



Statement of Accounts

Bristol City Council
For the Year Ended
31 March 2019

Subject to Audit

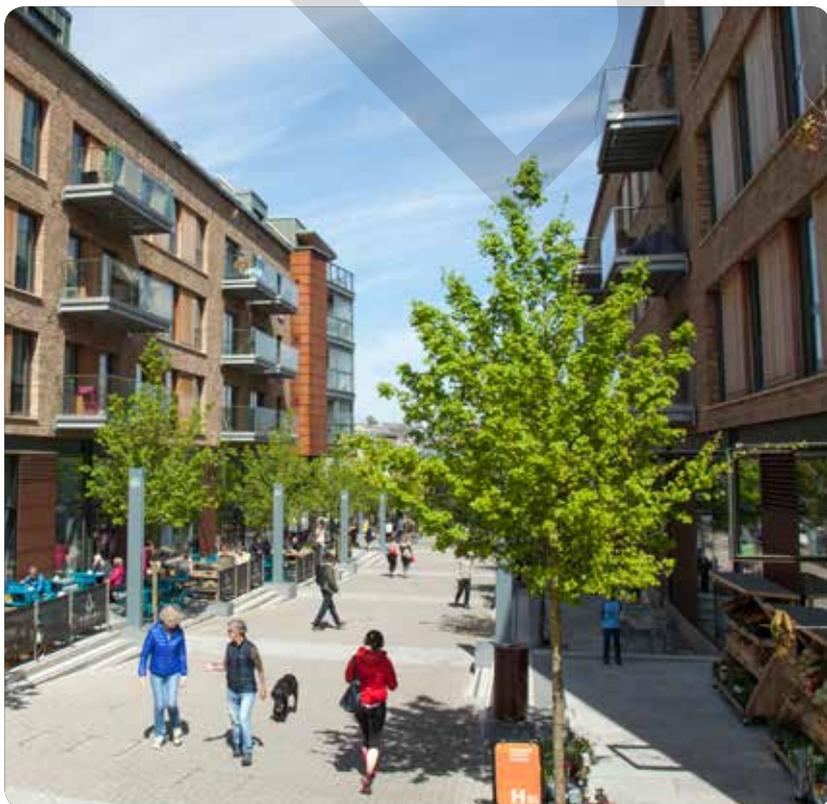
The Accounts and Audit Regulations 2015 require the City Council to prepare a set of Financial Statements. The Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).



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Narrative Report

Background

Bristol is a city in the south west of England, covering an area of 110 square kilometres. It is the 8th largest city in England and has a population of around 459,000 living in approximately 200,000 dwellings.

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

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

However, Bristol's prosperity is not shared by all and, like many cities long-standing health, social and economic inequalities exist within the city and affect the prospects of its residents. Economic success has also brought challenges such as congestion, environmental pollution and high house prices. The city also has a rapidly growing population, especially child population.

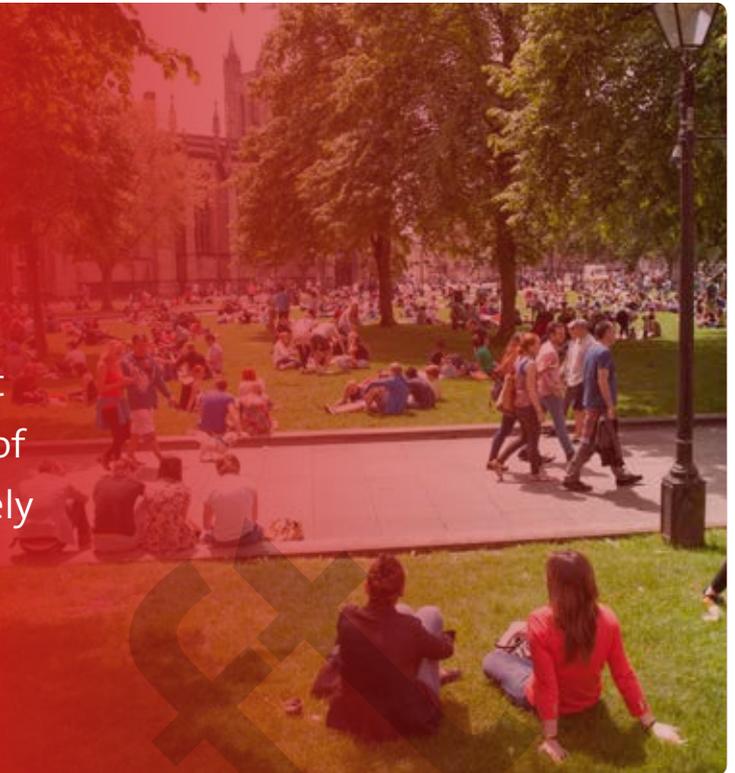
The council and its partners across the city are working hard to address these issues and have created the One City Plan, which

identifies ambitious targets that need to be met in the short, medium and long term if we are to meet the challenges that face the city. The Corporate Strategy 2018-2023 starts

to explain how Bristol City Council will contribute to this and how services are being re-shaped to meet the financial challenge of reductions in government grant whilst the city's population grows and the need for life-and- limb care services increases. The council is developing into not just a provider of services, but more of an enabling and empowering organisation.

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

Despite its challenges, Bristol is a city of hope and ambition.



Our Corporate Strategy – at a glance

our Vision

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

our Themes

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

Empowering and Caring:

Work with partners to empower communities and individuals, increase independence and support those who need it. Give children the best possible start in life.

Fair and Inclusive:

Improve economic and social equality, pursuing economic growth which includes everyone and making sure people have access to good quality learning, decent jobs and homes they can afford.

Well Connected:

Take bold and innovative steps to make Bristol a joined up city, linking up people with jobs and with each other.

Wellbeing:

Create healthier and more resilient communities where life expectancy is not determined by wealth or background.

our Principles

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

Maximise opportunities to work with partners and other stakeholders locally, nationally and globally.

Focus on planned long-term outcomes not short-term fixes, prioritising early intervention and prevention.

Build city resilience, improving our ability to cope with environmental, economic or social 'shocks and stresses'.

Plan inclusively with everyone in mind, but with a particular focus on our children and their future.

Contribute to safer communities, including zero-tolerance to abuse or crime based on gender, disability, race, age, religion or sexuality.

Use our assets wisely, generating a social and/or financial return. Raise money in a fair but business-like way.

our Values and Behaviours

We are **Dedicated**

We strive to make a difference

We are **Curious**

We ask questions and explore possibilities

We show **Respect**

We treat each other fairly

We take **Ownership**

We accept personal accountability

We are **Collaborative**

We come together to reach shared goals

Our key commitments

Empowering and Caring:

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

Fair and Inclusive:

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

Well Connected:

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

Wellbeing:

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

Our Obligations

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

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

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

Helping us achieve our priorities

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

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

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

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

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

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

Our Services

The following core services are provided by the Council:

Core Services:

- **Adults, Children, Education and Public Health**
Education, Learning and Skills Improvement
Safeguarding vulnerable adults and children
Social care and support for adults including the elderly
Support for carers Commissioning services
Public Health
Coordinates Bristol's response to crime, community safety and antisocial behaviour
- **Growth & Regeneration**
Culture including major projects such as the Colston Hall
Property
Economic development
Energy services and City Leap
Library services
Community Services Parks and open spaces
Licencing
Housing and Landlord Services
- **Resources**
Provides internal support services including:
ICT
Finance, Workforce and Change
Policy Strategy and Communications
Legal and Democratic Services
Commercialisation and Citizen Services

Ring-fenced Accounts:

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

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

In future we will still provide hundreds of day to day services, from being a landlord to cleaning the streets to huge projects worth hundreds of millions of pounds.

Our services

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

- Continuing budget pressures, in the past seven years the Council has had to save over £200m with a further £14m proposed for 2019/20
- The move away from Central Government grant funding towards a greater reliance on locally sourced taxation such as council tax and business rates.
- Demographic growth, and an increasingly aging population will continue to put pressure on the Council's budget.
- The financial impact of Brexit is as yet uncertain. While there is a level of assurance over council planning, the lack of clarity over Brexit nationally presents significant challenges and threats. The council has received £210k national non-ring-fenced funding from the Government over two years for Brexit preparedness and has set aside an additional £250k in reserves. Of this it has, to date, allocated £145k to specific activities.

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

Our Leadership and Workforce

Our 70 elected Councillors represent the people of Bristol and set the overall policy of the Council.

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

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

- provide leadership
- propose the budget and policy framework
- implement policy through executive directors
- make executive decisions as delegated by the Mayor

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

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

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

Senior officers – Which include 3 Executive Directors and Statutory Officers responsible for:

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

Our workforce - Overall, our workforce comprises 7,393 'full time equivalent' employees. Of this total, 2,154 are employed within our locally maintained schools

Our Performance



Communities and living

- The Bristol Quality of Life survey 2018/19 highlighted 77% of residents were “satisfied with their local area as a place to live” and 2 out of 3 people (68%) did voluntary work or helped out in the community regularly (at least 3 times a year).

Housing

- During 2017/18, 1,640 new homes were built in Bristol, including 186 units of student accommodation.
- During 2017-18, 184 new affordable homes were built, and we helped to return 381 private sector empty properties back into occupation.
- Addressing homelessness is a priority issue, and our outreach teams continue to actively work with rough sleepers. Latest figures found 82 people sleeping rough on the street in a single night in Bristol (Nov 2018), a rapid rise over the last 7 years (8 in Nov 2011).
- As of April 2018 there were 721 homeless households that Bristol Council had a duty to house. This is a 122% increase over a five year period (324 in 2012/13).

Economy and employment

- 246,100 working age residents were in employment in June 2018. This is equivalent to an employment rate of 78.9% which is the highest of British Core Cities and 3.9 percentage points above the national (GB) average.
- Bristol contributed £14.20bn (inflation adjusted) to the UK economy (Gross Value Added, GVA) in 2017 - up from £14.05bn in 2016).

Culture and creativity

- Bristol was named Museum Destination of the Year 2018 (Luxury Travel Guides Awards 2018).
- Just under half of Bristol residents (46%) participate in cultural activities at least once a month (Quality of Life survey 2018/19).
- Bristol continues to be a major destination for tourists and entertainment, and had 13.6 million day visitors in 2017, 2.1m domestic staying trips (spend £348m) and over 570,000 overseas staying trips, making Bristol the 8th most visited town or city in Britain.
- We run and maintain 8 Leisure Centres and swimming pools, where over 2.7 million individual visits occurred during 2018/19.

Our performance

Transport and Sustainability

- The number of people cycling to work in Bristol increased by 64% between 2011 (15,800) and 2018 (25,900).
- The number of bus passenger journeys (per head of population) in Bristol in 2017/18 was 92.1, a significant increase of 44% compared to 2012/13 (63.7). This compares to a national decrease in journeys of 8% over the same five year period.
- OR :
- There were over 42 million local bus passenger journeys (originating in the Bristol local authority) in 2018/19, an increase of 6.4% compared to the previous year.
- Citywide CO2 emissions have decreased by 37% (2005-2016), and the renewable energy capacity in Bristol has doubled since 2013, and is now 57 MegaWatt Equivalent (MWe) of energy (2017/18), of which 18 MWe is solar and 22 MWe onshore wind turbines.
- Despite increased numbers of people using public transport, walking and cycling, continued levels of vehicle use mean that reported air pollution levels of nitrogen dioxide still exceed the UK and EU air quality limits.
- In 2018 the council has reduced carbon emissions from its own operations by 71% since 2005 (already exceeding its 2020 target).
- 45% of household waste was sent for reuse, recycling and composting as at December 2018, up from 35.5% in 2008.
- 14% of municipal waste was sent to landfill (Dec 2018). 142kg of waste per household was landfilled in 2017/18, compared with 230kg in 2016/17.

Education

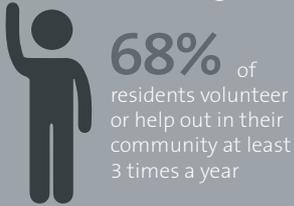
- The percentage of children with a good level of development at Early Years is 69.0% (2018), much improved from its inception in 2013 (49.5%), but slightly below the England average of 71.5%.
- For Key Stage 2 pupils (at 11 years of age) new 2018 data shows 63% achieved the expected standard in Reading, Writing and Maths combined. This is much improved from 54% in 2016, but just below the England average (65%).
- For Key Stage 4 (at age 16), 2018 data shows the average Attainment 8 score per pupil is 45.5 points, up from 44 points in 2017. [Attainment 8 is a student's average achievement across 8 subjects, with extra weighting given to maths and English].
- Of the 151 schools in Bristol inspected by OFSTED (December 2018), 78.8% are rated as Good or Better for overall effectiveness.

Adult social care

- At the end of 2018/19, around 6,110 adults were being supported by adult social care. Of these, 65.1% of service users (3,977 people) are supported to live independently in the community, with around 2,135 people in care homes.
- 52% of eligible adult social care service users (around 3,120 people at end 2018/19) receive "self-directed support" to meet their needs - giving people more choice and control to live their life independently; doing the things they want to do when they want to.
- In addition, around 2,270 carers had received support from adult social care during 2018/19.

Our performance

Key facts: Communities & living



Key facts: Culture & Creativity

46% participate in cultural activities at least once a month



13.6m

Visitors to Bristol

Key facts: Housing

1,640 new homes built in Bristol in 2017/18

184 affordable homes built in 2017/18

721 homeless households in 2017/18 (324 in 2012/13)

Key facts: Environment

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

22 MWe from wind

18 MWe from solar PV



* Source: BCC's Energy Service

45% of all household waste was sent for reuse, recycling and composting (2018) from **35.5%** in 2008*

Key facts: Education & skills

69% of children under five have a good level of development at Foundation Stage

National average **71.5%**

41% of Bristol pupils achieved a "strong pass" in English and Maths GCSE

Key facts: Transport and sustainability

Number of people cycling to work increased by **64%** between 2011 and 2018

92.1 bus journeys per head of population in 2018 (from 63.7 in 2013)

63% of 11 year olds achieved the expected standard in Reading, Writing and Maths.

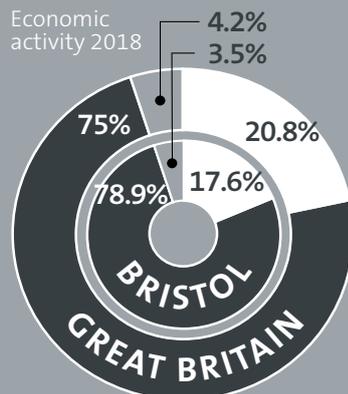
National average **65%**

Source: DfE 2017

Key facts: Economy & employment

- % in employment
- % unemployed
- % economically inactive

Source: ONS 2017



Bristol GVA contributes **£14.2bn**



to the UK economy 2017

Financial Performance

The Council is a large and diverse organisation and our accounts are by their nature technical and complex. This section of the report provides an explanatory narrative to the key elements of the statements and sections in the accounts and also provides a summary of our financial performance of 2018/19.

- The Council collects £218.3m of business rates of which £152m is retained in year by the Council. This is net of adjustments including a tariff the Council returns to central government. We also collect business rates on behalf of the West of England Combined Authority and Avon Fire Authority.
- The Council also collects £240.8m of council tax (on behalf of Avon and Somerset Police and Crime Commissioner, Avon Fire Authority and itself), of which £198.1m is retained in year by the Council.
- Council tax in year collection for 2018/19 reached its highest level ever at 96.82%. This percentage placed us second across our comparable group of Core Cities. This is a great achievement when the number of cases being sent to enforcement agents continued to fall with a 25% reduction since 2016.
- Business Rate in year collection rose to 98.31%. Another significant achievement when set against a year of proactive antifraud work including a full review of Small Business Rate relief and a backdrop of administering numerous new reliefs.
- The Council holds £3.184b of fixed assets, comprising £2.935b of operational assets for delivering services and £0,249b of investment property.
- The Council is responsible for managing cashflows with an annual churn exceeding £1.3b.
- The Council generates £775m of fees, charges and grants used to deliver services and keep council tax down.

