial Regulations, Contract Procedure Rules, and scheme of delegations. All have been refreshed and were approved by full Council in May 2018.

A new senior management structure at strategic and service director level has been designed, creating a smaller team who will work with partners in co-designing initiatives and delivering our priority outcomes. A transitional approach has been taken to its implementation. A phase of permanent recruitment is ongoing and progress is being made in relation to the delivery of agreed savings in senior management posts. The changes taking place present both opportunities and challenges. Major change can affect organisations across all levels. In implementing new strategies, processes and structures we have sought where possible to minimize negative outcomes. The scale and timing of the staffing changes has presented challenges in terms of capacity, continuity, contact points for external customers, transition planning and handover of delivery plans. Interim resources have been secured to provide backfill capacity, independent assurance and address skills gaps. This has enabled stocktakes and in-depth reviews to be undertaken with a fresh pair of eyes and the right expertise. Further issues and risks have been unearthed and improvement plans developed in a

How did we do?

The strategic financial framework, financial management and quality of the financial reporting have improved during the course of the year. There has been a particular focus on stabilising the Council's finances and within the challenging financial climate building resilience for the medium term. We have demonstrated that we are implementing achievable actions to deliver the cumulative savings programme as agreed by Council. We have ensured that there is a Council-wide commitment to identify alternative savings plans, where savings are at risk and hold funds in abeyance to mitigate the impact of the combined savings and budget pressures. A balanced position has been achieved for 2017/18 and with the exception of the Dedicated Schools Grant (DSG), ring fenced accounts have ended the year with under spends.

There is still however much to do in improving our financial management. Significant focus has been on the general fund and we now need to review and ensure ring fenced accounts, capital programme management, governance of our partnerships and our companies are also exposed to similar levels of rigour.

The Council welcomes peer challenges, internal and external review and audit, and inspections from regulatory bodies and gives thorough consideration to arising recommendations. Management responses are provided and agreed actions are being implemented and appropriately embedded.

Further Progress Required

A number of key challenges that were identified in 2017 remain at the early stage of development and continue to be high priority areas of work, particularly around workforce, skills systems and processes, which is scheduled to continue throughout 2018 as part of our transformation. The size, complexity and scale of the improvement work required and the level of resources available has meant a more pragmatic approach being adopted. This has ensured strong governance and co-design over changes being developed and implemented and has been critical in our ability to sustain both the improvement work and ongoing successful service delivery.

In relation to health and social care, it is acknowledged by all relevant partners that targets have not been met in the transfers from acute and non-acute care (delayed transfer of care). Arrangements for effective discharge planning and joint working between services need to be improved and funding is being earmarked for this purpose. The progress must be closely monitored and reported throughout the year.

Within the context of changing national policy in relation to schools, including changes to the school funding formula, number of schools in deficit, high needs pressures and the reducing role of local authorities, a detailed review is required with a plan developed which supports schools to deliver a good or better level of continued improvement of education within a reduced funding envelope.

There is a shared view amongst service managers that navigating and negotiating corporate governance structures has been particularly challenging in 2017. Decision making processes were considered to be cumbersome and not sufficiently supporting service delivery. Consequently these have been subject to further review with the aim of ensuring the interventions add value whilst not reversing any positive trajectories achieved. The effectiveness of the changes in processes will continue to be monitored.

The review of governance arrangements has identified 12 main areas where the Council will need to focus its efforts during 2018/19, to address changing circumstances and challenges identified. These are set out in the action plan. Completion or substantial progress against these objectives is due by the end of the financial year, in March 2019.

Review of Effectiveness – Decision Making

The **Constitution** establishes how the Council operates, outlining the roles and responsibilities of the executive, non-executive, scrutiny functions and sets out the terms of reference for each of the Committees and includes a schedule of matters reserved for decision by Full Council, delegation arrangements to Members and Officers. Supporting procedures underpin the Constitution for example Financial Regulations, Contract Procurement Rules, Member/Officer Protocols and other procedures of how decisions are taken and the processes and controls required to manage this.

All Council and committee meetings are held in public other than in limited circumstances where consideration of confidential or exempt information means the public are excluded.

The **Cabinet** is responsible for the key decisions of the Council. The Cabinet met frequently and made decisions in line with the Council's overall policies and budget.

The **Mayor** holds executive decision making powers in relation to all policy decisions not reserved for the Council and will take (or delegate to Cabinet members) key decisions in public.

Delegation of decision making to officers is detailed in the Scheme of Delegations so that they can deal with the day-to-day running of the service.

A '**Decision Pathway'** was introduced in the early part of the year to support the decision making process aiming to ensure that decisions were lawful, properly consulted and made based on full and accurate information. Practical application of the decision pathway however identified it as being complex and over-technical by managers across the Council and a perception that it resulted in delays in making timely decisions and in some cases missed opportunity.

The decision pathway has more recently been reviewed again to address these concerns and its effectiveness is subject to ongoing review.

Records - Decisions made by Committees, Council and Cabinet, (under their delegated powers) are recorded and published online for transparency. Senior Officers decisions (with a value of £100K to £499K) are recorded in meeting minutes, including meetings with the Executive Member and the relevant management team. A review of the publishing of Officer Executive decisions is under way and reminders have been issued at Directorate Management level.

Consulting members in decision making is a core part of the democratic process. Members are engaged through a variety of methods including weekly Cabinet Member/Portfolio holder briefings for which minutes are taken. Additionally, officers work alongside Scrutiny members in task and finish groups targeting particular areas.

Review of Effectiveness – Decision Making

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 28 days in advance of decisions unless the need has arisen to use the special urgency provisions.

The decisions of the Cabinet are subject to scrutiny through the Overview and Scrutiny Management Board and can be called in for scrutiny to ensure that they are soundly based and consistent with Council policy.

Scrutiny Members decided to trial a different approach to scrutiny during 2017/18 which, in addition to the Overview and Scrutiny Management Board, established task and finish groups in place of directorate scrutiny committees. These groups aimed to undertake 'deep dives' of identified areas with a view to service or policy improvement. They included wider Member involvement and carried out reviews in a number of areas.

The 2017/18 **Scrutiny Task and Finish Groups** were:

- Air Quality and Pollution
- Children's Centres
- Cribbs Patchway New Neighbourhood
- Council Assets
- Council Commissioning and Contracts
- Demand on Social Services (Adults)
- Fire Safety in Council Owned High Rise Buildings
- Libraries
- Medium Term Financial Plan
- Parks

The effectiveness of the Task and Finish Group arrangement has been reviewed with Members in February 2018 and 2018/19 will see Directorate scrutiny commissions meeting 3 times each year with a reduced number of Task and Finish groups. The Overview and Scrutiny Board, which met 14 times during 2017/18, will continue to meet going forward and will overview the work of the other scrutiny commissions.

The role of the **Human Resources Committee** includes the employment and remuneration of Executive Directors and Directors. Full Council has delegated to the Committee the power to determine the terms and conditions on which employees hold office including procedures for their dismissal and functions relating to local government pensions.

The **Audit Committee** meets independently of the Executive and Scrutiny functions. Whilst it has no routine decision making authority (outside of approving the annual statement of accounts), it provides assurance to Full Council that decision making processes are sound. A key purpose of the Audit Committee is to hold officers and the Executive to account where decision making and risk management processes have not been robust.

The **West of England Combined Authority (WECA)** is a separate legal entity**,** made up of three of the local authorities, working in partnership to deliver economic growth in the region. The West of England Mayor, who was elected in May 2017has been given powers over spending, previously held by central government, on the region's transport, housing, adult education and skills. WECA also provides support to the West of England LEP Board and to the West of England Joint Committee, which includes North Somerset Council.

Scrutiny and Audit Committees have been established to scrutinise and hold to account the new Combined Authority and West of England Mayor.

Decision making timetables between WECA/Joint Committee and the Council need to be aligned in order that those aspects of business which require Council approval are given sufficient time, scrutiny and governance.

Review of Effectiveness – Integrity, Ethics and Openness

The Council has responsibility to review the effectiveness of its governance. This review has been 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 2018/19 Annual Governance Statement action plan.

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 relevant policy framework.

Entries made in the Register of Members Interests were reviewed by the Monitoring Officer.

The Council's **Code of Conduct**; all new employees are required to declare any potential conflicts of interest and to sign the Code of Conduct upon commencement of employment. The adherence to timeliness for recurrent declaration of interests has improved within 2017/18 and will continue to be monitored on an ongoing basis.
The Council also has a Code of Conduct for elected and co-opted Members. The Audit Committee monitors standards of conduct of Members and when it appears that a breach may have occurred these are referred to the Audit Committee by the Monitoring Officer for a hearing.

If it appears that the Code of Conduct may have been broken by a member of staff that would warrant disciplinary action. This would be referred to the relevant service (HR or Audit) for

Employees are made aware of **core policies** such as the Anti-Fraud and Corruption Policy, the Whistleblowing Policy and the IT Security Policy upon induction and updates are shared through "The Source" (Council intranet) or cascaded through leadership and team meetings.

The Council informs, consults and involves residents in significant decisions including service and budget changes. Their views are submitted to those making decisions for consideration. Consultations and surveys this year have included a survey on council tax increase and a consultation on new ways of running parks and open spaces.

The Audit Committee is responsible for ensuring that arrangements are in place for the proportionate and independent investigation and follow up of **Whistleblowing** allegations, in line with recommended best practice.

The annual review of Whistleblowing arrangements occurred in 2017/18 and some areas where improvements could be made regarding awareness and confidence in Whistleblowing arrangements were identified.

Review of Effectiveness –Service Planning and Delivery

An extensive consultation exercise in 2017 led to a new **Corporate Strategy** for the period 2018-23, adopted by Full Council meeting in February 2018 as part of the Council's Policy Framework. The Corporate Strategy provides the Council's overarching medium term strategic direction and priorities for the next five years. In addition the strategy now takes account of the emerging One City Plan and updates information on the challenges facing the Council.

This is the basis on which the annual business plans have been prepared and the Council's performance framework (included individual officer performance) is grounded.

To keep the plan relatively short and simple, only the top level actions and most important measures of our success have been included in the Business Plan. Some actions may relate to more than one commitment, but are listed next to the most relevant one. To ensure the plans and the milestones and high level performance indicators remain relevant, they will be periodically refined in response to internal and external changes.

The Corporate Strategy includes our **values & behaviours** which defines how we work and what we stand for. These will be rolled out and embedded within the whole organisation.

Performance is monitored in line with business plan themes, directorate and key service plan drivers. In some areas such as Children's services, performance is measured and monitored via national professional standards.

The Council's approach to managing staff performance ("**My Performance**"), requires regular, quality conversations and periodic online assessment. On line completion is monitored but inconsistent application has been identified. The Head of Human Resources has advised that only 42% of staff having registered completion of review compared to 68% in 2016/17. This decline in completion has resulted from a lack of clarity regarding the timing, development and roll out of the new performance monitoring framework that appropriately reflects the Council's vision and values.

The average working days lost to **sickness** as at December 2017 was 9.22 days, compared to 8.4 at the comparative period in 2016. This is well below the target of 7.5 days. Absence due to stress and limb disorder has significantly increased in 2017.

A number of planned additional actions have been developed to improve the number of working days lost due to absence; including regular case management, proactive targeted support for managers and systematic performance reviews.

Work is now well progressed on a **Strategic Workforce Plan** which now needs final approval and implementation. The plan will include work streams on: organisational culture; structure pay and reward; performance and talent management; diversity and inclusion; employer brand, recruitment and health and wellbeing. The Health and Wellbeing work stream includes: mental health training for staff; assisting colleagues through change; and launching a wellbeing website with support tools for managers and staff.

Partnership working is fundamental to the work of the Council and delivery of the Corporate Strategy. There are many forms of collaboration with other organisations and these are governed in many ways – constitutional governance groups, contractual arrangements, partnership/service level agreements and information sharing arrangements. Some work-streams, however, would benefit from a more formalised approach than is currently taken. Work to refresh the Partnership policy is underway and will be based on a full awareness of all partnership arrangements.

In planning its services, the Council aims to consider the social, economic and environmental impact of its approaches. These aims are at the heart of public service and there are many examples of how Council services deliver '**social value'** of this kind.

More specifically the Council considers Social Value at pre-tender and tender stage to ensure that appropriate desirable outcomes can be offered by suppliers in their tender submission Further work is required to ensure that social value outcomes are agreed, clearly understood and effectively monitored going forward and to this effect the Social Value element of the Contract Procedure rules have been strengthened.

The Council has a procedure for tracking, handling and reporting formal complaints. These are reviewed and reported through the performance reporting framework.

During 2017/18, the Council responded to 75% of complaints within the required timescales. Whilst this demonstrates progress when compared to 2016/17, improvement to achieve higher levels of compliance are required, and to further enhance performance, the Council must also ensure that they learn from complaints received.

In 2016/17, a need to enhance Member development arrangements was identified. Ensuring Members have the correct skills to support community leadership and decision making is an important aspect of delivering the Council's aims and objectives. Additional resources have been allocated to develop a robust Member development programme going forward.

A new approach to Member briefings, various programmes of training has been delivered (e.g. to the Audit Committee) and a member online library containing items such as technical briefing has more recently been developed to ensure there is coordination and ease of access to information. A Member development steering group has been established and they have undertaken a gap analysis against the LGA Chartermark. This is forming the basis for a programme of work that is in part supported by the LGA but also strengthens links with other services.

A **Multi-Agency Learning Review**, completed by the community safety partnership, Safer Bristol was published in December 2017 following the death of Mr Bijan Ebrahimi.

This report concluded that both the Council and the police collectively failed to provide an appropriate and professional service to Mr Ebrahimi. The review identified 14 recommendations for organisations, 4 specifically for the Council which included the process and evidence for Anti-Social Behaviour injunctions, a review of current vulnerable tenants and change in our vulnerable tenant's policy. Delivery against the agreed action plan is monitored through the Safer Bristol Executive.

The Local Government and Social Care Ombudsman made findings of fault in respect of the way the Council dealt with a family's housing and homelessness applications and storage of their belongings. The family had to share a single hotel room for more than three years.

The report referred to a number of Council departments being aware of the family's problems in the period 2014-2017 but that "nothing was done about their housing situation until the Ombudsman got involved." The report noted the actions taken by the Council to provide part remedy, for example action during the investigation to register a homelessness and housing application. Recommendations were made and actions required in terms of financial remedy, publication of the report, reporting the matter to the Council and informing the Ombudsman of compliance with the actions specified.

The Council has an information security policy which is currently being refreshed to include strengthened requirements brought by the General Data Protection Regulations (GDPR). The holder of Senior Information Risk Owner (SIRO) role has changed during the year with a new SIRO appointed in February 2018. Turnover in asset owners and lead custodians has also brought a loss of organisational knowledge however this has provided the opportunity to review practice and procedures.

98% of staff have been trained in information security and GDPR training is currently being rolled out to all employees with 95% completion currently achieved. Further work, however, is still required to train colleagues in data retention.

A future state assessment of Information and Communications Technology (ICT) has taken place resulting in identification of a 'desired' future state that is modern, flexible and stable. If implemented effectively, the future state will help to ensure that the Council's ICT works to support departments in delivery of Council services going forward and enables the Council's digital ambitions, as these become clearer, to be realised. An achievable but challenging transition plan has been developed and costed with the intent of moving the Council to the desired state by 2023.

The future state offers a vision of ICT provision that is both lean and well positioned to leverage the benefit of current technology to help deliver the Council's digital ambitions for great end to end digitisation of services. The Council is, however, currently operating without a business led Digital Strategy to co-ordinate and drive digital development across the Council.

The priority given to preparing for the new GDPR regulations was escalated in the latter part of the year and additional resources sourced to address key priorities for compliance by 25th May 2018. A risk based approach is now being taken which will see the key building blocks in place by the 25 May, including:

- Training completed Council-wide
- Processes for handling subject access requests
- Record of processing activity
- New contracts will be GDPR compliant
- Updated privacy notices
- Privacy Impact Assessment (PIA's) completed
- Consent forms updated
- Old data reviewed and in the process of being deleted

Plans are in place to ensure the Council is fully compliant going forward and progress is being monitored by the SIRO. At the same time, information governance overall is being reviewed to incorporate stronger oversight of arrangements concerning information management and security including reviewing the role and terms of reference of the information assurance group.

Procedures were in place during 2017/18 to report information security breaches internally. Some 280 such reports were made during the year, of which 2 were reported to the Information Commissioner's Office with no further action being required in either case although in one case the Council were deemed to be in breach. Senior managers have provided assurance that action by them, in concert with experts in the Council, to respond to those breaches appropriately were taken. However, there have been some failings to report breaches to the information commissioner in a timely way. Similarly, a number of subject access requests had not been dealt with in a timely manner. Processes are now being reviewed as part of GDPR preparations to ensure these processes are rectified now and going forward.

