



# Draft Statement of Accounts

## Bristol City Council

### For the Year Ended 31 March 2017

#### 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 2016/17 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).



# Contents

	<b>Page</b>
<b>1. Written Statements and Service Director Finance's Narrative Report</b>	
• Councillor Preface	1
• Service Director Finance's Narrative Report	2
• Statement of Responsibilities	15
• Auditor's Report	16
• Annual Governance Statement	19
<b>2. Core Financial Statements</b>	
• Comprehensive Income and Expenditure Statement	36
• Movement in Reserves Statement	37
• Balance Sheet	38
• Cash Flow Statement	39
<b>3. Notes To The Accounts</b>	
<b>Notes supporting the Core Statements</b>	
Note 1 - Accounting Policies	40
Note 2 - Accounting Standards that have been issued but have not yet been adopted	53
Note 3 - Critical Judgements in applying Accounting Policies	54
Note 4 - Assumptions and Estimation Uncertainty	55
Note 5 - Material Items of Income and Expense	57
Note 6 - Events after the Balance Sheet Date	57
<b>Notes supporting the Comprehensive Income and Expenditure Statement</b>	
Note 7 - Expenditure & Funding Analysis	58
Note 8 - Note to the Expenditure & Funding Analysis	59
Note 9 - Expenditure & Income Analysed by Nature	61
Note 10 - Other Operating Expenditure	61
Note 11 - Financing & Investment Income	61
Note 12 - Taxation and Non-Specific Grant Income	62
Note 13 - Pooled Budgets	62
Note 14 - Members Allowances	64
Note 15 - Officers Remuneration	64
Note 16 - External Audit Fee	66
Note 17 - Dedicated Schools Grant	67
Note 18 - Grant Income	68
<b>Notes supporting the Movement in Reserves Statement</b>	
Note 19 - Adjustments between Accounting Basis and Funding Basis under Regulations	70
Note 20 - Earmarked Reserves	73
<b>Notes supporting the Balance Sheet</b>	
Note 21 - Property, Plant and Equipment	75
Note 22 - Heritage Assets	78
Note 23 - Investment Properties	79
Note 24 - Financial Instruments	80

	<b>Page</b>
Note 25 - Nature and Extent of Risks from Financial Instruments	87
Note 26 - Capital Expenditure and Financing	93
Note 27 - Leases	94
Note 28 - Service Concessions	94
Note 29 - Debtors	98
Note 30 - Cash and Cash Equivalents	98
Note 31 - Creditors	99
Note 32 - Provisions	99
Note 33 - Unusable Reserves	100
Note 34 - Pensions	104
<b>Notes supporting the Cash Flow Statement</b>	
Note 35 - Cash Flow Statement - Operating Activities	113
Note 36 - Cash Flow Statement - Investing Activities	113
Note 37 - Cash Flow Statement - Financing Activities	113
<b>Other Notes</b>	
Note 38 Related Parties	113
Note 39 Contingent Liabilities	117
Note 40 Trust Funds	118
<b>4. Supplementary Accounting Statements</b>	
• Housing Revenue Account	119
• Collection Fund	125
• Group Accounts	130
<b>5. Glossary</b>	
• Glossary of terms	136

# Councillor Preface

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

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

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

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

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

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

**Councillor Craig Cheney**

Deputy Mayor – Finance, Governance and Performance





# Narrative Report

# Background

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

## Our vision is for Bristol to be a city:

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

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

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

# Our Services

## The following core services are provided by the Council:

### ● People - high level narrative for each

Education and skills  
Social care and support for adults including the elderly  
Safeguarding vulnerable adults and children  
Support for carers  
Commissioning services

### ● Resources

Provides internal support services including;  
IT, Finance, Business Change, Human Resources and  
Legal Services.

### ● Neighbourhoods

Neighbourhood Partnerships  
Parks and open spaces  
Library service  
Licencing  
Coordinates Bristol's response to crime, community  
safety and antisocial behaviour  
Customer Services

### ● Place

Culture including major projects such as the Arena  
Planning  
Property including the management of the Councils  
buildings and the City Docks  
Transport including the introduction of the Metrobus

### ● City Director

Includes the Mayor, Senior Leadership Team, Bristol  
Futures and Policy, Strategy and Communications.

## Ring-fenced Accounts:

### ● Housing Revenue Account

Accounts for the management and maintenance of  
around 27,000 Council homes in Bristol

### ● Dedicated Schools Grant

Grant funding the majority of the Council's expenditure  
on schools. The grant can only be used to meet  
expenditure properly included in the schools budget

### ● Public Health

An annual ring fenced grant from the Department of  
Health. Funds the Council's statutory duties to improve  
public health.

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

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

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

## Our Leadership and Workforce

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

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

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

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

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

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

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

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

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

Together, these officers form our Strategic Leadership Team.

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



# Our Vision



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

*The Commitment:*

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



*The Commitment:*

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



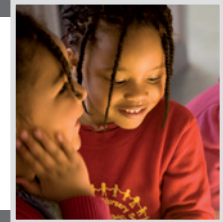
*The Commitment:*

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



*The Commitment:*

- We will protect children's centre services



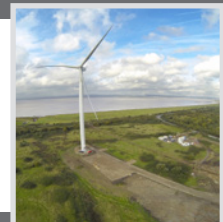
*The Commitment:*

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



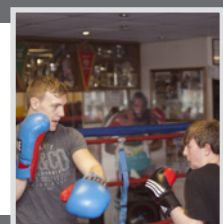
*The Commitment:*

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



*The Commitment:*

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





# Council's Performance

# Our Performance

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

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



In 2016 Bristol was awarded the title of a “European City of Sport” for 2017 - see [www.bristolcityofsport17.co.uk](http://www.bristolcityofsport17.co.uk) for more details.



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

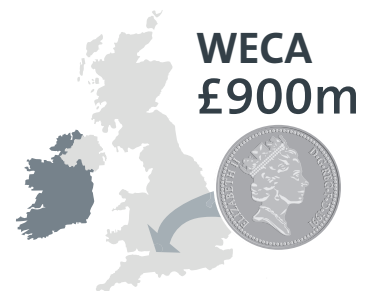


The Bristol Quality of Life survey 2015-16 highlighted 82% of residents were “satisfied with their local area as a place to live” and 1 in 4 people thought their neighbourhood had “got better over the last 2 years”.



**82%**  
satisfied with  
their local area  
as a place to live

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



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



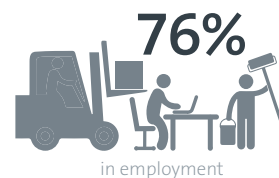
During 2016/17 we helped to return 477 empty properties back into occupation.



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



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



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



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



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



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



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



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



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

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

**Ofsted**  
'Good or Better'

Nurseries 100%
Primaries 91%
Secondaries 100%

## Financial Performance

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

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

## Revenue Financial Summary 2016/17

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

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

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

- financial pressures, particularly in the areas of adults and children's social care, relating to both, complexity of need and cost. This led to an overspend of some £8m for provision of residential and associated care of elders and other vulnerable adults, and some £3.3m for children in care.
- The Council was also unable to deliver a number of savings agreed by Full Council at the beginning of the

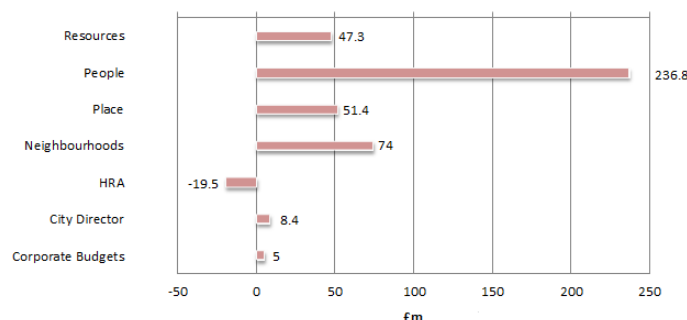
financial year in areas such as property and a range of cross directorate functions. A full analysis of the reasons for this were set out in the independent review.

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

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

The gross cost of services during the year was £832m (£1.135b in 2015/16). This includes both General Fund services and the Housing Revenue Account (HRA). The main reason for the difference is the reversal of £321m of impairment into the HRA. (See HRA section in report for more details.) After deducting specific grants and income from fees and charges, the net cost of services was £82.6m (£381.4m in 2015/16). The breakdown of net expenditure between the different service areas is shown in the following chart. The chart excludes the impairment reversal in the HRA.

Directorate Net Expenditure (£m)



## Revenue Expenditure

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

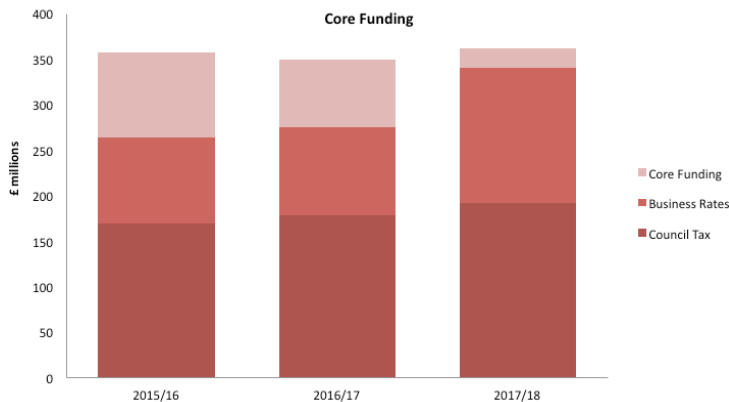
	£m
<b>General Fund deficit reported to Cabinet</b>	<b>10.5</b>
Include HRA	(45.1)
Overall Surplus	(34.6)
Post Outturn Adjustments (see note 1)	34.6
Remove total net transfers from reserves – agrees to the Expenditure and Funding Analysis (Note 7 to the Accounts)	47.4
Technical accounting adjustments required by Statute	
Impairment and other capital adjustments	(365.5)
Pensions	20.5
Other (see note 2)	(4.8)
<b>Surplus per Comprehensive Income &amp; Expenditure Account</b>	<b>(302.4)</b>

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

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

## Sources of Funding

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



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

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

future.

Whilst a balanced budget was set for 2017/18, it includes high levels of risk in terms of delivery of the programme of savings. The challenge does not end in 2017/18, as the central government grant to the Council continues to reduce and there are significant pressures to deal with (including inflation, increasing demand and new legislation). £104m of savings need to be found over the medium term which, along with the savings already proposed of £62m (this includes £33.1m above) a budget gap of £42m remains. It is therefore essential that the Council continues with its transformation programme to identify further savings opportunities to ensure future balanced budgets are able to be set.

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

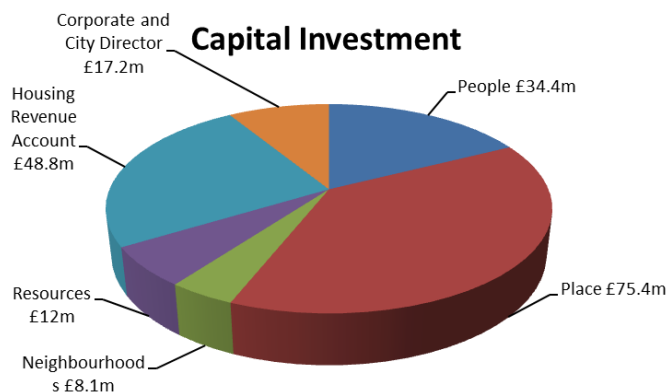
Under current Government central funding proposals, the intention is to radically change the way local authorities are funded by moving to full business rate retention and phasing out the Revenue Support Grant by 2020. The council within the West of England Combined Authority (WECA) will be piloting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

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

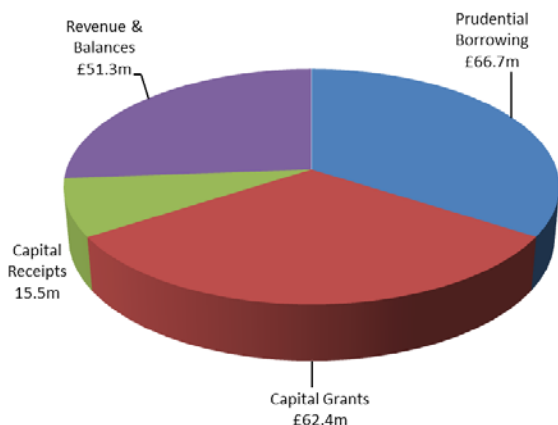
## Capital Investment

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

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



## Capital Financing



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

## The major areas of investment have included:

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

- £4m investment in Bristol Operations Centre at the Temple Street offices
- £4m invested in the Arena Project and surrounding infrastructure

## Housing Revenue Account (HRA)

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

The HRA Income and Expenditure Statement shows a net surplus for the year of £4.8m. The reversal of an impairment loss previously recognised of £321m has been credited to the surplus on provision of Services (2015/16: £21m). This £321m relates to the revaluation of HRA Council Dwellings carried out in 2016/17. Impairment is where the value of an asset falls below the carrying value in the accounts and so to reflect the commercial reality of the situation a charge is made in the running costs.

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

## Treasury Management

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

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

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

## Pensions

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

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

## Contingencies

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

## Group Results

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

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

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

## The Statement of Accounts

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

### The Core Statements are:

- The Comprehensive Income and Expenditure Statement – this records all the Council's income and expenditure for the years. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:

- Service and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning and registration; and
- Discretionary expenditure focussed on local priorities and needs

- The Movement in Reserves Statement is a summary of the changes to our reserves over the course of the year. Reserves are divided into "useable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific purposes. We continually review the money we have in reserves for specific purposes to make sure they are at the right levels, and that our reserves continue to meet our needs
- The Balance Sheet is a "snap shot" of the Council's assets, liabilities, cash balances and reserves at the year-end date
- The Cash Flow Statement shows the reasons for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

### The Supplementary Financial Statements are:

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

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



# Conclusion

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

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

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

Denise Murray  
Director of Finance (Section 151 Officer)

# Statement of Responsibilities

## The Authority's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Service Director Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts by the 30th September 2017.

## The Service Director Finance's Responsibilities

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

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

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

The Service Director Finance has also:

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

## Certificate of the Service Director Finance

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

*Denise Murray*

**Denise Murray**  
**Director of Finance (Section 151 Officer)**  
15<sup>th</sup> June 2017

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





## How did we do?

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

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

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

The statement of accounts for 2016/17 indicates a year end overspend which is at a level that can now be contained within funds identified from a redirection of reserves. The budget for 2017/18 seeks to ensure a stable position can be sustained, and noted the indicative budget gap and initial savings positions from 2018/19 onwards. The medium term financial plan is in development and will refresh the position after consideration of the financial climate at both national and local level, pressure on wider public sector expenditure, in particular, the NHS and Police, any consequential impacts for the City Council's budgets and available resources. This will assist in ensuring reducing resources are invested in activities that have the greatest impact on the delivery of priority outcomes.