West of England Combined Authority (WECA)

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

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

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

Financial performance

Revenue Financial Summary 2018/19

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

Net revenue expenditure across all services was £361.7m..

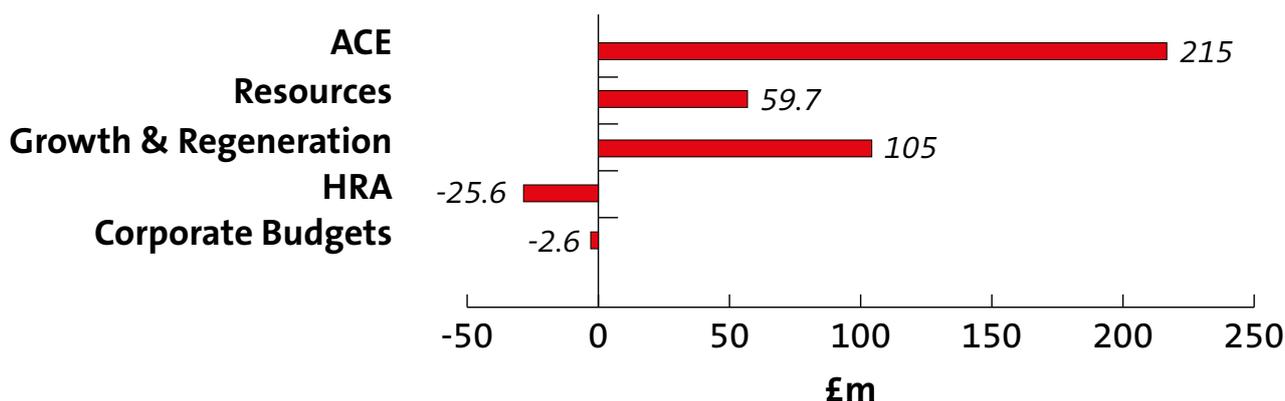
To meet funding challenges in 2018/19 the Council identified savings in its net revenue budget of £34.5m. These reductions have been achieved through a combination of on-going deliverable savings, one off tactical savings or additional non-recurring income.

The gross cost of services during the year was £1.087b (£1.097b in 2017/18). This includes both General Fund services and the Housing Revenue Account (HRA). After deducting specific grants and income from fees and charges, the net cost of services was £351.1m (£340.8m in 2017/18). The breakdown of net expenditure between the different service areas is shown in the following chart.

Council Spending in £'s per Household



Directorate Net Expenditure (£m)

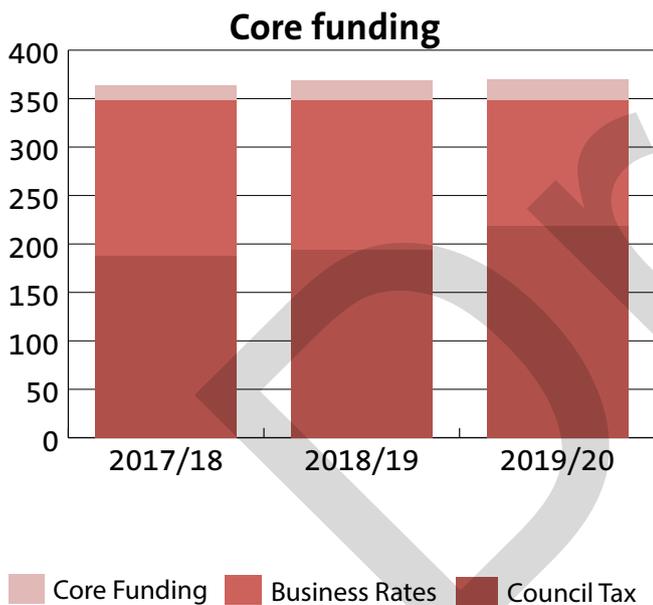


Financial performance

Sources of Funding

2018/19 was the second year the Council has been piloting 100% business rates retention. Pilot authorities retain 100% of locally raised business rates. In return they forgo Revenue Support Grant (RSG) and a number of other funding streams. Each pilot authority's tariffs and top-ups calculated by central government are adjusted to ensure the change is cost neutral for central government.

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



From 2016/17 the government allowed councils to apply an additional levy on council tax to fund adult social care pressures. In 2018/19 this levy was 2% raising £13m towards social care services.

The budget for 2018/19

Despite an on-going backdrop of increased service costs and reduced central government funding the Council is required to set a balanced budget. To meet these pressures the Council has had to identify significant savings since 2010 with a further £14m proposed for 2019/20.

In 2019/20 the Council will spend over £1.2bn on both capital investments and running day to day services including schools and welfare benefits. Spending by schools and on benefits is largely funded by the Government. This specific funding, together with the income the council receives from people who use its services, amount to £670m in 2019/20 leaving a total to spend on day to day services made up of council tax, business rates and some government grants and amounts to £376m.

Further details of the Council's budget are included in the Budget Report 2019/20 which is available on the Council's website.

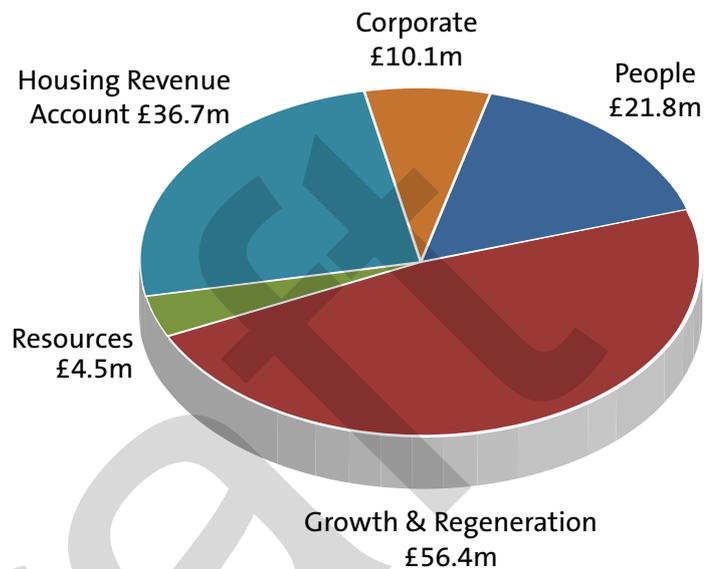
Financial performance

Capital Investment

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

Overall the Capital Programme for 2018/19 was originally set at £244.3m. Capital spending during the year totalled £129.5m. An analysis of capital investment by directorate and sources of capital funding are shown in these charts. The Capital Programme was financed from a combination of borrowing (£32.7m) and from grants, contributions and reserves (£96.8m).

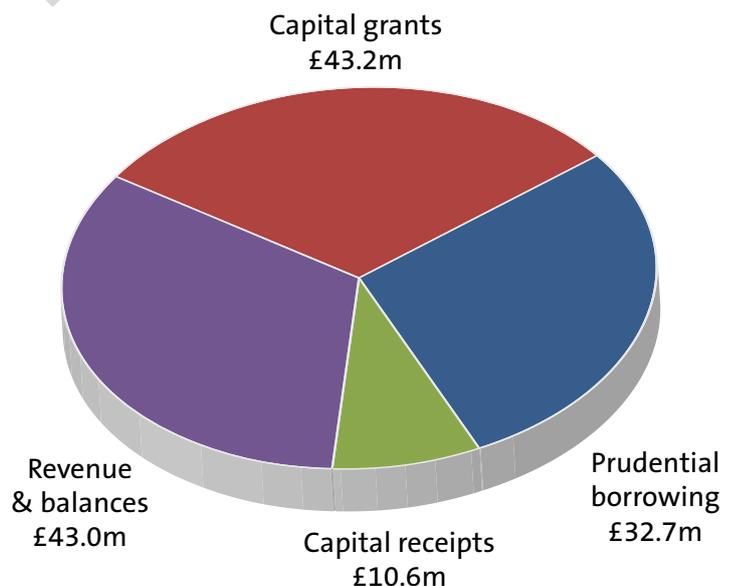
Capital Investment



The major areas of investment have included:

- £35.8m invested in the Council's housing stock.
- £33.1m invested in transport schemes including the Metrobus programme, Temple Meads development, A4/A4174, cycling network improvements, traffic infrastructure and maintenance.
- £17.4m invested in schools buildings to provide additional pupil capacity to meet increased demand.
- £12.2m invested in preparatory work and infrastructure development for major projects including Colston Hall refurbishment and Cattle Market Road development.
- £6.7m significant property investment including acquisition of Hawkfield Business Park.
- £6.1m invested in housing enabling works to accelerate the affordable provision including Hengrove and Lockleaze regeneration programmes.

Capital Financing



Financial performance

Housing Revenue Account (HRA)

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

- The HRA Income and Expenditure Statement shows a net surplus for the year of £7.5m.
- The Council's housing stock is a ring fenced landlord account.
- The Council manages 26,937 homes.
- The Council collected £110.6m in dwelling rent in 2018/19 (£112m in 2017/18).
- The Council spent £36.8m in 2018/19 (£32.4m in 2017/18) on new builds and improvements to existing housing stock.

Treasury Management

The 2017–2020 Treasury Strategy identified a medium term borrowing requirement of £370m to support the existing and future Capital Programme. The Council's Strategy is to defer borrowing while it has significant levels of cash balances (£86m at March 2019). Deferring borrowing will reduce the "net" revenue interest cost of the Authority as well as reducing the Council's exposure to counter party risk for its investments. The Council recognises that utilising investments in lieu of borrowing has a finite duration and that future borrowing will be required to support capital expenditure.

Net debt (borrowing less investment) was £322m at the end of the year. The average level of funds available for investment purposes during the year was £128m. The return for the period was 0.76% compared to the recognised benchmark of 0.51% (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 2019 is £945m. 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 set contribution rates for three years commencing on 1 April 2017.

The current funding level is an estimated 97%. 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 £26.9m within the collection fund for any business rates appeals against rateable values in future years. The increase from £2.9m in 2017/18 reflects the on-going fact that the Council, as a business rates retention pilot, has a significantly greater exposure to the risk of business rates appeals. The annual contribution is in line with government recommendations. There were approximately 403 appeals outstanding at the 31 March 2019.

Financial performance

The Statement of Accounts

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

The Core Statements are:

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

Company Limited and Bristol Energy Limited. Full details of the relationship can be found in the Group Accounts section of the Statement.

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

The 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 2018/19 and our system of internal control, which is a critical component of our overall governance arrangements.

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 Director of Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts by the 31st July 2019.

The Director of Finance Responsibilities

The Director of 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 Director of 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 Director of 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 Director of 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 2019.

Denise Murray

Denise Murray
Director of Finance (Section 151 Officer)
28th May 2019

Independent Auditor's Report (To Follow)

Draft

Draft

Draft

Movement in Reserves Statement for the year ended 31 March 2019

	Note	General Fund Balance	GF Earmarked Reserves excluding Schools	School Reserves	Total General Fund	Housing Revenue Account	Housing Revenue Account Earmark Reserves	Total Housing Revenue Account	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 31) Restated	Total Council Reserves Restated
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2017 Carried Forward		20,000	65,446	5,459	90,905	54,237	8,790	63,027	45,709	-	3,340	202,981	1,153,476	1,356,457
Movement in Reserves during 2017/18														
Surplus/(Deficit) on the provision of services		(38,767)	-	-	(38,767)	25,497	-	25,497	-	-	-	(13,270)	-	(13,270)
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	-	-	-	329,178	329,178
Total Comprehensive Expenditure and Income		(38,767)	-	-	(38,767)	25,497	-	25,497	-	-	-	(13,270)	329,178	315,908
Adjustments between accounting basis and funding basis under regulations	17	62,044	-	-	62,044	(9,910)	-	(9,910)	17,763	1,225	(336)	70,786	(70,786)	-
Net Increase/Decrease before Transfers to Earmarked Reserves		23,277	-	-	23,277	15,587	-	15,587	17,763	1,225	(336)	57,516	258,392	315,908
Transfers to/(from) Earmarked Reserves	18	(23,277)	21,975	1,302	-	1,445	(1,445)	-	-	-	-	-	-	-
Increase/Decrease in 2017/18		-	21,975	1,302	23,277	17,032	(1,445)	15,587	17,763	1,225	(336)	57,516	258,392	315,908
Balance at 31 March 2018 Carried Forward		20,000	87,421	6,761	114,182	71,269	7,345	78,614	63,472	1,225	3,004	260,497	1,411,868	1,672,365
Adjustment from the adoption of IFRS 9		(22,500)	-	-	(22,500)	-	-	-	-	-	-	-	22,500	-
Movement in Reserves during 2018/19														
Surplus/(Deficit) on the provision of services		(20,830)	-	-	(20,830)	17,511	-	17,511	-	-	-	(3,319)	-	(3,319)
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	-	-	-	(61,226)	(61,226)
Total Comprehensive Expenditure and Income		(20,830)	-	-	(20,830)	17,511	-	17,511	-	-	-	(3,319)	(61,226)	(64,545)
Adjustments between accounting basis and funding basis under regulations	17	46,078	-	-	46,078	(9,555)	-	(9,555)	7,351	2,381	915	47,170	(47,170)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		25,248	-	-	25,248	7,956	-	7,956	7,351	2,381	915	43,851	(108,396)	(64,545)
Transfers to/(from) Earmarked Reserves	18	510	(6,242)	5,732	-	(507)	507	-	-	-	-	-	-	-
Increase/(Decrease) in 2018/19		25,758	(6,242)	5,732	25,248	7,449	507	7,956	7,351	2,381	915	43,851	(108,396)	(64,545)
Balance at 31 March 2019 Carried Forward		23,528	81,179	12,493	116,930	78,718	7,852	86,570	70,823	3,606	3,919	281,848	1,325,972	1,607,820

Balance Sheet as at 31 March 2019

31 March 2018	Note	31 March 2019
<u>£'000</u>		<u>£'000</u>
2,620,689	19	2,626,809
201,094	20	202,094
10,259		11,573
255,415	21	249,251
23,212	22	51,862
46,573	27	42,657
3,157,242		3,184,246
25,132	22	79,082
1,633		1,872
113,986	27	102,146
25,263	28	7,397
1,539		3,572
167,553		194,069
(4,997)	22	(4,998)
(129,799)	29	(137,502)
(4,188)	30	(3,589)
(26,057)	16	(20,079)
(165,041)		(166,168)
(430,489)	22	(430,488)
(24,637)	30	(27,846)
(1,025,544)	29	(1,131,494)
(6,719)	16	(14,500)
(1,487,389)		(1,604,328)
1,672,365		1,607,819
(260,497)	18	(281,847)
(1,411,868)	31	(1,325,972)
(1,672,365)		(1,607,819)

Cash Flow Statement for the year ended 31 March 2019

2017/18		2018/19
<u>£'000</u>	Note	<u>£'000</u>
(13,270)	Net deficit on the provision of services	(3,319)
120,032	Adjustment to net surplus on the provision of services for non-cash movements	149,131
(75,184)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(65,029)
<u>31,578</u>	Net cash flows from Operating Activities	<u>80,783</u>
(7,227)	Investing Activities	(94,703)
(28,230)	Financing Activities	(3,946)
(3,879)	Net increase (decrease) in Cash and Cash Equivalents	(17,866)
29,142	Cash and Cash Equivalents at the beginning of the reporting period	25,263
<u>25,263</u>	Cash and Cash Equivalents at the end of the reporting period	<u>7,397</u>

Notes to the Accounts

1 Accounting Policies

(i) General Principles

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

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

(ii) 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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) 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.