Review of Effectiveness – Risk Management Arrangements

The Council's **Risk Management Policy** was reviewed, endorsed by the Audit Committee (September) and approved by Cabinet (December 2017). The Corporate Risk Register is part of this framework and is an articulation of the key risks impacting the Council. It is intended to be used to inform decision making, provide assurance over actions being taken to manage key risks and to inform directorate level risk management planning and mitigation activities.

For the key strategic risks, named risk managers are identified in the Register. Risk management should be an integral component of the business planning, project management and other corporate processes, such as the budget, linking risk to the achievement, monitoring and resourcing of objectives at directorate level.

Risk management needs to continue to be embedded within the Council and risk training options are currently being reviewed and refreshed including consideration of online tools.

The Corporate Risk Register was refreshed using new methodologies as outlined in the policy and received by the Audit Committee November 2017 and Cabinet January 2018. It is proposed that the Corporate Risk Register will be reported at least twice a year.

However, during 2017/18, the following practices were not consistently applied to assist with embedding Risk Management at all levels and across the Council:

- **Quarterly review of Corporate and Directorate Risk Registers.** This lapsed during the year. Whilst development work was completed in respect of the Corporate Risk Register, Directorate Risk Registers were not consistently maintained in line with the new format and or policy.
- Whilst the Risk Management Policy was approved, **training and awareness** needs to be addressed to ensure consistent application.

I.T contracts which support the delivery of corporately **critical systems have been systematically risk assessed** and monitoring and mitigation have been developed to minimise Council risk exposure across the 280 contracts.

The Council responded seriously to the financial challenge and had set about reassessing its financial bases to more realistic levels to address the financial gap. A number of areas of the financial plans were ambitious and some areas of risk were identified and have been managed.

Resourcing Risk Management: A dedicated and specialist risk manager was not in place to drive forward improvements and assist managers and advise Members on the management of risks and issues. An interim resource has been sourced early in 2018/19 to support the Council with embedding the principles and to consider how this area should be resourced in the future.

Whilst risk management has been inconsistent at strategic level, assurance statements from managers across the Council indicate ongoing consideration of risk at service delivery level. This can range from management of service risks in line with that governed by national frameworks and professional standards to risk consideration in project delivery or new business case approvals.

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 (S151 Officer) in Local Government* have been complied with in performing her duties.

The S151 Officer is a member of the Councils Corporate Leadership Team and as such is ideally placed to develop and implement strategic objectives within the Council, influence material business decisions and oversee corporate governance arrangements, the audit and risk management framework and the annual budget strategy and planning processes.

The Council's approach to Financial Management ensures that public money is safeguarded and used to best effect in supporting both long term achievement of objectives and shorter term financial and operational performance when ensuring value for money is achieved.

Changes to the local government finance system, and delivery of continued significant savings continues to present significant risks to the Council's priorities and ambitions. Through effective leadership the key focus for 2017/18 has been:

- Delivering our core strategic framework (of which financial framework is integral), improved financial management and quality of the reporting
- Stabilising of Council finances within the challenging financial climate.
- Implementation of a strengthened regime of governance and assurance.
- Ensuring sufficiency of resources with appropriate skills and capabilities.

Good progress has been made in the following areas:

Core strategic framework

- Review Policy and Budget framework within the Constitutional review
- Refresh financial regulations / scheme of delegations
- Developed a 5 year rolling MTFP
- Contract procedure regulations

Stabilising of Council finances

- Annual budget, including 5 year capital programme and Treasury Management Strategy.
- LGA Budget Peer review undertaken to support this process and improve budget setting.
- Budgets have been managed within delegated limits – balanced position achieved for 2017/18.

Strengthened governance and assurance

- Improved governance of savings programme via the Delivery Working Group and Delivery Executive and budget management Budget Scrutiny and Budget Executive – Member involvement
- Increase capacity and profile of Internal Audit, with improved inspection and assurance regime.
- The MTFP and budget process involved the engagement of members via the Scrutiny Task and Finish Group.

Sufficiency of resources with appropriate skills and capabilities

- Resources realigned to provide greater agility and risk based target of resource
- Additional skills and capacity secured via interim resources.

Further work is required in the following areas**:**

- Develop a Capital Strategy and improved governance of the capital programme
- Deep dive review of ring fenced accounts (HRA / DSG/ PH), partnerships and our companies
- Implementation of outstanding audit recommendations and finance systems and process improvements.

The 5 year **Capital Programme** contains high level programme areas and schemes at varying levels of readiness and as outlined in the draft finance outturn report for 2017/18 many projects have been subject to delays as a result of internal and external factors which have resulted in significant slippage and incremental re-profiling of budgeted / planned expenditure. This is a trend which we have seen reflected in prior years (identified in the 2016/17 AGS review) and urgent improvement is required to strengthen project management and capital governance.

The updated 2017 Prudential Code for Capital Finance in Local Authorities and its associated guidance highlight the need for the further strengthening of capital governance arrangements in local authorities. A Capital Strategy forms a critical part of strategic and financial planning, o ensure capital investment, proposals are fully justified in accordance with the strategic vision and fosters an integrated approach to the deployment of capital spend against a clear set of priorities including readiness assurance.

The Council will develop a capital strategy and ensure that robust governance arrangements are in place in 2018/19 for delivery of its rolling five year Capital Programme (including major infrastructure projects delivered in conjunction with regional Partners) to ensure initiatives that involve the direct delivery of significant infrastructure and capital investment are transparent within the Capital Programme from their inception and delivery ultimately overseen by a strategic governance board.

Procurement procedures were revised during 2017/18 to achieve transparency regarding third party activity across the Council, standardisation and efficiencies where appropriate and increase rigor in our procurement practices.

As a result of the gateways and processes introduced a number of weakness have surfaced in terms of procurement forward planning, contract management and understanding of procurement regulations. This area was also identified for review in the Audit plan for 2017/18.

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

- The use of waivers in the procurement of goods and services continued to be high and the waivers process was no applied consistently. It was identified that many waivers could have been avoided with effective contract planning.
- Services being procured outside of agreed framework agreements.
- Standards of contract management were found to be inconsistent across the Council.

Management actions were outlined in response to the Audit findings which aims to strengthen the Council's approach to commissioning, procurement and contract management. This included the introduction of a category management approach to procurement, a revision to the Contract Procurement regulations which includes category forward plans and whole life contract management. Implementation of this approach and its effectiveness will need to be monitored in 2018/19.

Bristol is Open (BIO) Ltd is a Joint Venture company in which both the Council and the University of Bristol own a 50% stake. BIO was established to be the vehicle for an experimental broadband, wireless and high performance computing infrastructure that will stimulate and study the convergence in cities of different telecommunication, software, hardware, data and sensing technologies. BIO is expected to oversee the research infrastructure and form commercial partnerships with large technology companies, SME's and research organisations.

An audit review of the Council's own governance arrangements in relation to BIO was undertaken early in the financial year and identified areas for development and improvement in respect of how the Council monitors the achievement of the objectives set out in the original business case and assess value for money in this high tech sector and the need for improved risk management arrangements.

The Councils performance oversight is provided by the Shareholder group and company governance has been further strengthened in more recent months with the reinstatement of shareholder meetings. A new Managing Director was appointed during the course of the year and a revised business plan is in development which will align to the strategic ambitions of both shareholders and will need to be underpinned by a financially sustainable operational plan. Work will continue in conjunction with the Shareholders to finalise any outstanding or associated commercial, legal and governance arrangements.

The turnover of BIO does not meet the materiality threshold and as such the company accounts are not consolidated within the Council's accounts.

The companies **Bristol Energy** and **Bristol Waste** are wholly owned by the Council through a company, Bristol Holding Limited.

- **Bristol Energy** is 'social' supplier of gas and electricity to domestic and business customers
- **Bristol Waste** provides recycling, waste collection, disposal and street cleansing services on behalf of the Council and because of the nature of the business the company is permitted an exemption (Teckal company) from public procurement.

The companies produce their own accounts which are subject to independent external audit and consolidated into the Council's accounts.

An independent review was undertaken of Company Governance with recommendations agreed that will assist the Council in improving the level and effectiveness of Council oversight of the activities of those companies that it either wholly owns, or in which it has an interest. The implementation and the impact of actions taken in respect of the governance improvements identified by the review will be monitored throughout 2018/19.

The Council retained a thin client function; however it has been necessary during the course of the year to increase the capacity to oversee the contractual relationship with the companies. The appropriate size and scope of the client function going forward is under consideration.

In 2018/19 an assurance report will be provided from the companies Audit Committee for the Council's Audit Committee. The report will outline any significant risk/issues reported and the effectiveness of the internal controls. The timing and format of the report is still to be agreed.

Review of Effectiveness – Council Owned Companies

Assurance statements based on the model used by Council managers has been completed on behalf of each company to provide reassurance that governance arrangements are sound.

Each company has put in place their own governance arrangements which reflect the commercial environment within which they operate. The companies operate in accordance with agreed business plans and progress against them is monitored internally and reported to the Council's Shareholder group.

The energy market is both huge and complex and will always be punctuated by periods of shorter-term price volatility. Due to the cyclical nature of the market and the costs to serve, the investment horizon in the energy market is generally long term and **Bristol Energy** remains committed to their plan for meeting long-term growth and social value.

In 2017/18 the financial and trading environment remained challenging. Whilst Bristol Energy exceeded their target level of customer numbers, attracting more customers than predicted, the margins were lower than originally forecast. These factors in conjunction with the continued investment in business growth, innovation (such as smart metering) and our customer service which aimed to bring benefits to all customers, resulted in an increase in the net operating losses over the planning period.

The Governance arrangements have been strengthened, monthly performance reports which include operational and financial key performance indicators in addition to budget reports are presented to the Board and Shareholder group. An Audit and Risk Committee has been established and a mechanism is being considered which will ensure Audit Committee members and senior management are provided with independent, objective views on the risk and internal controls within the company. Plans are in place for the establishment of a Remuneration Committee in 2018/19.

A Risk Management framework is in place with regular review of key risks of the business reported to the Board and the Audit and Risk Committee. A Business Continuity Plan for the company is in place and was tested during the extreme weather conditions in 2017/18.

The arrangements above will support robust decision making and achieving the aim to provide a wide range of benefits to residents and local businesses, deliver positive social impacts through job creation and tackling fuel poverty.

Bristol Waste, exceeded its expected performance in the attainment of household and municipal waste recycling percentages assisting the City in achieving its statutory targets in 2020 and through improved contracts, has dramatically reduced the quantity and % of Bristol's waste being disposed of at landfill (15% for 2017/18 represents a 10% reduction on the previous year) and achieved a net surplus for 2017/18.

It has been recognised that there has been an insufficient level of Non-Executive Directors on the Board at Bristol Waste, which has impacted upon the ability to maintain effective governance arrangements in respect of Audit Committee and Remuneration Committee arrangements. There has been a significant turnover in the senior management team in a relatively short period of time but this has been mitigated by interim arrangements to ensure that operational delivery was not adversely impacted and where appropriate permanent recruitment is underway.

Bristol Waste maintains a risk matrix which is regularly reported at Board and through to the Shareholder Group this needs to be further developed to reflect a more rigorous approach to reporting of risk and realisation of opportunities. In addition to the above the evolving Business Continuity Plan is being further developed and due to be finalised in the first quarter of 2018/19.

Review of Effectiveness - Audit Arrangements

The preparation of the Annual Governance Statement has continued to be based on a robust approach whereby Managers and relevant budget holders from across the Council complete 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 2017/18. Several areas for improvement have been identified.

An external peer review of the Internal Audit service was completed in 2017/18, which concluded that the team was generally compliant with professional standards (97% fully or partially compliant). An action plan for improvement has been agreed and implementation will be monitored via the Audit Committee. Additionally, an internal review has highlighted various areas for development in order to enhance the Internal Audit service.

The Internal Audit Team 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 2017/18 as detailed in the Annual Internal Audit Report.

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 2017/18, considering reports from the Chief Internal Auditor including the Annual Internal Audit Report, the S151 Officer, the Monitoring Officer and the External Auditor.

The Annual assessments of the effectiveness of the Committee is underway (following CIPFA good practice guidance) to identify any areas where improvements are necessary to increase its effectiveness. Independent members were appointed during 2017/18 to strengthen the Committee.

The Audit Committee received regular reports on **counter fraud and fraud investigations** throughout 2017/18.
A review of the Council's position related to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption was reported to the Audit Committee in 2017/18. Fraud work continues to identify potential recoverable savings.

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 2016/17, BDO issued an unmodified true and fair opinion on the financial statements. It also made an adverse conclusion on the Council's arrangements in place for securing economy, effectiveness and efficiency in its use of resources.

The profile of the Internal Audit section has been improved via increased attendance at management team meetings and regular meetings with management. This has contributed towards an improvement in the rate of implementation of audit recommendations.

IMPROVEMENTS MADE IN 2017/18

During 2017/18, the Council has made progress in enhancing its' governance arrangements via the following:

- ✓ The Corporate Strategy has been refreshed with developments in its alignment to business and service planning

- ✓ A clear set of Council values and behaviours has been agreed, incorporated into the Corporate Strategy and communicated via training workshops.

- ✓ During the course of the year, there have been a number of internal and external reviews. All reports have been discussed in a range of forums, duly considered, management responses provided and agreed actions are being implemented and embed appropriately. Such independent external reviews of Council services, systems and processes include:

  - Registration and Elections Service;
  - Local Government Association reviews of Children's Services finances, Early Help Services, Intervention Targeted Services;
  - LGA review of Special Education Need and Disability;
  - Joint Targeted Area Inspection of the multi-agency response to Abuse and Neglect by the Council;
  - Peer Challenge on the theme of Neglect;
  - Ofsted Monitoring Inspections of every Children's Home.;
  - Governance review of Council owned companies;
  - LGA Budget Peer Review;
  - Peer Review of Internal Audit services compliance with Public Sector Standards; and
  - Future State Assessment of ICT provision.

  (The Corporate peer challenge that was scheduled for 2017 and postponed will now occur in Autumn 2018.)

- ✓ A review of corporate equalities practise has been initiated.

- ✓ The work of the Urban Design and Place Shaping Teams is reviewed and challenged by external agencies such as Historic England, the Civic Society for consistency of advice and championing of good design and has been further enhanced by improving the regularity of scrutiny by the Bristol Urban Design Forum.

IMPROVEMENTS MADE IN 2017/18

- ✓ A diagnostic of Children and Adult Services was undertaken which translated into improvement plans for the services, which has included promoting improvement through the benchmarking of regional services.
- ✓ Appointment of an Independent Chair for the Strengthening Families Transformation Board to drive challenge and support in the process of transformation.
- ✓ The Council was one of only 13 local authorities in the country to secure "Earned Autonomy" status in the management of the Troubled Families Programme. This will secure additional troubled families payments to spur faster service transformation and drive high quality support to families.
- ✓ BSI accreditation has been achieved in respect of complaints handling
- ✓ There have been improvements in financial monitoring arrangements that have enabled remedial action to be taken within the year.
- ✓ There has been an increased profile of Audit across the organisation achieve by attendance and Directorate Management teams and regular meeting with management and the Implementation of audit recommendation has also shown improvement.
- ✓ Following the identification of concerns in-year, the decision pathway was reviewed towards the end of the financial year.
- ✓ There has been improved monitoring of the performance of the companies by the Council's Shareholder Group.

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.

In the 2016/17 Annual Governance Statement, 14 significant governance issues were identified for improvement. These were monitored by 22 key actions and reported regularly to the Audit Committee in 2017/18.

As at March 2018, it was reported to the Audit Committee that 23% of actions were complete and that 77% of actions were in progress.

The following represent the significant governance issues for 2017/18 and where a similar issue was reported in 2016/17, it is referred to accordingly.