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

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

Membership of the Audit Committee, the Committee appointed to oversee governance arrangements at the Council, also changed significantly with several new Council Members (new to the Council as well as the Audit Committee) appointed to serve on the Committee.

Despite the challenges faced, there are numerous examples of how governance at the Council has seen improved outcomes, for example the Council success for Business Improvement Strategy at the National Contact Centre Awards.

## Scope of Responsibility

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

## What is Corporate Governance?

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

## The Code of Corporate Governance

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

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

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

## Purpose of Statement

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

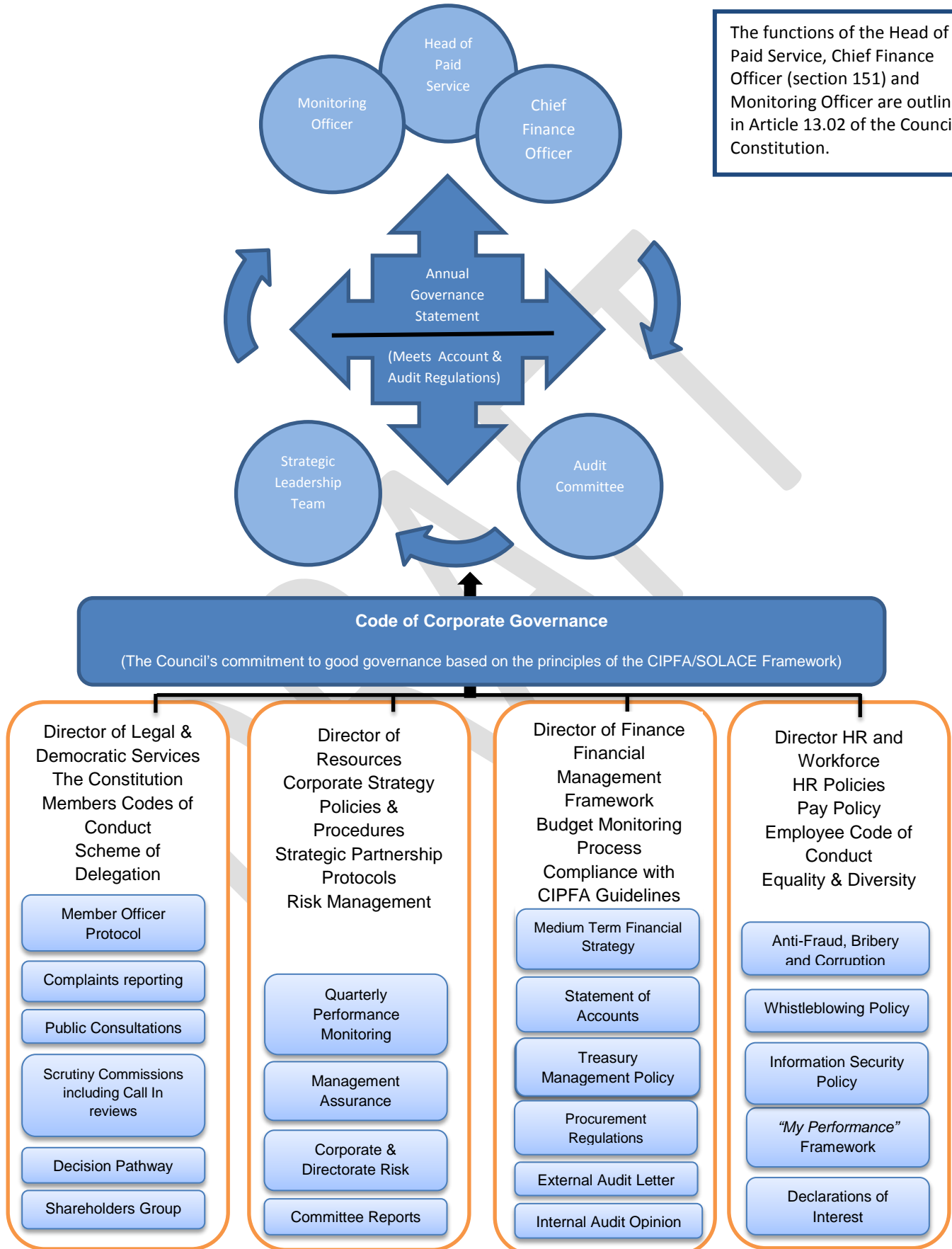
It also meets the requirements of the Accounts and Audit Regulations 2015, which require the Council to publish an AGS in accordance with proper practice in relation to internal control.

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

# The Governance Framework

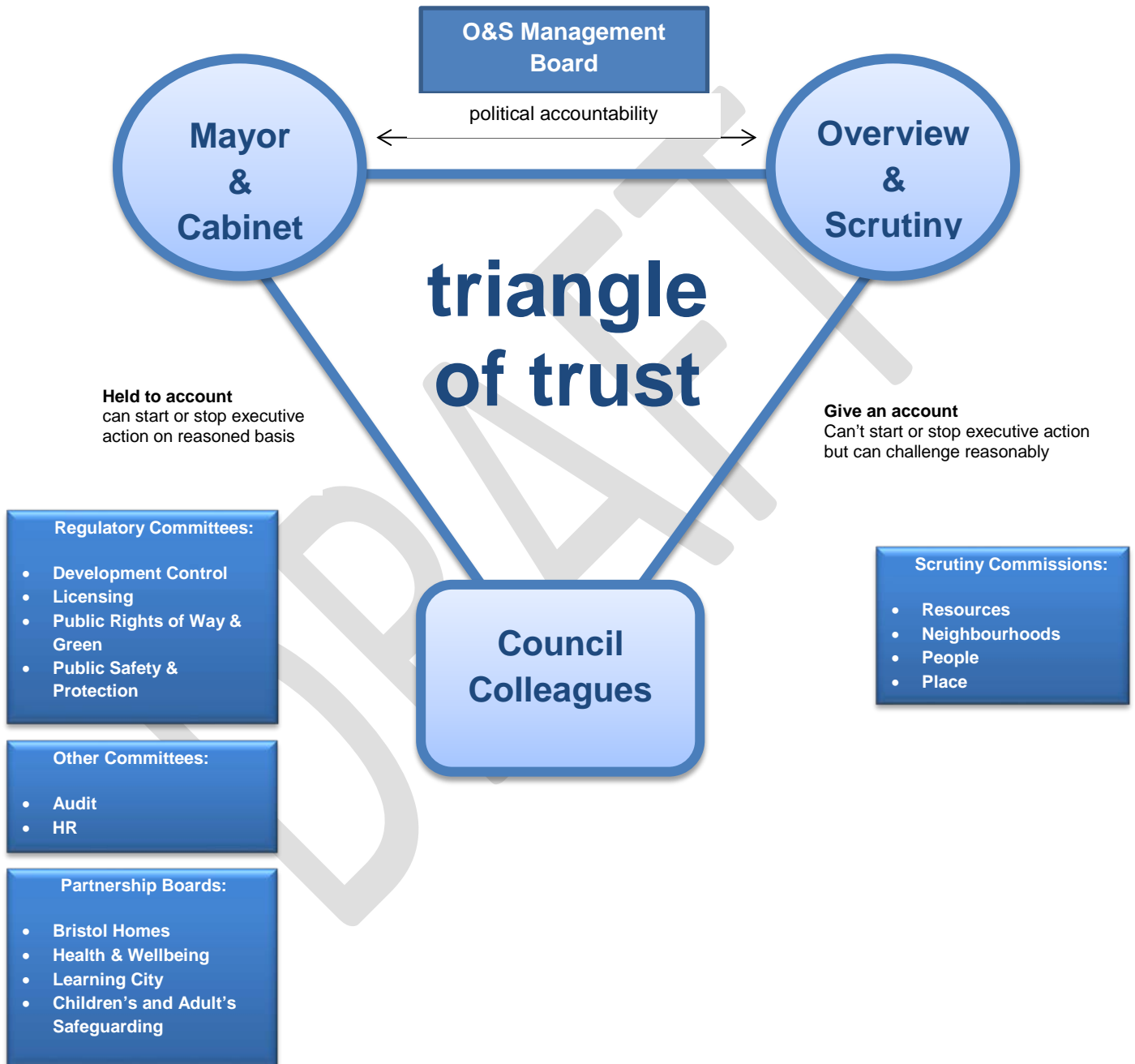
The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community.

The functions of the Head of Paid Service, Chief Finance Officer (section 151) and Monitoring Officer are outlined in Article 13.02 of the Council's Constitution.





Accountability within the Governance Framework



The above model illustrates who is accountable for what and to whom within a strong governance framework. It locates decisions and enables delegation in the public interest. This is the model to which the Council aspires.

## Review of Effectiveness

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

### External Commissioned Review

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

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

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

The report noted that changes must be made over the long term under the Council's new Chief Executive. Comprehensive responses to the recommendations within the report were agreed at Cabinet in May 2017 to strengthen the governance framework of the Council.

## Review of Effectiveness - Audit Arrangements

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

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

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

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

The Committee met regularly during 2016/17, considering reports, from the Chief Internal Auditor including the Annual Internal Audit Report, the Section 151 Officer, the Monitoring Officer and the External Auditor.

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

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

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

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

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

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

An Improvement Plan for the Internal Audit service will be prepared in 2017/18 and an external peer review is also planned by the Core Cities Chief Internal Auditors Group for autumn 2017, both designed to enhance the service.

## Review of Effectiveness – Financial Arrangements

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

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

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

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

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

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

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

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

## Review of Effectiveness – Financial Arrangements

In 2016/17, there has been unplanned slippage in the annual delivery profile of key **capital projects** to which funding has been earmarked in the capital programme. In making that statement it must also be recognised that there has, also been greater visibility in capital monitoring, reporting and financing, which has been reviewed and assisted in verify the availability and timing of funds assumed within the programme. Improvements have commenced and are required on an ongoing basis to ensure that:

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

## Review of Effectiveness – Decision Making

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

The Council's **Senior Information Risk Owner** has confirmed that information security arrangements are in place although some areas were in need of improvement. Online training is available and course refresh requested for all staff to raise awareness of what each employee needs to do to keep Council information secure. At the time of writing, 61% of employees have completed it.

The **Constitution** establishes how the Council operates, outlining the roles and responsibilities of the executive, non-executive and scrutiny functions. It includes setting out how decisions are made, delegation arrangements to Members and Officers, Financial Regulations and Procurement and Contract Procedures, Member / Officer Protocols and other supporting procedures of how decisions are taken and the processes and controls required to manage this.

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

The Council's approach to managing staff performance is, "**My Performance**", which requires regular, quality conversations and periodic online assessment. On line completion is monitored and incorporated in the internal quarterly performance reports. This has highlighted inconsistent application with only 68% of staff having registered the completion of performance reviews. For the Council to successfully delivery its vision and commitments these objectives need to be linked to the Councils overarching principles and priorities.

For **complaints**, in 2016/17, the Council responded to 58% of Stage 1 statutory complaints within 15 days (the service target is 90%) and 73% of Stage 2 within 20 days (the service target is 90%).

This will need to be strengthened in 2017/18 and the Chief Executive has already written to Strategic Directors setting out the need for improvement and closer monitoring

In February 2017, the new **West of England Combined Authority** made up of three of the local authorities in the region, was established, working in partnership to deliver economic growth in the region, and address some of the challenges particularly in relation to transport, housing, productivity and skills.

West of England Overview and Scrutiny and Audit Committees will be established to scrutinise and hold to account the new combined authority and West of England Mayor.

## Review of Effectiveness – Decision Making

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

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

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

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

Corporate Strategy  
Savings Proposals  
Combined Authority and Devolution Proposals  
Performance Reporting Framework  
Engagement and Democracy  
Financial Monitoring

Annual Report of the Director of Public Health  
Neighbourhood Partnerships  
Local Flood Resilience Strategy  
Bristol Transport Plan  
Bristol Children's Services Improvement Plan  
Adult Social Care Strategic Plan

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

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

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

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

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

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

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

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

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



## IMPROVEMENTS MADE IN 2016/17

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

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

**Significant Governance Issues**  
(see key below for definition)

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

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

		<p>The MTFP and TOM set the direction, objectives and framework under which all Council plans will fit, these include:</p> <ul style="list-style-type: none"> <li>• Business plans</li> <li>• Performance management framework – defining the outcomes and KPIs for the organisation, team and individual</li> <li>• Workforce plan – the employee offer, experience and development</li> <li>• Transformation plans</li> <li>• Communication and employee engagement plan</li> <li>• Values and behaviours framework</li> </ul>
4	Performance management of our employees has been inconsistent with only 68% having registered completed performance reviews.	Our employees are supported by a comprehensive individual performance management process, with objectives that link to the Councils overarching principles and priorities outlined in the TOM. (see 3 above)
5	A review of governance relating to the Capital Programme Board was assigned partial assurance in relation to Capital Programme and Project delivery and, in 2016/17, there has been significant slippage in delivery of key capital projects in line with the agreed capital programme.	Capital governance to be reviewed and project management / profiling and monitoring strengthened to ensure the Council achieves its investment aspiration and does not unnecessarily lock revenue.
6	Weaknesses in the timing and advanced planning for procurement and subsequent post award Contract Management have been identified by both Audit reviews and from responses in the Assurance Statements.	<p>A Commissioning and Procurement Group has been established to consider all procurement requests including requests for waivers.</p> <p>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.</p> <p>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.</p>

<b>7</b>	There are a number of decision documents and processes which are considered too complex to navigate and which need to be simplified bringing together the Mayor and Cabinet's decision making and internal working groups. This will provide clarity and enable an efficient and meaningful engagement process not constrained by time and urgency.	<p>Reviews of both the Decision Pathway and the current internal working groups are underway.</p> <p>Briefing sessions have been provided on the Constitution and the Scheme of Delegation for all managers.</p> <p>The Constitution, Scheme of Delegation and Financial Regulations are in the process of being updated for submission to full Council June 2017 for approval.</p>
<b>8</b>	The Council has a number of partnership agreements in place and while we recognise the unique nature of some of these, many have been in existence for a number of years and require review. Corporately, we do not specify what governance arrangements we expect to see in place when working with partners which could expose the Council to risk.	<p>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.</p> <p>The Work Plan of BDO (External Audit) includes review of both the Council's partnership arrangements and its interest in companies.</p> <p>The findings will be reported to the Audit Committee.</p>
<b>9</b>	A number of Internal Reviews have concluded only partial assurance relating to Information Security as well as issues around Public Service Network (PSN) compliance and the occurrence of 18 data breaches where data was disclosed or potentially disclosed which should not have been.	<p>An information security risk assessment has been completed to identify risks, lessons learnt and Action Plan developed.</p> <p>This will inform the Internal Audit plan for 2017/18.</p>
<b>10</b>	Risk Management processes need further embedding to provide forward looking views of risk which anticipate risk rather than retrospective reporting of how already known risks are managed.	Internal Audit will fundamentally review Risk Management arrangements and recommend improvements to arrangements.
<b>11</b>	It has been identified that there is a need for member development to concentrate upon the Mayoral model and in enhancing the community leadership role.	<p>The Members Development Programme is currently being reviewed and formulated.</p> <p>Training sessions and financial briefings have been provided to members.</p>

12	The Protocol for Member / Officer Relations has not been updated since 2002 but has been considered annually as part of the annual governance report to Full Council.	The Protocol will be reviewed and updated as part of the Constitution review and will be presented to Full Council June 2017.
13	An assessment against a CIPFA checklist on the effectiveness of the Audit Committee has been commenced and will report by September 2017.	The Audit Committee should formally review its effectiveness annually in year and prioritise any improvements for the subsequent reporting period.
14	Ongoing work remains outstanding in relation to concerns raised with regards to the control and treatment of Council Assets, in particular the governance surrounding asset disposal.	Audit report to be concluded to identify lessons learnt from asset disposal.