(vi) Collection Fund and Local Taxation

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

- Council Tax on behalf of the Avon and Somerset Police and Crime Commissioner, Avon Fire Authority and itself; and
- Non Domestic Rates on behalf of Avon Fire Authority, the West of England Combined Authority (WECA) and itself.

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

(vii) 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

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 respective Service line in the Comprehensive Income and Expenditure Statement.

Post Employment Benefits

Employees of the Council are members of three separate pension schemes:

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

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

However, the arrangements for the Teachers' scheme and NHS Scheme mean that liabilities for these benefits cannot ordinarily be identified for the Council. These schemes are therefore accounted for as if they were defined contributions schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The CIES is charged with the employer's contributions payable to 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;
- Unitised securities - current bid price;
- Property - market value.

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

- Current Service Cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past Service Cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net interest on the net defined benefit liability/asset, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability/asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.
- Re-measurement of the return on plan assets – excluding amounts included in net interest on the net defined benefit liability/asset, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses - changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These changes are debited to the Pensions Reserve as Other Income and Expenditure.
- Contributions paid to the Avon Pension Fund - cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the

Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by- employees.

Discretionary Benefits

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

(viii) 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.

(ix) Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

„Level 3 – unobservable inputs for the asset or liability.

(x) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. 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.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The council has a policy of spreading the gain or loss over the term of the replacement loan that was used to refinance the loan against which the premium was payable or discount receivable. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified using an approach that is based on the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

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

The council's business model for most of its investments is to hold them to collect contractual cash flows. Financial assets are therefore classified as amortised cost. There are some exceptions, where the council holds strategic investments to help it meet other policy objectives, such as the support of economic development in the county. This means that some investments are ones where contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, from time to time the authority makes loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CI&ES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CI&ES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory

provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

In addition, the council does have deferred payment policies where individuals are allowed to defer payment against an invoice raised by the council, for example where the council holds a legal charge against a property that enable sums to be reimbursed from sale proceeds at a later date. These are similar to loans at less than market rates and are referred to as soft loans. If any the lost interest against the soft loan was significant then adjustments would be made to the relevant service revenue account and Balance Sheet. However the impact on the council's revenue account of soft loans and lost interest is not financially significant and the accounts have not been adjusted to reflect these requirements.

Expected Credit Loss Model

The council recognises expected credit losses on all of its financial assets held at amortised cost or FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the council.

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

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

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

An equity instrument can be elected into a FVOCI treatment rather than a FVPL treatment if it is not held for trading. The council has reviewed its assets that would be measured at FVPL on the basis of the business model and has elected to classify instruments as either FVPL or FVOCI on an instrument-by-instrument basis based on the assessed benefit to the council from the chosen classification.

(xi) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the 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.

(xii) Heritage Assets

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

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

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

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

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

(xiii) Interests in Companies and Other Entities

(a) Subsidiaries

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

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

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

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

b) Joint Arrangements

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

The Council has no material Joint Ventures.

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

The Council has one Joint Operation being the West of England Local Enterprise Partnership. In respect of this, the Council accounts for:

- Its assets, including its share of any assets jointly held
- Its liabilities, including its share of any liabilities joint held
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

(xiv) 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.

(xv) 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.

(xvi) Minimum Revenue Provision (MRP)

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance. The basis for this provision was approved by Full Council in the 2018-19 budget report on the 20 February 2018.

(xvii) 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).

(xviii) 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.

(xix) 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).

(xx) 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 £0.25m 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.

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 six month depreciation is charged to the accounts.
- Other buildings - straight-line allocation over the useful life of the property as estimated by a qualified valuer;
- Vehicles, plant and equipment - a percentage of the value of each class of assets in the Balance Sheet;
- Infrastructure, (excluding quay walls and lock gates) - straight-line allocation over 25 years;
- infrastructure, quay walls and lock gates in city docks are not depreciated as their economic life is beyond 100 years.

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the HRA's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

(xxi) 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.

(xxii) 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.

(xxiii) Revenue Expenditure Funded from Capital under Statute

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

(xxiv) Schools

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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 single entity accounts of the Council (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.

Schools within the Council's group fall into the following categories

- 53 Community (12 Nurseries, 23 Primaries, 6 Special and 1 Alternative Provision Site)
- 1 Foundation Primary

Other types of school, such as voluntary aided and voluntary controlled schools, academies and free schools are outside of the Council's control and therefore not included in this Statement of Accounts.

(xxv) 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.

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.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short term-leases). CIPFA/LASAAC has deferred implementation of IFRS16 for local government to 1 April 2020.

IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be classified as investment property. We do not anticipate this having any impact on the Council

IFRIC 22 Foreign Currency Transactions and Advanced Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions likely to be affected by this

IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. There is unlikely to be any impact on the Council.

IFRS 9 Financial Instruments: prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. There will be no impact as the Council does not have any such loans.

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. The Council has assessed the legal framework underlying each type of school and determined the treatment of non-current assets within the financial statements according to whether it owns or has some responsibility for, control over or benefit from the service potential of the premises and land occupied. The Council has considered its accounting classification for each school on an individual case basis in conjunction with the relevant dioceses for voluntary aided and voluntary controlled schools.

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 two Foundation Trusts in Bristol - the South East Bristol Educational Trust and the Trust in Learning – who own 3 schools in the City. The Council exercises no control over these Trusts 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 costs of the Schools Private Finance Initiative (PFI) Contracts exceed the income received from the Government Grant and School Contributions, leaving the Council with a liability under the PFI Contracts. All PFI Schools have now transferred to Academy status and these assets have been removed from the Council's balance sheet. Following a review of the costs and benefits, the Council considers the contract not to be onerous as the benefits significantly outweigh the costs.
- The Council has valued its interests in its subsidiaries in line with the 2017/18 Cipfa Accounting Code of Practice on Local Authority Accounting in the United Kingdom (the Code), namely the investments are accordingly classified as Available for Sale Financial Assets and are carried in the Balance Sheet at fair value. Changes in the fair value of the Council's investments in subsidiaries are recognised in Other Comprehensive Income. Impairments are recognised directly in the Surplus/Deficit on the Provision of Services.
- For inclusion in the Council accounts we have taken the view that it is appropriate to value the companies within the group using different methodologies, reflecting the diverse nature of those businesses. Bristol Holding Limited and Bristol Waste Company have been valued on a net asset basis as recorded in the company's individual balance sheets as at 31 March 2018. Bristol Energy has been valued at cost with an impairment to bring back to a fair value in the accounts. The fair value has been calculated using an estimated base price per customer should the company be sold on the open market.

- City Region Deal – the Council has determined that transactions occurring in respect of the City Region Deal arrangement arise from non-exchange transactions (the collection of Non-Domestic Rates by the Authority) and so IPSAS 23 may be applied in accounting for them. The Council's accounting policy and note to the Statement of Accounts are described in note 1 and the notes to the Collection Fund respectively.

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 2019 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 £95m change in cost value charged against the Revaluation Reserve and/or the Comprehensive Income and Expenditure Statement. A corresponding increase in estimated valuations would result in a combination of increases to the Revaluation Reserve and / or reversals of previous negative revaluations charged to the Comprehensive Income and Expenditure Statement.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments. The Council has engaged Mercer Ltd, a firm of consulting actuaries, to provide expert advice about the assumptions to be applied.	Variations in the key assumptions will have the following impact on the net pension liability <ul style="list-style-type: none"> • a 0.1% increase in the discount rate will reduce the net pension liability by £45m • a 0.1% increase in the assumed level of pension increases will increase the net pension liability by £46m • a 0.1% increase in the assumed level of pay inflation will increase the net pension liability by £5.4m • an increase of one year in longevity will increase the net pension liability by £51m

Business Rates	<p>Following the introduction on 1 April 2017 of 100% business rates pilots, the Council along with those of South Gloucestershire and B&NES formed the West of England pilot. This increases the effect of volatility, particularly in relation to business rates appeals. Under the pilot the Council is liable for successful appeals against business rates charged since 2010 rating list A provision has been recognised for this potential liability based on best available information, including Valuation Office (VOA) ratings appeals lists, and an analysis of successful appeals to date.</p>	<p>The Council's provision for rating appeals is £26.9m 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.</p>
Fair Value Estimation	<p>Asset valuations are based on either:</p> <ul style="list-style-type: none"> • market prices for investment property, surplus assets and non-current assets held for sale: or • the adjusted net worth of unquoted companies in which the Council has a controlling or significant interest. <p>If valuations change significantly there will be a corresponding increase or reduction in the Balance Sheet value of these assets.</p>	<p>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 £29m reduction to Property, Plant and Equipment and a corresponding reduction to Unusable Reserves in the Balance Sheet.</p>
Impairment Allowance for Doubtful Debts	<p>As at 31 March 2019, the Council had an outstanding balance on short term debtors of £148m. Against this debtors balance there is an impairment allowance of £56m. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not.</p>	<p>An understatement of doubtful debts would lead to future adjustment and a corresponding impairment charged against the relevant service cost. The impairment allowances held are based on policies adapted to the nature of the debt and service area, historic experience and success rates experienced in collection. If collection rates were to deteriorate by 5% the Council would need to review its policies on the calculation of its impairment allowance for doubtful debts.</p>
Britain leaving the European Union: asset values and pension liability	<p>There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time there are three possible scenarios: a "no deal" Brexit, an agreement with a transition period and an extension to EU membership of unknown length. It is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However this assumption needs to be revisited and reviewed regularly.</p>	<p>Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.</p>

5 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Section 151 Officer on 28 May 2019. Events taking place after this date are not reflected in the financial statements or Notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and Notes have been adjusted in all material respects to reflect the impact of this information.

6 Expenditure and Funding Analysis for the year ended 31 March 2019

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.

Draft

2018/19

Adjustments between the Funding and Accounting basis

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments between the Funding and Accounting basis						Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
	Revised Outturn	Adjustments (EFA Note 1)	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments for Capital Purposes (EFA Note 2)	Net change for the Pension Adjustments (EFA Note 3)	Other Differences (EFA Note 4)		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
People	216,559	(11,109)	205,450	13,667	(297)	-	13,370	218,820
Resources	50,767	(358)	50,409	5,226	3,708	-	8,934	59,343
Growth and Regeneration	69,008	4,737	73,745	28,126	3,506	-	31,632	105,377
Housing Revenue Account	(8,348)	(10,052)	(18,400)	(8,969)	1,767	-	(7,202)	(25,602)
Dedicated Schools Grant	(7,062)	-	(7,062)	-	3,223	-	3,223	(3,839)
Corporate Funding & Expenditure	40,768	(20,675)	20,093	(16,421)	(7,948)	1,671	(22,698)	(2,605)
Net Cost of Services	361,692	(37,457)	324,235	21,629	3,959	1,671	27,259	351,494
Other income and expenditure (Notes 8,9,10)			(357,440)	(6,011)	21,106	(5,831)	9,264	(348,176)
(Surplus) Deficit on the Provision of Services			(33,205)				36,523	3,319
Opening General Fund and HRA Balance			(192,796)					
Adjustment from the adoption of IFRS9			22,500					
Less Deficit on General Fund and HRA Balance in Year			(33,204)					
Closing General Fund and HRA Balance at 31 March 2019*			(203,500)					

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

2017/18

Adjustments between the Funding and Accounting basis

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Outturn as reported to Cabinet	Adjustments EFA (Note 1)	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments for Capital Purposes EFA (Note 2)	Net change for the Pension Adjustments EFA (Note 3)	Other Differences EFA (Note 4)	Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
			£'000	£'000	£'000	£'000		£'000
People	195,470	(644)	194,826	15,053	6,266	-	16,055	210,881
Resources	47,612	5	47,167	6,627	2,913	-	13,683	60,850
Growth and Regeneration	62,774	2,511	62,285	27,625	3,191	-	32,135	97,420
Housing Revenue Account	(17,032)	(9,218)	(26,250)	(4,558)	3,051	-	(2,227)	(28,477)
Dedicated Schools Grant	(2,440)	-	(2,440)	-	2,329	-	4,852	2,412
Corporate Funding & Expenditure	57,454	(33,370)	24,084	(15,833)	(11,336)	(2,556)	(29,726)	(5,642)
Net Cost of Services	343,388	(40,716)	302,672	30,914	6,414	(2,556)	34,772	337,444
Other income and expenditure (Notes 8,9,10)			(341,536)	(13,362)	21,374	9,250	17,362	(324,174)
(Surplus) Deficit on the Provision of Services			(38,864)				52,134	13,270
Opening General Fund and HRA Balance			(153,932)					
Less Deficit on General Fund and HRA Balance in Year			(38,864)					
Closing General Fund and HRA Balance at 31 March 2018*			(192,796)					

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

EFA Note 1 – Adjustments

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

EFA Note 2 - Adjustments for Capital Purposes

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

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

EFA Note 3 - Net change for Pension Adjustments

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

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

EFA Note 4 - Other Differences

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

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

7 Expenditure & Income Analysed By Nature

	2018/19	2017/18
Expenditure & Income Analysed By Nature	£'000	£'000
Expenditure		
Employee Benefits Expense	347,787	345,990
Depreciation, Amortisation & Impairment	67,730	88,091
Other Service Expenditure	782,933	773,703
Total Expenditure	1,198,450	1,207,784
Income		
Fees, Charges and Other Service Income	(333,120)	(327,471)
Interest & Investment Income	(32,902)	(9,856)
Income from Council Tax & Non-domestic Rates	(350,161)	(346,096)
Government Grants, Other Grants and Contributions	(478,948)	(511,091)
Total Income	(1,195,130)	(1,194,514)
Surplus or deficit on the Provision of Services	3,319	13,270

8 Other Operating Expenditure

	2018/19	2017/18
	£'000	£'000
Precepts and levies	7,691	9,993
Payments to the Government housing capital receipts pool	2,614	6,055
Losses/(gains) on the disposal of non-current assets	15,641	14,132
Total	25,946	30,180

9 Financing and Investment Income and Expenditure

	2018/19	2017/18
	£'000	£'000
Interest payable and similar charges	35,354	47,466
Pensions net interest cost	21,106	21,374
Interest receivable and similar income	(32,863)	(9,854)
Income and expenditure in relation to Investment Properties	(11,272)	(10,991)
Changes in fair value of Investment Properties	3,520	(8,618)
Total	15,845	39,377

10 Taxation and Non-Specific Grant Income

	2018/19	2017/18
	£'000	£'000
Council tax income	(198,132)	(193,555)
Non-domestic rates	(152,029)	(152,541)
Non-service related government grants	(12,020)	(12,101)
Capital grants and contributions	(27,786)	(35,534)
Total	(389,967)	(393,731)

11 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 2018/19 through a jointly signed agreement under Section 75 of the National Health Service Act 2006. The formal governance of the Better Care Fund is through the Joint Commissioning Board and the Bristol Health and Well Being Board.

Under this Section 75 agreement there are five funds totalling £57.529m in 2018/19 and administered by whichever body undertook the contracting arrangements.

Fund 1 is administered by Bristol Clinical Commissioning Group and totals £13.405m. The fund includes contributions from the CCG only, which have been paid to providers contracted to support the sub schemes Reduction in Hospitals Admissions, Frail and Complex, Falls Prevention and Reablement. The CCG controls this fund in its entirety and wholly owns any risk relating to this fund as per the Section 75 agreement.

Fund 2 is administered by Bristol City Council and totals £6.785m. The source of funding for this is a mixture of existing CCG expenditure streams with Bristol City Council and the former NHS England funding, previously transferred under Section 256 agreement in 2014/15, which now forms part of the CCGs allocation including funding allocated under Preparing for Better Care

Fund 3 is a joint arrangement hosted by Bristol City Council and totals £22.112m where both the CCG and Bristol City Council contribute towards the sources of funding to create a joint arrangement. The City Council is the Lead Commissioner for the services commissioned through this fund.