Issue No.	Issue Identified	Actions Taken and Proposed (to follow)
1	The Local Government and Social Care Ombudsman report into the treatment of a homeless family identified a number of recommendations to be addressed. This report was considered by Cabinet in May 18 with a further detailed action plan to be considered at a future Cabinet meeting, date to be confirmed.	
2	The Multi-Agency review following the death of Mr Bijan Ebrahimi identified recommendations for the Council which require ongoing monitoring.	
3	There is a need to enhance the support of the integration of health and social care by ensuring effective governance is in place in relation to delayed transfers of care.	
4	A detailed review is required and plan developed which supports schools to deliver a good or improved level of education within a reduced funding envelope.	
5	The Future State Assessment of ICT within the Council has recognised the need to stabilise ICT and ensure it supports transformation going forward. This should include reviewing disaster recovery arrangements.	
6	Having a strong business led digital vision and strategy for the organisation will support service change and drive the organisation to delivery to citizen expectations with regards to the digitisation of services.	
7	Arrangements for the Council's approach to working in partnerships have been set up with varying levels of	

	formality. Governance and risk management arrangements are inconsistent in the absence of clearly defined governing principles. (This was reported in the 2016/17 AGS).	
8	Risk Management processes need to be consistently applied in order to embed risk management across the Council. (This was reported in the 2016/17 AGS).	
9	There has been significant slippage in delivery of key capital projects in line with the agreed capital programme. (This was reported in the 2016/17 AGS)	
10	Audit reviews and responses in the Assurance Statements identified weaknesses in the consistency of contract management arrangements and also the use of contract waivers continues to be high and reflects the need for improved contract planning have been identified by both. (This was reported in the 2016/17 AGS)	
11	It has been identified that there is a need for the member development programme to focus on members' core skills, community leadership and decision making roles. (This was reported in the 2016/17 AGS).	
12	Performance management of our employees has been inconsistent with only 42% having registered completed performance reviews. (This was reported in the 2016/17 AGS)	

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

Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of Bristol, in an inclusive and open way. It requires standards of behaviour that support good decision making, collective responsibility, individual integrity, openness and honesty. It is fundamental to showing public money is well spent and without good governance the Council will struggle to improve services.

From the review, self-assessments, work undertaken and on-going monitoring supported by the work of Internal Audit, we have reached the opinion that a number of key systems are not operating soundly and that there remains a need for improvement.

An action plan has been outlined in this report which takes steps to address the need for improvements that has been identified in our review of effectiveness. However as part of our commitment to further strengthen governance, local accountability and to explore how effectively we are delivering services, the Council will take part in a Corporate Peer Challenge in September 2018 organised by the Local Government Association.

This was originally scheduled for 2017 but was postponed due to the Grenfell Tower tragedy. This provides us with 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 strategic 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 and strengthen the governance arrangements in place for identifying governance issues and taking mitigating action. We will monitor their implementation and operation over the coming year through the Corporate Risk Register, Directorate Service and operational plans as required and Statutory Policy Board. In addition during the year the Audit Committee will monitor progress against the issues identified in this statement.

Signed:……
Denise Murray
Chief Finance Officer (S151 Officer)

Signed:……
Shahzia Daya
Monitoring Officer

Signed:……
Jacqui Jensen
Acting Head of Paid Service

Signed:……
Marvin Rees
Elected Mayor of Bristol

Core Statements

Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

2016/17 Gross Exp £'000	2016/17 Gross Income £'000	2016/17 Net Exp Restated £'000		2017/18 Gross Exp £'000	2017/18 Gross Income £'000	2017/18 Net Exp £'000
535,729	(298,911)	236,818	People	529,295	(313,288)	216,007
63,618	(7,935)	55,683	Resources & City Director	50,457	(7,077)	43,380
322,926	(248,880)	74,046	Neighbourhoods	317,758	(248,324)	69,434
119,487	(68,064)	51,423	Place	108,571	(65,829)	42,742
(22,592)	(123,212)	(145,804)	Housing Revenue Account	92,872	(121,351)	(28,479)
7,523	(2,480)	5,043	Corporate Funding & Expenditure	(5,099)	(541)	(5,640)
1,026,691	**(749,482)**	**277,209**	**Cost of services**	**1,093,854**	**(756,410)**	**337,444**
		(1,680)	Other operating expenditure (Note 9)			30,180
		20,871	Financing and investment income and expenditure (Note 10)			39,377
		(409,456)	Taxation and non-specific grant income (Note 11)			(393,731)
		(113,056)	**(Surplus) or Deficit on provision of services**			**13,270**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision on Services			
		(325,977)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 20)			(233,641)
		191,904	Remeasurement of the net defined benefit liability\asset (Note 33)			(87,543)
			Items that may be reclassified to the (Surplus) or Deficit on the Provision on Services			
		4,281	(Surplus)or deficit on revaluation of available for sale financial assets (Notes 23)			(7,994)
		(129,792)	Other comprehensive income and expenditure			(329,178)
		(242,848)	**Total comprehensive income and expenditure**			**(315,908)**

Movement in Reserves Statement for the year ended 31 March 2018

	Note	General Fund Balance	GF Earmarked Reserves excluding Schools	School Reserves	Total General Fund	Housing Revenue Account	Housing Revenue Account Earmark Reserves	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 32) Restated	Total Council Reserves Restated
		£'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	**139,581**	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)	-	-	**(26,534)**	139,590	-	-	-	-	**113,056**	**-**	**113,056**
Other Comprehensive Expenditure and Income		-	-	-	**-**	-	-	-	-	-	**-**	**129,792**	**129,792**
Total Comprehensive Expenditure and Income		(26,534)	-	-	**(26,534)**	139,590	-	-	-	-	**113,0569**	**129,792**	**242,848**
Adjustments between accounting basis and funding basis under regulations	Note 18	(22,142)	-	-	**(22,142)**	(138,317)	-	5,911	(1,822)	2,108	**(154,262)**	**154,262**	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		(48,676)	-	-	**(48,676)**	1,273	-	5,911	(1,822)	2,108	**(41,206)**	**284,054**	**242,848**
Transfers to/from Earmarked Reserves	Note 19	48,676	(40,532)	(8,144)	**-**	3,527	(3,527)	-	-	-	**-**	**-**	**-**
Increase/Decrease in 2016/17		-	(40,532)	(8,144)	**(48,676)**	4,800	(3,527)	5,911	(1,822)	2,108	**(41,206)**	**284,054**	**242,848**
Balance at 31 March 2017 Carried Forward		20,000	65,446	5,459	**90,905**	54,237	8,790	45,709	-	3,340	**202,981**	**1,153,476**	**1,356,457**
Movement in Reserves during 2017/18													
Surplus/(Deficit) on the provision of services		(38,767)	-	-	**(38,767)**	25,497	-	-	-	-	**(13,270)**	**-**	**(13,270)**
Other Comprehensive Expenditure and Income		-	-	-	**-**	-	-	-	-	-	**-**	**329,178**	**329,178**
Total Comprehensive Expenditure and Income		**(38,767)**	**-**	**-**	**(38,767)**	**25,497**	**-**	**-**	**-**	**-**	**(13,270)**	**329,178**	**315,908**
Adjustments between accounting basis and funding basis under regulations	Note 18	62,044	-	-	**62,044**	(9,910)	-	17,763	1,225	(336)	**70,786**	**(70,786)**	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**23,277**	**-**	**-**	**23,277**	**15,587**	**-**	**17,763**	**1,225**	**(336)**	**57,516**	**258,392**	**315,908**
Transfers to/(from) Earmarked Reserves	Note 19	(23,277)	21,975	1,302	**-**	1,445	(1,445)	-	-	-	**-**	**-**	**-**
Increase/(Decrease) in 2017/18		**-**	**21,975**	**1,302**	**23,277**	**17,032**	**(1,445)**	**17,763**	**1,225**	**(336)**	**57,516**	**258,392**	**315,908**
Balance at 31 March 2018 Carried Forward		**20,000**	**87,421**	**6,761**	**114,182**	**71,269**	**7,345**	**63,472**	**1,225**	**3,004**	**260,497**	**1,411,868**	**1,672,365**

Balance Sheet as at 31 March 2018

31 March 2017 Restated £'000		Note	31 March 2018 £'000
915,524	Property, plant and equipment	20	964,224
1,477,193	Council dwellings	20	1,656,465
198,851	Heritage assets	21	201,094
10,040	Intangible assets		10,259
253,976	Investment properties	22	255,415
14,960	Long-term investments	23	23,212
54,646	Long-term debtors	28	46,573
2,925,190	**Long-term assets**		**3,157,242**
33,180	Short-term investments	23	25,132
1,649	Inventories		1,633
110,742	Short-term debtors	28	113,986
29,142	Cash and Cash Equivalents	29	25,263
-	Assets held for sale		1,539
174,713	**Current assets**		**167,553**
(7,769)	Short-term borrowing	23	(4,997)
(145,085)	Short-term creditors	30	(129,799)
(2,384)	Provisions	31	(4,188)
(11,839)	Capital grants received in advance	17	(26,057)
(167,077)	**Current liabilities**		**(165,041)**
(430,489)	Long-term borrowing	23	(430,489)
(12,044)	Provisions	31	(24,637)
(1,122,428)	Other long-term liabilities	30	(1,025,544)
(11,408)	Capital grants received in advance	17	(6,719)
(1,576,369)	**Long-term liabilities**		**(1,487,389)**
1,356,457	**Net assets**		**1,672,365**
(202,981)	Usable reserves	19	(260,497)
(1,153,476)	Unusable reserves	32	(1,411,868)
(1,356,457)	**Total reserves**		**(1,672,365)**

Cash Flow Statement for the year ended 31 March 2018

2016/17 £'000		Note	2017/18 £'000
113,056	Net surplus on the provision of services		(13,270)
(23,097)	Adjustment to net surplus on the provision of services for non-cash movements	34	120,032
(86,571)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	34	(75,184)
3,388	Net cash flows from Operating Activities		31,578
(18,215)	Investing Activities	35	(7,227)
20,723	Financing Activities	36	(28,230)
5,896	Net increase (decrease) in Cash and Cash Equivalents		(3,879)
23,246	Cash and Cash Equivalents at the beginning of the reporting period	29	29,142
29,142	**Cash and Cash Equivalents at the end of the reporting period**		**25,263**

1 Accounting Policies

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18 (the Code) and the CIPFA Service Reporting Code of Practice (SeRCOP) for Local Authorities 2017/18, supported by International Financial Reporting Standards (IFRS).

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

ii 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 Avon Fire Authority, the West of England Combined Authority (WECA) 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.

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 discounted cash flow estimation).

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

ix Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument 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 one Joint Operation being the West of England Local Enterprise Partnership. In respect of this, 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 in the 2017-18 budget report on the 21 February 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).

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;
- 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 in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the government The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the 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 2017/18 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. There are three such standards, IFRS 9 relating to financial instruments, IFRS 15 relating to revenue from contracts with customers and IFRS 16 relating to the treatment of leases. There is no impact on the 2017/18 accounts. IFRS 9 and 15 will impact on the accounts for 2018/19. IFRS 16 will not impact until 2019/20 and adoption and adaptations by the public sector are not yet clear.

IFRS 9 – Financial Instruments. The main changes involve the classification and measurement of financial assets and the application of a new "expected credit loss" model for impairment. Although generally, the Council does not expect the reclassification changes to have a material impact on the financial statements, but we are currently carrying out an assessment as to how IFRS 9 will impact on existing accounting treatment.. Impairment charges will be immaterial for its treasury management assets (e.g. bank deposits and bonds) and it already makes a provision for doubtful debts on its service assets, e.g. trade debtors.

IFRS 15 – Revenue from Contracts with Customers excludes council tax and business rates, and is not applicable where other standards apply, for example, in the case of leases, financial instruments or insurance contracts. The Council does not anticipate any material impact on the Council's single entity financial statements; however consideration will need to be given to the likely impact on our group 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 7 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 April 2017, the Council made a payment of £44.2m to the Avon Pension Fund in respect of the 2017/18, 2018/19 and 2019/20 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 considers 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.

- The Council has valued its interests in its subsidiaries in line with the 2017/18 Cipfa Accounting Code of Practice on Local Authority Accounting in the United Kingdom (the Code), namely 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.

- For inclusion in the Council accounts we have taken the view that it is appropriate to value the companies within the group using different methodologies, reflecting the diverse nature of those businesses. Bristol Holding Limited and Bristol Waste Company have been valued on a net asset basis as recorded in the company's individual balance sheets as at 31 March 2018. Bristol Energy has been valued at cost with an impairment to bring back to a fair value in the accounts. The fair value has been calculated using an estimated base price per customer should the company be sold on the open market.

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 2018 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 £96m 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.
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 £42m • a 0.1% increase in the assumed level of pension increases will increase the net pension liability by £5.5m • a 0.1% increase in the assumed level of pay inflation will increase the net pension liability by £43m • an increase of one year in longevity will increase the net pension liability by £47m

Item	Uncertainties	Consequence if actual results differ from assumptions
Business Rates	Following the introduction on 1 April 2017 of 100% business rates pilots, the Council along with those of South Gloucestershire and B&NES formed the West of England pilot. This increases the effect of volatility, particularly in relation to business rates appeals. Under the pilot the Council is liable for successful appeals against business rates charged since 2010 rating list 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 £24m 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 adjusted 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 2018, the Council had an outstanding balance on short term debtors of £164m. A provision for bad and doubtful debts totalling £50m 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.

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 xxx 2018. 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 2018, the figures in the financial statements and Notes have been adjusted in all material respects to reflect the impact of this information.

7 Expenditure and Funding Analysis for the year ended 31 March 2018

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.

2017/18

Adjustments between the Funding and Accounting basis

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	**Revised Outturn**	**Adjustments EFA (Note 1)**	**Net Expenditure Chargeable to the General Fund and HRA Balances**	**Adjustments for Capital Purposes EFA (Note 2)**	**Net change for the Pension Adjustments EFA (Note 3)**	**Other Differences EFA (Note 4)**	**Total Adjustments**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
People inc DSG	196,085	(344)	**195,741**	14,000	6,266	-	**20,266**	**216,007**
Resources & City Director	33,693	-	**33,693**	6,774	2,913	-	**9,687**	**43,380**
Neighbourhoods inc Public Health	60,837	(690)	**60,147**	6,096	3,191	-	**9,287**	**69,434**
Place	12,051	3,206	**15,257**	24,434	3,051	-	**27,485**	**42,742**
Housing Revenue Account	(17,032)	(9,218)	**(26,250)**	(4,558)	2,329	-	**(2,229)**	**(28,479)**
Corporate Funding & Expenditure	52,542	(28,458)	**24,084**	(15,832)	(11,336)	(2,556)	**(29,724)**	**(5,640)**
Net Cost of Services	**338,176**	**(35,504)**	**302,672**	**30,914**	**6,414**	**(2,556)**	**34,772**	**337,444**
Other income and expenditure (Notes 9,10,11)			(341,536)	(13,362)	21,374	9,250	17,362	(324,174)
(Surplus) Deficit on the Provision of Services			**(38,864)**				**52,134**	**13,270**
Opening General Fund and HRA Balance			(153,932)					
Less Deficit on General Fund and HRA Balance in Year			(38,864)					
Closing General Fund and HRA Balance at 31 March 2018*			**(192,796)**					

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

2016/17 **Adjustments between the Funding and Accounting basis**

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Outturn as reported to Cabinet	Adjustments EFA (Note 1)	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments for Capital Purposes EFA (Note 2)	Net change for the Pension Adjustments EFA (Note 3)	Other Differences EFA (Note 4)	Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
People	232,106	(15,646)	**216,460**	25,995	(5,637)	-	**20,358**	**236,818**
Resources & City Director	34,574	16,603	**51,177**	4,965	(459)	-	**4,506**	**55,683**
Neighbourhoods	70,661	(2,908)	**67,753**	6,710	(417)	-	**6,293**	**74,046**
Place	18,797	10,997	**29,794**	21,913	(284)	-	**21,629**	**51,423**
Housing Revenue Account	(52,941)	41,050	**(11,891)**	(133,015)	(757)	(141)	**(133,913)**	**(145,804)**
Corporate Funding & Expenditure	26,297	(2,713)	**23,584**	(24,363)	4,523	1,299	**(18,541)**	**5,043**
Net Cost of Services	**329,494**	**47,383**	**376,877**	**(97,795)**	**(3,031)**	**1,158**	**(99,668)**	**277,209**
Other income and expenditure (Notes 9,10,11)			(329,474)	(78,415)	23,552	(5,928)	(60,791)	(390,265)
(Surplus) Deficit on the Provision of Services			**47,403**				**(160,459)**	**(113,056)**
Opening General Fund and HRA Balance			(201,335)					
Less Deficit on General Fund and HRA Balance in Year			47,403					
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

EFA Note 1 – Adjustments

The reallocation of transactions to/from service areas below the net cost of services to Other Income and Expenditure for example interest receivable and interest payable from Corporate Funding and Expenditure to Other Income and Expenditure. The removal of transfers to/from reserves included in outturn in Corporate Funding & Expenditure as these are not shown on the face of the CIES.

EFA Note 2 - 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.

EFA Note 3 - 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

EFA Note 4 - 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.