**Key – Significant Governance Criteria:**

The criteria for “significant governance” are issues/ areas which:

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

**Statement of Commitment**

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

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

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

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

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

Marvin Rees

**Elected Mayor**

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

Anna Klonowski

**Chief Executive**

## Core Statements

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

2015/16			2016/17		
Gross Exp	Gross Income	Net Exp	Gross Exp	Gross Income	Net Exp
Restated					
£'000	£'000	£'000	£'000	£'000	£'000
561,919	(290,474)	271,445	535,729	(298,911)	236,818
28,496	(7,414)	21,082	54,443	(7,146)	47,297
338,902	(259,984)	78,918	322,926	(248,880)	74,046
118,667	(62,545)	56,122	119,487	(68,064)	51,423
10,385	(7,951)	2,434	9,175	(789)	8,386
(2,888)	(2,166)	(5,054)	7,523	(2,480)	5,043
80,449	(123,969)	(43,520)	(217,239)	(123,212)	(340,451)
<u>1,135,930</u>	<u>(754,503)</u>	<u>381,427</u>	<u>832,044</u>	<u>(749,482)</u>	<u>82,562</u>
		3,619			(1,680)
		2,004			26,215
		(423,271)			(409,456)
		<u>(36,221)</u>			<u>(302,359)</u>
		(61,566)			(13,946)
		(51,846)			191,904
		<u>(113,412)</u>			<u>177,958</u>
		4,562			3,088
		(108,850)			181,046
		<u>(145,071)</u>			<u>(121,313)</u>

Movement in Reserves Statement for the year ended 31 March 2017

	Note	General Fund Balance	Earmarked Reserves	School Reserves	Housing Revenue Account	Housing Revenue Account Earmark Reserves	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Restated Unusable Reserves (Note 33)	Total Council Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2015 Carried Forward</b>		20,000	95,851	39,460	39,602	14,480	27,964	7,050	3,010	247,417	490,051	737,468
<b>Movement in Reserves during 2015/16</b>												
Surplus/(Deficit) on the provision of services		(7,813)	-	-	44,034	-	-	-	-	36,221	-	36,221
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	-	108,850	108,850
<b>Total Comprehensive Expenditure and Income</b>		<b>(7,813)</b>	<b>-</b>	<b>-</b>	<b>44,034</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,221</b>	<b>108,850</b>	<b>145,071</b>
Adjustments between accounting basis and funding basis under regulations	Note 19	(7,917)	-	-	(36,362)	-	11,834	(5,228)	(1,778)	(39,451)	39,451	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		<b>(15,730)</b>	<b>-</b>	<b>-</b>	<b>7,672</b>	<b>-</b>	<b>11,834</b>	<b>(5,228)</b>	<b>(1,778)</b>	<b>(3,230)</b>	<b>148,031</b>	<b>145,071</b>
Transfers to/from Earmarked Reserves	Note 20	15,730	10,127	(25,857)	2,163	(2,163)	-	-	-	-	-	-
<b>Increase/Decrease in 2015/16</b>		<b>-</b>	<b>10,127</b>	<b>(25,857)</b>	<b>9,835</b>	<b>(2,163)</b>	<b>11,834</b>	<b>(5,228)</b>	<b>(1,778)</b>	<b>(3,230)</b>	<b>148,301</b>	<b>145,071</b>
<b>Balance at 31 March 2016 Carried Forward</b>		<b>20,000</b>	<b>105,978</b>	<b>13,603</b>	<b>49,437</b>	<b>12,317</b>	<b>39,798</b>	<b>1,822</b>	<b>1,232</b>	<b>244,187</b>	<b>638,352</b>	<b>882,539</b>
<b>Movement in Reserves during 2016/17</b>												
Surplus/(Deficit) on the provision of services		(31,878)	-	-	334,237	-	-	-	-	302,359	-	302,359
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	-	(181,046)	(181,046)
<b>Total Comprehensive Expenditure and Income</b>		<b>(31,878)</b>	<b>-</b>	<b>-</b>	<b>334,237</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>302,359</b>	<b>(181,046)</b>	<b>121,313</b>
Adjustments between accounting basis and funding basis under regulations	Note 19	(16,798)	-	-	(332,964)	-	5,911	(1,822)	2,108	(343,565)	343,565	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>		<b>(48,676)</b>	<b>-</b>	<b>-</b>	<b>1,273</b>	<b>-</b>	<b>5,911</b>	<b>(1,822)</b>	<b>2,108</b>	<b>(41,206)</b>	<b>162,519</b>	<b>121,313</b>
Transfers to/(from) Earmarked Reserves	Note 20	48,676	(40,532)	(8,144)	3,527	(3,527)	-	-	-	-	-	-
<b>Increase/(Decrease) in 2016/17</b>		<b>-</b>	<b>(40,532)</b>	<b>(8,144)</b>	<b>4,800</b>	<b>(3,527)</b>	<b>5,911</b>	<b>(1,822)</b>	<b>2,108</b>	<b>(41,206)</b>	<b>162,519</b>	<b>121,313</b>
<b>Balance at 31 March 2017 Carried Forward</b>		<b>20,000</b>	<b>65,446</b>	<b>5,459</b>	<b>54,237</b>	<b>8,790</b>	<b>45,709</b>	<b>-</b>	<b>3,340</b>	<b>202,981</b>	<b>800,871</b>	<b>1,003,852</b>



Balance Sheet as at 31 March 2017

31 March 2016	Note	31 March 2017
Restated		
<u>£'000</u>		<u>£'000</u>
844,892	Property, plant and equipment	21 915,524
893,392	Council dwellings	21 1,227,131
100,459	Heritage assets	22 100,459
9,319	Intangible assets	10,040
240,328	Investment properties	23 248,632
5,046	Long-term investments	24 16,153
62,752	Long-term debtors	29 54,646
<b>2,156,188</b>	<b>Long-term assets</b>	<b>2,572,585</b>
118,668	Short-term investments	24 33,180
1,282	Inventories	1,649
107,639	Short-term debtors	29 110,742
23,246	Cash and Cash Equivalents	30 29,142
<b>250,835</b>	<b>Current assets</b>	<b>174,713</b>
(7,004)	Short-term borrowing	24 (7,769)
(130,211)	Short-term creditors	31 (145,085)
(5,438)	Provisions	32 (2,384)
(42,976)	Capital grants received in advance	18 (11,839)
<b>(185,629)</b>	<b>Current liabilities</b>	<b>(167,077)</b>
(414,289)	Long-term borrowing	24 (430,489)
(8,387)	Provisions	32 (12,044)
(902,207)	Other long-term liabilities	31 (1,122,428)
(13,972)	Capital grants received in advance	18 (11,408)
<b>(1,338,855)</b>	<b>Long-term liabilities</b>	<b>(1,576,369)</b>
<b>882,539</b>	<b>Net assets</b>	<b>1,003,852</b>
(244,187)	Usable reserves	20 (202,981)
(638,352)	Unusable reserves	33 (800,871)
<b>(882,539)</b>	<b>Total reserves</b>	<b>(1,003,852)</b>

## Cash Flow Statement for the year ended 31 March 2017

2015/16		2016/17
£'000	Note	£'000
36,221	Net surplus on the provision of services	302,359
75,584	Adjustment to net surplus on the provision of services for non-cash movements	(212,398)
(91,815)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(86,571)
19,990	Net cash flows from Operating Activities	3,390
(78,934)	Investing Activities	(18,217)
12,384	Financing Activities	20,723
(46,560)	Net increase (decrease) in Cash and Cash Equivalents	5,896
69,806	Cash and Cash Equivalents at the beginning of the reporting period	23,246
<b>23,246</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>29,142</b>

# Notes to the Accounts

## 1 Accounting Policies

### i General Principles

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

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

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

### ii Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### iii Cash and Cash Equivalents

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

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

#### iv Charges to Revenue for Non-Current Assets

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

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

#### V Collection Fund and Local Taxation

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

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

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

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

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

#### vi Employee Benefits

##### **Benefits Payable During Employment**

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

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. When the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis to the relevant service line 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. Within the Comprehensive Income and Expenditure Statement the Children's and Education Services, and Public Health lines respectively are charged with the employer's contributions payable to Teachers' 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;
- Unlisted securities - current bid price;
- Property - market value.

The change in the net pension liability of the Council is analysed into the following components:

- Current Service Cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past Service Cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net interest on the net defined benefit liability/asset, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability/asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the

Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.

- Re-measurement of the return on plan assets – excluding amounts included in net interest on the net defined benefit liability/asset, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses - changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These changes are debited to the Pensions Reserve as Other Income and Expenditure.
- Contributions paid to the Avon Pension Fund - cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

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

#### **Discretionary Benefits**

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

#### **vii Events After The Reporting Period**

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

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

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

#### **viii Fair Value**

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

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

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

## 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. These are initially measured at fair value and are carried at their amortised cost. The fair value of loans are valued at carrying value because it is not possible to derive a fair market value for the types of loans currently held by the Council. 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 millions 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, except for the Antiquarian book stock which is valued by an external valuer once every five years.

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

The Council has financial relationships with a number of entities and partnerships. Where the Council has significant control or influence over another economic entity there is a requirement to prepare group accounts in addition to its main financial statements. The requirement to produce group accounts is based on qualitative factors as well as materiality levels based on the level of transactions between the Council and all the organisations in the group.

All of the financial arrangements have been assessed and in order to provide a full picture of the financial performance of the group, group accounts have been produced for 2016/17.

The Council has determined that it exerts significant control over Bristol Holding Limited, Bristol Waste Company Limited and Bristol Energy and Technology Services (Supply) Limited, as these companies are wholly owned by the Council.

A joint arrangement is an arrangement of which two or more parties have joint control where the parties are bound by a contractual arrangement and the contractual arrangement gives two or more of those parties joint control of the arrangement. A joint arrangement is either a joint venture or a joint operation.

Joint ventures are arrangements under which two or more parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and joint venturers have rights to the net assets of the arrangement. A joint venture recognizes its interest in a joint venture as an investment and, where material, consolidates the investment into its Group Accounts using the equity method.

Joint operations are similar to joint ventures, in that they are arrangements where contractual agreements are in place under which two or more parties share control. However, rather than rights to the net assets of the arrangement, the joint operators have rights to assets and obligations in relation to liabilities. Joint operations, including the elements of pooled funds which are classified as joint arrangements, are recognised in the single entity statements by bringing in the Council's share of the assets, liabilities, revenue and expenses of the arrangement.

The Council has two joint operations, the West of England Local Enterprise Partnership and a pooled budget arrangement with NHS Bristol Clinical Commissioning Group. The Council will account for its share of assets, liabilities, revenue and expenditure in the accounts

For subsidiaries and joint ventures accounting policies have been aligned between the Council and the companies.

### 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.

#### xvi Overheads And Support Services

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

#### xvii Prior Period Adjustments

Prior period adjustments arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are only accounted for prospectively i.e. in the current and future years which are affected by the changes, they do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change in accounting policy is made, it is applied retrospectively (unless stated otherwise) by adjusting

opening balances for the current year and comparative amounts for the prior period as if the new policy had always been applied.

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

## xviii Service Concessions

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

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

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

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

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

## xix PROPERTY, PLANT AND EQUIPMENT

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

### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Capital schemes above £0.2m are subject to annual review and any expenditure incurred which has not enhanced the asset's value is charged as an expense in the financial year that it is incurred. Expenditure on capital assets totalling less than £20,000 in any single financial year is classed as de-minimis and therefore is not capitalised but charged as an expense.

### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

- Infrastructure and community assets - depreciated historical cost;
- Assets under construction - historical cost;
- Dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH);
- Surplus assets – the current value measurement base is fair value, defined as “the highest or best price that can be obtained in the most advantageous market, in an arms’ length transaction between knowledgeable participants at the measurement date”;
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

### **Impairment**

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

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for the depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land, car parks, quay walls and lock gates,

some Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Council dwellings - are depreciated based upon component accounting basis. In the year of disposal a full year's depreciation is charged to the accounts and nothing in the year of acquisition;
- Other buildings - straight-line allocation over the useful life of the property as estimated by a qualified valuer;
- Vehicles, plant and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer;
- Infrastructure, (excluding quay walls and lock gates) - straight-line allocation over 25 years;
- infrastructure, quay walls and lock gates in city docks are not depreciated as their economic life is beyond 100 years.

The Council applies component accounting to all assets with a net book value in excess of £5m - where the item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, identified components are depreciated separately.

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

#### **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

## xx Provisions, Contingent Liabilities and Contingent Assets

### **Provisions**

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

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

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

### **Contingent Liabilities**

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

### **Contingent Assets**

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

## xxi Reserves

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

The category of unusable reserves includes those reserves which are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant notes.

## xxii Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the

Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of council tax.

#### xxiii Schools

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

#### xxiv Value Added Tax

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

#### xxv City Region Deal

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

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

- Income - Income receivable by the Council from the BRP is recognised as revenue in the year in which it occurs. The council recognises revenue and a debtor balance to the extent that future EDF disbursements are to be received, have been committed to by the EDF, and sufficient uncommitted cash remains in the BRP to fund future payments.
- Expenditure – Expenditure is recognised by the Council on the earlier of payments being made by the BRP or where future EDF payments are committed to. Expenditure is recognised in proportion to the degree that the Council has contributed to the BRP through its growth figure, and is capped at the limit of the Council's payment of growth to the BRP in this period, and any previous growth figures paid over which have not been previously paid or committed by the BRP.