Fund 4 is hosted by Bristol City Council and totals £3.218m, which is wholly made up of the Disabled Facilities Grant. The fund includes contributions from the City Council only, which are paid directly to providers. The City Council controls this fund in its entirety and wholly owns any risk relating to this fund as per the Section 75 agreement.

Fund 5 is hosted by Bristol City Council and totals £12.009m, which is wholly made up of the improved Better Care Fund (iBCF). The fund includes contributions from the City Council only, which are paid directly to providers. The City Council controls this fund in its entirety and wholly owns any risk relating to this fund as per the Section 75 agreement.

Better Care Fund	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Funding provided to the pooled budget:						
Bristol CCG	13,405	6,785	9,366	-	-	29,556
Bristol City Council	-	-	12,746	3,218	12,009	27,973
Total funding into Pooled Budget	13,405	6,785	22,112	3,218	12,009	57,529
Expenditure met from Pooled Budget						
Bristol CCG	13,405	9,190	9,366	-	-	31,961
Bristol City Council	-	52	13,400	3,266	12,009	28,727
Total expenditure from Pooled Budget	13,405	9,242	22,766	3,266	12,009	60,688
Net surplus/(deficit) on the pooled budget during the year	-	(2,457)	(654)	(48)	-	(3,159)
Bristol City Council's share of the net surplus/(deficit) arising on the pooled budget	-	(52)	(654)	(48)	-	(754)

Drugs Action

The Council established a partnership agreement with the NHS Bristol, Working Links and other partners using powers under Section 31 of the Health Act 2006 to pool funds and create a single budget. The budget is used to commission Drug and Alcohol Treatment Services for Adults and Substance Misuse Services for Young People, but from 2018/19 no funding is received from external sources so this will no longer be treated as a pooled budget. Expenditure is shown below for comparison to previous years:

	2018/19	2017/18
	£'000	£'000
Funding provided to the pooled budget:		
Balance Brought Forward	1,986	1,986
Bristol City Council General Fund	1,106	1,611
Bristol City Council Public Health	7,178	7,456
Other Bodies		98
	10,270	11,151
Expenditure met from the pooled budget		
Drug and alcohol services for adults	8,285	9,165
Substance Misuse Services for Young People		-
	8,285	9,165
Net underspend carried forward	1,985	1,986

12 Members' Allowances

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

	2018/19 £'000	2017/18 £'000
Basic allowance	857	880
Special responsibility allowances	359	356
Travelling and subsistence allowance	3	5
Total	1,219	1,241

In addition to the above, the elected Mayor is paid an annual allowance amounting to £70,604.

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

Draft

13 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 Executive Directors for Resources, Adults, Children and Education, Communities and Growth and Regeneration Directorates, Senior Coroner, Chief Financial Officer and Monitoring Officer during the year was as follows:

(Interim)* The amounts disclosed in the table below in respect of these posts are the costs incurred by the Council to secure the individuals services on this basis and not the amounts these individuals actually received (which will have been lower).

2018/19				Salary, Fees and Allowances	Compensation for Loss of Office	Pension Contribution	Total
Post Title	Post Term	Post Holder	Notes	£	£	£	£
Executive Director - Resources (Acting)	April - Jun '18	D Murray	1	33,750	-	7,763	41,513
Executive Director - Resources - Head of Paid Service	Jul '18 - Mar '19	M Jackson	2	123,750	-	-	123,750
Executive Director - Adults, Children and Education	April '18 - Mar '19	J Jensen		148,000		34,040	182,040
Executive Director - Communities	April - May 18	A Comley		28,927	75,000	5,213	109,140
Executive Director – Communities (Acting)	Jun - Nov '18	P Mellor	3	69,462	-	15,976	85,438
Executive Directors Growth and Regeneration (Interim)*	April '18-Mar '19	C Molton		262,853	-	-	262,853
Her Majesty's Senior Coroner for the Area of Avon	April '18-Mar '19	M Voisin	4	133,512	-	30,565	164,077
Service Director – Care and Support Adults (Interim)*	April '18 – Mar '19	T Dafter	5	208,816		6,900	215,716
Statutory Officers- Chief Financial (S151)	April - Jun 18		6	-	-	-	-
Statutory Officers- Chief Financial (S151)	Jul '18 - Mar '19			90,000	-	20,700	110,700
Statutory Officers- Service Director Legal and Democratic (Monitoring Officer)	April - Jul '18			32,771	-	7,810	40,581
Statutory Officers- Service Director Legal and Democratic (Monitoring Officer) (interim)*	Aug - Oct '18	Q Baker		92,715	-	-	92,715
Statutory Officers- Service Director Legal and Democratic (Monitoring Officer)	Nov '18 - Mar'19			35,417	-	8,146	43,563

1 D Murray acted into this position but retained S151

2. The Head of Paid Service post was covered by Executive Director Adults, Children and Education for no extra remuneration until this permanent appointment was made

3. This post was deleted from December 2018 when the structure move from four Directorates to three

4 The post of Her Majesty's Coroner for the area of Avon is shared across four Unitary Authorities. The current percentage share is: Bristol 16.45%, Bath & North East Somerset 40.4%, North Somerset 18.94% and South Gloucestershire 24.57%

The Service Director Care and Support Adults was an interim for the period April – December 2018. For the period January to March 2019 he was employed directly by the Council

6 S151 responsibilities were covered by the Acting Director of resources

2017/18

				Salary, Fees and Allowances	Compensation for Loss of Office	Pension Contribution	Total
Post Title	Post Term	Post Holder	Notes	£	£	£	£
Chief Executive	April '17-Sept. '17	A Klonowski	1	80,118	98,000	18,000	196,118
Head of Paid Service	Oct '17 - March '18		2	-	-	-	-
Strategic Director - Resources (Interim)*	April '17 - Jan'17	N Beardmore	3	194,894	-	-	194,894
Executive Director - Resources (Interim)	Jan '18-Mar '18	D Murray	4	32,513	-	7,316	39,828
Strategic Director - People	April '17 - Jan'18	J Readman		111,554	38,324	24,513	174,391
Executive Directors Care and Safeguarding	Jan '18-Mar '18	J Jenson	5	28,645		6,445	35,090
Strategic Director - Neighbourhoods	April '17 - Dec '17	A Comley		110,290	-	24,815	135,105
Executive Directors Communities	Jan '18-Mar '18	A Comley	6	25,710	-	5,785	31,495
Strategic Director -Place	April '17 - May '17	B Mac Ruairi		19,011	-	4,277	23,288
Executive Directors Growth and Regeneration (Interim)*	Jan '18-Mar '18	C Molton	7	52,825	-	-	52,825
Statutory Officers- Chief Financial (S151)	April '17 - Dec '17			90,819	-	19,084	109,904
Statutory Officers- Chief Financial (S151)	Jan '18-Mar '18		8	-	-	-	-
Statutory Officers- Service Director Legal and Democratic (Monitoring Officer)	April '17 - Mar '18			94,601	-	21,285	115,886

1. Post Deleted in Jan 18. Following a review of the remuneration paid to the Chief Executive, A Klonowski, we have re-categorised a proportion of her salary as compensation for loss of office. This has not resulted in any additional cost to the Council.
2. The services of the Director of Resources were secured on an interim basis.
3. The Head of Paid service post was covered by existing Strategic or Executive Directors as follows; 1 – 10 October 2017 the Strategic Director for People; 11 October 2017 – 21 January 2018 the Strategic Director of Resources; 22 January to 31 March 2018 the Executive Director for Care and Safeguarding. The Strategic Director for People and Care and the Executive Director for Safeguarding did not receive any additional remuneration while covering for this post.
4. Post title changed for Strategic Director to Executive Director of resources. D Murray acted into this position but retained S151 responsibilities.
5. Post title changed for Strategic Director to Executive Director and directorate changed from People to Care & Safeguarding.
6. Post title changed for Strategic Director to Executive Director and directorate changed from Neighbourhoods to Communities.
7. Post title changed for Strategic Director to Executive Director and directorate changed from Place to Growth & Regeneration.
8. S151 responsibilities were covered by Interim Acting Director of resources.

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	2018/19 Number of employees		2017/18 Number of employees	
	Schools	Non-Schools	Schools	Non-Schools
£50,000 - £54,999	25	27	34	32
£55,000 - £59,999	15	36	22	48
£60,000 - £64,999	21	38	16	30
£65,000 - £69,999	5	17	13	19
£70,000 - £74,999	7	13	4	7
£75,000 - £79,999	-	3	2	3
£80,000 - £84,999	2	1	3	2
£85,000 - 89,999	1	1	-	1
£90,000 - £94,999	-	3	-	6
£95,000 - £99,999	-	2	-	2
£100,000 - £104,999	-	2	-	1
£105,000 - £109,999	-	-	-	-
£110,000 - £114,999	-	-	-	1
£115,000 - £119,999	-	-	-	1
£120,000 - £124,999	-	-	-	1
Totals	76	143	94	154

Exit Packages

The numbers of exit packages relating to council employees during 2018/19, 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	
	2018/19 No.	2017/18 No.	2018/19 No.	2017/18 No.	2018/19 No.	2017/18 No.	2018/19 £'000	2017/18 £'000
£0 - £20,000	24	31	2	24	26	55	158	423
£20,001 - £40,000	14	6	25	11	39	17	1,171	504
£40,001 - £60,000	12	4	17	8	29	12	1,270	577
£60,001 - £80,000	-	2	1	1	1	3	16	203
£80,001 - £100,000	-	-	-	1	-	1	-	82
£100,001 - £150,000	-	-	1	1	1	1	75	103
£150,001 - £200,000	-	-	-	-	-	-	-	-
Total	50	43	46	46	96	89	2,690	1,892

14 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 Grant Thornton.

	2018/19 £'000	2017/18 £'000
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor for the year	157	204
Fees payable to the External Auditor for the certification of grant claims and returns for the year	19	20
Fees payable in respect of other services provided by the External Auditor during the year	22	11
Total	198	235

15 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 2018. 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:

2017/18 £'000			2018/19 £'000			
Central Expenditure	ISB	Total	Notes	Central Expenditure	ISB	Total
		329,526				343,431
		(151,849)				(173,360)
		<u>177,677</u>				<u>170,071</u>
		(1,630)	2			(1,016)
		0	3			(517)
23,709	152,338	176,047		24,521	144,017	168,538
-	842	842	4	301	-	301
<u>23,709</u>	<u>153,180</u>	<u>176,889</u>		<u>24,822</u>	<u>144,017</u>	<u>168,839</u>
(25,385)	-	(25,385)		(23,377)	-	(23,377)
-	(152,520)	(152,520)		-	(148,117)	(148,117)
-	-	0		-	4,100	4,100
<u>(1,676)</u>	<u>660</u>	<u>(1,016)</u>		<u>1,445</u>	<u>0</u>	<u>1,445</u>
		0				517
		<u>(1,016)</u>	5			<u>1,962</u>

- The academy recoupment in 2017/18 comprised 63 academies open at the start of the year plus 8 school conversions in the year. The academy recoupment in 2018/19 comprised 71 academies open at the start of the year plus 9 that converted in the year.
- This is the brought forward figure from 2017/18.
- Agreement with School Forum and Cabinet in January 2019, to allow for funding to be carried forward in advance for continuing the local maintained nursery supplement in 2019/20.
- The in-year estimated adjustment for the final early years block funding 2018/19, following the January 2019 census data up-date, due in summer 2019.
- The total carry forward surplus is £1.962m for the year. Included in the carry forward are surpluses for delegated budgets of £0.414m, Schools Block of £1.561m, Early Years Block £1.115m, Central Schools Block £0.017m, with an offsetting deficit of (£1.145m) on the High Needs block.

16 Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19:

Credited to Taxation and Non Specific Grant Income:

	2018/19	2017/18
	£'000	£'000
Capital grants and contributions (Note 10 & see below)	27,786	35,534
Non service related government grants (Note 10)	12,020	12,101
Total	39,806	47,635

Capital grants and contributions

	2018/19	Restated 2017/18
	£'000	£'000
Government grants applied:		
People	2,033	2,207
Growth & Regeneration	23,846	31,837
Resources	60	571
Section 106 contributions	933	919
Total Government Grants & Contributions applied	26,872	35,534
Government grants unapplied	914	-
Total grants credited to the CIES	27,786	35,534

Grants Credited to Services

	31 Mar 2019 £'000	Restated 31 Mar 2018 £'000
People		
Adult Education	1,649	1,649
Better Care Fund	11,109	9,056
Dedicated Schools Grant	170,299	178,519
Education Services Grant	1,170	974
Education Funding Agency Grants	10,780	9,678
Independent Living Fund Grant	2,987	1,723
PFI Special Grant	17,996	17,912
Pupil Premium	8,036	8,802
SEN Reform Grant	294	312
Troubled Families Grant	1,973	2,196
Youth Justice Board Grant	729	647
Other Care Grants (Adults)	1,810	442
Other Care Grants (Children)	2,724	2,363
Other	1,200	944
Growth & Regeneration		
Discretionary Housing Payments	1,372	1,470
Homelessness Reduction & Support Grants	2,385	1,712
Housing Benefit (rent allowances/council tax benefit) subsidy	156,486	165,055
Housing Benefit Administration Subsidy	2,930	3,050
Public Health	32,486	33,343
Public Health – Other	238	-
SWERCOTS	376	381
Trailblazer Grant	415	410
Communities – other	0	2,757
Travel & Transport Grants	645	-
Air Quality Grant	675	433
Arts Council England - Museums	2,044	2,440
Better Bus Area Fund	595	440
Bus Service Operators Grant (BSOG)	448	448
Cycling Ambition Fund	1,848	9,137
Invest In Bristol & Bath 2015-2020	-	(19)
Local Sustainable Transport Fund West (LSTF)	988	4,015
Sustainable Travel Access Fund	1,214	1,643
Other	4,927	1,343
Resources – other	337	181
Total	443,165	463,456

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 2019	Restated 31 March 2018
	£'000	£'000
Capital Grants and Contributions Received in Advance		
Government grants	23,495	23,818
Section 106 contributions	11,084	8,958
Total	34,579	32,776
Due < 1 year	20,079	26,057
Due > 1 year	14,500	6,719
Total	34,579	32,776
Revenue grants (within creditors)		
People	447	1,141
Growth & Regeneration	2,432	1,175
Resources	30	-
Total	2,909	2,316

17 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.