8 Expenditure & Income Analysed By Nature

Expenditure & Income Analysed By Nature	2017/18 £000	2016/17 £000
Expenditure		
Employee Benefits Expense	345,990	373,988
Depreciation, Amortisation & Impairment	88,091	(53,831)
Other Service Expenditure	773,703	745,509
Total Expenditure	**1,207,784**	**1,069,645**
Income		
Fees, Charges and Other Service Income	(327,471)	(300,852)
Interest & Investment Income	(9,856)	(8,761)
Income from Council Tax & Non-domestic Rates	(346,096)	(274,984)
Government Grants, Other Grants and Contributions	(511,091)	(594,125)
Total Income	**(1,194,514)**	**(1,178,722)**
Surplus or deficit on the Provision of Services	**13,270**	**(113,056)**

9 Other Operating Expenditure

	2017/18 £'000	2016/17 £'000
Precepts and levies	9,993	1,079
Payments to the Government housing capital receipts pool	6,055	2,381
Losses/(gains) on the disposal of non-current assets	14,132	(5,140)
Total	**30,180**	**(1,680)**

10 Financing and Investment Income and Expenditure

	2017/18 £'000	2016/17 £'000
Interest payable and similar charges	47,466	35,258
Pensions net interest cost	21,374	23,551
Interest receivable and similar income	(9,854)	(8,761)
Income and expenditure in relation to Investment Properties	(10,991)	(10,796)
Changes in fair value of Investment Properties	(8,618)	(18,381)
Total	**39,377**	**20,871**

11 Taxation and Non-Specific Grant Income

	2017/18 £'000	2016/17 £'000
Council tax income	(193,555)	(182,328)
Non-domestic rates	(152,541)	(92,656)
Revenue support grant	-	(60,368)
Non-service related government grants	(12,101)	(16,829)
Capital grants and contributions	(35,534)	(57,275)
Total	**(393,731)**	(409,456)

12 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 2017/18 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 five funds totalling £51.424m and administered by whichever body undertook the contracting arrangements.

Fund 1 is administered by Bristol Clinical Commissioning Group and totals £13.037m. 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 £6.796m. The source of funding for this is a mixture of existing CCG expenditure streams with Bristol City Council and the former NHS England funding, previously transferred under Section 256 agreement in 2014/15, which now forms part of the CCGs allocation including funding allocated under Preparing for Better Care £1.06m.
Fund 3 is a joint arrangement hosted by Bristol City Council and totals £19.883m where both the CCG and Bristol City Council contribute towards the sources of funding to create a joint arrangement. The City Council is the Lead Commissioner for the services commissioned through this fund.
Fund 4 is hosted by Bristol City Council and totals £2.651m, which is wholly made up of the Disabled Facilities Grant and £9.055m for the improved Better Care Fund (iBCF). The fund includes contributions from the City Council only, which are paid directly to providers. The City Council controls this fund in its entirety and wholly owns any risk relating to this fund as per the Section 75 agreement.
Fund 5 is hosted by Bristol City Council and totals £9.056m, which is wholly made up of the improved Better Care Fund (iBCF). The fund includes contributions from the City Council only, which are paid directly to providers. The City Council 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	Fund 5 £'000	Total £'000
Funding provided to the pooled budget:`						
Bristol CCG	13,037	6,796	9,172	-	-	**29,005**
Bristol City Council	-	-	10,711	2,652	9,056	**22,419**
Total funding into Pooled Budget	**13,037**	**6,796**	**19,883**	**2,652**	**9,056**	**51,424**
Expenditure met from Pooled Budget						
Bristol CCG	13,037	-	-	-	-	**13,037**
Bristol City Council	-	6,796	19,883	2,652	9,056	**38,387**
Total expenditure from Pooled Budget	**13,037**	**6,796**	**19,883**	**2,652**	**9,056**	**51,424**
Net surplus/(deficit) on the pooled budget during the year	**-**	**-**	**-**	**-**	**-**	**-**
Bristol City Council's share of the net surplus/(deficit) arising on the pooled budget	**-**	**-**	**-**	**-**	**-**	**-**

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 2006 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:

	2017/18 £'000	2016/17 £'000
Funding provided to the pooled budget:		
Balance Brought Forward	1,986	2,536
Bristol City Council General Fund	1,611	1,430
Bristol City Council Public Health	7,456	7,720
Other Bodies	98	112
	11,151	**11,798**
Expenditure met from the pooled budget		
Drug and alcohol services for adults	9,165	9,812
Substance Misuse Services for Young People	-	-
	9,165	**9,812**
Net underspend carried forward	**1,986**	**1,986**

13 Members' Allowances

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

	2017/18 £'000	2016/17 £'000
Basic allowance	879	807
Special responsibility allowances	351	311
Travelling and subsistence allowance	4	6
Co-optees basic allowance	-	2
Total	1,234	1,126

In addition to the above, the elected Mayor is paid an annual allowance amounting to £69,219.

The 2017/18 figure for Members allowance includes backdated payments relating to the period 1st January 2015 – 1st April 2017.

14 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:

(Interim)* The amounts disclosed in the table below 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).

2017/18				**Salary, Fees and Allowances**	**Compensation for Loss of Office**	**Pension Contribution**	**Total**
Post Title	**Post Term**	**Post Holder**	**Notes**	**£**	**£**	**£**	**£**
Chief Executive	April '17-Sept. '17	A Klonowski	1	160,118	-	36,000	**196,118**
Head of Paid Service	Oct '17 - March '18		2	-	-	-	**-**
Strategic Director - Resources (Interim)*	April '17 - Jan'17	N Beardmore	3	194,894	-	-	**194,894**
Executive Director - Resources (Interim)	Jan '18-Mar '18	D Murray	4	32,513	-	7,316	**39,828**
Strategic Director - People	April '17 - Jan'18	J Readman		111,554	38,324	24,513	**174,391**
Executive Directors Care and Safeguarding	Jan '18-Mar '18	J Jenson	5	28,645		6,445	**35,090**
Strategic Director - Neighbourhoods	April '17 - Dec '17	A Comley		110,290	-	24,815	**135,105**
Executive Directors Communities	Jan '18-Mar '18	A Comley	6	25,710	-	5,785	**31,495**
Strategic Director -Place	April '17 - May '17	B Mac Ruairi		19,011	-	4,277	**23,288**
Executive Directors Growth and Regeneration (Interim)*	Jan '18-Mar '18	C Molton	7	52,825	-	-	**52,825**
Statutory Officers- Chief Financial (S151)	April '17 - Dec '17			90,819	-	19,084	**109,904**
Statutory Officers- Chief Financial (S151)	Jan '18-Mar '18		8	-	-	-	**-**
Statutory Officers- Service Director Legal and Democratic (Monitoring Officer)	April '17 - March '18			94,601	-	21,285	**115,886**

2016/17				Salary, Fees and Allowances	Compensation for Loss of Office	Pension Contribution	Total
Post Title	**Post Term**	**Post Holder**	**Notes**	**£**	**£**	**£**	**£**
City Director	March '17-July '17	N Yates		62,271	192,955	12,012	**267,238**
Chief Executive (Interim)*	Aug'16 – Feb '17	S Hughes		127,523	-	-	**127,523**
Chief Executive	March'17	A Klonowski		18,270	-	-	**18,270**
Strategic Directors - Business Change	April '16- May '16	M Wide	9	22,853	-	5,055	**27,908**
Strategic Directors - Resources (Interim)	July '16 – Feb'17	A Klonowski	10	118,482	-	-	**118,482**
Strategic Directors - People	April '16 - March '17	J Readman		136,608	-	30,377	**166,985**
Strategic Directors - Neighbourhoods	April '16 - March '17	A Comley		132,485	-	29,544	**162,029**
Strategic Directors - Place	April '16 - March '17	B Mac Ruairi		136,752	-	30,377	**167,129**
Statutory Officers- Chief Financial (S151)	Nov '16 –March '17			37,962	-	8,466	**46,428**
Statutory Officers- Chief Financial (S151) (Interim)*	April '16 - June'16	J Oldale	11	68,640	-	-	**68,640**
Statutory Officers- Chief Financial (S151) (Interim)*	June '16 - Nov'16	A Scholes	12	108,305	-	-	**108,305**
Statutory Officers- Head of Legal Services (Monitoring Officer)	April '16 - March '17			94,739	-	21,127	**115,866**

Notes

1. Post Deleted in Jan 18

2. The services of the Director of Resources were secured on an interim basis.

3. The Head of Paid service post was covered by existing Strategic or Executive Directors as follows; 1 – 10 October 2017 the Strategic Director for People; 11 October 2017 – 21 January 2018 the Strategic Director of Resources; 22 January to 31 March 2018 the Executive Director for Care and Safeguarding. The Strategic Director for People and Care and the Executive Director for Safeguarding did not receive any additional remuneration while covering for this post.

4. Post title changed for Strategic Director to Executive Director of resources. D Murray acted into this position but retained S151 responsibilities.

5. Post title changed for Strategic Director to Executive Director and directorate changed from People to Care & Safeguarding.

6. Post title changed for Strategic Director to Executive Director and directorate changed from Neighbourhoods to Communities.

7. Post title changed for Strategic Director to Executive Director and directorate changed from Place to Growth & Regeneration.

8. S151 responsibilities were covered by Interim Acting Director of resources.

9. Business Change Directorate is now Resources

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	2017/18 Number of employees		2016/17 Number of employees	
	Schools	Non-Schools	Schools	Non-Schools
£50,000 - £54,999	34	32	26	71
£55,000 - £59,999	22	48	33	59
£60,000 - £64,999	16	30	25	39
£65,000 - £69,999	13	19	9	14
£70,000 - £74,999	4	7	4	9
£75,000 - £79,999	2	3	6	8
£80,000 - £84,999	3	2	4	2
£85,000 – 89,999	-	1	1	4
£90,000 - £94,999	-	6	1	11
£95,000 - £99,999	-	2	-	2
£100,000 - £104,999	-	1	-	1
£105,000 - £109,999	-	-	-	1
£110,000 - £114,999	-	1	-	-
£115,000 - £119,999	-	1	-	-
£120,000 - £124,999	-	1	-	1
Totals	94	154	109	222

Exit Packages

The numbers of exit packages relating to council employees during 2017/18, 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	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	No.	No.	No.	No.	No.	No.	£'000	£'000
£0 - £20,000	31	19	24	178	55	197	423	1,906
£20,001 - £40,000	6	12	11	102	17	114	504	3,204
£40,001 - £60,000	4	-	8	31	12	31	577	1,521
£60,001 - £80,000	2	-	1	21	3	21	203	1,428
£80,001 - £100,000	-	-	1	14	1	14	82	1,245
£100,001 - £150,000	-	-	1	19	1	19	103	2,262
£150,001 - £200,000	-	-	-	2	-	2	-	310
Total	**43**	**31**	**46**	**367**	**89**	**398**	**1,892**	**11,929**

15 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.

	2017/18	2016/17
	£'000	£'000
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor for the year	204	204
Fees payable to the External Auditor for the certification of grant claims and returns for the year	20	11
Fees payable in respect of other services provided by the External Auditor during the year	11	26
Total	**235**	**241**

16 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:

2016/17 £'000					2017/18 £'000		
Central Expenditure	ISB	Total		Notes	Central Expenditure	ISB	Total
		312,953	Final DSG before academy recoupment				329,526
		137,730	Less: Academy figure recouped for year	1			151,849
		175,223	Total DSG after academy recoupment				177,677
		2,889	Plus: Brought forward from previous year	2			(1,630)
		1,254	Less: Carry forward agreed in advance				0
27,250	149,608	176,858	Agreed initial budgeted distribution		23,709	152,338	176,047
-	708	708	In year adjustments	3	-	842	842
27,250	**150,316**	**177,566**	**Final budgeted distribution**		**23,709**	**153,180**	**176,889**
30,009	-	30,009	Less: actual central expenditure		25,385	-	25,385
-	150,441	150,441	Less: actual ISB deployed to schools		-	152,520	152,520
(2,759)	**(125)**	**(2,884)**	**Carry forward**	4	**(1,676)**	**660**	**(1,016)**
		1,254	Carry forward agreed in advance				0
		(1,630)	**Total carried forward (Note 19)**				**(1,016)**

1. The academy recoupment in 2016/17 comprised 61 academies open at the start of the year plus 2 new academy schools. The academy recoupment in 2017/18 comprised 63 academies open at the start of the year plus 8 that converted in year.
2. This is the brought forward figure from 2016/17.
3. The in-year adjustment is an estimate of the final early years block adjustment.
4. Included in the carry forward is £0.36m for underspends on de-delegated budgets, Early Help proposal funding of £0.2m and underspends in the Schools Block of £2.1m and Early Years £2m. However, there is an offsetting overspend carry forward of £5.7m on the High Needs block.

17 Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/18:

Credited to Taxation and Non Specific Grant Income:

	2017/18 £'000	2016/17 £'000
Capital grants and contributions (Note 11 & see below)	35,534	57,275
Revenue support grant (Note 11)	-	60,368
Non service related government grants (Note 11)	12,101	16,829
Total	**47,635**	**134,472**

Capital grants and contributions

	2017/18 £'000	2016/17 £'000
Government grants applied:		
Place	30,518	46,032
People	2,207	8,123
Neighbourhoods	1,890	721
Section 106 Contributions	919	291
Total Government Grants & Contributions applied	**35,534**	**55,167**
Government grants unapplied	-	2,108
Total grants credited to the CIES	**35,534**	**57,275**

Credited to Services

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 Mar 2018 £'000	31 Mar 2017 £'000
People		
Adult Education	1,649	1,676
Improved Better Care Fund	9,056	-
Dedicated Schools Grant	178,519	175,223
Education Services Grant	974	3,139
Education Funding Agency Grants	9,678	9,678
Independent Living Fund Grant	1,723	1,782
PFI Special Grant	17,912	18,160
Pupil Premium	8,802	9,206
SEN Reform Grant	312	279
Troubled Families Grant	2,196	1,398
Youth Justice Board Grant	647	655
Other Care Grants (Adults)	442	376
Other Care Grants (Children)	2,363	1,873
Other	944	311
Neighbourhoods		
Discretionary Housing Payments	1,470	1,147
Homelessness Reduction & Support Grants	1,712	43
Housing Benefit (rent allowances/council tax benefit) subsidy	165,055	173,143
Housing Benefit Administration Subsidy	3,050	3,220
Public Health	33,343	34,265
SWERCOTS	381	677
Trailblazer Grant	410	100
Other	2,757	1,678
Place		
Air Quality Grant	433	-
Arts Council England - Museums	2,440	2,536
Better Bus Area Fund	440	283
Bus Service Operators Grant (BSOG)	448	492
Cycling Ambition Fund	9,137	4,669
Invest In Bristol & Bath 2015-2020	(19)	1,028
Local Sustainable Transport Fund West (LSTF)	4,015	3,569
Sustainable Travel Access Fund	1,643	1,990
Other	1,343	6,719

Resources - other	181	338
Total	**463,456**	**459,653**

	31 March 2018 £'000	31 March 2017 £'000
Capital Grants and Contributions Received in Advance		
Government grants	23,818	8,036
Section 106 contributions	8,958	15,211
Total	**32,776**	**23,247**
Due < 1 year	26,057	11,839
Due > 1 year	6,719	11,408
Total	**32,776**	**23,247**
Revenue grants (within creditors)		
People	1,055	477
Neighbourhoods	101	32
Place	692	7,947
Resources	469	910
	2,317	**9,366**

18 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.