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

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

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



### 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

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

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

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

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

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

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council participates in three pension schemes; The Local Government Pension Scheme, the Teachers' Pension Scheme and the NHS Pension Scheme – see Note 34. The schemes provide defined benefits to members. The arrangements for the Teachers' and NHS schemes, however, do not allow the liabilities to be easily identified for the Council and therefore these schemes are accounted for as defined contribution schemes, with no liability for future payment of benefits recognised in the Balance Sheet. The liability included in the Council's Balance Sheet and the adjustments made to the Comprehensive Income and Expenditure Account are based on calculations made by the Pension Fund actuary. The Balance Sheet also includes a liability in respect of the unfunded benefits paid to former teaching staff, arising from early retirement decisions made in previous years. The Council has reviewed the key assumptions used to undertake these calculations and considers them appropriate for inclusion into the financial statements.
- In May 2014, the Council made a payment of £42m to the Avon Pension Fund in respect of the 2014/15, 2015/16 and 2016/17 pension deficit. This figure was provided by the Pension fund and included a saving to the Council for making the payment early. The payment to the pension fund has been accounted for as a balance sheet entry that reduces the net defined benefit liability (as reflected in the actuaries report). In accordance with regulatory requirements, the

revenue account has been charged with the amount payable for the year, as a movement in reserves in the Movement in Reserves Statement (MiRS).

- The costs of the Schools Private Finance Initiative (PFI) Contracts exceed the income received from the Government Grant and School Contributions, leaving the Council with a liability under the PFI Contracts. All PFI Schools have now transferred to Academy status and these assets have been removed from the Council's balance sheet. Following a review of the costs and benefits, the Council consider the contract not to be onerous as the benefits significantly outweigh the costs.
- The Council's shareholding in Bristol Port Company Ltd is carried at cost of £2.5m and not at Fair Value which is the generally expected treatment for an equity investment. The Council has explored various valuation techniques including Market Approach, Income Approach, and Adjusted Net Asset Method but has been unable to calculate a reliable fair value which could be received on the sale of the asset in an orderly transaction between market participants at the measurement date.

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

#### 4 Assumptions made about the Future and other Major Sources of Estimation Uncertainty

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

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

Item	Uncertainties	Consequence if actual results differ from assumptions
Property, Plant and Equipment (excluding Council dwellings)	Asset valuations are based on market prices and are periodically re-valued using a 5-year rolling programme to ensure that the Council does not materially misstate its property, plant and equipment. If market prices change significantly, over time there will be a corresponding increase or reduction in the value of Council land and buildings.	A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded in the Comprehensive Income and Expenditure Statement. If the value of the Council's property, plant and equipment was to reduce by say 10%, this would result in a £214m charge against the Revaluation Reserve and/or the Comprehensive Income and Expenditure Statement. A corresponding increase in estimated valuations would result in a combination of increases to the Revaluation Reserve and / or reversals of previous negative revaluations charged to the Comprehensive Income and Expenditure Statement.

	Assets are depreciated on the basis of the Council's estimate of their useful economic lives. Such estimates depend upon a combination of (1) the asset not being rendered redundant by new technology or changing service needs and (2) adequate spending on repairs and maintenance.	Depreciation charges for operational assets will change in direct relation to changes in their estimated useful lives. The total depreciation charge for Property, Plant and Equipment in any given year is currently £52m. A 10% change in estimated lives would increase or decrease depreciation by £5m
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments. The Council has engaged Mercer Ltd, a firm of consulting actuaries, to provide expert advice about the assumptions to be applied.	Variations in the key assumptions will have the following impact on the net pension liability <ul style="list-style-type: none"> <li>• a 0.1% increase in the discount rate will reduce the net pension liability by £43m</li> <li>• a 0.1% increase in the assumed level of pension increases will increase the net pension liability by £44m</li> <li>• a 0.1% increase in the assumed level of pay inflation will increase the net pension liability by £8m</li> <li>• an increase of one year in longevity will increase the net pension liability by £50m</li> </ul>
Business Rates	Following the introduction on 1 April 2013 of the Business Rates Retention Scheme, Local authorities are liable for successful appeals against business rates charged since 2014/15, and for earlier years in their proportionate shares. A provision has been recognised for this potential liability based on best available information, including Valuation Office (VOA) ratings appeals lists, and an analysis of successful appeals to date.	The Council's provision for rating appeals is c£11m at the year end. Any understatement or overstatement of this liability would lead to a future adjustment charged to the Collection Fund in the year of recognition.
Fair Value Estimation	Asset valuations are based on either: <ul style="list-style-type: none"> <li>• market prices for investment property, surplus assets and non-current assets held for sale: or</li> <li>• the net worth of unquoted companies in which the Council has a controlling or significant interest.</li> </ul> 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 Unuseable Reserves in the Balance Sheet.
Provision for doubtful debts	As at 31 March 2017, the Council had an outstanding balance on short term debtors of £46m. A provision for bad and doubtful debts totalling £44m has been made against this amount following a review of the aged debt analysis and significant individual balances at the year end, taking account of the nature of the debt and previous success in collection.	An understatement of doubtful debts would lead to future adjustment and a corresponding impairment charged against the relevant service cost. Any significant deterioration in collection rates would lead the Council to review this calculation and increase its bad debt provision.

Service concession and finance lease liabilities	The balance sheet value of outstanding liabilities is calculated using a discounted cash flow estimate based on expected future cash flows and the implied interest rate over the term of the contract.	Service concession and finance lease liabilities total c£146m at the year end. Any refinancing or renegotiation of the contracts could affect the calculation of implied interest rates and hence the value of these outstanding liabilities.
--	---	---

## 5 Material Items of Income and Expense

For the purposes of this note the Council considers material items to be those greater than £10m.

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 29th September 2017. Events taking place after this date are not reflected in the financial statements or Notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and Notes have been audited in all material respects to reflect the impact of this information.

## 7 Expenditure and Funding Analysis for the year ended 31 March 2017

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

2015 /16				2016/17		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the funding and accounting basis (Note 8)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the funding and accounting basis (Note 8)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
214,160	57,285	271,445	People	216,460	20,358	236,818
17,363	3,719	21,082	Resources	42,932	4,365	47,297
64,914	14,004	78,918	Neighbourhoods	67,753	6,293	74,046
34,106	22,016	56,122	Place	29,794	21,629	51,423
1,739	695	2,434	City Director	8,245	141	8,386
44,726	(49,780)	(5,054)	Corporate Funding & Expenditure	23,584	(18,541)	5,043
(18,430)	(25,090)	(43,520)	Housing Revenue Account	(11,891)	(328,560)	(340,451)
<b>358,578</b>	<b>22,849</b>	<b>381,427</b>	<b>Net Cost of services</b>	<b>376,877</b>	<b>(294,315)</b>	<b>82,562</b>
(350,520)	(67,128)	(417,648)	Other Income and Expenditure	(329,474)	(55,447)	(384,921)
<b>8,058</b>	<b>(44,279)</b>	<b>(36,221)</b>	<b>Deficit in year</b>	<b>47,403</b>	<b>(349,762)</b>	<b>(302,359)</b>
(209,393)			Opening General Fund and HRA Balance	(201,335)		
8,058			Less Deficit on General Fund and HRA Balance in Year	47,403		
(201,335)			Closing General Fund and HRA Balance at 31 March 2017*	(153,932)		

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

8 Note to the Expenditure & Funding Analysis

2015/16				2016/17				
Adjustments for Capital Purposes (Note 1)	Net change for the Pension Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pension Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
55,604	1,681	-	57,285	People	25,995	(5,637)		20,358
3,218	501	-	3,719	Resources	4,430	(65)		4,365
13,728	276	-	14,004	Neighbourhoods	6,710	(417)		6,293
21,576	440	-	22,016	Place	21,913	(284)		21,629
643	52	-	695	City Director	535	(394)		141
(49,956)	1,041	(865)	(49,780)	Corporate Funding & Expenditure	(24,363)	4,523	1,299	(18,541)
(24,949)	343	(484)	(25,090)	HRA	(327,662)	(757)	(141)	(328,560)
<b>19,864</b>	<b>4,334</b>	<b>(1,349)</b>	<b>22,849</b>	<b>Net Cost of Services</b>	<b>(292,442)</b>	<b>(3,031)</b>	<b>1,158</b>	<b>(294,315)</b>
(93,949)	21,986	4,835	(67,128)	Other income and expenditure from the Expenditure and Funding Analysis	(73,071)	23,552	(5,928)	(55,447)
<b>(74,085)</b>	<b>26,320</b>	<b>3,486</b>	<b>(44,279)</b>	<b>Difference between General Fund deficit and Comprehensive Income and Expenditure</b>	<b>(365,513)</b>	<b>20,521</b>	<b>(4,770)</b>	<b>(349,762)</b>

## Note 1 - Adjustments for Capital Purposes

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

- Other Operating Expenditure - adjusts for capital disposals with a transfer of income on disposal of asset and the amounts written off for those assets.
- Financing and investment income and expenditure - the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## Note 2 - Net change for Pension Adjustments

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

- For Services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure this is the net interest on the defined benefit liability is charged to the CIES

## Note 3 - Other Differences

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

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

## 9 Expenditure & Income Analysed By Nature

	2016/17	2015/16
	Total	Total
	£'000	£'000
<b>Expenditure &amp; Income Analysed By Nature</b>		
<b>Expenditure</b>		
Employee Benefits Expense	373,989	360,628
Depreciation, Amortisation & Impairment	(248,479)	91,608
Other Service Expenditure	750,228	724,725
<b>Total Expenditure</b>	<b>875,738</b>	<b>1,176,961</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(434,935)	(469,859)
Interest & Investment Income	(8,761)	(9,722)
Income from Council Tax & Non-domestic Rates	(274,847)	(265,172)
Government Grants and Contributions	(459,554)	(468,429)
<b>Total Income</b>	<b>(1,178,097)</b>	<b>(1,213,182)</b>
<b>Surplus or deficit on the Provision of Services</b>	<b>(302,359)</b>	<b>(36,221)</b>

## 10 Other Operating Expenditure

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

## 11 Financing and Investment Income and Expenditure

	2016/17	2015/16
	£'000	£'000
Interest payable and similar charges	35,258	36,789
Pensions net interest cost	23,552	21,986
Interest receivable and similar income	(8,761)	(9,722)
Income and expenditure in relation to Investment Properties	(10,796)	(10,145)
Changes in fair value of Investment Properties	(13,037)	(36,904)
<b>Total</b>	<b>26,216</b>	<b>2,004</b>



## 12 Taxation and Non-Specific Grant Income

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

## 13 Pooled Budgets

### Better Care Fund

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

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

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

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

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

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

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

<b>Better Care Fund</b>	<b>Fund 1</b>	<b>Fund 2</b>	<b>Fund 3</b>	<b>Fund 4</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Funding provided to the pooled budget:</b>					
Bristol CCG	11,391	15,840	-	-	27,232
Bristol City Council	-	10,777	2,421	-	13,199
NHS England				1,410	1,410
<b>Total funding into Pooled Budget</b>	<b>11,391</b>	<b>26,618</b>	<b>2,421</b>	<b>1,410</b>	<b>41,840</b>
Expenditure met from Pooled Budget					
Bristol CCG	10,835	-	-	-	10,835
Bristol City Council	-	30,318	2,421	-	32,739
NHS England	-	-	-	1,410	1,410
<b>Total expenditure from Pooled Budget</b>	<b>10,835</b>	<b>30,318</b>	<b>2,421</b>	<b>1,410</b>	<b>44,984</b>
<b>Net surplus/(deficit) on the pooled budget during the year</b>	<b>566</b>	<b>(3,700)</b>	<b>-</b>	<b>-</b>	<b>(3,144)</b>
<b>Bristol City Council's share of the net surplus/(deficit) arising on the pooled budget</b>	<b>-</b>	<b>(2,107)</b>	<b>-</b>	<b>-</b>	<b>(2,107)</b>

#### Drugs Action

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

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Funding provided to the pooled budget:</b>		
<b>Balance Brought Forward</b>	2,536	2,699
Bristol City Council	1,430	1,666
Public Health	7,721	8,566
Other Bodies	112	170
	<b>11,799</b>	<b>13,101</b>
Expenditure met from the pooled budget		
Drug and alcohol services for adults	9,812	10,500
Substance Misuse Services for Young People	-	65
	<b>9,812</b>	<b>10,565</b>
<b>Net underspend carried forward</b>	<b>1,986</b>	<b>2,536</b>

## 14 Members' Allowances

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

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

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

## 15 Officers' Remuneration & Exit Packages

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

		Salary, Fees and Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
<b>City Director</b>					
N Yates	2016/17	62,271	192,955	12,012	267,238
	2015/16	176,729	-	33,600	210,329
<b>Chief Executive (Interim)</b>					
S Hughes – Aug'16 – Feb '17	2016/17	127,523	-	-	127,523
A Klonowski – March'17	2016/17	18,270	-	-	18,270
	2015/16	-	-	-	-
<b>Strategic Director -</b>					
Business Change - April '16- May '16	2016/17	22,853	-	5,055	27,908
Resources (Interim) - July '16 – Feb'17	2016/17	118,482	-	-	118,482
	2015/16	131,576	-	27,491	159,067
<b>Strategic Director -</b>					
People	2016/17	136,608	-	30,377	166,985
	2015/16	131,557	-	27,491	159,048
<b>Strategic Director -</b>					
Neighbourhoods	2016/17	132,485	-	29,544	162,069
	2015/16	128,723	-	26,964	155,687
<b>Strategic Director -</b>					
Place	2016/17	136,838	-	30,377	167,215
	2015/16	131,747	-	27,491	159,238
<b>Statutory Officers-</b>					
Chief Financial (S151)					
November '16 - March '17	2016/17	37,962	-	8,466	46,428
Interim – April '16 - June'16	2016/17	68,640	-	-	68,640
Interim – June'16 – November '16	2016/17	108,305	-	-	108,305
	2015/16	121,278	30,000	15,873	167,151
Head of Legal Services (Monitoring Officer)	2016/17	94,739	-	21,127	115,866
	2015/16	108,142	-	22,467	130,609

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

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

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

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

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

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

## Exit Packages

The numbers of exit packages relating to council employees during 2016/17, with total cost per band and the total cost of compulsory and other redundancies are set out in the table below. The numbers and costs include packages agreed at the end of the year but not paid. Costs include the costs of early payment of pension in the cases of early retirement.