2018/19	General fund balance	Housing Revenue Account	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Movement Usable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(39,141)	(26,205)	-	-	-	(65,346)
Movement in the market value of Investment Properties	(3,474)	(46)	-	-	-	(3,520)
Amortisation and impairment of Intangible Assets	(2,383)	-	-	-	-	(2,383)
Capital grants and distributions	27,786	-	-	-	-	27,786
Revenue and expenditure funded from capital under statute	(6,147)	-	-	-	-	(6,147)
Amount of non-current assets written off on disposal or sale as part of the (loss) on disposal to the Comprehensive Income and Expenditure Statement	(28,465)	(7,700)	-	-	-	(36,165)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	6,864	-	-	-	-	6,864
Capital expenditure charged against the General Fund and HRA balances	10,209	10,160	-	-	-	20,369
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the (loss) on disposal to the Comprehensive Income and Expenditure Statement	8,405	12,406	(20,811)	-	-	-
Administrative costs of non-current asset disposals	(288)	-	288	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	10,558	-	-	10,558
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,614)	-	2,614	-	-	-
Adjustment Involving the Major Repairs Reserve (MRR):						
Excess depreciation transferred to the MRR	-	-	-	-	-	-
HRA depreciation credited to MRR	-	25,015	-	(25,015)	-	-
Use of the MRR to finance new capital expenditure	-	-	-	22,634	-	22,634
Adjustments involving the Capital Grants Unapplied Account:						
Application of grants and contributions to capital financing	-	-	-	-	(915)	(915)
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	177	-	-	-	-	177
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 32)	(64,493)	(8,479)	-	-	-	(72,972)
Employer's pensions contributions and direct payments to pensioners payable in the year	43,503	4,404	-	-	-	47,907
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	5,831	-	-	-	-	5,831
Adjustment involving the Accumulating Compensated Absences Adjustment Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,848)	-	-	-	-	(1,848)
Other Reserve Movements						
Total Adjustment	(46,078)	9,555	(7,351)	(2,381)	(915)	(47,170)

2017/18

	General fund balance	Housing Revenue Account	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Movement Usable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(56,584)	(26,917)	-	-	-	(83,501)
Movement in the market value of Investment Properties	5,942	2,676	-	-	-	8,618
Amortisation and impairment of Intangible Assets	(4,590)	-	-	-	-	(4,590)
Capital grants and distributions	35,534	-	-	-	-	35,534
Revenue and expenditure funded from capital under statute	(2,965)	-	-	-	-	(2,965)
Amount of non-current assets written off on disposal or sale as part of the (loss) on disposal to the Comprehensive Income and Expenditure Statement	(34,769)	(9,436)	-	-	-	(44,205)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	7,544	-	-	-	-	7,544
Capital expenditure charged against the General Fund and HRA balances	10,421	5,948	-	-	-	16,369
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the (loss) on disposal to the Comprehensive Income and Expenditure Statement	13,771	16,708	(30,479)	-	-	-
Administrative costs of non-current asset disposals	(407)	-	407	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	6,254	-	-	6,254
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(6,055)	-	6,055	-	-	-
Adjustment Involving the Major Repairs Reserve (MRR):						
Excess depreciation transferred to the MRR	-	-	-	-	-	-
HRA depreciation credited to MRR	-	25,526	-	(25,526)	-	-
Use of the MRR to finance new capital expenditure	-	-	-	24,301	-	24,301
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to CIE	-	-	-	-	336	336
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	177	-	-	-	-	177
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 32)	(66,388)	(8,743)	-	-	-	(75,131)
Employer's pensions contributions and direct payments to pensioners payable in the year	43,196	4,148	-	-	-	47,344
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(9,250)	-	-	-	-	(9,250)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,379	-	-	-	-	2,379
Other Reserve Movements						
Total Adjustment	(62,044)	9,910	(17,763)	(1,225)	336	(70,786)

18 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 2018/19, they include:

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

	01-Apr 2017	Transfers Between	Transfers Out	Transfers in	01-Apr- 2018	Transfers Out	Transfers in	31-Mar 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total General Fund Strategic Reserve	(20,000)	-	-	-	(20,000)	-	(3,258)	(23,258)
General Fund Earmarked Reserves								
Capital Investment Reserve	(15,936)	(6,030)	7,504	(2,333)	(16,795)	10,065	(7,500)	(14,230)
Business Transformation Reserve	(12,415)	8,344	-	(1,613)	(5,684)	1,322	-	(4,362)
Risk Management Reserve	(5,719)	(860)	1,487	(16,147)	(21,239)	7,253	(4,622)	(18,609)
Statutory/Ring-fenced Reserve	(10,046)	(2,000)	2,050	(4,645)	(14,641)	1,502	(1,685)	(14,825)
Financing Reserve	(11,833)	107	4,075	(5,949)	(13,600)	3,107	(1,242)	(11,735)
Service Specific Reserves	(9,497)	235	642	(6,842)	(15,462)	38	(1,997)	(17,419)
Total	(65,446)	(204)	15,758	(37,529)	(87,421)	23,286	(17,045)	(81,179)
School Reserves								
Schools – DSG	1,630	-	633	(1,247)	1,016	-	(2,978)	(1,962)
Schools - Balances	(4,977)	204	-	(598)	(5,371)	-	(2,994)	(8,365)
Schools - Other	(2,112)	-	-	(294)	(2,406)	240	-	(2,166)
Total Schools	(5,459)	204	633	(2,139)	(6,761)	240	(5,972)	(12,493)
HRA								
HRA General Reserve	(54,237)	-	-	(17,032)	(71,269)	-	(7,449)	(78,718)
Major Repairs Reserve	-	-	-	(1,225)	(1,225)	-	(2,381)	(3,606)
HRA Earmarked Reserves	(8,790)	-	1,655	(210)	(7,345)	-	(507)	(7,852)
Total HRA Reserves	(63,027)	-	1,655	(18,467)	(79,839)	-	(10,337)	(90,176)
Capital Reserves								
Capital Receipts	(45,709)	-	14,366	(32,129)	(63,472)	14,765	(22,116)	(70,823)
Capital Grants Unapplied	(3,340)	-	336	-	(3,004)	-	(915)	(3,919)
Total Usable Capital Reserves	(49,049)	-	14,702	(32,129)	(66,476)	14,765	(23,031)	(74,742)
TOTAL USABLE RESERVES	(202,981)	-	32,748	(90,264)	(260,497)	38,291	(59,642)	(281,847)

Details of the earmarked reserves are set out below:

RESERVE	PURPOSE
Capital Investment Reserve	The capital reserve is maintained to provide funding for the Council's capital investments and growth in Enterprise areas.
Business Transformation Reserves	Invest to save funds. The reserve will be used to fund one-off costs attributed to delivery of savings in the currently agreed programme.
Risk Reserves	Risk Reserves Funds set aside to mitigate known risks not otherwise provided for including, contribute to costs of Waste contract until Nov 2018. Volatility in Housing Benefit Subsidy and uninsured risks.
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, City Deal Business Rate Pooling . Stoke Park Dowry.
Technical/Financing Reserve	Technical Financial Reserves - Includes PFI sinking fund, grant income carried forward in accordance with accounting regulations and resources set aside to match known contract liabilities.
Service specific reserves	Amounts set aside to finance specific projects or to meet known expenditure plans, including: <ul style="list-style-type: none"> - Bristol Futures - to provide new technology to improve public services - Development Fund primarily to fund Docks Asset Survey existing and proposed regeneration schemes - Housing Support to provide support for homelessness issues

19 Property, Plant and Equipment Movements in 2018/19

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

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Surplus Assets	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation									
At 1 April 2018	1,664,774	633,435	64,984	297,286	8,226	21,084	42,041	2,731,870	19,287
Additions	25,643	24,664	3,611	33,794	449	8,040	-	96,201	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,749	(19,742)	-	-	-	-	2,119	(7,874)	2,856
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	-	(46,054)	-	-	-	(364)	(1,241)	(47,659)	832
De-recognition - Disposals	(7,667)	(21,284)	-	-	-	-	(325)	(29,276)	-
Assets reclassified to/from Held for Sale	-	(225)	-	-	-	(7,057)	(4,022)	(11,304)	-
Assets reclassified to/from Investment Property	-	99	-	-	-	-	96	195	-
Other movements in cost or valuation	(1,047)	(11,438)	-	44	-	8,681	3,760	-	-
At 31 March 2019	1,691,452	559,455	68,595	331,124	8,715	30,384	42,428	2,732,153	22,975
Accumulated Depreciation and Impairment									
At 1 April 2018	(8,309)	(32,810)	(31,953)	(35,846)	(166)	(1,838)	(258)	(111,180)	(1,132)
Depreciation Charge	(24,538)	(15,478)	(5,241)	(9,897)	-	-	(555)	(55,709)	(415)
Depreciation written out to Revaluation Reserve/Surplus/Deficit on the provision of Services	20,575	-	-	-	-	-	-	20,575	-
Impairment losses/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/reversals recognised in the Surplus/deficit on the Provision of Service	-	35,214	-	-	-	-	861	36,075	1,318
De-recognition - disposals	55	2,986	-	-	-	-	8	3,049	-
De-recognition - other	-	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	(52)	491	74	-	(74)	1,831	(424)	1,846	-
At 31 March 2019	(12,269)	(9,597)	(37,120)	(45,743)	(240)	(7)	(368)	(105,344)	(229)
Balance Sheet at 31 March 2019	1,679,183	549,858	31,475	285,381	8,475	30,377	42,060	2,626,809	22,746
Balance Sheet at 1 April 2018	1,656,465	600,625	33,031	261,440	8,100	19,246	41,783	2,620,690	18,155

Property, Plant and Equipment Comparative movements in 2017/18

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Surplus Assets	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation									
At 1 April 2017	1,477,193	593,680	63,499	253,493	8,271	28,691	48,305	2,473,132	19,287
Additions	31,408	23,247	2,443	43,793	-	5,340	165	106,396	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	165,341	49,797	-	-	2	-	(276)	214,864	-
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	-	(18,856)	-	(1)	-	-	(1,651)	(20,508)	-
De-recognition - Disposals	(9,358)	(29,626)	(958)	-	-	-	(1,482)	(41,424)	-
Assets reclassified to/from Held for Sale	(163)	(67)	-	-	-	-	(1,599)	(1,829)	-
Assets reclassified to/from Investment Property	-	999	-	1	-	-	239	1,239	-
Other movements in cost or valuation	353	14,262	-	-	(7)	(12,947)	(1,660)	1	-
At 31 March 2018	1,664,774	633,436	64,984	297,286	8,266	21,084	42,041	2,731,871	19,287
Accumulated Depreciation and Impairment									
At 1 April 2017	-	(23,031)	(27,243)	(27,169)	(92)	(1,894)	(986)	(80,415)	(761)
Depreciation Charge	(24,928)	(15,381)	(5,668)	(8,677)	-	-	(853)	(38,975)	(371)
Depreciation written out to Revaluation Reserve/Surplus/Deficit on the provision of Services	16,532	-	-	-	-	-	-	-	-
Impairment losses/reversals recognised in the Revaluation Reserve	-	3,054	-	-	-	-	1,562	4,616	-
Impairment losses/reversals recognised in the Surplus/deficit on the Provision of Service	-	-	-	-	-	-	-	-	-
De-recognition - disposals	83	2,524	958	-	-	-	3	3,568	-
De-recognition - other	-	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	4	23	-	-	(74)	56	15	24	-
At 31 March 2018	(8,309)	(32,811)	(31,953)	(35,846)	(166)	(1,838)	(259)	(111,182)	(1,132)
Balance Sheet at 31 March 2018	1,656,465	600,625	33,031	261,440	8,100	19,246	41,782	2,620,689	18,155
Balance Sheet at 1 April 2017	1,477,193	570,649	36,256	226,324	8,179	26,797	47,319	2,392,717	18,526

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 2019 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 2019 were as follows:

		£m
New Housing Provision	Willmott Dixon Construction Ltd	19.6
Priority Stock – New kitchens inc rewiring	Jistcourt	7.2
Priority Stock – Refurbishment	Reavon	3.4
Priority Stock – Refurbishment	SERS	2.0
Transport Infrastructure – Airport Road Improvements	ETM Contractors Ltd	1.9
Cattle Market Road – Demolition and Enabling Works	Kier Construction Ltd	1.6
New Housing Provision	Kier Living Ltd	1.2
School Expansion – Bristol Cathedral Choir School	Bristol LEP Ltd (Skanska)	1.0
	Total	37.9

Bristol Arena

In September 2018 the Council decided not to progress the proposed Arena on Temple Island. As a result costs already incurred on the Arena Island Site, amounting to £11.7m have been reversed into revenue.

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every 5 years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Vehicles, Plant and Equipment are valued at historic cost, which is considered to be a suitable proxy for fair value.

The following table shows the effective valuation dates for all Property Plant and Equipment:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, etc	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	3,759	68,595	331,124	8,715	17,985	-	430,178
1 October 2018	1,691,452	389,891	-	-	-	5,730	40,017	2,127,090
1 December 2017	-	11,861	-	-	-	6,669	-	18,530
1 April 2016	-	36,184	-	-	-	-	18	36,202
1 April 2015	-	75,218	-	-	-	-	-	75,218
1 April 2014	-	42,542	-	-	-	-	2,393	44,935
Total cost valuation	1,691,452	559,455	68,595	331,124	8,715	30,384	42,428	2,732,153

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.

20 Heritage Assets

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

	Art Collection	Ethnography & Foreign Archaeology	Antiquarian Books	Other	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
1 April 2018	124,600	42,584	7,675	26,235	201,094
Additions	-	-	-	-	-
Revaluations	431	9	-	560	1,000
31 March 2019	125,031	42,593	7,675	26,795	202,094
Cost or valuation					
1 April 2017 (Restated)	122,982	42,584	7,050	26,235	198,851
Additions	-	-	-	-	-
Revaluations	1,618	-	625	-	2,243
31 March 2018 (Restated)	124,600	42,584	7,675	26,235	201,094

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

Heritage Assets: Further Information on the Museum’s collections

Loans

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

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.

21 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:

	2018/19	2017/18
	£'000	£'000
Rental income from Investment Property	11,815	11,642
Direct operating expenses arising from Investment Property	(543)	(651)
Net gain	11,272	10,991

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:

	2018/19	2017/18
	£'000	£'000
Balance at start of the year	255,415	253,976
Additions – purchases	64	142
Disposals	(2,512)	(6,081)
Net gains/losses from fair value adjustments	(3,520)	8,618
Transfers to/from Property, Plant and Equipment	(196)	(1,240)
Balance at end of the year	249,251	255,415

22 Financial Instruments

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

	Long-Term		Current	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£'000	£'000	£'000	£'000
Financial Liabilities at Amortised cost				
Borrowing	(430,488)	(430,489)	(4,998)	(4,997)
Service Concessions	(143,920)	(148,623)	-	(976)
Creditors	(77)	(75)	(114,255)	(116,307)
Total Financial Liabilities	(574,485)	(579,187)	(119,253)	(122,280)
Financial Assets				
Available-for-sale financial assets		19,960		-
Unquoted equity investment at cost		3,252		-
Loans & Receivables at Amortised Cost		3,973		118,135
Financial Assets at amortised cost				
Investments	2		67,461	
Debtors	1,677		70,217	
Financial Assets at Fair Value through Other Comprehensive Income				
Investment	26,860		-	
Financial Assets at Fair Value through profit and loss				
Investments	25,000		19,019	
Total Financial Assets	53,539	27,185	156,696	118,135

Movements

The increase in financial assets, circa £65m, primarily relates to the increase in value of long term investments through revaluation (£23m) and acquisition. In addition the increase in working capital and reserves has resulted in additional cash resources to invest in lieu of using these resources.

Reclassification and remeasurement of financial assets at 1 April 2018

	Carrying Amount brought forward at 1 April	New Classification at 1 April 2018		
		Amortised cost	Fair value through other comprehensive income	Fair value through profit and loss
	£'000	£'000	£'000	£'000
Previous Classification				
Loans & Receivables - Amortised Cost	96,845	96,845	-	-
Cash and Cash equivalents - Amortised Cost	25,263	(3,608)	-	28,871
Available For Sale - Fair Value	19,960	-	19,960	-
Available For Sale - Unquoted Equity Investments	3,252	-	-	3,252
Reclassification amounts at 1 April 2018	145,321	93,238	19,960	32,123
Remeasurements at 1 April 2018		93,238	19,960	54,623
Remeasured carrying amount 01 April 2018		93,238	19,960	54,623
Impact on General Fund Balance				(22,500)
Statutory override for investments classed as capital expenditure				22,500
Impact on Financial Instruments Revaluation Reserve				-

Remeasurements at 1 April 2018

The Authority's shareholding in Bristol Port Company Ltd was previously classified as an Unquoted Equity investment at cost (£2.5m) a classification no longer applicable with the adoption of IFRS9 on the 1st April 2018. The shareholding has been measured using various valuation techniques providing a range of valuations with the mid-point valuation of £25m being used as a prudent valuation. It is difficult to reliably measure this company because there are no established companies with similar aims in the Authority's area whose shares are traded which might provide comparable market data. If the authority were to consider to realise its holdings then the authority would also seek specialist external advice as part of the process.