2017/18	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	(56,584)	(26,917)	-	-	-	(83,501)
Movement in the market value of Investment Properties	5,942	2,676	-	-	-	8,618
Amortisation and impairment of Intangible Assets	(4,590)	-	-	-	-	(4,590)
Capital grants and distributions	35,534	-	-	-	-	35,534
Revenue and expenditure funded from capital under statute	(2,965)	-	-	-	-	(2,965)
Amount of non-current assets written off on disposal or sale as part of the (loss) on disposal to the Comprehensive Income and Expenditure Statement	(34,769)	(9,436)	-	-	-	(44,205)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	7,544	-	-	-	-	7,544
Capital expenditure charged against the General Fund and HRA balances	10,421	5,948	-	-	-	16,369
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the (loss) on disposal to the Comprehensive Income and Expenditure Statement	13,771	16,708	(30,479)	-	-	-
Administrative costs of non-current asset disposals	(407)	-	407	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	6,254	-	-	6,254
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(6,055)	-	6,055	-	-	-
Adjustment Involving the Major Repairs Reserve (MRR):						
Excess depreciation transferred to the MRR	-	-	-	-	-	-
HRA depreciation credited to MRR	-	25,526	-	(25,526)	-	-
Use of the MRR to finance new capital expenditure	-	-	-	24,301	-	24,301
Adjustments involving the Capital Grants Unapplied Account:						
Application of grants and contributions to capital financing	-	-	-	-	336	336
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	-	-	-	-	177
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)	(66,388)	(8,743)	-	-	-	(75,131)
Employer's pensions contributions and direct payments to pensioners payable in the year	43,196	4,148	-	-	-	47,344
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(9,250)	-	-	-	-	(9,250)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,379	-	-	-	-	2,379
Other Reserve Movements						
Total Adjustment	**(62,044)**	**9,910**	**(17,763)**	**(1,225)**	**336**	**(70,786)**

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 and impairment 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 (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 (loss) on disposal to the Comprehensive Income and Expenditure Statement	9,593	19,704	(29,296)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	228	-	-	228
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	15,476	-	-	15,476
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:						
Capital grants and contributions unapplied credited to CIE	-	-	-	-	(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 33)	(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**	**138,317**	**(5,911)**	**1,822**	**(2,108)**	**154,262**

19 Usable Reserves

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 2017/18, 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

	01-Apr-16	Transfers Out	Transfers in	01-Apr-17	Transfers Between	Transfers Out	Transfers in	31-Mar 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total General Fund Strategic Reserve	(20,000)	-	-	(20,000)		-	-	(20,000)
General Fund Earmarked Reserves								
Capital Investment Reserve	(31,360)	16,424	(1,000)	(15,936)	(6,030)	7,504	(2,333)	(16,795)
Business Transformation Reserve	(20,414)	10,767	(2,768)	(12,415)	8,344	-	(1,613)	(5,684)
Risk Management Reserve	(12,772)	8,024	(971)	(5,719)	(860)	1,487	(16,147)	(21,239)
Statutory/Ring-fenced Reserve	(9,476)	1,014	(1,584)	(10,046)	(2,000)	2,050	(4,645)	(14,641)
Financing Reserve	(15,281)	6,600	(3,152)	(11,833)	107	4,075	(5,949)	(13,600)
Service Specific Reserves	(16,675)	7,722	(544)	(9,497)	235	642	(6,842)	(15,462)
Total	(105,978)	50,551	(10,019)	(65,446)	(204)	15,758	(37,529)	(87,421)
School Reserves								
Schools – DSG	(95)	1,725	-	1,630	-	633	(1,247)	1,016
Schools - Balances	(9,371)	4,394	-	(4,977)	204	-	(598)	(5,371)
Schools - Other	(4,137)	2,953	(928)	(2,112)	-	-	(294)	(2,406)
Total Schools	(13,603)	9,072	(928)	(5,459)	204	633	(2,139)	(6,761)
HRA								
HRA General Reserve	(49,437)	-	(4,800)	(54,237)	-	-	(17,032)	(71,269)
Major Repairs Reserve	(1,822)	1,822	-	-	-	-	(1,225)	(1,225)
HRA Earmarked Reserves	(12,317)	4,431	(904)	(8,790)	-	1,655	(210)	(7,345)
Total HRA Reserves	(63,576)	6,253	(5,704)	(63,027)	-	1,655	(18,467)	(79,839)
Capital Reserves								
Capital Receipts	(39,798)	24,384	(30,295)	(45,709)	-	14,366	(32,129)	(63,472)
Capital Grants Unapplied	(1,232)	-	(2,108)	(3,340)	-	336	-	(3,004)
Total Usable Capital Reserves	(41,030)	24,384	(32,403)	(49,049)	-	14,702	(32,129)	(66,476)
TOTAL USABLE RESERVES	(244,187)	90,260	(49,054)	(202,981)	-	32,748	(90,264)	(260,497)

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: - GDPR (ICT Security) (£1m) to implement improved security to comply with new data protection regulations - Development Fund (£1.5m) to provide match funding to progress existing and proposed regeneration schemes - Transport (£1.9m) for sustainable transport and improvements to car parks

20 Property, Plant and Equipment Movements in 2017/18

The valuations, excluding vehicles, plant, equipment, infrastructure assets and community assets are carried out by Richard Fear, MRICS, Property Investment Manager – Growth & Regeneration. The basis for the valuation of all assets is set out in the statement of accounting policies.

- 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 excl. Council Dwellings	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation									
At 1 April 2017	**1,477,193**	**593,680**	**63,499**	**253,493**	**8,271**	**28,691**	**48,305**	**995,939**	**19,287**
Additions	31,408	23,247	2,443	43,793	-	5,340	165	74,988	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	165,341	49,797	-	-	2	-	(276)	49,523	-
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	-	(18,856)	-	(1)	-	-	(1,651)	(20,508)	-
De-recognition - Disposals	(9,358)	(29,626)	(958)	-	-	-	(1,482)	(32,066)	-
Assets reclassified to/from Held for Sale	(163)	(67)	-	-	-	-	(1,599)	(1,666)	-
Assets reclassified to/from Investment Property	-	999	-	1	-	-	239	1,239	-
Other movements in cost or valuation	353	14,262	-	-	(7)	(12,947)	(1,660)	(352)	-
At 31 March 2018	**1,664,774**	**633,436**	**64,984**	**297,286**	**8,266**	**21,084**	**42,041**	**1,067,097**	**19,287**
Accumulated Depreciation and Impairment									
At 1 April 2017	-	(23,031)	(27,243)	(27,169)	(92)	(1,894)	(986)	(80,415)	(761)
Depreciation Charge	(24,928)	(15,381)	(5,668)	(8,677)	-	-	(853)	(30,579)	(371)
Depreciation written out to Revaluation Reserve/Surplus/Deficit on the provision of Services	16,532	-	-	-	-	-	-	-	-
Impairment losses/reversals recognised in the Revaluation Reserve	-	3,054	-	-	-	-	1,562	4,616	-
Impairment losses/reversals recognised in the Surplus/deficit on the Provision of Service	-	-	-	-	-	-	-	-	-
De-recognition - disposals	83	2,524	958	-	-	-	3	3,485	-
De-recognition - other	-	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	4	23	-	-	(74)	56	15	20	-
At 31 March 2018	(8,309)	(32,811)	(31,953)	(35,846)	(166)	(1,838)	(259)	(102,873)	(1,132)
Balance Sheet at 31 March 2018	**1,656,465**	**600,625**	**33,031**	**261,440**	**8,100**	**19,246**	**41,782**	**964,224**	**18,155**
Balance Sheet at 1 April 2017	**1,477,193**	**570,649**	**36,256**	**226,324**	**8,179**	**26,797**	**47,319**	**915,524**	**18,526**

Property, Plant and Equipment Comparative movements in 2016/17

	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 excl. Council Dwellings	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	-	-	-	-	7,070	13,944	-
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**	**48,303**	**995,937**	**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	-	-	-	-	-	-	2	2	-
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)	(984)	(80,413)	**(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**

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 2018 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 2018 were as follows:

		£m
Schools Expansion Programme: Cotham School, St Bede's School and Briarwood Nexus	Bristol LEP Ltd	8.3
New Housing Provision	Kier Living Ltd	7.4
Priority Stock - New kitchens including rewiring	Lovells Construction Ltd	4.9
Transport Infrastructure - Temple Circus	Eurovia Infrastructure Ltd	3.5
Priority Stock - Install replacement Central Heating Systems	Glevum Heating & Plumbing Ltd	3.2
New Housing Provision	Halsall Construction Ltd	2.1
Ashton Vale to Temple Meads (Metrobus) - Contract 1	Balfour Beatty Civil Engineering Ltd	1.7
Cattle Market Road - Demolition & Enabling works	Kier Construction Ltd	1.6
Transport Infrastructure - Temple Circus (Footbridge construction)	Andrew Scott Ltd	1.3
	Total	**34.0**

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	**-**	**28,106**	**64,984**	**297,286**	**8,266**	**13,414**	**168**	**412,224**
31 March 2018	1,664,774	95,315	-	-	-	615	41,580	**1,802,284**
31 March 2017	-	72,152	-	-	-	-	-	**72,152**
31 March 2015	-	330,951	-	-	-	-	150	**331,101**
31 March 2014	-	73,639	-	-	-	-	-	**73,639**
31 March 2013	-	33,273	-	-	-	7,055	143	**40,471**
Total cost valuation	**1,664,774**	**633,436**	**64,984**	**297,286**	**8,266**	**21,084**	**42,041**	**2,731,871**

In addition the Council has instructed its valuer's to undertake a review of the latest valuations to ensure that the carrying value of assets is not materially different at the balance sheet date. Whilst carrying out a review of the general effect of market indices within the property portfolio it was considered appropriate to increase the Land and Buildings valuation within Property Plant and Equipment by £44m

21 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 2017	122,982	42,584	7,050	26,235	198,851
Additions	-	-	-	-	-
Revaluations	1,618	-	625	-	2,243
31 March 2018	**124,600**	**42,584**	**7,675**	**26,235**	**201,094**
Cost or valuation					
1 April 2016	62,121	29,796	7,050	1,492	100,459
Additions	-	-	-	-	-
Revaluations	60,861	12,788	-	24,743	98,392
31 March 2017 (Restated)	**122,982**	**42,584**	**7,050**	**26,235**	**198,851**

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.

Heritage Assets: Further Information on the Museum's collections

Loans

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

Revaluation

The restatement of the revaluation in 2016/17 relates to an in depth review carried out in 2017/18 by our insurance provider as part of their contract award. Items are now included in this valuation where a reliable cost to replace has now been ascertained, a key requirement for accounting purposes.

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.

22 Investment Properties

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

	2017/18	2016/17
	£'000	£'000
Rental income from Investment Property	11,642	11,285
Direct operating expenses arising from Investment Property	(651)	(489)
Net gain	**10,991**	**10,796**

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:

	2017/18 £'000	2016/17 £'000
Balance at start of the year	253,976	240,328
Additions – purchases	142	745
Disposals	(6,081)	(3,984)
Net gains/losses from fair value adjustments	8,618	18,382
Transfers to/from Property, Plant and Equipment	(1,240)	(1,495)
Balance at end of the year	**255,415**	**253,976**

23 Financial Instruments & Borrowing

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

	Long-Term		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities at amortised Cost	**579,187**	585,553	**87,435**	109,898
Total Financial Liabilities	**579,187**	585,553	**87,435**	109,898
Financial Assets				
Available-for-sale financial assets	19,960	12,108	**-**	-
Unquoted equity investment at cost	**3,252**	2,852	**-**	-
Loans & Receivables at Amortised Cost	**3,973**	10,272	**115,659**	137,287
Total Financial Assets	**27,185**	25,232	**115,689**	137,287

Movements

The decrease in financial assets, circa £20m, primarily related to the prudential borrowing element of the capital programme for which no external borrowing was undertaken. This was in accordance with the 2017/18 Treasury Strategy to reduce the net financing costs and counter party risk of the authority, while maintaining liquidity to meet the obligations of the authority.

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

	31 March 2018	31 March 2017
Short-term borrowing	£'000	£'000
Deposit loans (repayable at notice - up to 7 days)	101	101
Other short term borrowing (repayable within 1 year):		
- Public Works Loan Board	3,737	3,408
- Banks and other monetary sector	1,138	4,239
- Local bonds and property rent disposals	11	11
- Stocks	10	10
Total	**4,997**	**7,769**

	31 March 2018	31 March 2017
Long-term borrowing	£'000	£'000
Public Works Loan Board	310,439	310,439
Market debt	120,000	120,000
Stocks	50	50
Total	**430,489**	**430,489**

The authority as planned repaid a market loan (£3m) and did not undertake any new borrowing during year as set out in the Treasury Management Strategy to reduce the net financing costs and counter party risk of 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 2017/18

	Financial Liabilities	Financial Assets		
	Measured at amortised cost	Loans and receivables	Available-for-sale assets	Total
	£'000	£'000	£'000	£'000
Interest expense & Impairment Losses	(35,364)	-	(12,102)	(47,466)
Total expense in Surplus or Deficit on the Provision of Services	**(35,364)**	**-**	**(12,102)**	**(47,466)**
Interest Income	-	7,265	-	7,265
Dividend Income	-	-	2,589	2,589
Total income in Surplus or Deficit on the Provision of Services	**(35,364)**	**7,265**	**(9,513)**	**(37,612)**
Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**7,994**	**7,994**
Net gain/(loss) for the year	**(35,364)**	**7,265**	**(1,519)**	**(29,618)**

Financial Instruments Gains and Losses 2016/17

	Financial Liabilities	Financial Assets		
	Measured at amortised cost	Loans and receivables	Available-for-sale assets	Total
	£000s	£000s	£000s	£000s
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)**
Surplus 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)

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.

	Fair value measurements at 31 March 2018 using:			Fair value measurements at 31 March 2017 using:		
Descriptions	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	Level 3
	£000	£000	£000	£000	£000	£000
Recurring fair value measurements						
Non-traded securities:						
Unquoted private companies	-	-	11,210	-	-	7,208
Pooled property fund	-	-	9,150	-	-	4,900
Total Non-traded securities:	**-**	**-**	**20,360**	**-**	**-**	**12,108**
Investment properties	**-**	**255,415**	**-**	**-**	**253,976**	**-**
Surplus properties	**-**	**41,782**	**-**	**-**	**47,320**	**-**
Total recurring fair value measurements	**-**	**297,197**	**20,360**	**-**	**301,296**	**12,108**
Non-recurring fair value measurements		1,539				
Assets held for sale	-	-	-	-	-	-
Total non-recurring fair value measurements	**-**	**1,539**	**-**	**-**	**-**	**-**

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 unaudited accounts and adjusted for customer base valuation as at 31 March 2018.	Valuations could be affected by the different accounting or valuation methods.

Description of asset	Valuation hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key sensitivities affecting the valuations provided
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 March 2018).	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 2018 Non-traded securities £000	31 March 2017 Non-traded securities £000
Opening balance	12,108	2,456
Transfers into level 3	-	-
Transfers out of level 3	-	-
included in the surplus/(deficit) on the Provision of Services	(12,102)	
included in Other Comprehensive Income and Expenditure	7,994	
Total gains/(losses) for the period:	**(4,108)**	**(4,281)**
Additions	12,360	13,932
Disposals	-	-
Closing balance	**20,360**	**12,108**

The Gains and losses included in Other Comprehensive Income and Expenditure for the current year relate to investments in the Homelessness Property Fund (£750k) and Bristol Holdings £8,744k. These are taken to the Available for Sale Financial Instruments Reserve and reported in the surplus or deficit on revaluation of available for sale financial assets line in the Comprehensive Income and Expenditure Statement. The element for Bristol Holdings is a result of an accounting change from fair value to cost less impairment.

The Gains and losses included in the surplus/(deficit) on the Provision of Services relate to the Impairment for Bristol Holdings and has been recognised based on the difference between the carrying value of the Council's investment in its subsidiaries and the fair value of such investments based on available market data. The impairment reflects information based on transactions arising in the past financial year for companies operating in the same markets sector. Based on this data a prudent estimate of the valuation results in an impairment in the current financial year.

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 2018**		**31 March 2017**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000	**£000**	**£000**	**£000**
Total Liabilities	**666,621**	**967,600**	**695,450**	**994,611**

1) If the PWLB "repayment" rates were applied as at balance sheet date, the fair value of liabilities would increase by £156m to £1.124bn

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 2018) arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	**31 March 2018**		**31 March 2017**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000	**£000**	**£000**	**£000**
Loans & Receivables				
Short term investments	25,132	25,132	33,180	33,180
Cash and Cash Equivalents	25,263	25,263	29,142	29,142
Long term investments	23,212	23,212	14,960	14,960
Debtors qualifying as loans and receivables	65,264	65,264	74,965	74,965
Total loans and receivables	**138,871**	**138,871**	**152,247**	**152,247**
Long term debtors	**3,973**	**4,891**	**10,272**	**11,812**
Total loans and receivables	**142,844**	**143,762**	**162,519**	**164,058**

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 2018) arising from a commitment to pay interest to lenders below current market rates.