Exit package cost band	Number of compulsory redundancies		Number of other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17 No.	2015/16 No.	2016/17 No.	2015/16 No.	2016/17 No.	2015/16 No.	2016/17 £'000	2015/16 £'000
£0 - £20,000	19	-	178	5	197	5	1,906	21
£20,001 - £40,000	12	-	102	2	114	2	3,204	55
£40,001 - £60,000	-	-	31	-	31	-	1,521	-
£60,001 - £80,000	-	-	21	-	21	-	1,481	-
£80,001 - £100,000	-	-	14	-	14	-	1,245	-
£100,001 - £150,000	-	-	19	-	19	-	2,262	-
£150,001 - £200,000	-	-	2	-	2	-	310	-
<b>Total</b>	<b>31</b>	<b>-</b>	<b>367</b>	<b>7</b>	<b>398</b>	<b>7</b>	<b>11,929</b>	<b>76</b>

## 16 External Audit Costs

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

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

## 17 Dedicated Schools Grant

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

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

2015/16 £'000			2016/17 £'000			
Central Expenditure	ISB	Total	Notes	Central Expenditure	ISB	Total
		302,958				312,953
		136,000				137,730
		<u>166,958</u>				<u>175,223</u>
		23,820				2,889
		4,438				1,254
54,786	131,554	186,340		27,250	149,608	176,858
-	-	-		-	708	708
<b>54,786</b>	<b>131,554</b>	<b>186,340</b>		<b>27,250</b>	<b>150,316</b>	<b>177,566</b>
53,342	-	53,342		30,009	-	30,009
-	134,547	134,547		-	150,441	150,441
<b>1,444</b>	<b>(2,993)</b>	<b>(1,549)</b>		<b>(2,759)</b>	<b>(125)</b>	<b>(2,884)</b>
		4,438				1,254
		<b>2,889</b>				<b>(1,630)</b>

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

## 18 Grant Income

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

Credited to Taxation and Non Specific Grant Income:

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

Capital grants and contributions

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

Credited to Services

	31-Mar-17	31-Mar-16
	£'000	£'000
Arts Council England - Museums	2,012	1,847
Better Bus Area Fund	51	14
Bus Service Operations Grant (BSOG)	481	-
Bristol European Green Capital	-	3,711
Cycling Ambition Fund	4,669	3,346
Dedicated Schools Grant	175,223	166,958
Discretionary Housing Payments	1,147	946
Early Assessments Revenue Grant	-	1,031
Education Services Grant	7,987	4,650
EFA Other Grants	4,615	4,426
Future City Demonstrator	-	2,742
Housing Benefit (rent allowances/council tax benefit) subsidy	173,143	181,040
Housing Benefit Administration Subsidy	3,220	3,517
Invest In Bristol & Bath 2015-2020	1,028	-
Local Sustainable Transport Fund West (LSTF)	3,569	11,471
PFI Special Grant	18,138	20,057
Public Health	34,265	30,884
Pupil Premium	9,206	9,718
SWERCOT'S	677	-
Troubled Families	1,398	1,261
Youth Justice Board	655	740
Miscellaneous	18,070	18,930
<b>Total</b>	<b>459,554</b>	<b>467,287</b>

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

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



## 19 Adjustments between Accounting Basis and Funding Basis under Regulations

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

DRAFT

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
<b>Adjustment involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Charges for depreciation and impairment of non-current assets	(45,513)	295,832	-	-	-	250,319
Movement in the market value of Investment Properties	12,574	463	-	-	-	13,037
Amortisation of Intangible Assets	(1,840)	-	-	-	-	(1,840)
Capital grants and distributions	57,275	-	-	-	-	57,275
Revenue and expenditure funded from capital under statute	(17,530)	-	5,300	-	-	(12,230)
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(10,684)	(13,471)	-	-	-	(24,155)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
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
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9,593	19,703	(29,296)	-	-	-
Administrative costs of non-current asset disposals	-	-	228	-	-	228
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	15,476	-	-	15,476
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,381)	-	2,381	-	-	-
<b>Adjustment Involving the Major Repairs Reserve (MRR):</b>						
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
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						
Application of grants to capital financing transferred to the Unapplied Capital Grants	-	-	-	-	(2,108)	(2,108)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	177	141	-	-	-	318
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 34)	(65,716)	(6,575)	-	-	-	(72,291)
Employer's pensions contributions and direct payments to pensioners payable in the year	46,730	5,040	-	-	-	51,770
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
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
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,476)	-	-	-	-	(1,476)
<b>Other Reserve Movements</b>						
Total Adjustment	16,798	332,964	(5,911)	1,822	(2,108)	343,565

2015/16	General fund balance	Housing Revenue Account	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Movement Usable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustment involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Charges for depreciation and impairment of non-current assets	(82,983)	(7,022)	-	-	-	(90,005)
Movement in the market value of Investment Properties	34,106	2,798	-	-	-	36,904
Amortisation of Intangible Assets	(1,602)	-	-	-	-	(1,602)
Capital grants and distributions	59,572	-	-	-	-	59,572
Revenue and expenditure funded from capital under statute	(10,184)	-	-	-	-	(10,184)
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(22,844)	(9,467)	-	-	-	(32,311)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	20,301	-	-	-	-	20,301
Capital expenditure charged against the General Fund and HRA balances	29,654	121	-	-	-	29,775
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	12,566	19,677	(32,243)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	17,950	-	-	17,950
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,459)	-	2,459	-	-	-
<b>Adjustment Involving the Major Repairs Reserve (MRR):</b>						
Excess depreciation transferred to the MRR	-	4,662	-	(4,662)	-	-
HRA depreciation credited to MRR	-	27,189	-	(27,189)	-	-
Use of the MRR to finance new capital expenditure	-	-	-	37,079	-	37,079
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to CIE	-	-	-	-	1,778	1,778
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	178	484	-	-	-	662
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 34)	(65,916)	(5,654)	-	-	-	(71,570)
Employer's pensions contributions and direct payments to pensioners payable in the year	41,676	3,574	-	-	-	45,250
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(4,835)	-	-	-	-	(4,835)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	687	-	-	-	-	687
<b>Other Reserve Movements</b>						
Total Adjustment	7,917	36,362	(11,834)	5,228	1,778	39,451

## 20 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 2016/17, they include:

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

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

Details of the earmarked reserves are set out below:

<b>RESERVE</b>	<b>PURPOSE</b>
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: <ul style="list-style-type: none"> <li>- Bristol Futures (1.8m) to provide new technology to improve public services</li> <li>- Development Fund (£1.5m) to provide match funding to progress existing and proposed regeneration schemes</li> <li>- Housing Support (£0.8m) to provide support for homelessness issues</li> </ul>

## 21 Property, Plant and Equipment Movements in 2016/17

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

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

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Surplus Assets	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>									
At 1 April 2016	920,581	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	-	6,874	-	-	-	-	7,072	13,946	-
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	293,761	(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	-	-
<b>At 31 March 2017</b>	<b>1,251,849</b>	<b>593,680</b>	<b>63,499</b>	<b>253,493</b>	<b>8,271</b>	<b>28,691</b>	<b>48,305</b>	<b>995,939</b>	<b>19,287</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2016	(27,189)	(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	26,959	4,839	-	-	-	-	349	5,188	-
Impairment losses/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/reversals recognised in the Surplus/deficit on the Provision of Service	-	-	-	-	-	-	-	-	-
De-recognition - disposals	221	361	-	-	-	-	11	372	-
De-recognition - other	-	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	9	(704)	-	-	-	1,107	4	407	-
<b>At 31 March 2017</b>	<b>(24,718)</b>	<b>(23,031)</b>	<b>(27,243)</b>	<b>(27,169)</b>	<b>(92)</b>	<b>(1,894)</b>	<b>(986)</b>	<b>(80,415)</b>	<b>(761)</b>
<b>Balance Sheet at 31 March 2017</b>	<b>1,227,131</b>	<b>570,649</b>	<b>36,256</b>	<b>226,324</b>	<b>8,179</b>	<b>26,797</b>	<b>47,319</b>	<b>915,524</b>	<b>18,526</b>
<b>Balance Sheet at 1 April 2016</b>	<b>893,392</b>	<b>535,039</b>	<b>37,910</b>	<b>170,029</b>	<b>8,289</b>	<b>57,972</b>	<b>35,653</b>	<b>844,892</b>	<b>18,832</b>

Property, Plant and Equipment Comparative movements in 2015/16

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Surplus Assets	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>									
At 1 April 2016	892,374	591,889	50,199	148,454	8,031	21,957	23,800	844,330	22,563
Additions	42,584	15,864	12,271	42,854	353	35,207	3,949	110,498	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	41,519	-	1	(3)	-	20,048	61,565	-
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(5,534)	(84,739)	(2,665)	-	-	-	(3,767)	(91,171)	(3,351)
De-recognition - Disposals	(6,783)	(20,638)	-	-	-	-	(1,091)	(21,729)	-
Assets reclassified to/from Held for Sale	(2,293)	-	-	-	-	-	(108)	(108)	-
Assets reclassified to/from Investment Property	-	641	-	208	-	156	-	1,005	-
Other movements in cost or valuation	233	2,930	-	-	-	3,653	(6,816)	(233)	-
<b>At 31 March 2017</b>	<b>920,581</b>	<b>547,466</b>	<b>59,805</b>	<b>191,517</b>	<b>8,381</b>	<b>60,973</b>	<b>36,015</b>	<b>904,157</b>	<b>19,212</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2016	(26,333)	(29,949)	(17,217)	(17,294)	(18)	(2,199)	(1,387)	(68,064)	(1,392)
Depreciation Charge	(27,189)	(14,675)	(4,678)	(4,194)	(74)	-	(365)	(23,986)	(380)
Depreciation written out to Revaluation Reserve	25,998	29,245	-	-	-	-	1,083	30,328	1,392
Impairment losses/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/reversals recognised in the Surplus/deficit on the Provision of Service	-	-	-	-	-	-	-	-	-
De-recognition - disposals	201	2,444	-	-	-	-	-	2,444	-
De-recognition - other	-	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	134	508	-	-	-	(802)	307	13	-
<b>At 31 March 2017</b>	<b>(27,189)</b>	<b>(12,427)</b>	<b>(21,895)</b>	<b>(21,488)</b>	<b>(92)</b>	<b>(3,001)</b>	<b>(362)</b>	<b>(59,265)</b>	<b>(380)</b>
<b>Balance Sheet at 31 March 2017</b>	<b>893,392</b>	<b>535,039</b>	<b>37,910</b>	<b>170,029</b>	<b>8,289</b>	<b>57,972</b>	<b>35,653</b>	<b>844,892</b>	<b>18,832</b>
<b>Balance Sheet at 1 April 2016</b>	<b>866,041</b>	<b>561,940</b>	<b>32,982</b>	<b>131,160</b>	<b>8,013</b>	<b>19,758</b>	<b>22,413</b>	<b>776,266</b>	<b>21,171</b>

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

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

## Capital Commitments

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

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

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

## 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	Heritage	Vehicles, Plant, etc	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carried at historical cost</b>	-	25,364	419	63,499	253,493	8,271	10,789	27	361,862
31 March 2017	1,251,849	67,044	-	-	-	-	9,045	48,104	1,376,042
31 March 2016	-	346,254	100,040	-	-	-	2,140	150	448,584
31 March 2015	-	74,057	-	-	-	-	-	-	74,057
31 March 2014	-	8,294	-	-	-	-	-	-	8,294
31 March 2013	-	72,667	-	-	-	-	6,717	25	79,409
<b>Total cost valuation</b>	<b>1,251,849</b>	<b>593,680</b>	<b>100,459</b>	<b>63,499</b>	<b>253,493</b>	<b>8,271</b>	<b>28,691</b>	<b>48,306</b>	<b>2,348,248</b>

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

## 22 Heritage Assets

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

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

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

## Additions of Heritage Assets

	2011/12	2012/13	2013/14	2015/16	2016/17
	£,000	£'000	£'000	£'000	£'000
Revaluations	-	(30,735)	-	1,754	-
Additions	113	-	-	-	-
Carrying value	129,440	98,705	98,705	100,459	100,459

## Heritage Assets: Further Information on the Museum's collections

### Loans

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

### Preservation

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

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

## 23 Investment Properties

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

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

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

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

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

## 24 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 2017	31 March 2016 Restated	31 March 2017	31 March 2016
	£'000	£'000	£'000	£'000
<b>Financial Liabilities</b>				
<b>Financial Liabilities at amortised Cost</b>	<b>585,553</b>	<b>574,894</b>	<b>109,898</b>	<b>126,862</b>
<b>Total Financial Liabilities</b>	<b>585,553</b>	<b>574,894</b>	<b>109,898</b>	<b>126,862</b>
<b>Financial Assets</b>				
Available-for-sale financial assets	1,301	2,546	-	-
Unquoted equity investment at cost	2,852	2,500	-	-
Loans & Receivables at Amortised Cost	10,272	16,530	137,287	221,464
<b>Total Financial Assets</b>	<b>26,245</b>	<b>21,576</b>	<b>137,287</b>	<b>221,464</b>

### Movements

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

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

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

## Borrowing

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

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

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

### Allowance for Credit Losses

The Council has not incurred any losses during the period.

## Income, Expense, Gains or Losses

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

### Financial Instruments Gains and Losses 2016/17

	Financial Liabilities		Financial Assets	
	Measured at amortised cost	Loans and receivables	Available-for-sale assets	Total
	£'000	£'000	£'000	£'000
Interest expense	(35,258)	-	-	(35,258)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(35,258)</b>	<b>-</b>	<b>-</b>	<b>(35,258)</b>
Interest Income	-	6,103	-	6,103
Dividend Income	-	-	2,658	2,658
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>(35,258)</b>	<b>6,103</b>	<b>2,658</b>	<b>(26,497)</b>
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(3,088)	(3,088)
<b>Net gain/(loss) for the year</b>	<b>(35,258)</b>	<b>6,103</b>	<b>(430)</b>	<b>(29,585)</b>

### Financial Instruments Gains and Losses 2015/16

	Financial Liabilities		Financial Assets	
	Measured at amortised cost	Loans and receivables	Available-for-sale assets	Total
	£000s	£000s	£000s	£000s
Interest expense	(36,789)	-	-	(36,789)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(36,789)</b>	<b>-</b>	<b>-</b>	<b>(36,789)</b>
Interest Income	-	7,105	-	7,105
Dividend Income	-	-	2,045	2,045
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>7,105</b>	<b>2,045</b>	<b>9,150</b>
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	16,669	16,669
<b>Net gain/(loss) for the year</b>	<b>(36,789)</b>	<b>7,105</b>	<b>18,714</b>	<b>(10,970)</b>

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

## Fair Value of Financial Assets

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

Descriptions	Fair value measurements at 31 March 2017 using:			Fair value measurements at 31 March 2016 using:		
	Quoted prices in active markets	Observable inputs	Unobservable inputs	Quoted prices in active markets	Observable inputs	Unobservable inputs
	Level 1 £000	Level 2 £000	Level 3 £000	Level 1 £000	Level 2 £000	Restated Level 3 £000
<b>Recurring fair value measurements</b>						
<b>Non-traded securities:</b>						
Unquoted private companies	-	-	8,401	-	-	2,016
Pooled property fund	-	-	4,900	-	-	440
<b>Total Non-traded securities:</b>	-	-	<b>13,301</b>	-	-	<b>2,456</b>
<b>Investment properties</b>	-	<b>248,632</b>	-	-	<b>240,328</b>	-
<b>Surplus properties</b>	-	<b>47,320</b>	-	-	<b>35,653</b>	-
<b>Total recurring fair value measurements</b>	-	<b>295,952</b>	<b>13,301</b>	-	<b>275,981</b>	<b>2,456</b>
<b>Non-recurring fair value measurements</b>						
Assets held for sale	-	-	-	-	-	-
<b>Total non-recurring fair value measurements</b>	-	-	-	-	-	-

**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 as at 31 March 2017.	Valuations could be affected by the difference between audited and unaudited accounts.