Effect of Asset Reclassification and Remeasurement on the Balance Sheet

	Amortised Cost	Fair Value through Other Comprehensive Income	Fair Value through profit and loss	Non- financial instruments balances	Total Balance Sheet carrying amount
Remeasured carrying amounts at 1 April 2018	£'000	£'000	£'000	£'000	£'000
Non-current investments	1	19,960	25,752	-	45,713
Long-term debtors	3,973	-	-	-	3,973
Current investments	21,524	-	28,871	-	50,395
Current debtors	67,740	-	-	-	67,740

Investments in instruments designated at fair value through other comprehensive income

With the introduction of IFRS 9 the authority has designated the following investments as fair value through other comprehensive income:

Description	Cost	Fair Value	Change in Fair Value during 2018/19
	£'000	£'000	£'000
Bristol Holdings	29,411	17,310	-
Homelessness Property Fund	10,000	9,000	(150)
Other	550	550	-
Total	39,961	26,860	(150)

The authority's investments in the above originated through a policy initiative to meet service objectives including recycling, waste collection, green energy, fuel poverty, and homelessness. As these assets are not specifically held for trading or income generation, rather a longer term policy initiative, these investments have been designated as fair value through comprehensive income.

Borrowing

	31 March 2019	31 March 2018
	£'000	£'000
Current borrowing		
Deposit loans (repayable at notice - up to 7 days)	101	101
Other short term borrowing (repayable within 1 year):		
- Public Works Loan Board	3,737	3,737
- Banks and other monetary sector	1,139	1,138
- Local bonds and property rent disposals	11	11
- Stocks	10	10
Total	4,998	4,997

	31 March 2019	31 March 2018
	£'000	£'000
Non-current borrowing		
Public Works Loan Board	310,439	310,439
Lender Option Borrower Option (Lobo)	70,000	100,000
Market Debt	50,000	20,000
Stocks	49	50
Total	430,488	430,489

The authority did not undertake any new borrowing during year as set out in the Treasury Management Strategy to reduce the net financing costs and counter party risk of the authority. During the year £30m of Lobo's were converted to fixed rate loans when the options in these loans were unilaterally removed.

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 2018/19

	Financial Liabilities	Financial Assets			Total
	Measured at amortised cost	Loans and receivables	Fair Value through the CI	Fair Value through the P&L	
	£'000	£'000	£'000	£'000	£'000
Interest expense & Impairment Losses	(35,354)	-	-	-	(35,354)
Total expense in Surplus or Deficit on the Provision of Services	(35,354)	-	-	-	(35,354)
Interest Income	-	7,214	-	359	7,573
Dividend Income	-	-	-	2,790	2,790
Total income in Surplus or Deficit on the Provision of Services	(35,354)	7,214	-	3,149	(24,991)
Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(150)	22,500	22,350
Net gain/(loss) for the year	(35,354)	7,214	(150)	25,649	(2,641)

Financial Instruments Gains and Losses 2017/18

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

Fair Value of Financial Assets and Property Assets

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

Descriptions	Fair value measurements at 31 March 2019 using:			Fair value measurements at 31 March 2018 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	Level 3 £000
Recurring fair value measurements						
Fair Value through Profit and Loss						
Money Market Funds	19,019					
Bristol Port Company (Non-traded Unquoted Equity Investment)	-		25,000			
Recurring fair value measurements						
Non-traded securities:						
Bristol Holdings (unquoted equity investment)			17,310			10,810
Unquoted private companies	-	-	550	-	-	400
Pooled property fund	-	-	9,000	-	-	9,150
Total Non-traded securities:	19,019	-	51,860	-	-	20,360
Investment properties	-	249,251	-	-	255,415	-
Surplus properties	-	42,060	-	-	41,782	-
Total recurring fair value measurements	19,019	291,311	51,860	-	297,197	20,360
Non-recurring fair value measurements						
Assets held for sale	-	3,572	-	-	1,539	-
Total non-recurring fair value measurements	-	3,572	-	-	1,539	-

Valuation techniques and Inputs				
Description of asset	Valuation hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key sensitivities affecting the valuations provided
Money Market Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	Latest quoted prices	
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.

Bristol Port Company	Level 3	This investment has been valued using a variety of valuation techniques, including net asset, discounted cashflow, and multiple of earnings.	Calculations have been based on the latest audited accounts, dividends and limited comparable data.	Changes to market conditions (local and global), and the comparable data used within the valuations.
Bristol Holdings	Level 3	This investment has been valued at the Council's share of each company's net assets.	Calculations have been based on their unaudited accounts and adjusted for customer base valuation as at 31 March 2019.	Valuations could be affected by the difference between audited and unaudited accounts and changes in customer number and price per customer.
Investments in unquoted companies	Level 3	These investments have been valued at the Council's share of each company.	Calculations have been based on their latest audited 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 has been based on the latest quarterly financial report (31st March 2019).	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.

Reconciliation of fair value measurements for assets at fair value within level 3

Description	31 March 2019	31 March 2018
	Non-traded securities £000	Non-traded securities £000
Opening balance	20,360	12,108
Re-measurement 1/4/18	25,350	
Transfers into level 3	-	-
Transfers out of level 3	-	-
included in the surplus/(deficit) on the Provision of Services	-	(12,102)
included in Other Comprehensive Income and Expenditure	(150)	7,994
Total gains/(losses) for the period:	(150)	(4,108)
Additions	6,500	12,360
Disposals	(200)	-
Closing balance	51,860	20,360

Gains and losses included in Other Comprehensive Income and Expenditure for the current year relate to investments in the Homelessness Property Fund and are taken to the Financial Instruments Revaluation Reserve. These are reported in the surplus or deficit arising on the revaluation of financial assets in Other 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:

- For loans from the PWLB payable, prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment, highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, prevailing interest rates have been applied 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;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities	31 March 2019		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Public Works Loan Board (PWLB)	314,176	478,900	314,176	472,800
Lender Option Borrower Option	70,670	104,500	100,821	147,542
Market Debt	50,469	72,700	20,317	26,658
Short Term Creditors	114,255	114,255	116,307	116,307
Service Concessions	135,428	224,104	140,130	230,787
Other	8,740	8,374	9,715	8,352
Total Liabilities	693,738	1,002,833	701,466	1,002,446

The Authority has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £1.151bn an increase of £148m which is calculated using early repayment discount rates. The Authority has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

The fair value for financial liabilities and assets has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the assumptions detailed above, the fair value is arrived at by applying the discounted cash flow calculations based on the PWLB premium/discount calculations.

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 2019) arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	31 March 2019		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans & Receivables				
Short term investments	60,063	60,063	25,132	25,132
Cash and Cash Equivalents	7,397	7,397	25,263	25,263
Long term investments	2	2	23,212	23,212
Debtors qualifying as loans and receivables	70,217	70,217	67,740	67,740
Total loans and receivables	137,679	137,679	141,347	141,347
Long term debtors	1,677	1,677	3,973	4,891
Total Financial Assets	139,356	139,356	145,320	146,238

The fair value of the assets is the same as the carrying value due to the majority of the assets having a maturity of less than 12 months or is a trade or other receivable where the fair value is taken to be the carrying amount or the billed amount.

23 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 20 February 2018 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. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

Allowance for Credit Losses

The following analysis summarises the Council's potential maximum exposure to credit risk on financial assets valued at amortised cost, 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-19	31-Mar-19	31-Mar-19	31-Mar-19	31-Mar-18
Long Term Investments:					
Non-traded securities	-	0.00%	0.00%	-	-
Sub-total	-			-	-
Short Term Investments:					
Local Authorities	30,040	0.00%	0.00%	-	-
AA rated counterparties	10,044	0.02%	0.02%	2	8
A rated counterparties	27,377	0.06%	0.06%	16	14
Sub-total	67,461			18	22
Trade debtors (classed as loans and receivables)	70,217			-	-
Long-term debtors	1,679			-	-
Total Financial assets	139,357			18	22

The estimated maximum exposure for credit loss for Treasury investments is £18k and therefore no allowance for credit loss have been made for these assets.

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	Allowance for credit losses at	Net debtor at	Net debtor at
	31-Mar-19	31-Mar-19	31-Mar-19	31-Mar-18
	£'000	£'000	£'000	Restated £'000
Local tax payers	15,632	(7,270)	8,362	9,415
Housing rents	11,428	(8,814)	2,614	2,089
Other - sundry debtors	103,306	(30,188)	73,118	49,382
Total Other Entities and Individuals	130,366	(46,272)	84,094	60,886
Central Government bodies	9,731	-	9,731	35,056
Other local authorities	1,704	-	1,704	13,905
NHS bodies	6,617	-	6,617	4,139
Total debtors	148,418	(46,272)	102,146	113,986
Balance sheet debtors	148,418	(46,272)	102,146	113,986
Current debtors not qualifying as a financial instrument under IFRS	(39,199)	7,270	(31,929)	(42,246)
Current debtors qualifying as a financial instrument under IFRS	109,219	(39,002)	70,217	67,740

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 2019	31 March 2018
	£'000	Restated £'000
Less than three months	20,336	12,429
Three to four months	1,555	635
Four months to one year	8,121	8,218
More than one year	39,241	39,962
Total	69,254	61,246

Liquidity risk

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

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

	31 March 2019	31 March 2018
	£'000	Restated £'000
Less than 1 year	156,696	118,135
Between 1 and 2 years	436	151
Between 2 and 3 years	439	-
More than 3 years	52,665	27,034
Total	209,807	145,320

The maturity analysis of financial liabilities is as follows:

	31 March 2019	31 March 2018
	£'000	£'000
Less than 1 year	125,667	128,028
Between 1 and 2 years	25,515	14,630
Between 2 and 3 years	7,025	16,771
More than 3 years	555,531	542,037
Total	693,738	701,466

Refinancing and Maturity risk

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

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

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

The maturity profile of the Council's debt portfolio along with the Council's approved minimum and maximum exposure is shown in the table below.

	Approved minimum limits	%	Approved maximum limits	%	Actual 31 March 2019 £'000	%	Actual 31 March 2018 £'000	%
Less than 1 year	-		30		4,998	1%	4,997	1%
Between 1 and 2 years	-		40		10,000	2%	-	0%
Between 2 and 5 years	-		40		5,000	1%	15,000	3%
Between 5 and 10 years	-		50		54,000	12%	49,000	11%
More Than 10 Years	25		100		361,488	84%	366,489	85%
Total					435,486	100%	435,486	100%

Included within the maturity profile are £70m of LOBOS with maturities averaging 40 years. Inherent within these loan instruments are options (averaging an option every 3 years) that could give rise to the debt being repaid early. These loans are regularly reviewed with the current and expected structure of interest rates. The risk of the lenders exercising their options is currently low for the short to medium term. Therefore, the maturity of these loans in above table are currently based on their maturity date, 10 years and over.

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 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2019 £'000
Increase in interest receivable on variable rate investments	1,275
Impact on Surplus or Deficit on the Provision of Services	1,275
Share of overall impact debited to the HRA	1,368
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)	110,600

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

Price risk

The Council does not generally invest in equity shares but does have long term investments in unquoted companies amounting to £13m primarily for the Bristol Port Company, and Bristol Holdings, the latter a wholly owned subsidiary. Whilst this holding is generally illiquid, the Council is exposed to losses arising from movements in the prices of these shares.

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

These shares are classified as Available for Sale.

Foreign exchange risk

During 2018/19 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.

24 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.

	2018/19 £'000	2017/18 £'000
Opening Capital Financing Requirement	822,515	787,378
Capital investment		
Property, Plant and Equipment	96,202	106,396
Investment Properties	64	142
Intangible Assets	3,697	4,810
Long Term Investments	6,998	12,810
Revenue Expenditure Funded from Capital under Statute	6,147	2,965
Long Term Investment repaid	(1,305)	(1,650)
Sources of finance		
Capital receipts	(10,558)	(6,254)
Government grants and other contributions	(26,872)	(35,870)
Sums set aside from revenue:		
• Direct revenue contributions	(43,003)	(40,668)
• MRP – City Council Debt	(6,864)	(7,544)
Closing Capital Financing Requirement	847,022	822,515
Explanation of movements in year		
Less Minimum Revenue Provision	(6,864)	(7,544)
Use of capital receipt for repayment of debt	(1,305)	(1,650)
Increase in underlying need to borrowing (unsupported by government financial assistance)	32,676	44,331
Increase in Capital Financing Requirement	24,507	35,137

25 Leases

Council as Lessor

Operating Leases

The Council leases out property within the commercial trading estate under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

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

	31 March 2019 £'000	31 March 2018 £'000
Not later than one year	12,015	11,849
Later than one year and not later than five years	43,215	41,552
Later than five years	853,070	849,542
	908,300	902,943

The minimum lease payments receivable at 31 March 2019 and 2018 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.

26 Service Concessions

Schools PFI Phase 1A

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

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

As at 31st March 2019 cumulative payments totalling £132m (£122m in 2017/18) 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
2019/20	3,070	1,822	4,566	430	9,888
2020/20 to 2023/24	13,065	9,015	15,930	112	38,122
2024/25 to 2028/29	18,255	16,837	12,859	855	48,806
2029/30 to 2031/32	9,513	11,148	2,325	(144)	22,842
Total	43,903	38,822	35,680	1,253	119,658

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

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

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.

As at 31st March 2019 cumulative payments totalling £179m (£161m in 2017/18) have been made to the PFI contractor. The future estimated payments the Council will make under this contract are as follows:

Year	Payment for Repayment				Total
	Services	of Liability	Interest	Other	
	£'000	£'000	£'000	£'000	£'000
2019/20	5,207	3,502	6,259	3,795	18,763
2020/21 to 2023/24	22,376	16,179	22,091	16,388	77,034
2024/25 to 2028/29	31,815	23,203	20,422	25,420	100,859
2029/30 to 2032/33	36,649	35,639	9,844	23,981	106,115
2033/34 to 2034/35	3,097	2,755	212	2,676	8,740
Total	99,144	81,278	58,828	72,260	311,510

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

Hengrove Leisure Centre

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

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

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

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

As at 31 March 2019 payments totalling £24m (£21m at 31 March 2018) 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 Repayment				Total
	Services	of Liability	Interest	Other	
	£'000	£'000	£'000	£'000	£'000
2019/20	340	815	1,483	867	3,505
2020/21 to 2023/24	1,445	2,329	5,188	5,236	14,198
2024/25 to 2028/29	1,979	3,174	5,231	7,797	18,181
2029/30 to 2033/34	2,274	4,457	3,273	8,718	18,722
2034/35 to 2036/37	1,411	3,509	735	5,596	11,251
Total	7,449	14,284	15,910	28,214	65,857

Over the life of the PFI project, the Council is scheduled to receive £69.6m.

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).

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	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Balance outstanding at the start of year	125,068	129,556	15,063	15,721
Movement in year	(4,970)	(4,487)	(779)	(659)
Balance outstanding at year end	120,098	125,069	14,284	15,062

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 in accordance with IFRS.