24 Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- 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 21 February 2017 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-18**	**31-Mar-18**	**31-Mar-18**	**31-Mar-18**	**31-Mar-17**
Non-traded securities	23,212	0.00%	0.00%	-	-
Sub-total	**23,212**			-	-
Short Term Investments:					
AA rated counterparties	10,014	0.02%	0.02%	2	8
A rated counterparties	15,044	0.06%	0.06%	9	6
BBB rated counterparties	74	0.16%	0.16%	-	13
Sub-total	**25,132**			**11**	**27**
Cash & cash equivalent:					
AAA rated counterparties	15,197	0.04%	0.04%	6	-
AA rated counterparties	9	0.02%	0.02%	-	1
A rated counterparties	9,973	0.05%	0.05%	5	7
BBB+ rated counterparties	84	0.16%	0.13%	-	-
Sub-total	**25,263**	**-**	**-**	**11**	**8**
Trade debtors (classed as loans and receivables)	**65,264**			-	-
Long-term debtors	**3,973**			-	-
Total Financial assets as loans and receivables	**142,844**			**22**	**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 31-Mar-18 £'000	Bad Debt provision at 31-Mar-18 £'000	Net debtor at 31-Mar-18 £'000	Net debtor at 31-Mar-17 £'000
Local tax payers	17,413	(7,998)	**9,415**	6,633
Housing rents	10,768	(8,679)	**2,089**	2,337
Other - sundry debtors	82,516	(33,134)	**49,382**	56,558
Total Other Entities and Individuals	**110,697**	**(49,811)**	**60,886**	**65,528**
Central Government bodies	35,056	-	**35,056**	24,958
Other local authorities	13,905	-	**13,905**	14,653
NHS bodies	4,139	-	**4,139**	5,603
Public corporations and trading funds	-	-	**-**	-
Total debtors	**163,797**	**(49,811)**	**113,986**	**110,742**
Balance sheet debtors	**163,797**	**(49,811)**	**113,986**	**110,742**
Adjust for statutory debtors				
Ex Avon Debt	(1,775)		**(1,775)**	(1,849)
Local taxpayers	(17,413)	7,998	**(9,415)**	(6,633)
Housing rents	(10,768)	8,679	**(2,089)**	(2,337)
Central Government bodies	(35,056)	-	**(35,056)**	(24,958)
Total statutory debtors (not qualifying as loans and receivables under IFRS)	**(65,012)**	**16,677**	**(48,335)**	**(35,777)**
Debtors qualifying as loans and receivables	**98,785**	**(33,134)**	**65,651**	**74,965**

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 2018 £'000	31 March 2017 £'000
Less than three months	12,429	17,501
Three to four months	635	1,090
Four months to one year	6,157	6,932
More than one year	31,257	29,974
Total	**50,478**	**55,497**

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 2018	31 March 2017 Restated
	£'000	£'000
Less than 1 year	115,658	137,287
Between 1 and 2 years	151	3,000
Between 2 and 3 years	-	-
More than 3 years	27,035	22,232
Total	**142,844**	**162,519**

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 2018 £'000	%	Actual 31 March 2017 £'000	%
Less than 1 year	-	30	4,997	1%	7,769	2%
Between 1 and 2 years	-	40	-	0%	-	0%
Between 2 and 5 years	-	40	15,000	3%	10,000	2%
Between 5 and 10 years	-	50	49,000	11%	37,000	8%
More Than 10 Years	25	100	366,489	85%	383,489	88%
Total			**435,486**	**100%**	**438,258**	**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 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2018 £'000
Increase in interest receivable on variable rate investments	857
Impact on Surplus or Deficit on the Provision of Services	857
Share of overall impact debited to the HRA	1,048
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)	111,400

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 £13m 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 2017/18 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.

25 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the 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.

	2017/18 £'000	2016/17 £'000
Opening Capital Financing Requirement	787,378	733,663
Capital investment		
Property, Plant and Equipment	106,396	158,553
Investment Properties	142	745
Intangible Assets	4,810	2,561
Long Term Investments	12,810	14,583
Revenue Expenditure Funded from Capital under Statute	2,965	17,530
Long Term Investment repaid	(1,650)	(1,000)
Sources of finance		
Capital receipts	(6,254)	(20,776)
Government grants and other contributions	(35,870)	(55,167)
Sums set aside from revenue:		
• Direct revenue contributions	(16,367)	(15,553)
• MRR	(24,301)	(35,756)
• MRP – City Council Debt	(7,544)	(12,005)
Closing Capital Financing Requirement	822,515	787,378
Explanation of movements in year		
Less Minimum Revenue Provision	(7,544)	(12,005)
Use of capital receipt for repayment of debt	(1,650)	(1,000)
Increase in underlying need to borrowing (unsupported by government financial assistance)	44,331	66,720
Increase in Capital Financing Requirement	**35,137**	**53,715**

26 Leases

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 2018 £'000	31 March 2017 £'000
Not later than one year	11,849	11,434
Later than one year and not later than five years	41,552	38,629
Later than five years	849,542	775,196
	902,943	**825,259**

The minimum lease payments receivable at 31 March 2018 and 2017 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.

27 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.

Bristol City Council gave Bristol Active Limited approval as set out in the Cabinet Report dated 9th January 2018 to refinance its senior debt on the 19th January 2018. In line with the provisions of the PFI contract, the Council was entitled to a share of the benefit and received a one-off payment of £2.3m. The Council have earmarked these funds to support the revenue position of the authority and to meet anticipated future Hengrove PFI costs. No other aspects of the Council's accounting treatment of the PFI contract are affected.

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 20. 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 2018 cumulative payments totalling £161m (£143m in 2016/17) 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
2018/19	2,995	1,682	4,764	11	9,452
2019/20 to 2022/23	12,746	8,286	16,905	726	38,663
2023/24 to 2027/28	17,809	15,372	14,667	668	48,516
2028/29 to 2031/32	13,347	15,163	4,108	(641)	31,977
Total	**46,896**	**40,503**	**40,444**	**764**	**128,607**

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 2018 cumulative payments totalling £161m (£143m in 2016/17) 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
2018/19	5,061	3,288	6,512	3,542	18,403
2019/20 to 2022/23	21,748	15,546	23,288	14,910	75,492
2023/24 to 2027/28	30,918	21,815	22,102	23,842	98,677
2028/29 to 2032/33	35,680	32,565	12,352	23,010	103,607
2033/34 to 2034/35	10,799	11,351	1,086	6,532	29,768
Total	**104,206**	**84,565**	**65,340**	**71,836**	**325,947**

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

Hengrove Leisure PFI

As at 31 March 2018 payments totalling £21m (£17m at 31 March 2017) have been made to the PFI Contractor. The future estimated payments the Council will have to make under the Contract are as follows:

Year	Payment for Services	Repayment of Liability	Interest	Other	Total
	£'000	£'000	£'000	£'000	£'000
2018/19	331	779	1,564	814	3,488
2019/20 to 2022/23	1,410	2,665	5,465	4,586	14,126
2023/24 to 2027/28	1,970	2,836	5,525	7,749	18,080
2028/29 to 2032/33	2,189	4,132	3,702	8,585	18,608
2033/34 to 2036/37	1,879	4,651	1,218	7,293	15,041
Total	**7,779**	**15,063**	**17,474**	**29,027**	**69,343**

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	
	2017/18	2016/17	**2017/18**	2016/17
	£'000	£'000	**£'000**	£'000
Balance outstanding at the start of year	129,556	133,781	15,721	16,380
Movement in year	(4,487)	(4,224)	(659)	(659)
Balance outstanding at year end	**125,069**	**129,557**	**15,062**	**15,721**

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 IFRIC 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**
2018/19	11,753	488	59	12,300
Total	**11,753**	**488**	**59**	**12,300**

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

	Schools		Hengrove Leisure		Bristol Waste Contract		Total	
	2017/18	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17
	£'000	£'000	**£,000**	£'000	**£,000**	£'000	**£,000**	£'000
Balance outstanding at the start of year	129,556	133,780	15,721	16,380	1,220	1,952	146,497	152,112
Movement in year	(4,487)	(4,224)	(659)	(659)	(244)	(732)	(5,390)	(5,615)
Balance outstanding at year end	**125,069**	**129,556**	**15,062**	**15,721**	**976**	**1,220**	**141,107**	**146,497**

28 Debtors

i	Current debtors	31 March 2018 £'000	31 March 2017 £'000
	Central government bodies	35,056	24,958
	Other local authorities	13,905	14,653
	NHS bodies	4,139	5,603
	Other entities and individuals	60,886	65,528
	Total	**113,986**	**110,742**

Details of amounts provided as bad debt provisions are included in Note 24.

ii	Long-term debtors	31 March 2018 £'000	31 March 2017 £'000
	Mortgages	196	206
	Capital loans (Probation/Fire/LEP)	3,342	4,603
	South Gloucestershire Council	436	463
	Former county council debt	42,599	44,374
	Contractual Commitments	-	3,000
	Local Authority Mortgage Scheme	-	2,000
	Total	**46,573**	**54,646**

29 Cash and Cash Equivalents

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

	31 March 2018 £'000	31 March 2017 £'000
Cash held by the Council	266	307
Bank current accounts	(13,940)	(6,526)
Short-term deposits with banks / building societies	38,937	35,361
Total Cash and Cash Equivalents	**25,263**	**29,142**

30 Creditors

Current liabilities	31 March 2018 £'000	31 March 2017 £'000
Service Concession contract liabilities (see Note 27)	976	-
Central government bodies	44,748	51,489
Other local authorities	9,399	10,928
NHS bodies	1,192	2,748
Other entities and individuals	73,484	79,920
Total	**129,799**	**145,085**

Other long-term liabilities	31 March 2018 £'000	31 March 2017 £'000
Service Concession contract liabilities (see Note 27)	140,131	146,497
Retirement benefit obligations (see Note 33)	832,352	921,012
Deferred liabilities	52,866	54,715
Deferred capital receipts	119	129
Rent Deposits	76	75
Total	**1,025,544**	**1,122,428**

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 2018 the liability in the Council's Balance Sheet of £52.9m (2017: £54.7m) comprised of former county council loan debt of £44.4m (2018: £46.2m), £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.

31 Provisions

	Balance at 1 April 2017	Additional provisions made in 2017/18	Amounts used in 2017/18	Balance at 31 March 2018	Due < 1 year	Due > 1 year
	£'000	£'000	£'000	£'000	£'000	£'000
Business Transformation	(150)	(389)	-	(539)	(539)	-
Insurance fund	(2,612)	-	80	(2,532)	(1,813)	(719)
NDR Provision for appeals	(11,117)	(18,483)	5,884	(23,716)	-	(23,716)
Legal	-	(1,166)	-	(1,166)	(1,166)	-
Waste	-	(670)	-	(670)	(670)	-
Other	(549)	(25)	372	(202)	-	(202)
Total	**(14,428)**	**(20,733)**	**6,336**	**(28,825)**	**(4,188)**	**(24,637)**

Due < 1 year	(2,384)	(4,188)
Due > 1 year	(12,044)	(24,637)
	(14,428)	**(28,825)**

Details of the provisions are shown in the table below:

Provision	Purpose
Business Transformation	Covers future exit costs arising from the Council's restructure proposals
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.
NDR Provision for appeals	Covers the cost of future appeals
Long Ashton Park & Ride	Created to cover the costs of a compulsory purchase to enable future plans at Long Ashton
Schools Acadimisation	Created to cover the costs and mitigate the risks to the Council of retaining schools deficits when converting to academies
Legal	Created to cover the costs of outstanding legal cases within Adult Social Care
Waste	Created to cover the costs of for disputed inflationary charges of Waste Disposal
Other	Other provisions are individually not material

32 Unusable Reserves

	31 March 2018 £'000	31 March 2017 Restated £'000
Revaluation Reserve	(800,696)	(589,316)
Capital Adjustment Account	(1,490,937)	(1,504,981)
Available for Sale Financial Instruments	850	8,844
Financial Instruments Adjustment Account	7,432	7,609
Pensions Reserve	861,256	921,012
Collection Fund Adjustment Account	5,705	(3,545)
Accumulated Absences Account	4,522	6,901
	(1,411,868)	**(1,153,476)**

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.

	2017/18	2017/18	2016/17	2016/17 Restated
	£'000	£'000	£'000	£'000
Balance at 1 April		(589,316)		(268,860)
Upward revaluation of assets	(248,040)		(337,841)	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	14,399		11,864	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(233,641)		(325,977)
Amount written off to the Capital Adjustment Account		22,261		5,521
Balance at 31 March		**(800,696)**		**(589,316)**

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

	2017/18	2016/17
	£'000	£'000
Balance at 1 April	(1,504,981)	(1,329,448)
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	67,609	51,836
Revaluation losses on Property, Plant and Equipment	15,892	(107,507)
Amortisation of Intangible Assets	4,590	1,840
Revenue Expenditure Funded from Capital Under Statute	2,965	17,530
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	44,205	23,927
	(1,369,720)	(1,341,822)
Adjusting amounts written out of the Revaluation Reserve	(22,261)	(5,521)
Net written out amount of the cost of non-current assets consumed in the year	(1,391,981)	(1,347,343)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(6,254)	(20,776)
Use of the Major Repairs Reserve to finance new capital expenditure	(24,301)	(33,576)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(35,870)	(55,167)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(7,544)	(12,005)
Use of the Capital Receipts Reserve for repayment of Long Term Investments financed by borrowing	(1,650)	(1,000)
Long Term Capital Investment repaid	1,650	1,000
Reduction in Finance Lease Liability following changes to Waste Service Concession contract	-	-
Capital expenditure charged against the General Fund and HRA balances	(16,369)	(17,733)
	(1,482,319)	(1,486,600)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(8,618)	(18,381)
Balance at 31 March	**(1,490,937)**	**(1,504,981)**

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 2018	31 March 2017
	£'000	£'000
Balance at 1 April	8,844	4,563
Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	750	4,281
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	(8,744)	-
Balance at 31 March	**850**	**8,844**

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 2018 will be charged to the General Fund over the next 42 years.

	2017/18	2017/18	2016/17	2016/17
	£'000	£'000	£'000	£'000
Balance at 1 April		7,609		7,927
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	(177)		(318)	
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)		(318)
Balance at 31 March		**7,432**		**7,609**

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.

	2017/18	**2016/17**
	£'000	**£'000**
Balance at 1 April	921,012	708,587
Remeasurements on pensions assets and liabilities	(87,543)	191,904
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	75,131	72,291
Employer's pensions contributions and direct payments to pensioners payable in the year	(47,344)	(51,770)
Balance at 31 March	**861,256**	**921,012**

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.

	2017/18	**2016/17**
	£'000	**£'000**
Balance at 1 April	(3,545)	2,383
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	9,250	(5,928)
Balance at 31 March	**5,705**	**(3,545)**

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.

	2017/18 £'000	2017/18 £'000	2016/17 £'000	2016/17 £'000
Balance at 1 April		**6,901**		**5,425**
Settlement or cancellation of accrual made at the end of the preceding year	(6,901)		(5,425)	
Amounts accrued at the end of the current year	4,522		6,901	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(2,379)		1,476
Balance at 31 March		**4,522**		**6,901**

33 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 2017/18 the Council paid an employer's contribution rate of 22.5% (22.3% in 2016/17), 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 2016, the next full valuation is therefore due at March 2019. 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 22.5% from 1 April 2017, representing 14.5% in respect of future service and 8% to meet the deficit recovery element.

The Teachers' Pension Scheme - The rate of contribution for 2017/18 was 22.3%, resulting in a total payment of £8.198m (£8.980m in 2016/17) to the Teachers' Pension Agency. In addition, the Council made payments totalling £2.36m (£2.36m 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 £1.814m (£1.855m in 2016/17). 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 2017/18 a total payment of £0.51m (£0.51m in 2016/17) 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	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Income and Expenditure Account				
Net cost of services				
Current service cost	61,116	43,989	-	-
Past service gains/curtailment costs/Settlements	(8,225)	3,821	-	-
Administration expense	866	929	-	-
Financing and Investment Income Expenditure				
Net interest cost	19,621	21,341	1,753	2,211
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	73,378	70,080	1,753	2,211
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurements (assets/liabilities)	89,127	184,799	(1,584)	7,105
Movement in Reserves Statement				
Reversal of net charges made for retirement benefits in accordance with IAS19	(73,378)	(70,080)	(1,753)	(2,211)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to scheme	43,196	47,552	4,178	4,218

The Housing Revenue Account (HRA) Income and Expenditure Account has also been adjusted in 2017/18 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	
	2017/18	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
01-Apr	**(2,431,890)**	(2,015,831)	**(44,625)**	(40,808)	**(72,225)**	(67,128)	**(2,548,740)**	(2,123,767)
Current service cost	(61,116)	(43,989)	-	-	-	-	**(61,116)**	(43,989)
Interest on pension liabilities	(59,895)	(69,590)	(1,080)	(1,377)	(1,753)	(2,211)	**(62,728)**	(73,178)
Contributions by scheme participants	(11,273)	(12,121)	-	-	-	-	**(11,273)**	(12,121)
Remeasurement (liabilities)								
Experience (gain)/loss	-	106,155	-	763	-	1,225	**-**	108,143
(Gain)/loss on financial assumptions	94,817	(469,653)	961	(6,218)	1,584	(9,125)	**97,362**	(484,996)
(Gain)/loss on demographic assumptions	-	8,069	-	124	-	796	**-**	8,989
Benefits paid	67,427	66,223	2,831	2,891	4,178	4,218	**74,436**	73,332
Past service grants, curtailment costs and settlements	10,948	(1,153)	-	-	-	-	**10,948**	(1,153)
31-Mar	**(2,390,982)**	(2,431,890)	**(41,913)**	(44,625)	**(68,216)**	(72,225)	**(2,501,111)**	(2,584,740)

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

	2017/18 £'000	2016/17 £'000
1 April	1,627,833	1,430,637
Interest on plan assets	41,354	49,626
Remeasurement (assets)	(9,819)	175,960
Administration expense	(866)	(929)
Settlements	(2,723)	(2,668)
Employer contributions	72,070	32,200
Contributions by scheme participants	11,273	12,121
Benefits paid	(70,258)	(69,114)
31 March	**1,668,864**	**1,627,833**

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 £(31.5m) (2016/17: £(246.7m)).