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

#### Transfers between levels of the fair value hierarchy

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

#### Changes in valuation technique

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

Description	31 March 2017	31 March 2016
	Non-traded securities £000	Restated Non- traded securities £000
Opening balance	2,456	-
Transfers into level 3	-	-
Transfers out of level 3	-	-
Total gains/(losses) for the period: included in the surplus/(deficit) on the Provision of Services	(3,088)	(4,562)
included in Other Comprehensive Income and Expenditure	(3,088)	(4,562)
Additions	13,932	7,108
Disposals	-	-
<b>Closing balance</b>	<b>13,301</b>	<b>2,456</b>

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

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

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by



calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

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

#### Financial Liabilities

	31 March 2017		31 March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
<b>Total Liabilities</b>	<b>695,450</b>	<b>994,611</b>	<b>701,756</b>	<b>947,835</b>

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

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders above current market rates.

#### Financial Assets

	31 March 2017		31 March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
<b>Loans &amp; Receivables</b>				
Short term investments	33,180	33,180	118,668	118,668
Cash and Cash Equivalents	29,142	29,142	23,246	23,246
Long term investments	16,153	16,153	26,277	26,277
Debtors qualifying as loans and receivables	74,965	74,965	79,550	79,550
<b>Total loans and receivables</b>	<b>153,440</b>	<b>153,440</b>	<b>247,741</b>	<b>247,741</b>
<b>Long term debtors</b>	<b>10,272</b>	<b>11,812</b>	<b>16,530</b>	<b>17,790</b>
<b>Total loans and receivables</b>	<b>163,712</b>	<b>165,251</b>	<b>264,271</b>	<b>265,530</b>

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

## 25 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 16 February 2016 and is available on the Council website.

### **Credit risk**

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

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

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

- Credit ratings of Short Term of F1, Long Term A-, with the lowest available rating being applied to the criteria;
- UK institutions provided with support from the UK Government;

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

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

	Amount	Historical experience of default	Adjustment for market conditions	Estimated maximum exposure to default	Estimated maximum exposure to default
	£000	%	%	£000	£000
	A	B	C	(A*C)	
	31-Mar-17	31-Mar-17	31-Mar-17	31-Mar-17	31-Mar-16
<b>Long Term Investments:</b>					
Non-traded securities	16,153	0.00%	0.00%	-	-
Sub-total	<b>16,153</b>			-	-
<b>Short Term Investments:</b>					
AA rated counterparties	20,050	0.02%	0.02%	5	8
A rated counterparties	13,026	0.06%	0.06%	8	6
BBB rated counterparties	104	0.17%	0.17%	-	13
Sub-total	<b>33,180</b>			<b>13</b>	<b>27</b>
<b>Cash &amp; cash equivalent:</b>					
AAA rated counterparties	18,650	0.04%	0.04%	8	-
AA rated counterparties	315	0.02%	0.02%	-	1
A rated counterparties	10,008	0.06%	0.06%	6	7
BBB+ rated counterparties	169	0.17%	0.13%	-	-
Sub-total	<b>29,142</b>	-	-	<b>14</b>	<b>8</b>
<b>Trade debtors (classed as loans and receivables)</b>	<b>74,965</b>			-	-
<b>Long-term debtors</b>	<b>10,272</b>			-	-
<b>Total Financial assets as loans and receivables</b>	<b>163,712</b>			<b>27</b>	<b>35</b>

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

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

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

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

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

## 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:

	<b>31 March 2017</b>	<b>31 March 2016 Restated</b>
	<b>£'000</b>	<b>£'000</b>
Less than 1 year	137,287	221,464
Between 1 and 2 years	-	-
Between 2 and 3 years	-	-
More than 3 years	26,425	21,576
<b>Total</b>	<b>163,712</b>	<b>243,040</b>

## 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.

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

## Market risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

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

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

	<b>31 March 2017 £'000</b>
Increase in interest receivable on variable rate investments	1,475
Impact on Surplus or Deficit on the Provision of Services	1,475
Share of overall impact debited to the HRA	979
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	<u>113,600</u>

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 unquoted companies amounting to £16m primarily for the Bristol Port Company, and Bristol Holdings, the latter a wholly owned subsidiary. Whilst this holding is generally illiquid, the Council is exposed to losses arising from movements in the prices of these shares.

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

These shares are classified as Available for Sale.

**Foreign exchange risk**

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

DRAFT

## 26 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.

	2016/17 £'000	2015/16 £'000
Opening Capital Financing Requirement	733,663	715,055
<b>Capital investment</b>		
Property, Plant and Equipment	158,553	153,081
Investment Properties	745	9,390
Intangible Assets	2,561	5,390
Long Term Investments	14,583	7,018
Revenue Expenditure Funded from Capital under Statute	17,530	10,184
Long Term Investment repaid (Local Authority Mortgage Scheme - LAMS)	(1,000)	
<b>Sources of finance</b>		
Capital receipts	(20,776)	(17,950)
Government grants and other contributions	(55,167)	(61,350)
Sums set aside from revenue:		
• Direct revenue contributions	(51,309)	(66,854)
• MRP – City Council Debt	(5,226)	(9,333)
• MRP – Contribution from Unitaries re Ex-County Debt	(1,895)	(1,947)
• MRP - Write down of PFI Liability	(4,884)	(4,939)
Reduction in Finance Lease Liability following changes to Waste Service Concession contract	-	(4,082)
<b>Closing Capital Financing Requirement</b>	<b>787,378</b>	<b>733,663</b>
Explanation of movements in year		
Less Minimum Revenue Provision	(12,005)	(20,301)
Use of LAMS receipt for repayment of debt	(1,000)	-
Increase in underlying need to borrowing (unsupported by government financial assistance)	66,721	38,909
<b>Increase/Decrease in Capital Financing Requirement</b>	<b>53,715</b>	<b>18,608</b>



Council as Lessee

### Operating Leases

The Council has acquired property, vehicles and equipment by entering into operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	<b>31 March 2017 £'000</b>	<b>31 March 2016 £'000</b>
Not later than one year	-	344
Later than one year and not later than five years	-	-
Later than five years	-	-
	<b>-</b>	<b>344</b>

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:

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

The minimum lease payments receivable at 31 March 2017 and 2016 are based on the current rents receivable at the respective Balance Sheet dates. They do not include estimates of future rents reviews or contingent rents.

## 28 Service Concessions

Schools PFI Phase 1A

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

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

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

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

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

## Hengrove Leisure Centre

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

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

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

## Property, Plant and Equipment

The PFI assets, and related liabilities, have been recognised on the Council's balance sheet when made available for use. Movements in their value over the year are detailed in the analysis of the movements on the Property, Plant and Equipment balance in Note 19. The assets will be transferred back to the Council at the end of the contracts for nil consideration.

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

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

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

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

## Schools PFI Phase 1A

As at 31st March 2017 cumulative payments totalling £113m (£103m in 2015/16) have been made to the PFI contractor. The future estimated payments the Council will make under the contract are as follows:

Year	Payment for Services £'000	Repayment of Liability £'000	Interest £'000	Other £'000	Total £'000
2017/18	2,922	1,555	4,947	(95)	9,328
2018/19 to 2021/22	12,435	7,629	17,802	660	38,526
2022/23 to 2026/27	17,375	14,055	16,320	512	48,261
2027/28 to 2031/32	17,087	18,819	6,322	(1,609)	40,619
<b>Total</b>	<b>49,818</b>	<b>42,058</b>	<b>45,391</b>	<b>(532)</b>	<b>136,735</b>

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

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

As at 31st March 2017 cumulative payments totalling £143m (£126m in 2015/16) have been made to the PFI contractor. The future estimated payments the Council will make under this contract are as follows:

Year	Payment for Services £'000	Repayment of Liability £'000	Interest £'000	Other £'000	Total £'000
2017/18	4,920	2,932	6,738	3,600	18,190
2018/19 to 2021/22	21,138	14,884	24,435	14,169	74,626
2022/23 to 2026/27	30,047	20,995	23,719	22,806	97,567
2027/28 to 2031/32	34,671	29,322	14,610	23,863	102,466
2032/33 to 2034/35	18,351	19,364	2,577	10,611	50,903
<b>Total</b>	<b>109,127</b>	<b>87,497</b>	<b>72,079</b>	<b>75,049</b>	<b>343,752</b>

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

## Hengrove Leisure PFI

As at 31 March 2017 payments totalling £17.1m (£13.3m at 31 March 2016) have been made to the PFI Contractor. The future estimated payments the Council will have to make under the Contract are as follows:

Year	Payment for Services £'000	Repayment of Liability £'000	Interest £'000	Other £'000	Total £'000
2017/18	323	659	1,633	857	3,472
2018/19 to 2021/22	1,376	2,948	5,771	3,961	14,056
2022/23 to 2026/27	1,922	2,537	5,789	7,735	17,983
2027/28 to 2031/32	2,135	4,028	4,120	8,214	18,497
2032/33 to 2036/37	2,344	5,549	1,794	9,118	18,805
<b>Total</b>	<b>8,100</b>	<b>15,721</b>	<b>19,107</b>	<b>29,885</b>	<b>72,813</b>

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

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

	Schools		Hengrove Leisure	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Balance outstanding at the start of year	133,781	137,930	16,380	17,169
Movement in year	(4,224)	(4,149)	(659)	(789)
<b>Balance outstanding at year end</b>	<b>129,557</b>	<b>133,781</b>	<b>15,721</b>	<b>16,380</b>

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

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

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

## 29 Debtors

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

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

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

## 30 Cash and Cash Equivalents

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

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

The Council also manages a number of euro bank accounts on behalf of other partner organisations. The sterling equivalent of the total balances held for and managed on behalf of other partner organisations, and not included within the Council's accounts, at 31 March 2017 was £158k (31 March 2016 £37k).

## 31 Creditors

	<b>31 March 2017 £'000</b>	<b>31 March 2016 £'000</b>
<b>Current liabilities</b>		
Central government bodies	51,489	24,365
Other local authorities	10,928	576
NHS bodies	2,748	2,851
Other entities and individuals	79,920	102,419
<b>Total</b>	<b>145,085</b>	<b>130,211</b>
	<b>31 March 2017 £'000</b>	<b>31 March 2016 £'000</b>
<b>Other long-term liabilities</b>		
Service Concession contract liabilities (see Note 28)	146,497	152,113
Retirement benefit obligations (see Note 34)	921,012	693,235
Deferred liabilities	54,715	56,641
Deferred capital receipts	129	143
Rent Deposits	75	75
<b>Total</b>	<b>1,122,428</b>	<b>902,207</b>

Deferred liabilities are amounts which, by arrangement, are payable beyond the next year, at some point in the future or are to be paid off by an annual sum over a period. As at the 31 March 2017 the liability in the Council's Balance Sheet of £54.7m (2017: £56.6m) comprised of former county council loan debt of £46.2m (2017: £48.1m), £8.5m (2017: £8.5m) in respect of a loan for the Hengrove Park development.

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

## 32 Provisions

	<b>Balance at 1 April 2016 £'000</b>	<b>Additional provisions made in 2016/17 £'000</b>	<b>Amounts used in 2016/17 £'000</b>	<b>Balance at 31 March 2017 £'000</b>	<b>Due &lt; 1 year £'000</b>	<b>Due &gt; 1 year £'000</b>
Business Transformation	(2,460)	-	2,310	(150)	(150)	-
Insurance fund	(3,635)	(273)	1,298	(2,612)	(1,871)	(741)
NDR Provision for appeals	(7,193)	(10,704)	6,780	(11,117)	-	(11,117)
Other	(537)	(12)	-	(549)	(363)	(186)
	<u>(13,825)</u>	<u>(10,989)</u>	<u>10,388</u>	<u>(14,428)</u>	<u>(2,384)</u>	<u>(12,044)</u>
Due < 1 year	(5,438)			(2,384)		
Due > 1 year	(8,387)			(12,044)		
	<u>(13,825)</u>			<u>(14,428)</u>		

The Insurance Fund covers certain risks arising from fire, employer's liability and public liability, supplementing the Council's arrangement with external insurers, together with other risks. The provision for severance costs covers future exit costs arising from the Council's restructure proposals. The NDR provision has been created to allow for the cost of future appeals. All other provisions are individually not material.

### 33 Unusable Reserves

	<b>31 March 2017</b>	<b>31 March 2016 Restated</b>
	<b>£'000</b>	<b>£'000</b>
Revaluation Reserve	(277,283)	(268,860)
Capital Adjustment Account	(1,463,215)	(1,098,376)
Available for Sale Financial Instruments	7,650	4,562
Financial Instruments Adjustment Account	7,609	7,927
Pensions Reserve	921,012	708,587
Collection Fund Adjustment Account	(3,545)	2,383
Accumulated Absences Account	6,901	5,425
	<b>(800,871)</b>	<b>(638,352)</b>

#### 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.

	<b>2016/17</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 April		(268,860)		(221,392)
Upward revaluation of assets	(25,810)		(90,486)	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	11,864		28,920	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(13,946)		(61,566)
Amount written off to the Capital Adjustment Account		5,523		14,098
<b>Balance at 31 March</b>		<b>(277,283)</b>		<b>(268,860)</b>

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

	2016/17	2015/16
	£'000	£'000
<b>Balance at 1 April</b>	(1,098,376)	(1,015,021)
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non-current assets	51,835	51,175
Revaluation losses on Property, Plant and Equipment	(302,154)	38,830
Amortisation of Intangible Assets	1,840	1,602
Revenue Expenditure Funded from Capital Under Statute	17,530	10,184
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	23,927	32,311
	(1,305,398)	(880,918)
Adjusting amounts written out of the Revaluation Reserve	(5,523)	(14,098)
Net written out amount of the cost of non-current assets consumed in the year	(1,310,921)	(895,016)
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(20,776)	(17,950)
Use of the Major Repairs Reserve to finance new capital expenditure	(33,576)	(37,079)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(55,167)	(61,350)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(12,005)	(16,219)
Use of the Capital Receipts Reserve for repayment of Local Authority Mortgage Scheme financed by Borrowing	(1,000)	-
Long Term Capital Investment repaid (Local Authority Mortgage Scheme - LAMS)	1,000	-
Reduction in Finance Lease Liability following changes to Waste Service Concession contract	-	(4,082)
Capital expenditure charged against the General Fund and HRA balances	(17,733)	(29,775)
	(1,450,178)	(1,061,471)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(13,037)	(36,904)
<b>Balance at 31 March</b>	<b>(1,463,215)</b>	<b>(1,098,376)</b>



## 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.

	<b>31 March 2017</b>	<b>31 March 2016 Restated</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	4,562	-
Upward revaluation of investments		
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	3,088	4,562
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-	-
<b>Balance at 31 March</b>	<b>7,650</b>	<b>4,562</b>

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans.

Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2017 will be charged to the General Fund over the next 42 years.

	<b>2016/17</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 April		7,927		8,589
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement				
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(318)		(662)	
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(318)		(662)
<b>Balance at 31 March</b>		<b>7,609</b>		<b>7,927</b>

## 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.

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	708,587	734,113
Remeasurements on pensions assets and liabilities	191,904	(51,846)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	72,291	71,570
Employer's pensions contributions and direct payments to pensioners payable in the year	(51,770)	(45,250)
<b>Balance at 31 March</b>	<b>921,012</b>	<b>708,587</b>

## 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.

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

## Accumulated Absences Account

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

	2016/17 £'000	2016/17 £'000	2015/16 £'000	2015/16 £'000
<b>Balance at 1 April</b>		5,425		6,112
Settlement or cancellation of accrual made at the end of the preceding year	(5,425)		(6,112)	
Amounts accrued at the end of the current year	6,901		5,425	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1,476		(687)
<b>Balance at 31 March</b>		<b>6,901</b>		<b>5,425</b>

## 34 Pensions

### a Participation in Pension Schemes

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

The Council participates in three pension schemes:

***The Local Government Pension Scheme*** - all staff, with the exception of teachers, are eligible to join the Local Government Pension Scheme (LGPS). The scheme is administered by Bath and North East Somerset Council and is called the Avon Pension Fund. The Fund provides members with benefits related to length of service and final salary. It is a 'defined benefit' scheme. In 2016/17 the Council paid an employer's contribution rate of 22.3% (21% in 2015/16), resulting in total payments of service deficit, as assessed by the Fund Actuary. The Actuary carries out a full valuation of the Fund every three years in accordance with government regulations. The last valuation of the Fund was undertaken at 31 March 2013, the next full valuation is therefore due at March 2016. If the valuation indicates that there are insufficient assets to meet future liabilities, employer contribution rates are increased to make up the shortfall. As indicated above, the Council paid a contribution rate of 22.3% from 1 April 2016, representing 14% in respect of future service and 8.3% to meet the deficit recovery element.

***The Teachers' Pension Scheme*** - The rate of contribution for 2016/17 was 22.3%, resulting in a total payment of £8.980m (£8.333m in 2015/16) to the Teachers' Pension Agency. In addition, the Council made payments totalling £2.36m (£2.38m in 2016/17) in respect of pensions and added years where the early retirement of teachers was agreed. The Council also met its share of the residual liability for former Avon County Council employees, amounting to £1.855m (£1.937m in 2015/16). The estimated liability for unfunded payments has been calculated by the actuary and is included in the Balance Sheet.

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

b Accounting Transactions relating to retirement benefits

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

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

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

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

c Assets and Liabilities in relation to Retirement Benefits

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

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

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

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

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

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

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

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

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

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

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2018 are £74.028m.

d Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme liabilities have been assessed by William M. Mercer the independent actuary to the Avon Fund, estimates being based on the latest full valuation of the scheme as at 31 March 2013.

The main financial assumptions used in the calculations are:

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

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

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



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

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

### Governance and Risk Management

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

#### Avon Pension Fund:

##### Nature of Fund

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

##### Governance

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

### **Funding the liabilities**

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

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

### **Risks and Investment strategy**

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

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

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

#### **Market Price / Interest rate / Currency risk**

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

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

#### **Credit risk**

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

#### **Liquidity risk**

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

### **Other risks**

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

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

### **Amendments, curtailments and settlements**

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

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

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

### **Schemes for Teachers and Public Health Workers:**

#### **Nature of Funds**

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

#### **Governance**

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

#### **Funding the liabilities**

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

#### **Investment Risks**

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

### **Other risks**

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

The methods used to carry out the sensitivity analyses presented above for the material assumptions are the same as those the authority has used previously. The calculations alter the relevant assumption by the amount specified, whilst assuming that all other variables remain the same. This approach is not necessarily realistic, since some assumptions are

related: for example, if the scenario is to show the effect if inflation is higher than expected, it might be reasonable to expect that nominal yields on corporate bonds will increase also. However, it enables the reader to isolate one effect from another.

e History of experience gains and losses

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

### 35 Cash Flow Statement

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

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

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

	2016/17 £'000	2015/16 £'000
Depreciation, impairment and downward revaluations	(250,320)	90,005
Amortisation	1,840	1,602
Increase/(decrease) in impairment for bad debt	-	-
(Decrease)/increase in creditors	5,934	(15,021)
(Increase)/decrease in debtors	(1,499)	(4,622)
(Increase)/decrease in inventories	(367)	(107)
Movement in pension liability	20,521	11,867
Contributions to/(from) Provisions	603	(3,547)
Other non-cash items charged to the net surplus or deficit On the provision of services	10,890	(4,593)
<b>Net cash flows from non-cash movements</b>	<b>(212,398)</b>	<b>75,584</b>

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

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

### 36 Cash Flow Statement - Investing Activities

	2016/17 £'000	2015/16 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(161,859)	(167,862)
Other (payments)/receipts for investing activities	45	(40,315)
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	29,109	32,243
Decrease in/(proceeds from) short-term and long-term investments	114,488	97,000
<b>Net cash flows from investing activities</b>	<b>(18,217)</b>	<b>(78,934)</b>

### 37 Cash flow Statement - Financing Activities

	2016/17 £'000	2015/16 £'000
Cash receipts of short- and long-term borrowing	22,200	2,000
Repayments of short- and long-term borrowing	-	-
Other payments/(receipts) in respect of financing activities	(1,477)	10,384
<b>Net cash flows from investing activities</b>	<b>20,723</b>	<b>12,384</b>

### 38 Related Parties

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

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

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

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

Name	Nature of Council relationship	Profit/(loss) for period	Net assets/(liabilities)	Transactions with the Council	Nature of transactions	Balances owed to / (from) the Council as at 31 3 2016	Future financial support expected in 2016/17	Key risks identified
Name	Nature of Council relationship	Profit/(loss) for period	Net assets/(liabilities)	Transactions with the Council	Nature of transactions	Balances owed to / (from) the Council as at 31 3 2016	Future financial support expected in 2016/17	Key risks identified
Bristol Waste Company	100% subsidiary The City Council has two Director posts on the Board.	£2.9m per unaudited accounts as at 31 March 2017	£4.7m per unaudited accounts as at 31 March 2017	£21.3m payments by Council to company	Contract for waste collection and recycling services	Nil	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.	£275k loss per unaudited accounts as at 31 March 2017	£15.5m per unaudited accounts as at 31 March 2017	£9.5m payments by Council to company	Payments for shares issued during the year	Nil	See below	See below
Bristol Energy Limited	100% subsidiary of Bristol Holdings Limited The City Council has two Director posts on the Board.	£9.4m loss per unaudited accounts as at 31 March 2017	£3.8m per unaudited accounts as at 31 March 2017	Nil directly - see above	Share capital purchased by Council in holding company has ( and will) be used to support Bristol Energy	Nil	Further funding may be required until the company reaches break even point	Key risk is the company's ability to attract and retain customers in a competitive market

Bristol is Open Limited	50/50 joint venture with Bristol University  The City Council has two Director posts on the Board.	£345,000 loss per unaudited accounts as at 31 March 2017	£239,000 per unaudited accounts as at 31 March 2017	£350,000 payment by Council to company	Payments for shares issued during the year	Nil	Further funding may be required if the company continues to trade at a deficit	Low risk – sums involved are not significant in the context of the Council's overall net budget.
Destination Bristol	Company is financially dependant on the Council	£23,652 loss per audited accounts to 31 March 2016	£156,993 per audited accounts to 31 March 2016	Payments to company by Council £934,676(1).  Payments by company to Council  £117,153(2)	(1) Partnership grant funding  (2) Purchases of goods and services	At 31 3 2016 the Council owed Destination Bristol £195,258 and Destination Bristol owed the Council £Nil	Ongoing support at similar levels is anticipated as the company carries out tourism and economic development activities on the Council's behalf.	Low risk as funding levels are not significant in the context of the Council's net budget overall.
Bristol Music Trust Limited	The Council has an entrustment agreement with Bristol Music Trust for the running of Colston Hall. Linked to this entrustment agreement is a SLA and compensation payment.  The Council's Cabinet member for culture (E Tincknell) was appointed a director of this company in June 2016.	£2,000 per draft accounts to 31 March 2017	£1,314,000 per draft accounts to 31 March 2017	Payments to company by Council £1,176,000 in 2017/17 Payments by company to Council £150,000.	Compensation payments linked to entrustment agreement	Nil	The same level of payments and repayment will be made in 2017/18  £1,176,000 to BMT over 4 quarterly payments and a repayment of £150,000 in quarter 4.	Colston Hall Phase 2 Redevelopment Project plan on schedule, with CH closure confirmed June 2018  Unforeseen Colston Hall building/ operational problems.

## 39 Contingent Liabilities

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

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

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

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

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



## 40 Trust Funds

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

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

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

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

## HRA Income and Expenditure Statement

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

	Note	2016/17 Net £'000	2015/16 Net £'000
<b>Expenditure</b>			
Repairs and maintenance		35,051	32,346
Supervision and management		32,440	24,817
Special services		7,978	13,095
Rent, rates, taxes and other charges		1,049	1,242
Depreciation and impairment of non-current assets	4	(295,832)	7,022
Debt management		62	85
Debt write offs and movement in the allowance for bad debts		2,013	1,842
<b>Total expenditure</b>		<b>(217,239)</b>	<b>80,449</b>
<b>Income</b>			
Dwelling rents	2	(113,461)	(114,971)
Non-dwelling rents		(1,039)	(940)
Charges for services and facilities		(8,043)	(8,028)
Contributions towards expenditure		(669)	(30)
<b>Total income</b>		<b>(123,212)</b>	<b>(123,969)</b>
<b>Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(340,451)</b>	<b>(43,520)</b>
Net cost of HRA services		<b>(340,451)</b>	<b>(43,520)</b>
(Gain)/loss on sale of HRA non-current assets		(6,234)	(10,210)
Movement in the Fair Value of Investment Properties		(463)	(2,798)
Interest payable and similar charges		11,227	11,227
HRA interest and investment income		(609)	(470)
Pensions interest costs and expected return on assets	5	2,293	1,737
<b>(Surplus)/Deficit for the year on HRA services</b>		<b>(334,237)</b>	<b>(44,034)</b>

Statement of movement on the HRA Balance

	Note	31 March 2017 Net £'000	31 March 2016 Net £'000
HRA balance brought forward		(49,437)	(39,602)
(Surplus)/deficit for the year on the HRA Income and Expenditure Account		(334,237)	(44,034)
Adjustments between accounting basis and funding basis under statute		332,964	36,362
<b>(Increase)/decrease before reserve transfers</b>		<b>(1,273)</b>	<b>(7,672)</b>
Transfer from/to reserves		(3,527)	(2,163)
<b>Net (increase)/decrease on HRA balance</b>		<b>(4,800)</b>	<b>(9,835)</b>
<b>HRA balance carried forward</b>	11	<b>(54,237)</b>	<b>(49,437)</b>

Note to the statement of movement on the HRA Balance

	Note	31 March 2017 Net £'000	31 March 2016 Net £'000
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>			
Depreciation and impairment of property, plant & equipment	4	295,832	7,022
Fair value movements on investment properties		463	(2,798)
Net charges made for retirement benefits in accordance with IAS19	5	(6,575)	5,654
Net (gain)/loss on disposal of assets		6,232	(10,210)
		295,952	(332)
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>			
Capital expenditure funded by the HRA	6	77	(121)
Employer's contributions payable to the Avon Pension Fund and retirement benefits payable direct to pensioners	5	5,040	(3,574)
Transfer to Major Repairs Reserve	8	7,036	(4,662)
HRA depreciation to Major Repairs Reserve	8	24,718	(27,189)
Amortisation of premiums		141	(484)
		37,012	(36,030)
<b>Net additional amount required by statute to be debited or credited to the HRA Balance for the year</b>		<b>332,964</b>	<b>(36,362)</b>

**1 Dwelling numbers as at 31 March 2017**

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

**2 Rent and Rent Arrears**

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

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

**Vacant Possession**

The vacant possession value of dwellings as at 1st April 2017 was £3.506bn. The value of dwellings in the balance sheet (excluding dwellings leased to Registered Social Landlords) was £1.227bn, a difference of £2.279bn. This difference reflects the economic cost of providing council housing at less than market rent. This cost is determined by applying the Government prescribed discount rate of 35% of the Market Value to the vacant possession value.

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

In 2016/17 there were no sums approved by the Secretary of State to be debited to the HRA in relation to the transfer of rent rebates from the HRA to the General Fund.

### 4 Depreciation and impairment

	2016/17 £'000	2015/16 £'000
<b>Depreciation</b>		
Operation - Dwellings	24,718	27,189
- Other, including leased	699	491
<b>Total depreciation</b>	<b>25,417</b>	<b>27,680</b>
Reversal of impairment losses	(321,249)	(20,658)
<b>Total depreciation and impairment</b>	<b>(295,832)</b>	<b>7,022</b>

#### Impairment

The reversal of an impairment loss previously recognised of £321m has been credited to the surplus on provision of Services (2015/16: £21m). This £321m relates to the revaluation of HRA Council Dwellings.

### 5 HRA Share of Contributions to/from Pension Reserve

For 2016/17 the HRA has been attributed with a share of the interest cost, net of the expected return on pension assets, as calculated by the actuary to the pension fund £2,293k (2015/16 £1,737k). This share has been calculated using the proportion of HRA pensionable pay to the total of that for the council. The net cost of services shown in the HRA statement also includes the current service cost as required by IAS19 of (£6,5754k) (2015/16 (£5,654k)). This is excluded from the HRA Balance for the year and replaced with Employers Contributions payable £5,040k (2015/16 (£3,574k)) with the net movement on the Pension reserves of £1,535k (2015/16 £2,079k). Further information regarding the accounting for pensions is included in the notes to the consolidated revenue account and balance sheet, see note 33.