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
2019/20	30,051	276	27	30,354
2020/21 to 2023/24	126,231	710	39	126,980
2024/25 to 2026/27	78,168	60	1	78,229
Total	234,450	1,046	67	235,563

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

	Schools		Hengrove Leisure		Bristol Waste Contract		Total	
	2018/19 £'000	2017/18 £'000	2018/19 £,000	2017/18 £'000	2018/19 £,000	2017/18 £'000	2018/19 £,000	2017/18 £'000
Balance outstanding at the start of year	125,068	129,556	15,063	15,721	976	1,220	141,107	146,497
Movement in year	(4,079)	(4,487)	(779)	(659)	70	(244)	(5,679)	(5,390)
Balance outstanding at year end	120,988	125,069	14,284	15,062	1,046	976	135,428	141,107

27 Debtors

		31 March 2019 £'000	31 March 2018 £'000
i	Current debtors		
	Trade receivables	29,832	23,868
	Prepayments	3,045	3,437
	VAT	7,652	14,822
	Other	61,616	71,860
	Total	102,146	113,986

Impairments for doubtful debts are detailed in Note 23.

		31 March 2019 £'000	31 March 2018 £'000
ii	Long-term debtors		
	Mortgages	192	196
	Capital loans (Probation/Fire/LEP)	1,161	3,342
	South Gloucestershire Council	409	436
	Former county council debt	40,895	42,599
	Total	42,657	46,573

28 Cash and Cash Equivalents

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

	31 March 2019 £'000	31 March 2018 £'000
Cash held by the Council	269	266
Bank current accounts	(21,958)	(13,940)
Short-term deposits with banks / building societies	29,086	38,937
Total Cash and Cash Equivalents	7,397	25,263

29 Creditors

	31 March 2019 £'000	31 March 2018 £'000
Current liabilities		
Trade payables	17,621	12,642
Other payables	83,853	86,231
Receipts in advance	36,028	30,926
Total	137,502	129,799

	31 March 2019 £'000	31 March 2018 £'000
Other long-term liabilities		
Service Concession contract liabilities (see Note 26)	135,428	140,131
Retirement benefit obligations (see Note 32)	944,895	832,352
Deferred liabilities	51,091	52,866
Deferred capital receipts	2	119
Rent Deposits	78	76
Total	1,131,494	1,025,544

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 2019 the liability in the Council's Balance Sheet of £51.0m (2018: £52.9m) comprised of former county council loan debt of £42.6m (2019: £44.3m), £8.5m (2018: £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.

30 Provisions

	Balance at 1 April 2018 £'000	Additional provisions made in 2018/19 £'000	Amounts used in 2018/19 £'000	Balance at 31 March 2019 £'000	Due < 1 year £'000	Due > 1 year £'000
Business Transformation	(539)	(477)	147	(869)	(869)	-
Insurance fund	(2,532)	-	120	(2,412)	(1,727)	(684)
NDR Provision for appeals	(23,716)	(6,546)	3,349	(26,913)	-	(23,913)
Legal	(1,166)	-	173	(993)	(993)	-
Waste	(670)	-	670	-	-	-
Other	(202)	(49)	3	(248)	-	(248)
Total	(28,825)	(7,072)	4,462	(31,435)	(3,589)	(27,846)
Due < 1 year	(4,188)			(3,589)		
Due > 1 year	(24,637)			(27,846)		
	(28,825)			(31,435)		

Details of the provisions are shown in the table below:

Provision	Purpose
Business Transformation	Covers future exit costs arising from the Council's restructure proposals
Insurance fund	Covers certain risks arising from fire, employer's liability and public liability, supplementing the Council's arrangement with external insurers, together with other risks.
NDR Provision for appeals	Covers the cost of future appeals
Legal	Created to cover the costs of outstanding legal cases within Adult Social Care
Waste	Created to cover the costs of for disputed inflationary charges of Waste Disposal
Other	Other provisions are individually not material

31 Unusable Reserves

	31 March 2019 £'000	31 March 2018 £'000
Revaluation Reserve	(788,594)	(800,696)
Capital Adjustment Account	(1,511,028)	(1,490,937)
Available for Sale Financial Instruments	0	850
Financial Instruments Adjustment Account	7,254	7,432
Financial Instruments Revaluation Reserve	1,000	0
Pensions Reserve	959,153	861,256
Collection Fund Adjustment Account	(126)	5,705
Accumulated Absences Account	6,370	4,522
	<u>(1,325,972)</u>	<u>(1,411,868)</u>

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.

	2018/19 £'000	2018/19 £'000	2017/18 £'000	2017/18 Restated £'000
Balance at 1 April		(800,696)		(589,316)
Upward revaluation of assets	(54,615)		(248,040)	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	42,859		14,399	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(11,756)		(233,641)
Amount written off to the Capital Adjustment Account		23,858		22,261
Balance at 31 March		<u>(788,594)</u>		<u>(800,696)</u>

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

	2018/19	2017/18
	£'000	£'000
Balance at 1 April	(1,490,934)	(1,504,981)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	55,718	67,609
Revaluation losses on Property, Plant and Equipment	9,629	15,892
Amortisation of Intangible Assets	2,383	4,590
Revaluation gains/losses for Capitalised financial instruments	(22,500)	
Revenue Expenditure Funded from Capital Under Statute	6,147	2,965
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	36,164	44,205
	(1,403,393)	(1,369,720)
Adjusting amounts written out of the Revaluation Reserve	(23,858)	(22,261)
Net written out amount of the cost of non-current assets consumed in the year	(1,427,251)	(1,391,981)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(10,558)	(6,254)
Use of the Major Repairs Reserve to finance new capital expenditure	(22,635)	(24,301)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(26,872)	(35,870)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(6,864)	(7,544)
Use of the Capital Receipts Reserve for repayment of Long Term Investments financed by borrowing	(1,305)	(1,650)
Long Term Capital Investment repaid	1,305	1,650
Capital expenditure charged against the General Fund and HRA balances	(20,368)	(16,369)
	(1,514,548)	(1,482,319)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	3,520	(8,618)
Balance at 31 March	(1,511,028)	(1,490,937)

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation 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.

	31 March 2019	31 March 2018
	£'000	£'000
Balance at 1 April	850	8,844
Downward revaluation of investments	150	750
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-	(8,744)
Balance at 31 March	1,000	850

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 2019 will be charged to the General Fund over the next 41 years.

	2018/19	2018/19	2017/18	2017/18
	£'000	£'000	£'000	£'000
Balance at 1 April		7,432		7,609
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	(178)		(177)	
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)		(177)
Balance at 31 March		7,254		7,432

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.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	861,256	921,012
Remeasurements on pensions assets and liabilities	72,832	(87,543)
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	72,972	75,131
Employer's pensions contributions and direct payments to pensioners payable in year	(47,907)	(47,344)
Balance at 31 March	959,153	861,256

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.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	5,705	(3,545)
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	(5,831)	9,250
Balance at 31 March	(126)	5,705

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.

	2018/19 £'000	2018/19 £'000	2017/18 £'000	2017/18 £'000
Balance at 1 April		4,522		6,901
Settlement or cancellation of accrual made at the end of the preceding year	(4,522)		(6,901)	
Amounts accrued at the end of the current year	6,370		4,522	
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		1,848		(2,379)
Balance at 31 March		6,370		4,522

32 Pensions

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 (LGPS) - 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 pensionable salary. The LGPS is a funded defined benefit pension arrangement for local authorities, and is governed by statute principally now the Local Government Pension Scheme Regulations 2013.

The Teachers' Pension Scheme - Teachers employed by the Council are members of the Teachers' Pension Scheme, administered on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is a multi-employer defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities.

The rate of contribution for 2018/19 was 22.3%, resulting in a total payment of £7.254m (£8.198m in 2017/18) to the Teachers' Pension Agency. In addition, the Council made payments totalling £2.423m (£2.36m in 2017/18) 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 £1.797m (£1.814m in 2017/18). 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 2018/19 a total payment of £0.41m (£0.51m in 2017/18) was made to the NHS Pension Scheme, following the transfer of public health responsibilities from primary care trusts.

Accounting Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Teachers' Unfunded Pensions	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Income and Expenditure Account				
Net cost of services				
Current service cost	56,437	61,116	-	-
Past service gains/curtailment costs/Settlements	(5,434)	(8,225)	-	-
Administration expense	863	866	-	-
Financing and Investment Income				
Expenditure				
Net interest cost	19,387	19,621	1,719	1,753
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	71,253	73,378	1,719	1,753
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurements (assets/liabilities)	(69,744)	89,127	(3,088)	(1,584)
Movement in Reserves Statement				
Reversal of net charges made to the (surplus) or Deficit for the provision of services for post - employment benefits	(71,253)	(73,378)	(1,719)	(1,753)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to scheme	43,687	43,196	4,220	4,178

The Housing Revenue Account (HRA) Income and Expenditure Account has also been adjusted in 2018/19 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.

Assets and Liabilities in relation to Retirement Benefits

	Funded liabilities:		Unfunded liabilities:		Unfunded liabilities:		Total Liability	
	Local Government Pension Scheme		Local Government Pension Scheme		Teachers' Unfunded Pensions		Local Government & Teachers Pensions	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
01-Apr	(2,390,982)	(2,431,890)	(41,913)	(44,625)	(68,216)	(72,225)	(2,501,111)	(2,548,740)
Current service cost	(56,437)	(61,116)		0		0	(56,437)	(61,116)
Interest on pension liabilities	(61,325)	(59,895)	(1,053)	(1,080)	(1,719)	(1,753)	(64,097)	(62,728)
Contributions by scheme participants	(11,162)	(11,273)		0		0	(11,162)	(11,273)
Remeasurement (liabilities)								
Experience (gain)/loss	0	0		0		0	0	-
(Gain)/loss on financial assumptions	(129,957)	94,817	(1,389)	961	(3,088)	1,584	(134,434)	97,362
(Gain)/loss on demographic assumptions	0	0		0		0	0	-
Benefits paid	66,865	67,427	2,807	2,831	4,220	4,178	73,892	74,436
Past service grants, curtailment costs and settlements	7,097	10,948		0		0	7,097	10,948
31-Mar	(2,575,901)	(2,390,982)	(41,548)	(41,913)	(68,803)	(68,216)	(2,686,252)	(2,501,111)

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

	2018/19	2017/18
	£'000	£'000
1 April	1,668,864	1,627,833
Interest on plan assets	42,991	41,354
Remeasurement (assets)	61,602	(9,819)
Administration expense	(863)	(866)
Settlements	(1,663)	(2,723)
Employer contributions	29,040	72,070
Contributions by scheme participants	11,162	11,273
Benefits paid	(69,672)	(70,258)
31 March	1,741,461	1,668,864

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 £104.593m (2017/18: £31.536m).

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

	2018/19	2017/18	2016/17	2014/15
	£'000	£'000	£'000	£'000
Present value of liabilities:				
Local Government Pension Scheme	(2,617,449)	(2,432,895)	(2,476,515)	(2,056,639)
Teachers' unfunded liabilities	(68,803)	(68,216)	(72,225)	(67,128)
Fair value of assets in the Local Government Pension Scheme	1,741,461	1,668,864	1,627,833	1,430,637
Surplus/(deficit) in the scheme:				
Local Government Pension Scheme	(875,988)	(764,031)	(848,682)	(626,002)
Teachers' unfunded liabilities	(68,803)	(68,216)	(72,225)	(67,128)
Total	(944,791)	(832,247)	(920,907)	(693,130)

The total liabilities shown in the Balance Sheet comprise the above (£944.791m) together with a small amount in respect of pre-1974 liabilities (£105k) totalling (£944,896k).

Basis for Estimating Assets and Liabilities

Liabilities have been assessed using the projected unit credit actuarial cost method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the Council's Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Teachers	
	2018/19	2017/18	2018/19	2017/18
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	23.7	23.6	23.7	23.6
Women	26.2	26.1	26.2	26.1
Longevity at 75 for current pensioners:				
Men	-	-	14.7	14.5
Women	-	-	16.7	16.6
Longevity at 65 for future pensioners:				
Men	26.3	26.2	-	-
Women	29.0	28.8	-	-
	%	%	%	%
Rate for discounting scheme liabilities	2.4	2.6	2.4	2.5
Rate of inflation - CPI	2.2	2.1	2.3	2.3
Rate of increase in salaries	3.7	3.6	-	-
Rate of increase in pensions	2.3	2.2	2.4	2.3

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes, while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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 2019.

Impact on the Defined Benefit Obligation in the Scheme (LGPS)	2018/19	2017/18
	£'000	£'000
Longevity (increase or decrease by 1 year)	104,147	96,903
Rate of inflation (increase or decrease by 0.1%)	94,719	87,862
Rate of increase in salaries (increase or decrease by 0.1%)	11,026	11,235
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(92,194)	(85,827)

Impact on the Defined Benefit Obligation in the Scheme (Teachers)	2018/19	2017/18
	£'000	£'000
Longevity (increase or decrease by 1 year)	4,137	4,107
Rate of inflation (increase or decrease by 0.1%)	1,607	1,597
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(1,523)	(1,513)

Local Government Pension Scheme assets comprise

Asset Category	Sub-Category	Quoted (Y/N)	31 March 2019 £'000	31 March 2018 £'000
Equities	UK Quoted	Y	130,609	236,979
	Global Quoted	Y	492,833	445,587
	Emerging Markets	Y	80,107	-
	Sub-total equities		703,549	682,566
Bonds	UK Government Indexed	Y	210,717	180,237
	Sterling Corporate Bonds	Y	203,751	203,601
	Sub-total bonds		414,468	383,838
Property	UK Property Funds	Y	88,815	71,704
	Overseas Property Funds	Y	80,107	76,825
	Sub-total property		168,922	148,529
Alternatives	Hedge Funds	Y	85,332	76,768
	Diversified Growth Funds	Y	217,683	220,290
	Infrastructure	Y	121,902	96,794
	Sub-total alternatives		424,917	393,852
Cash and equivalents	Cash Accounts	Y	29,605	60,079
	Sub-total cash		29,605	60,079
Total Assets			1,741,461	1,668,864

Governance and Risk Management

The liability associated with the Council's pension arrangements is material to the Council, as is the cash funding required.

Local Government Pension Scheme

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.

Asset and Liability (ALM) 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.

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.

Impact on the Authorities Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 17 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The Council made a pension deficit contribution of £43.183 m in April 2017.

The provisions of the LGPS and the Fund were amended with effect from 1 April 2014. Prior to that date benefits were paid on members' final salaries, whereas for service after that date benefits are based on career average salaries.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 are £29.052m (£26,233m in 2018/19). Expected contributions for the Teacher Pensions Scheme in the year to 31 March 2020 are £4.220m.

Unfunded Teachers' Discretionary Benefits

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

Governance

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

Impact on the Council's Cash Flows

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

The Council's involvement is limited to additional discretionary pension benefits to retired teachers which were rewarded at the point of retirement.

Risks Strategy

Given their unfunded nature, there are no investment risks in relation to this scheme. The greatest single risk is that the Government could change the funding standards relating to the scheme, increasing the Council's contributions.

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.

33 Cash Flow Statement – Operating Activities

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

	2018/19	2017/18
	£'000	£'000
Interest received	6,173	7,313
Interest paid	(35,352)	(42,902)
Dividends received	2,790	2,589

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

	2018/19	2017/18
	£'000	£'000
Depreciation, impairment and downward revaluations	54,086	83,501
Amortisation	2,383	4,590
Increase/(decrease) in impairment for bad debt	1,400	1,400
(Decrease)/increase in creditors	5,595	(2,786)
(Increase)/decrease in debtors	4,950	(5,904)
(Increase)/decrease in inventories	(239)	16
Movement in pension liability	39,712	(1,117)
Contributions to/(from) Provisions	2,609	14,396
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	36,164	44,205
Other non-cash items charged to the net surplus or deficit On the provision of services	2,470	(18,269)
Net cash flows from non-cash movements	149,131	120,032

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

	2018/19	2017/18
	£'000	£'000
Capital grants credited to surplus or deficit on the provision of services	(44,218)	(44,705)
Proceeds from the sale of Property Plant and Equipment, Investment Property and Intangible Assets	(20,811)	(30,479)
	(65,029)	(75,184)

34 Cash Flow Statement - Investing Activities

	2018/19 £'000	2017/18 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(99,240)	(111,348)
Purchase of short-term and long-term investments	(259,894)	(48,903)
Other (payments)/receipts for investing activities	2,015	2,536
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	24,148	28,326
Proceeds from short-term and long-term investments	199,500	56,903
Capital Grants Received	36,234	60,736
Other receipts from investing activities	2,534	4,523
Net cash flows from investing activities	(94,703)	(7,227)

35 Cash flow Statement - Financing Activities

	2018/19 £'000	2017/18 £'000
Cash receipts of short- and long-term borrowing	-	-
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(6,401)	(6,367)
Repayments of short- and long-term borrowing	(1,776)	(3,000)
Council Tax and NNDR adjustments	4,230	(18,863)
Net cash flows from investing activities	(3,947)	(28,230)

36 Related Parties

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

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

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates. It provides the majority of its funding in the form of grants, which are disclosed in Note 16.