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

	2017/18 £'000	2016/17 £'000	2015/16 £'000	2014/15 £'000
Present value of liabilities:				
Local Government Pension Scheme	(2,432,895)	(2,476,515)	(2,056,639)	(2,108,890)
Teachers' unfunded liabilities	(68,216)	(72,225)	(67,128)	(71,257)
Fair value of assets in the Local Government Pension Scheme	1,668,864	1,627,833	1,430,637	1,475,150
Surplus/(deficit) in the scheme:				
Local Government Pension Scheme	(764,031)	(848,682)	(626,002)	(633,740)
Teachers' unfunded liabilities	(68,216)	(72,225)	(67,128)	(71,257)
Total	**(832,247)**	**(920,907)**	**(693,130)**	**(704,997)**

The total liabilities shown in the Balance Sheet comprise the above (£832,247k) together with a small amount in respect of pre-1974 liabilities (£105k) totalling (£832,352k).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £832m (2016/17 £921m) impacts on the net worth of the Council as recorded in the Balance Sheet (£1,625m).

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 2019 are £33m.

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 2016.

The main financial assumptions used in the calculations are:

	Local Government Pension Scheme		Teachers	
	2017/18	2016/17	**2017/18**	2016/17
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	23.6	23.5	23.6	23.5
Women	26.1	26	26.1	26
Longevity at 75 for current pensioners:				
Men	-	-	14.5	14.4
Women	-	-	16.6	16.5
Longevity at 65 for future pensioners:				
Men	26.2	26	-	-
Women	28.8	28.7	-	-
	%	%	**%**	%
Rate for discounting scheme liabilities	2.6	2.5	2.5	2.5
Rate of inflation - CPI	2.1	2.3	2.3	2.3
Rate of increase in salaries	3.6	3.8	-	-
Rate of increase in pensions	2.2	2.3	2.3	2.3

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 2018.

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	2,432,895	2,391,020	2,475,504	2,438,422	2,480,138
Assets	(1,668,864)	(1,668,864)	(1,668,864)	(1,668,864)	(1,668,864)
Deficit/(Surplus)	764,031	722,156	806,640	769,558	811,274
Projected service cost for next year	56,628	54,932	58,397	56,628	57,780
Projected net interest cost for next year	19,490	19,109	20,635	19,671	20,755
Teachers' Unfunded Pension Scheme					
Liabilities	68,216	67,437	69,004	-	70,243
Assets	-	-	-	-	-
Deficit/(Surplus)	68,216	67,437	69,004	-	70,243
Projected net interest cost for next year	1,719	1,764	1,740	-	1,772

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)	31 March 2018 £'000	31 March 2017 £'000
Equities	UK Quoted	Y	236,979	240,919
	Global Quoted	Y	445,587	148,133
	North America	Y	-	139,994
	Japan	Y	-	37,440
	Europe excl UK	Y	-	81,392
	Pacific Rim excl Japan	Y	-	39,068
	Emerging Markets	Y	-	159,528
	Sub-total equities		**682,566**	**846,474**
Bonds	UK Government Indexed	Y	180,237	195,340
	Sterling Corporate Bonds	Y	203,601	128,599
	Sub-total bonds		**383,838**	**323,939**
Property	UK Property Funds	Y	71,704	68,369
	Overseas Property Funds	Y	76,825	73,252
	Sub-total property		**148,529**	**141,621**
Alternatives	Hedge Funds	Y	76,768	87,903
	Diversified Growth Funds	Y	220,290	144,877
	Infrastructure	Y	96,794	63,485
	Sub-total alternatives		**393,852**	**296,265**
Cash and equivalents	Cash Accounts	Y	60,079	19,534
	Sub-total cash		**60,079**	**19,534**
Total Assets			**1,668,864**	**1,627,833**

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 2016, which showed a shortfall of assets against liabilities of £597m as at that date, equivalent to a funding level of 86%. The fund's employers are paying additional contributions over a period of up to 17 years in order to meet the shortfall.

The weighted average duration of the Council's defined benefit obligation is 17 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 11 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.

34 Cash Flow Statement

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

	2017/18 £'000	2016/17 £'000
Interest received	7,313	6,099
Interest paid	(42,902)	(35,337)
Dividends received	2,589	2,662

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

	2017/18 £'000	2016/17 £'000
Depreciation, impairment and downward revaluations	83,501	(55,675)
Amortisation	4,590	1,840
Increase/(decrease) in impairment for bad debt	1,400	-
(Decrease)/increase in creditors	(2,786)	5,933
(Increase)/decrease in debtors	(5,904)	(1,499)
(Increase)/decrease in inventories	16	(367)
Movement in pension liability	(1,117)	20,521
Contributions to/(from) Provisions	14,396	603
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	44,205	23,927
Other non-cash items charged to the net surplus or deficit On the provision of services	(18,269)	(18,381)
Net cash flows from non-cash movements	**120,032**	**(23,097)**

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

	2017/18 £'000	2016/17 £'000
Capital grants credited to surplus or deficit on the provision of services	(44,705)	(57,275)
Proceeds from the sale of Property Plant and Equipment, Investment Property and Intangible Assets	(30,479)	(29,296)
	(75,184)	**(86,571)**

35 Cash Flow Statement - Investing Activities

	2017/18 £'000	2016/17 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(111,348)	(161,859)
Purchase of short-term and long-term investments	(48,903)	(43,195)
Other payments for investing activities	2,536	(250)
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	28,326	29,109
Proceeds from short-term and long-term investments	56,903	114,488
Other receipts from investing activities	65,259	43,492
Net cash flows from investing activities	**(7,227)**	**(18,215)**

36 Cash flow Statement - Financing Activities

	2017/18 £'000	2016/17 £'000
Cash receipts of short- and long-term borrowing	-	19,200
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(6,367)	(5,615)
Repayments of short- and long-term borrowing	(3,000)	(2,235)
Other payments for financing activities	(18,863)	9,373
Net cash flows from investing activities	**(28,230)**	**20,723**

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

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 17.

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	Net assets/ (liabilities)	Transactions with the Council	Nature of transactions	Balances owed to / (from) the Council as at 31 3 2018	Future financial support expected in 2018/19	Key risks identified
Bristol Waste Company	100% subsidiary of Bristol Holding Limited The City Council has three Director posts on the Board.	£3.9m per draft accounts as at 31 March 2018	£27.9m payments by Council to company £1.6m recharges from Company to Council	Contract for waste collection and recycling services Recharges	£4.4m owed by the Council. £335k owed to 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 Holdings Limited	100% subsidiary The City Council has two Director posts on the Board.	(£432k) per draft accounts as at 31 March 2018	£7m payments by Council to company	Purchase of shares	£1.4m owed to the Council for preference share interest	See below	See below
Bristol Energy Limited (formally Bristol Energy & Technology Services (Supply) Limited	100% subsidiary of Bristol Holdings Limited The City Council has two Director posts on the Board.	(£446k) per draft accounts as at 31 March 2018	£578k recharges from the Council £2.4m sales of energy to the Council	Recharges and the sale of energy	£6.95m of guarantees issued by the Council	Further funding may be required until the company reaches breakeven point	Key risk is the company's ability to attract and retain customers in a competitive market

Name	Nature of Council relationship	Net assets/ (liabilities)	Transactions with the Council	Nature of transactions	Balances owed to / (from) the Council as at 31 3 2018	Future financial support expected in 2018/19	Key risks identified
Bristol Energy & Technology Services (Supply) Limited (formally Bristol Energy Ltd)	100% subsidiary of Bristol Holdings Limited The City Council has two Director posts on the Board. The company is currently dormant.	£1	None	N/A	Nil	Nil	None
Bristol is Open Limited	50/50 joint venture with Bristol University The City Council has two Director posts on the Board.	(£79k) per March 2018 management accounts	£None	N/A	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.

38 Transfer of Functions

As part of the West of England devolution deal, South Gloucestershire, Bristol and Bath & North East Somerset Councils agreed to the establishment of the West of England Combined Authority to support economic growth and development across the region. Under the devolution deal certain functions were transferred from the constituent authorities to the WECA from 1st April 2017. These included concessionary fares, community transport, key route network development and bus service information. WECA has commissioned South Gloucestershire Council to provide concessionary fares on its behalf during 2017/18.

WECA levies the constituent authorities for the cost of the services for which it is now responsible. In 2016/17, the cost for the year would be shown in the CIES as a Net Cost of Service against the Place line. In 2017/18, it is shown under Other Operating Expenditure. The value of the levy in 2017/18 is £8.475m. There has been no change to the council's assets or liabilities arising from the transfer of functions to WECA.

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. A number of NHS bodies have begun legal action against local authorities. The City Council is not involved in any of these cases.

Bristol North Swimming Baths: A former contractor (in administration) may bring claims (as yet unparticularised) in respect of this project following termination of a contract in December 2015. The Council does not accept any liability in this regard and will 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 £4.5m. To date none of the conditions or events which would lead to a liability arising from either of these guarantees has occurred.

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.

40 Trust Funds

2016/17				2017/18		
Income	Exp	Assets		Income	Exp	Assets
£000	£000	£000	Name	£000	£000	£000
			Trust funds for which the Council is custodian trustee			
219	244	132	Bristol Museums Development Trust	218	234	117
			Other funds managed by the Council			
-	39	-	Funds invested on behalf of Bristol Adult Care	-	-	-
-	-	26	Funds invested on behalf of Bristol CYPS	-	-	19
219	**283**	**158**		**218**	**234**	**136**

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 administered funds on behalf of Bristol Care & Support (Adults). These were a mixture of bequests and sums held in trust for vulnerable adults. The balances on these Trust Funds were historic and a decision was taken not to roll the balance forward into 2017/18 and so it was declared as underspend in 2017/18.

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 0.21% 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	2017/18 Net £'000	2016/17 Net £'000
Expenditure			
Repairs and maintenance		28,722	35,049
Supervision and management		26,090	32,440
Special services		7,911	7,978
Rent, rates, taxes and other charges		1,661	1,049
Depreciation and impairment of non-current assets	4	26,917	(101,183)
Debt management		29	62
Debt write offs and movement in the allowance for bad debts		1,542	2,013
Total expenditure		92,872	(22,592)
Income			
Dwelling rents	2	(112,000)	(113,461)
Non-dwelling rents		(1,024)	(1,039)
Charges for services and facilities		(8,070)	(8,043)
Contributions towards expenditure		(257)	(669)
Total income		(121,351)	(123,212)
Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement		**(28,479)**	**(145,804)**
Net cost of HRA services		**(28,479)**	**(145,804)**
(Gain) on sale of HRA non-current assets		(7,272)	(6,234)
Movement in the Fair Value of Investment Properties		(2,676)	(463)
Interest payable and similar charges		11,120	11,227
HRA interest and investment income		(456)	(609)
Pensions interest costs and expected return on assets	5	2,266	2,293
(Surplus) for the year on HRA services		**(25,497)**	**(139,590)**

Statement of movement on the HRA Balance

	Note	31 March 2018 Net £'000	31 March 2017 Net £'000
HRA balance brought forward		(54,237)	(49,437)
(Surplus) for the year on the HRA Income and Expenditure Account		(25,497)	(139,590)
Adjustments between accounting basis and funding basis under statute		9,910	138,317
(Increase) before reserve transfers		**(15,587)**	**(1,273)**
Transfer from/to reserves		(1,445)	(3,527)
Net (increase) on HRA balance		**(17,032)**	**(4,800)**
HRA balance carried forward	11	**(71,269)**	**(54,237)**

Note to the statement of movement on the HRA Balance

	Note	31 March 2018 Net £'000	31 March 2017 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	(26,917)	101,183
Fair value movements on investment properties		2,676	463
Net charges made for retirement benefits in accordance with IAS19	5	(8,743)	(6,575)
Net gain/loss on disposal of assets		7,272	6,234
		(25,712)	101,305
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	5,948	77
Employer's contributions payable to the Avon Pension Fund and retirement benefits payable direct to pensioners	5	4,148	5,040
Transfer to Major Repairs Reserve	8	-	7,036
HRA depreciation to Major Repairs Reserve	8	25,526	24,718
Amortisation of premiums		-	141
		35,622	**37,012**
Net additional amount required by statute to be debited or credited to the HRA Balance for the year		**9,910**	**138,317**

Notes to the Housing Revenue Account

1 Dwelling numbers as at 31 March 2018

	31 March 2018	31 March 2017
Houses		
1 Bedroom	16	8
2 Bedrooms	2,078	2,120
3 Bedrooms	8,920	9,006
4 or more Bedrooms	386	387
Total Houses	**11,400**	**11,521**
Bungalows		
1 Bedroom	344	340
2 Bedrooms	700	689
3 Bedrooms	26	26
Total Bungalows	**1,070**	**1,055**
Flats		
1 Bedroom	6,493	6,500
2 Bedrooms	7,633	7,673
3 Bedrooms	425	430
4 or more Bedrooms	17	19
Total Flats	**14,568**	**14,622**
Total Dwellings held at 31 March 2018	**27,038**	**27,198**

2 Rent and Rent Arrears

The total value of dwelling rents in 2017/18, less rent attributable to empty properties (voids), is £112m (£113m in 2016/17). The amount of rent arrears, including recoverable housing benefit, water charges, defect charges, etc:

As at 31 March	**2018**	**2017**
	£'000	**£'000**
Former tenants	2,697	2,774
Current tenants	8,071	8,025
	10,768	**10,799**
Balance Sheet Provision		
Former tenants	2,505	2,591
Current tenants	6,174	5,871
	8,679	**8,462**

Vacant Possession

The vacant possession value of dwellings as at 1st April 2018 was £4.732bn The value of dwellings in the balance sheet (excluding dwellings leased to Registered Social Landlords) was £1.656bn, a difference of £3.076bn 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 2017/18 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

	2017/18 £'000	2016/17 £'000
Depreciation		
Operation - Dwellings	24,928	24,718
- Other, including leased	598	699
Total depreciation	**25,526**	**25,417**
Revaluation losses	1,391	-
Reversal of impairment losses	-	(126,600)
Total depreciation and impairment	**26,917**	**(101,183)**

Impairment

There was a loss on revaluation of £1.391m charged to the surplus on provision of Services (2016/17: (£126m) reversal of an impairment loss)

5 HRA Share of Contributions to/from Pension Reserve

For 2017/18 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 £2.266k (2016/17 £2,293k). 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 (£8,743k) (2016/17 (£6,575k)). This is excluded from the HRA Balance for the year and replaced with Employers Contributions payable £4,148k (2016/17(£5,040k)) with the net movement on the Pension reserves of £4,596k (2016/17 £1,535k). 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	2017/18 £'000	2016/17 £'000
Dwellings	31,409	48,768
Other Assets	969	-
	32,378	**48,768**

Financing	2017/18 £'000	2016/17 £'000
Usable capital receipts	2,129	15,115
Revenue contributions to capital	5,948	77
Major Repairs Reserve	24,301	33,576

	32,378	**48,768**

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 2016/17). The receipts are summarised as follows:

	2017/18 £'000	**2016/17 £'000**
Receipts unapplied brought forward - 1 April	41,969	39,798
Right to Buy sales	16,108	14,627
Mortgage repayments	10	14
Disposal of Land and Buildings	590	5,027
	58,677	**59,466**
Allowable reductions		
Repaid to MHCLG	(6,055)	(2,381)
Capital receipts applied	(2,129)	
Capital receipts applied to GF	(1,500)	(15,116)
Capital receipts unapplied carried forward - 31 March	**48,993**	**41,969**

8 Major Repairs Reserve

	2017/18 £'000	**2016/17 £'000**
Balance brought forward - 1 April	**-**	**(1,822)**
Capital expenditure (dwellings)	24,301	33,576
Major Repairs Allowance set aside in year	(25,526)	(24,718)
Excess depreciation credited to Statement of Movement on HRA Balance	-	(7,036)
Balance carried forward - 31 March	**(1,225)**	**-**

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 MRA was £25.5m for 2016/17 (2016/17 - £31.7m). £24.3m was used to finance appropriate Housing Revenue Account capital expenditure.