### 6 Capital Expenditure and financing

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

<b>Expenditure</b>	2016/17 £'000	2015/16 £'000
Dwellings	48,768	42,584
Other Land and Buildings	-	-
	<b>48,768</b>	<b>42,584</b>
<b>Financing</b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Usable capital receipts	15,115	5,384
Revenue contributions to capital	77	121
Major Repairs Reserve	33,576	37,079
	<b>48,768</b>	<b>42,584</b>

## 7 Capital Receipts

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

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

## 8 Major Repairs Reserve

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

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

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

## 9 Balance Sheet Value of Land and Houses, etc

	2016/17 £'000	2015/16 £'000
Dwellings	1,227,131	893,392
Land	17,942	14,482
Other assets	24,487	21,518
	<b>1,269,560</b>	<b>929,392</b>

## 10 Asset Split

	2016/17	2015/16
	£'000	£'000
Operational - dwellings	1,227,131	893,392
Operational - other land and buildings	37,411	29,110
Non-operational	5,018	6,890
	<b>1,269,560</b>	<b>929,392</b>

## 11 Reserves

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

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

## Collection Fund

### Collection Fund Income and Expenditure Account

31 March 2016			31 March 2017			
£'000	£'000	£'000		£'000	£'000	£'000
Business Rates	Council Tax		Note	Business	Council	
<b>Income</b>						
	202,667	202,667		-	214,094	214,094
209,099		209,099	2			
2,707		2,707	3	219,804	-	219,804
				(6,545)	-	(6,545)
				2,102	-	2,102
3,931		3,931		7,805		7,805
80		80		159		159
4,011		4,011		7,964		7,964
<b>219,828</b>	<b>202,667</b>	<b>422,495</b>		<b>231,289</b>	<b>214,094</b>	<b>445,383</b>
<b>Expenditure</b>						
<b>Apportionment of Previous Year Surplus</b>						
-	3,992	3,992			3,787	3,787
-	490	490			466	466
-	187	187			178	178
-	-	-			-	-
-	4,669	4,669	4	-	4,431	4,431
<b>Precepts, Demands and Shares</b>						
103,677	-	103,677		108,136	-	108,136
101,604	169,022	270,626		105,974	178,403	284,377
-	20,819	20,819		-	21,560	21,560
2,074	7,933	10,007		2,164	8,215	10,379
<b>207,355</b>	<b>197,774</b>	<b>405,129</b>		<b>216,274</b>	<b>208,178</b>	<b>424,452</b>
<b>Charges to Collection Fund</b>						
2,414	1,673	4,087		468	1,477	1,945
107	408	515		2,041	656	2,697
721	-	721		722	-	722
2,185	-	2,185		5,348	-	5,348
(2,916)	-	(2,916)		8,008	-	8,008
<b>2,511</b>	<b>2,081</b>	<b>4,592</b>		<b>16,587</b>	<b>2,133</b>	<b>18,720</b>
<b>9,962</b>	<b>(1,857)</b>	<b>8,105</b>		<b>(1,572)</b>	<b>(648)</b>	<b>(2,220)</b>
(9,475))	7,266	(2,210)		486	5,409	5,895
<b>486</b>	<b>5,409</b>	<b>5,895</b>		<b>(1,086)</b>	<b>4,761</b>	<b>3,675</b>



## Notes to the Collection Fund Income and Expenditure Account

### 1 General

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. Only the elements attributable to the City Council are recognised with the Council's other accounts.

### 2 Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based upon 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the City Council, the Avon and Somerset Police and Crime Commissioner and the Avon Fire Authority for the forthcoming year and dividing this by the council tax base of 120,946 for 2016/17 (119,116 for 2015/16). This represents the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and the estimated collection rate. This basic amount of Council Tax for a Band D property of £1,721.25 for 2016/17 (£1,660.39 for 2015/16) is multiplied by the proportion specified for the particular band to give an individual amount due.

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

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

### 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 1<sup>st</sup> April 2015 and the new revaluations came into effect on 1 April 2017. The next revaluation is expected to be 1 April 2020, with valuations being effective from 1 April 2022

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

In 2016/17 the non-domestic rating multiplier was 49.7p (49.3p in 2015/16) and the small business non-domestic rating multiplier was 48.4p (48.0p in 2015/16).

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

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

### 4 Collection Fund surpluses/(deficits)

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

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

<b>Business Rates</b>	<b>Total</b>	<b>Bristol City Council</b>	<b>Central Government Debtor</b>	<b>Fire Debtor</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Debtors	4,264	2,089	2,132	43
Bad Debt Allowance	(2,148)	(1,053)	(1,074)	(21)
Prepayments & Overpayments	(2,937)	(1,439)	(1,469)	(29)
Appeals Provision	(22,688)	(11,117)	(11,344)	(227)
Surplus / (Deficit) at 31 March	(1,086)	(532)	(543)	(11)

## 5. City Region Deal Growth Disregard

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

### City Region Deal

#### Background

Under the City Region Deal, Bristol City, Bath & North East Somerset, North Somerset and South Gloucestershire Councils ("the Authorities") are part of a Business Rates Retention Scheme, introduced by the Government in April 2013, allowing Authorities to retain a proportion of the business rates collected locally. The Authorities are allowed to retain 100% of the growth in business rates raised in the City Regions network of Enterprise Areas over a 25 year period ending on 31/3/2039 to create an Economic Development Fund for the West of England and to manage local demographic and service pressures arising from economic growth.

A 'baseline' level of rates for each Authority has been agreed with the government for the areas designated within the Non-Domestic Rating (Designated Areas) Regulations 2015. Rates collected up to this figure (the baseline) are subject to the national rates retention system. Rates collected in excess of this figure (the 'growth figure') are retained by the Authorities under the Non-Domestic Rates Designated Area Regulations 2013 and 2014 in a pooling arrangement. The governance of the distribution of retained pooled funds will occur through a Business Rates Pooling Board constituted under the Business Rates Pooling Principles Agreement (BRPPA) signed by the four Authorities.

#### Transactions

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

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

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

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

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

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

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

## Group Accounts

### Introduction

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

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

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Bristol Holding Limited, Bristol Waste Company Limited and Bristol Energy and Technology Services Limited.

The purpose of each of the core statements is explained in the relevant sections of the single entity accounts.

The following pages include:

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

### Basis of Identification of the Group Boundary

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

- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- Jointly Controlled Entities – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group.
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

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

Bristol Holding Ltd	Subsidiary	Consolidated
Bristol Waste Company Ltd	Subsidiary	Consolidated
Bristol Energy and Technology Services Ltd	Subsidiary	Consolidated
Destination Bristol Ltd	Controlled Entity	Not Material
Bristol Buildings Preservation Trust Ltd	Controlled Entity	Not Material

Bristol is Open Ltd	Joint Venture	Not Material
Bristol Port Company Ltd	No group relationship	Not consolidated
Bristol Music Trust Ltd	No group relationship	Not consolidated
Bristol Museum Trust Ltd	No group relationship	Not consolidated

## 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.

### Bristol Holding Limited

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

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

### Bristol Waste Company Limited

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

### Bristol Energy and Technology Services (Supply) Limited

Bristol Energy is a wholly owned subsidiary of the City Council incorporated on 14 July 2015. The company commenced trading on 23 November 2015 and launched its product offering to customers in February 2016.

None of the other entities in which the City Council has an interest are considered material enough to merit consolidation into the Council's Group Accounts. Details of these can be found within the Related Parties note in the Council's single entity accounts (Note 38)

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

2015/16			2016/17			
Gross Exp	Gross Income	Net Exp Restated		Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000		£'000	£'000	£'000
561,919	(290,474)	271,445	People	535,729	(298,911)	236,818
119,527	(60,474)	59,053	Place	141,179	(80,868)	60,311
337,305	(260,184)	77,121	Neighbourhoods	320,084	(248,935)	71,149
10,545	(7,961)	2,584	City Director	9,910	(1,249)	8,661
28,496	(7,414)	21,082	Resources	54,443	(7,146)	47,297
(2,888)	(2,166)	(5,054)	Other Budgets	7,523	(2,480)	5,043
80,449	(123,969)	(43,520)	HRA	(217,239)	(123,212)	(340,451)
<b>1,135,353</b>	<b>(752,642)</b>	<b>382,711</b>	<b>Cost of services</b>	<b>851,629</b>	<b>(762,801)</b>	<b>88,828</b>
		3,619	Other operating expenditure			(1,680)
		2,004	Financing and investment income and expenditure			26,215
		(423,271)	Taxation and non-specific grant income			(409,456)
		<b>(34,937)</b>	<b>(Surplus)Deficit on provision of services</b>			<b>(296,093)</b>
		(61,566)	Deficit on revaluation of Property, Plant and Equipment assets			(13,946)
		(202)	Surplus\deficit on revaluation of available for sale financial assets			302
		(51,846)	Remeasurement of the net defined benefit liability/asset			191,904
		<b>(113,614)</b>	<b>Other comprehensive income and expenditure</b>			<b>178,260</b>
		<b>(148,551)</b>	<b>Total comprehensive income and expenditure</b>			<b>(117,833)</b>

Group Consolidated Movement in Reserves Statement as at 31 March 2017

	General Fund Balance	Earmarked Reserves Restated	School Reserves	Housing Revenue Account	HRA Earmarked Reserves	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 33) Restated	Total Council Reserves	Council's Share of Reserves of Subsidiaries	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2015 Carried Forward	20,000	95,851	39,460	39,602	14,480	27,964	7,050	3,010	247,417	490,051	737,468		737,468
<b>Movement in Reserves during 2015/16</b>													
Surplus or (deficit) on the provision of services	(7,813)			44,034					36,221		36,221	(1,284)	34,937
Other Comprehensive Expenditure and Income									-	108,850	108,850	4,764	113,614
<b>Total Comprehensive Expenditure and Income</b>	<b>(7,813)</b>	<b>-</b>	<b>-</b>	<b>44,034</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,221</b>	<b>108,850</b>	<b>145,071</b>	<b>3,480</b>	<b>148,551</b>
Adjustments between accounting basis and funding basis under regulations	(7,917)			(36,362)		11,834	(5,228)	(1,778)	(39,451)	39,451	-		-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(15,730)</b>	<b>-</b>	<b>-</b>	<b>7,672</b>	<b>-</b>	<b>11,834</b>	<b>(5,228)</b>	<b>(1,778)</b>	<b>(3,230)</b>	<b>148,301</b>	<b>145,071</b>	<b>3,480</b>	<b>148,551</b>
Transfers to/from Earmarked Reserves	15,730	10,127	(25,857)	2,163	(2,163)				-		-		-
<b>Increase/Decrease in 2015/16</b>	<b>0</b>	<b>10,127</b>	<b>(25,857)</b>	<b>9,835</b>	<b>(2,163)</b>	<b>11,834</b>	<b>(5,228)</b>	<b>(1,778)</b>	<b>(3,230)</b>	<b>148,301</b>	<b>145,071</b>	<b>3,480</b>	<b>148,551</b>
Balance at 31 March 2016 Carried Forward	20,000	105,978	13,603	49,437	12,317	39,798	1,822	1,232	244,187	638,352	882,539	3,480	886,019
<b>Movement in Reserves during 2016/17</b>													
Surplus or (deficit) on the provision of services	(31,878)			334,237					302,359		302,359	(6,266)	296,093
Other Comprehensive Expenditure and Income									-	(181,046)	(181,046)	2,786	(178,260)
<b>Total Comprehensive Expenditure and Income</b>	<b>(31,878)</b>	<b>-</b>	<b>-</b>	<b>334,237</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>302,359</b>	<b>(181,046)</b>	<b>121,313</b>	<b>(3,480)</b>	<b>117,833</b>
Adjustments between accounting basis and funding basis under regulations	(16,798)			(332,964)		5,911	(1,822)	2,108	(343,565)	343,565	-		-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(48,676)</b>	<b>-</b>	<b>-</b>	<b>1,273</b>	<b>-</b>	<b>5,911</b>	<b>(1,822)</b>	<b>2,108</b>	<b>(41,206)</b>	<b>162,519</b>	<b>121,313</b>	<b>(3,480)</b>	<b>117,833</b>
Transfers to/(from) Earmarked Reserves	48,676	(40,532)	(8,144)	3,527	(3,527)				-		-		-
<b>Increase/(Decrease) in 2016/17</b>	<b>(0)</b>	<b>(40,532)</b>	<b>(8,144)</b>	<b>4,800</b>	<b>(3,527)</b>	<b>5,911</b>	<b>(1,822)</b>	<b>2,108</b>	<b>(41,206)</b>	<b>162,519</b>	<b>121,313</b>	<b>(3,480)</b>	<b>117,833</b>
Balance at 31 March 2016 Carried Forward	20,000	65,446	5,459	54,237	8,790	45,709	-	3,340	202,981	800,871	1,003,852	-	1,003,852



Group Consolidated Balance Sheet as at 31 March 2017

31-Mar-16		31-Mar-17
<u>£'000</u>		<u>£'000</u>
847,046	Property, Plant & Equipment	918,539
893,392	Council dwellings	1,227,131
100,459	Heritage Assets	100,459
9,149	Intangible Assets	8,852
240,328	Investment Property	248,632
9,810	Long Term Investments	7,852
62,752	Long Term Debtors	54,646
<b>2,162,936</b>	<b>Long Term Assets</b>	<b>2,566,111</b>
118,668	Short Term Investments	33,180
1,282	Inventories	1,649
106,194	Short Term Debtors	121,233
27,200	Cash and Cash Equivalents	41,861
<b>253,344</b>	<b>Current assets</b>	<b>197,923</b>
(7,004)	Short Term Borrowing	(7,769)
(135,988)	Short Term Creditors	(161,411)
(5,438)	Provisions	(2,384)
(42,976)	Capital grants received in advance	(11,839)
<b>(191,406)</b>	<b>Current liabilities</b>	<b>(183,403)</b>
(414,289)	Long Term Borrowing	(430,489)
(8,387)	Provisions	(12,044)
(902,207)	Other Long Term Liabilities	(1,122,838)
(13,972)	Capital Grants Receipts in Advance	(11,408)
<b>(1,338,855)</b>	<b>Long-term liabilities</b>	<b>(1,576,779)</b>
<b>886,019</b>	<b>Net assets</b>	<b>1,003,852</b>
(242,902)	Usable Reserves	(195,431)
(643,117)	Unusable Reserves	(808,421)
<b>(886,019)</b>	<b>Total reserves</b>	<b>(1,003,852)</b>

Group Cash Flow Statement for the year ended 31 March 2017

2015/16		2016/17
£'000		£'000
34,937	Net surplus on the provision of services	296,093
81,964	Adjustment to net surplus on the provision of services for non-cash movements	(212,943)
(91,815)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(86,571)
25,086	Net cash flows from Operating Activities	(3,421)
(74,400)	Investing Activities	(8,317)
12,384	Financing Activities	20,723
(36,930)	Net increase (decrease) in Cash and Cash Equivalents	8,985
69,806	Cash and Cash Equivalents at the beginning of the reporting period	32,876
<b>32,876</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>41,861</b>

## 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 2016/17.

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

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

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

**COMPREHENSIVE 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.