9 Balance Sheet Value of Land and Houses, etc

	2017/18 £'000	**2016/17 £'000**
Dwellings	1,656,465	1,477,193
Land	16,179	17,942
Other assets	21,694	24,487
	1,694,338	**1,519,622**

10 Asset Split

	2017/18 £'000	2016/17 £'000
Operational - dwellings	1,656,465	1,477,193
Operational - other land and buildings	30,496	37,411
Non-operational	7,377	5,018
Intangible	969	-
Other	6	16
	1,695,313	**1,519,638**

11 Reserves

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

	2017/18 £'000	2016/17 £'000
Reserves		
HRA balance	71,269	54,237
Other reserves		
Furniture Packs	1,091	1,103
CCTV	255	392
Energy efficiency	3,198	2,988
Improving Tenants Experience	1,184	2,691
Other	1,616	1,616
Sub-total other reserves	**7,344**	**8,790**
Total reserves	**78,613**	**63,027**

Collection Fund

Collection Fund Income and Expenditure Account

31 March 2017					31 March 2018		
£'000	£'000	£'000			£'000	£'000	£'000
Business Rates	Council Tax			Note	Business Rates	Council Tax	Total
			Income				
	214,094	214,094	Council Tax	2	-	227,200	227,200
219,804		219,804	Non- Domestic Rates	3	219,119	-	219,119
(6,545)		(6,545)	Transitional Protection Payment		(6,050)	-	(6,050)
2,102			Prior Period Adjustment			-	
			Contributions towards previous years Collection Fund deficit:				
7,805		7,805	Bristol City Council				
159		159	Avon Fire Authority				
7,964		7,964	Central Government				
231,289	**214,094**	**445,383**			**213,069**	**227,200**	**440,269**
			Expenditure				
			Apportionment of Previous Year Surplus				
-	3,787	3,787	Bristol City Council		6,455	3,945	10,400
-	466	466	Avon & Somerset Police and Crime Commissioner			477	477
-	178	178	Avon Fire Authority		132	182	314
-	-	-	Central Government		6,586	-	6,586
-	4,431	4,431		4	13,173	4,604	17,777
			Precepts, Demands and Shares				
108,136	-	108,136	Central Government			-	
105,974	178,403	284,377	Bristol City Council		192,396	192,162	384,558
	21,560	21,560	Avon & Somerset Police and Crime Commissioner		-	22,559	22,559
			West of England Combined Authority		10,234		10,234
2,164	8,215	10,379	Avon Fire Authority		2,047	8,596	10,643
216,274	208,178	424,452			204,677	223,317	427,994
			Charges to Collection Fund				
468	1,477	1945	Write offs of uncollectable amounts		1,004	1,983	2,987
2,041	656	2,697	Increase/ (Decrease) in Bad Debt provision		338	285	623
722	-	722	Costs of Collection Allowance		716	-	716
5,348	-	4,589	Disregarded Amounts		4,017	-	4,017
			Prior Year Adjustment		(758)	-	(758)
8,008	-	8,009	Decrease provision for appeals/ back-dated appeals		2,541	-	2,541
16,587	2,133	17,962			7,858	2,268	10,126
(1,572)	**(648)**	**(1,462)**	**Surplus / (Deficit) for the Year**		**(12,639)**	**(2,989)**	**(15,628)**
487	5,409	5,896	**Surplus / (Deficit) as at 1 April**		(1,085)	4,761	3,676
(1,085)	**4,761**	**4,434**	**Surplus / (Deficit) as at 31 March**		**(13,724)**	**1772**	**(11,952)**

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 124,083 for 2017/18 (120,946 for 2016/17). 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 £1,799.75 for 2017/18 (£1,721.25 for 2016/17) 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 2017/18 Council Tax:

	BANDS									
	A Entitled to Disabled Relief	A	B	C	D	E	F	G	H	Total
No of Properties	-	50,718	72,502	38,487	17,843	9,512	4,730	2,839	335	196,966
Exemptions and disabled relief	29	- 1,870	- 1,368	- 1,364	- 1,135	-1,002	- 148	- 40	- 41	- 6,939
Less Discounts	- 2	- 5,582	- 5,400	- 2,530	- 1,006	- 455	- 182	- 107	- 18	- 15,282
Total Equivalent Dwellings	27	43,266	65,734	34,593	15,702	8,055	4,400	2,692	276	174,745
Ratio	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	
Band D Equivalents	15	28,844	51,126	30,749	15,702	9,845	6,356	4,487	552	147,676
Add Changes re: Additional Properties										1,450
Additional Exemptions										-1,250
Council Tax Support										-21,903
Adjustments to reflect Discretionary Discounts										
Rate of Collection 98.5%										-1,890
Council Tax Base										124,083

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 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 2017/18 the non-domestic rating multiplier was 47.9p (49.7p in 2016/17) and the small business non-domestic rating multiplier was 46.6p (48.4p in 2016/17).

As part of the governments West of England devolution deal Bristol, Bath and North West Somerset and South Gloucestershire Councils agreed to the establishment of the West of England Combined Authority (WECA) to support economic growth and development across the region. This also enabled the three Council's to take part in a 100% business rates retention pilot. As a result Bristol 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: Bristol City Council: 94%, West of England Combined Authority 5% and Avon Fire Authority: 1%.

The NNDR income after reliefs and provisions was £213.069m for 2017/18 (£213.259m for 2016/17). The total rateable value at 31 March 2018 was £558.772m (£537.296m at 31 March 2017).

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

Council Tax	Total	Bristol City Council	Police Debtor	Fire Debtor
	£'000	£'000	£'000	£'000
Debtors	13,679	12,009	1,221	449
Bad Debt Allowance	(6,584)	(5,661)	(675)	(248)
Prepayments & Overpayments	(2,917)	(2,506)	(300)	(111)
Surplus / (Deficit) at 31 March	1,772	1,524	182	66

Business Rates	Total	Bristol City Council	West of England Combined Authority	Fire Creditor	Central Government
	£'000	£'000	£'000	£'000	£'000
Debtors	5,785	5,438	289	58	
Bad Debt Allowance	(2,486)	(2,336)	(124)	(26)	
Prepayments & Overpayments	(2,993)	(2,814)	(150)	(29)	
Appeals Provision	(25,229)	(23,716)	(1,261)	(252)	
Surplus / (Deficit) at 31 March	(13,725)	(6,826)	(11)	(138)	(6,750)

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.

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 are reflected under "Cash Transactions" in the table below. Expenditure and revenue recognised in the Council's CIES is also disclosed.

	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	(13,623)	(4,173)	-	-
Receipts into the Pool in-year				
- Growth sums payable by councils to BRP in-year	(16,084)	(4,444)	4,444	-
Distributions out of the Pool in-year				
-Tier 1 no worse off	5,949	2,131		(2,131)
-BRP management fee	37	9		-
-EDF management fee	64	16		-
-Tier 2 EDF Funding	1,705	386		(1,437)
-Tier 3 demographic and service pressures	1,624	393	-	(516)
Funds held by BRP at 31 March	**(20,328)**	**5,682**		
Analysed between:				
Uncommitted cash (Tier 2 inc contingency)	(16,731)	(4,660)	(1,559)	n/a
Committed cash (Tier 3)	(3,597)	(1,022)	n/a	n/a
	(20,328)	**(5,682)**		
Expenditure / (Revenue) recognised			**2,885**	**(4,084)**

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 £4.660m 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 BRP has made one payment of £1.437m to Bristol City Council on behalf of the EDF in 2017/18 (2016/17 £1m.)

The Council itself has recognised revenue income of £4.084k (2016/17 £5.063m) from the BRP and expenditure of £2.885m (2016/17 £3.774m) to the BRP for the year.

Group Accounts

Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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 Limited (formally 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 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
- Associated Notes to the Accounts

Group Financial Statements

The Group Comprehensive Income and Expenditure Account as at 31 March 2018

This statement shows the accounting cost in the year of providing the Group's services in accordance with generally accepted accounting practices.

2016/17				2017/18		
Gross Exp £'000	Gross Income £'000	Net Exp £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000
535,729	(298,911)	236,818	People inc DSG	529,295	(313,288)	216,007
63,822	(7,935)	55,887	Resources & City Director	50,514	(7,077)	43,437
316,862	(243,923)	72,939	Neighbourhoods inc Public Health	326,857	(258,373)	68,484
139,901	(80,116)	59,785	Place	168,951	(115,927)	53,024
(22,592)	(123,212)	(145,804)	Housing Revenue Account	92,872	(121,351)	(28,479)
7,523	(2,480)	5,043	Corporate Funding & Expenditure	(5,099)	(541)	(5,640)
1,041,245	**(756,577)**	**284,668**	**Cost of services**	**1,163,390**	**(816,557)**	**346,833**
		(1,680)	Other operating expenditure			17,912
		20,871	Financing and investment income and expenditure			40,582
		(409,456)	Taxation and non-specific grant income			(393,731)
		(105,597)	**(Surplus)Deficit on provision of services**			**11,596**
		(325,977)	Deficit on revaluation of Property, Plant and Equipment assets			(233,641)
		191,904	Remeasurement of the net defined benefit liability/asset			(87,543)
		302	Surplus\deficit on revaluation of available for sale financial assets			750
		(133,771)	**Other comprehensive income and expenditure**			(320,434)
		(239,368)	**Total comprehensive income and expenditure**			**(308,838)**

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the group, analysed into usable reserves and other reserves.

	Note	General Fund Balance	Earmarked Reserves	School Reserves	Sub Total - General Fund	Housing Revenue Account	Housing Revenue Account Earmarked Reserves	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	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	£'000
Balance at 31 March 2017 Carried Forward		20,000	65,446	5,459	90,905	54,237	8,790	45,709	-	3,340	202,981	1,162,219	1,365,200	(8,743)	1,356,457
Movement in Reserves during 2017/18															
Surplus or (deficit) on the provision of services		(35,409)	-	-	(35,409)	25,497	-	-	-	-	(9,912)	-	(9,912)	(10,428)	(20,340)
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	-	-	329,178	329,178		329,178
Total Comprehensive Expenditure and Income		(35,409)	-	-	(35,409)	25,497	-	-	-	-	(9,912)	329,178	319,266	(10,428)	308,838
Adjustments between accounting basis and funding basis under regulations		58,686	-	-	58,686	(9,910)	-	17,763	1,225	(336)	67,428	(67,428)	-		-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		23,277	-	-	23,277	15,587	-	17,763	1,225	(336)	57,516	261,750	319,266	(10,428)	308,838
Transfers to/(from) Earmarked Reserves		(23,277)	21,975	1,302	-	1,445	(1,445)	-	-	-	-	-	-		-
Increase/(Decrease) in 2017/18		-	21,975	1,302	23,277	17,032	(1,445)	17,763	1,225	(336)	57,516	261,750	319,266	(10,428)	308,838
Balance at 31 March 2018 Carried Forward		20,000	87,421	6,761	114,182	71,269	7,345	63,472	1,225	3,004	260,497	1,423,969	1,684,466	(19,171)	1,665,295

The adverse movement in "the Council's Share of Reserves of Subsidiaries" (£10.428m) in the main relates to Bristol Energy's loss for the financial year. The closing net deficit balance of £19.171m under this reserve takes into account previous years losses carried forward. These movements are in-line with the expectations set out in the company's business plan.

Group Consolidated Balance Sheet as at 31 March 2018

31-Mar-17 £'000		Note	31-Mar-18 £'000
915,912	Property, Plant & Equipment		964,480
1,477,193	Council dwellings		1,656,465
198,851	Heritage Assets		201,094
10,259	Intangible Assets		10,831
253,976	Investment Property		255,415
7,852	Long Term Investments		12,501
54,928	Long Term Debtors		46,573
2,918,971	**Long Term Assets**		**3,147,359**
33,180	Short Term Investments		25,132
1,853	Inventories		2,376
116,124	Short Term Debtors	G1	130,411
40,239	Cash and Cash Equivalents		29,990
0	Assets held for sale		1,539
191,396	**Current assets**		**189,448**
(7,769)	Short Term Borrowing		(4,997)
(155,297)	Short Term Creditors	G2	(147,331)
(2,384)	Provisions		(4,188)
(11,839)	Capital grants received in advance		(26,057)
(177,289)	**Current liabilities**		**(182,573)**
(430,489)	Long Term Borrowing		(430,489)
(12,044)	Provisions		(24,637)
(1,122,680)	Other Long Term Liabilities		(1,027,094)
(11,408)	Capital Grants Receipts in Advance		(6,719)
(1,576,621)	**Long-term liabilities**		**(1,488,939)**
1,356,457	**Net assets**		**1,665,295**
(194,238)	Usable Reserves		(241,326)
(1,162,219)	Unusable Reserves		(1,423,969)
(1,356,457)	**Total reserves**		**(1,665,295)**

Group Cash Flow Statement for the year ended 31 March 2018

The cash flow statement shows the changes to cash and cash equivalents of the Group during the reporting period. The statement shows how the group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2016/17 £'000		Note	2017/18 £'000
105,594	Net surplus on the provision of services		(23,698)
(26,260)	Adjustment to net surplus on the provision of services for non-cash movements	G3	114,573
(86,597)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	G3	(75,184)
(7,263)	Net cash flows from Operating Activities		15,691
(18,973)	Investing Activities	G4	(7,770)
33,599	Financing Activities	G5	(18,170)
7,363	Net increase (decrease) in Cash and Cash Equivalents		(10,249)
32,876	Cash and Cash Equivalents at the beginning of the reporting period		40,239
40,239	**Cash and Cash Equivalents at the end of the reporting period**		**29,990**

Accounting Policies

Generally, the accounting policies for the group accounts are the same as those applied to the single entity financial statements, except for the following policies which are specific to the group accounts:

Basis of Identification of the Group Boundary

Group accounts are prepared by aggregating the transactions and balances of the Council and all its material subsidiaries, associates and joint arrangements. 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.

- Joint 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.

- Associates – where the Council is an investor and has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee (stopping short of control or joint control.) It is presumed that holding 20% of the voting power of an investee (either directly or indirectly) brings significant influence but this presumption can be rebutted.

- 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 Ltd (formally Bristol Energy and Technology Services (Supply) Ltd	Subsidiary	Consolidated
Bristol Energy and Technology Services (supply) Ltd	Subsidiary	Not Material – Dormant company
Bristol is Open Ltd	Joint Venture	Not Material

The grounds for exclusion from consolidation of certain entities are not material to the true and fair view of the financial statements or to the understanding of the users.

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.

As at the 31 March 2018 the Council has invested £22.911m in Bristol Holding Limited. This was made up of £5.668m ordinary shares and £17.243 cumulative redeemable preference shares.

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 Limited (formally 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. On 14 February 2018 a resolution was passed to authorise the Company to change its name to Bristol Energy Limited.

Bristol Energy and Technology Services (Supply) Limited (formally Bristol Energy Limited)

Bristol Energy and Technology Services (Supply) Limited is a wholly owned subsidiary of Bristol Holding Limited incorporated on 14 March 2016. The company is currently dormant. On 14 February 2018 a resolution was passed to authorise the Company to change its name to Bristol Energy and Technology Services (supply) Limited.

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 37)

Notes to the Group Accounts

G1 Current Debtors

Current debtors	31 March 2018 £'000	31 March 2017 £'000
Central government bodies	35,415	25,210
Other local authorities	16,488	14,035
NHS bodies	4,139	5,603
Other entities and individuals	74,369	71,276
Total	**130,411**	**116,124**

G2 Creditors

Current liabilities	31 March 2018 £'000	31 March 2017 £'000
Service Concession contract liabilities (see Note 27)	-	-
Central government bodies	45,109	51,637
Other local authorities	9,128	6,170
NHS bodies	1,192	2,748
Other entities and individuals	91,902	94,742
Total	**147,331**	**155,297**

G3 Cash Flow Statement

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

	2017/18 £'000	2016/17 £'000

Interest received	7,319	6,117
Interest paid	(44,034)	(35,342)
Dividends received	2,589	2,662

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

	2017/18 £'000	2016/17 £'000
Depreciation, impairment and downward revaluations	84,490	(54,219)
Amortisation	5,705	1,090
Increase/(decrease) in impairment for bad debt	1,400	-
(Decrease)/increase in creditors	(1,666)	8,865
(Increase)/decrease in debtors	(13,309)	(9,433)
(Increase)/decrease in inventories	(523)	(557)
Movement in pension liability	(1,737)	21,993
Carrying amount of non-current assets held for sale, sold or derecognised	44,205	23,927
Other non-cash items charged to the net surplus or deficit On the provision of services	(3,992)	(17,926)
Net cash flows from non-cash movements	**114,573**	**(26,260)**

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

	2017/18 £'000	2016/17 £'000
Capital grants credited to surplus or deficit on the provision of services	(44,705)	(57,275)
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	(30,479)	(29,322)
	(75,184)	**(86,597)**

G4 Cash Flow Statement - Investing Activities

	2017/18 £'000	2016/17 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(111,891)	(162,527)
Other (payments)/receipts for investing activities	18,892	(53)
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	28,326	29,119
Decrease in/(proceeds from) short-term and long-term investments	56,903	114,488
Net cash flows from investing activities	**(7,770)**	**(18,973)**

G5 Cash flow Statement - Financing Activities

	2017/18 £'000	2016/17 £'000
Cash receipts of short- and long-term borrowing	-	19,200
Repayments of short- and long-term borrowing	(3,000)	(2,235)
Other payments/(receipts) in respect of financing activities	(15,170)	16,634
Net cash flows from investing activities	**(18,170)**	**33,599**

GLOSSARY OF TERMS

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

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 2017/18.

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.