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

Name	Nature of Council relationship	Net assets/ (liabilities)	Transactions with the Council	Nature of transactions	Balances owed to / (from) the Council as at 31 3 2018	Future financial support expected in 2018/19	Key risks identified
Bristol Waste Company	100% subsidiary of Bristol Holding Limited The City Council has one Director post on the Board.	£3.9m per draft accounts as at 31 March 2019	£31.4m payments by Council to company £0.7m recharges from Company to Council	Contract for waste collection and recycling services Recharges	£1.7m owed by the Council.	Nil – payments are made for work done in line with contract terms	Low risk – company is trading profitably and delivering services as agreed
Bristol Holdings Limited	100% subsidiary The City Council has one Director post on the Board.	(£4.8)m per draft accounts as at 31 March 2019	£6.5m payments by Council to company	Purchase of shares	£1.4m owed to the Council for preference share interest	See below	See below
Bristol Energy Limited	100% subsidiary of Bristol Holdings Limited The City Council has one Director posts on the Board.	(£27.7m) per draft accounts as at 31 March 2019	£1.8m recharges from the Council £0.8m sales of energy to the Council	Recharges and the sale of energy	£16.7m of guarantees issued by the Council. Exposure as at 31 March £14.9m	Further funding may be required until the company reaches breakeven point	Key risk is the company's ability to attract and retain customers in a competitive market

Bristol Energy & Technology Services (Supply) Limited	100% subsidiary of Bristol Holdings Limited The City Council has one Director post on the Board. The company is currently dormant.	£1	None	N/A	Nil	Nil	None
Bristol is Open Limited	50/50 joint venture with Bristol University The City Council has one Director posts on the Board.	(£79k) per March 2018 management accounts	£None	N/A	Nil	Further funding may be required if the company continues to trade at a deficit	Low risk – sums involved are not significant in the context of the Council's overall net budget.
Bristol Local Education Partnership (LEP) Ltd	Joint venture with BCC holding 10%, Building Schools for the Future Investments (Bristol) Ltd 10% and Skanska Infrastructure Development UK Limited 80%	£245k per December 2018 audited accounts	£11.1m payments to the company	Provision of ICT and construction services to schools in Bristol.	£110k owed to the Council	Nil – payments are made for work done in line with contract terms	Low risk – company is trading profitably and delivering services as agreed
Goram Homes	100% owned subsidiary. The City Council has one Director post on the Board.	Nil	Nil	Development of building projects	Nil	Nil	Currently no risk as the company was not trading during 2018/19

West of England Partnership

Four unitary authorities - Bath & North East Somerset Council, Bristol City Council, North Somerset Council and South Gloucestershire Council - continue to work together and co-ordinate high level planning to improve the quality of life of their residents and provide for a growing population. This joint work focuses on activities that are better planned at the West of England level, rather than at the level of the individual council areas.

The partnership is not a partnership in law, nor a formal decision making body, and does not have the power to bind the four unitaries. The partnership's activity is integrated into the West of England Local Enterprise Partnership (LEP), which promotes economic growth and prosperity through its key themes of Place, People and Business

37 Transfer of Functions

As part of the West of England devolution deal, South Gloucestershire, Bristol and Bath & North East Somerset Councils agreed to the establishment of the West of England Combined Authority to support economic growth and development across the region. Under the devolution deal certain functions were transferred from the constituent authorities to the WECA from 1st April 2018. These included concessionary fares, community transport, key route network development and bus service information. WECA has commissioned South Gloucestershire Council to provide concessionary fares on its behalf during 2018/19.

WECA levies the constituent authorities for the cost of the services for which it is now responsible. This is shown under Other Operating Expenditure. The value of the levy in 2018/19 is £6.893m (2017/18 £8.475m). There has been no change to the council's assets or liabilities arising from the transfer of functions to WECA.

38 Contingent Liabilities

The City Council has received five separate applications from NHS bodies and trusts for mandatory charitable business rate (NNDR) relief. The applications are for 80% mandatory charitable relief backdated to 2010. The Council has sought legal guidance and, as a result, has declined all applications. A number of NHS bodies have begun legal action against local authorities. The City Council is not involved in any of these cases.

Bristol North Swimming Baths: A former contractor (in administration) may bring claims (as yet unparticularised) in respect of this project following termination of a contract in December 2015. The Council does not accept any liability in this regard and will defend any legal claims arising.

The Council has provided operational guarantees on behalf of one of its wholly owned subsidiaries (see Note 38). The guarantees limit the Council's financial exposure to £14.93m. To date none of the conditions or events which would lead to a liability arising from either of these guarantees has occurred.

The Council has 59 tower blocks in total, of which 37 blocks are clad. Following the Grenfell Tower tragedy the Council has, in addition to its own safety checks, began commissioning independent checks of our entire high rise cladding systems and materials to evidence that our blocks are safe. The materials used is different and of different design to that employed at Grenfell and there is no evidence to suggest that we will need to remove any cladding at this point in time. We have earmarked funds in our HRA Business Plan for general tower block maintenance and improvements and will continue to monitor its sufficiency as findings from our own independent checks are concluded.

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

The Council is aware of a number of court rulings which may have an impact on the Local Government Pension Scheme and therefore the liability incurred by the Council.

The McCloud Case

In December 2018 the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to “McCloud”), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. The Government is attempting to appeal the cases, but it is not known at this stage whether an appeal will even be possible. If the Government ultimately loses these cases then remedial action in the form of increases in benefits for some members is likely to be required. There may well also be knock-on effects for the other public service schemes, and the LGPS might therefore also be required to take some action. At this stage it is uncertain whether remedial action will be required, nor is it clear the extent of any potential remedial action might be.

The LGPS Scheme Advisory Board has commissioned the Government Actuary’s Department (GAD) to calculate some indicative costs on an LGPS-wide basis so that Funds can give some consideration to the overall issue and form a view on whether any more detailed work is required. Whilst GAD has not yet reported on their findings, initial indications are that the impact on liabilities could be of the order of 0.5% to 1% of liabilities. This is well within the approximations inherent in the liability calculations included in the accounting exercise, which are based on a “roll-forward” of the 2016 actuarial valuation results rather than being a full recalculation, and in any case is within normal acceptable tolerances for this type of work given the general approximations which need to be made. We have therefore not included a specific provision for the potential additional liabilities arising from the McCloud case.

GMP Equalisation

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the “Barber” judgment) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the 26 October 2018 Lloyds Bank court judgement has now provided further clarity in this area. However, in response to this judgement HM Treasury stated that “public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgment”, clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgement itself will not affect the benefits. Therefore, the natural conclusion for the main public service pension schemes including the Local Government Pension Scheme is that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgment, at least at the present time, and so we have not made any allowance for any additional liabilities within the accounting exercise at this stage. However, in due course there may be a further cost to the LGPS in connection with equalisation/indexation, when the Government confirms the overall approach which it wishes to adopt in this area following its consultation.

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	2018/19 Net £'000	2017/18 Net £'000
Expenditure			
Repairs and maintenance		30,627	28,722
Supervision and management		27,178	26,090
Special services		8,294	7,911
Rent, rates, taxes and other charges		1,094	1,661
Depreciation and impairment of non-current assets	4	26,205	26,917
2Debt management		41	29
Debt write offs and movement in the allowance for bad debts		986	1,542
Total expenditure		94,425	92,872
Income			
Dwelling rents	2	(110,589)	(112,000)
Non-dwelling rents		(957)	(1,024)
Charges for services and facilities		(8,108)	(8,070)
Contributions towards expenditure		(378)	(257)
Total income		(120,032)	(121,351)
Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement		(25,602)	(28,479)
Net cost of HRA services		(25,602)	(28,479)
(Gain) on sale of HRA non-current assets		(4,706)	(7,272)
Movement in the Fair Value of Investment Properties		46	(2,676)
Interest payable and similar charges		11,459	11,120
HRA interest and investment income		(1,016)	(456)
Pensions interest costs and expected return on assets	5	2,308	2,266
(Surplus) for the year on HRA services		(17,511)	(25,497)

Statement of movement on the HRA Balance

	Note	31 March 2019 Net £'000	31 March 2018 Net £'000
HRA balance brought forward		(71,269)	(54,237)
(Surplus) for the year on the HRA Income and Expenditure Account		(17,511)	(25,497)
Adjustments between accounting basis and funding basis under statute		9,554	9,910
(Increase) before reserve transfers		(7,957)	(15,587)
Transfer from/to reserves		508	(1,445)
Net (increase) on HRA balance		(7,449)	(17,032)
HRA balance carried forward	11	(78,718)	(71,269)

Note to the statement of movement on the HRA Balance

	Note	31 March 2019 Net £'000	31 March 2018 Net £'000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year			
Depreciation and impairment of property, plant & equipment	4	(26,205)	(26,917)
Fair value movements on investment properties		(46)	2,676
Net charges made for retirement benefits in accordance with IAS19	5	(8,479)	(8,743)
Net gain/loss on disposal of assets		4,706	7,272
		(30,024)	(25,712)
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year			
Capital expenditure funded by the HRA	6	10,160	5,948
Employer's contributions payable to the Avon Pension Fund and retirement benefits payable direct to pensioners	5	4,404	4,148
Transfer to Major Repairs Reserve	8	-	-
HRA depreciation to Major Repairs Reserve	8	25,015	25,526
Amortisation of premiums		-	-
		39,579	35,622
Net additional amount required by statute to be debited or credited to the HRA Balance for the year		9,554	9,910

Notes to the Housing Revenue Account

1 Dwelling numbers as at 31 March 2019

	31 March 2019	31 March 2018
Houses		
1 Bedroom	18	16
2 Bedrooms	2,071	2,078
3 Bedrooms	8,855	8,920
4 or more Bedrooms	394	386
Total Houses	11,338	11,400
Bungalows		
1 Bedroom	355	344
2 Bedrooms	704	700
3 Bedrooms	25	26
Total Bungalows	1,084	1,070
Flats		
1 Bedroom	6,469	6,493
2 Bedrooms	7,603	7,633
3 Bedrooms	425	425
4 or more Bedrooms	18	17
Total Flats	14,515	14,568
Total Dwellings held at 31 March 2019	26,937	27,038

2 Rent and Rent Arrears

The total value of dwelling rents in 2018/19, less rent attributable to empty properties (voids), is £110.5m (£112m in 2017/18). The amount of rent arrears, including recoverable housing benefit, water charges, defect charges, etc:

As at 31 March	2019 £'000	2018 £'000
Former tenants	3,774	2,697
Current tenants	7,654	8,071
	11,428	10,768
Balance Sheet Provision		
Former tenants	3,121	2,505
Current tenants	5,693	6,174
	8,814	8,679

Vacant Possession

The vacant possession value of dwellings as at 1st April 2019 was £4.798bn. The value of dwellings in the balance sheet (excluding dwellings leased to Registered Social Landlords) was £1.679bn, a difference of £3.118bn. 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 2018/19 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

	2018/19	2017/18
	£'000	£'000
Depreciation		
Operation - Dwellings	24,538	24,928
- Other, including leased	477	598
Total depreciation	25,015	25,526
Revaluation losses	1,191	1,391
Reversal of impairment losses	-	-
Total depreciation and impairment	26,206	26,917

Impairment

There was a loss on revaluation of £1.191m charged to the surplus on provision of Services (2017/18: £1.391m).

5 HRA Share of Contributions to/from Pension Reserve

For 2018/19 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 £2.3m (2017/18 £2.3m). This share has been calculated using the proportion of HRA pensionable pay to the total of that for the council. The net cost of services shown in the HRA statement also includes the current service cost as required by IAS19 of (£8.5m) (2017/18 (£8.7m)). This is excluded from the HRA Balance for the year and replaced with Employers Contributions payable £4.4m (2017/18 (£4.6m)) with the net movement on the Pension reserves of £4.1m (2017/18 £4.6m). Further information regarding the accounting for pensions is included in the notes to the consolidated revenue account and balance sheet, see note 32.

6 Capital Expenditure and financing

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

Expenditure	2018/19	2017/18
	£'000	£'000
Dwellings	35,847	31,409
Other Assets	898	969
	36,745	32,378
Financing	2018/19	2017/18
	£'000	£'000
Usable capital receipts	3,951	2,129
Revenue contributions to capital	10,160	5,948
Major Repairs Reserve	22,634	24,301
	36,745	32,378

7 Capital Receipts

Capital receipts received during the year from disposals of land, houses and other property within the HRA was £16.7m (£19.6m in 2017/18). The receipts are summarised as follows:

	2018/19 £'000	2017/18 £'000
Receipts unapplied brought forward - 1 April	48,993	41,969
Right to Buy sales	12,274	16,108
Mortgage repayments	18	10
Disposal of Land and Buildings	107	590
	61,392	58,677
Allowable reductions		
Repaid to MHCLG	(2,614)	(6,055)
Capital receipts applied	(3,951)	(2,129)
Capital receipts applied to GF		(1,500)
Capital receipts unapplied carried forward - 31 March	54,827	48,993

8 Major Repairs Reserve

	2018/19 £'000	2017/18 £'000
Balance brought forward - 1 April	(1,225)	-
Capital expenditure (dwellings)	22,634	24,301
Major Repairs Allowance set aside in year	(25,015)	(25,526)
Excess depreciation credited to Statement of Movement on HRA Balance	-	-
Balance carried forward - 31 March	(3,606)	(1,225)

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

The MRA was £25m for 2017/18 (2017/18 - £25.5m). £22.6m was used to finance appropriate Housing Revenue Account capital expenditure.

9 Balance Sheet Value of Land and Houses, etc

	2018/19 £'000	2017/18 £'000
Dwellings	1,679,183	1,656,465
Land	30,794	16,179
Other assets	18,460	21,694
	1,728,437	1,694,338

10 Asset Split

	2018/19	2017/18
	£'000	£'000
Operational - dwellings	1,679,183	1,656,465
Operational - other land and buildings	42,005	30,496
Non-operational	7,250	7,377
Intangible	1,867	969
Other	2	6
	1,730,307	1,695,313

11 Reserves

The details of reserves and provisions held within the HRA (excluding those already shown in Note 18 above) are summarised as follows:

	2018/19	2017/18
	£'000	£'000
Reserves		
HRA balance	78,718	71,269
Other reserves		
Furniture Packs	1,091	1,091
CCTV	419	255
Energy efficiency	3,541	3,198
Improving Tenants Experience	1,184	1,184
Other	1,617	1,616
Sub-total other reserves	7,852	7,344
Total reserves	86,570	78,613

Collection Fund

Collection Fund Income and Expenditure Account

31 March 2018

31 March 2019

£'000	£'000	£'000		£'000	£'000	£'000
Business Rates	Council Tax	Total	Note	Business Rates	Council Tax	Total
			Income			-
-	227,200	227,200	Council Tax	-	240,849	240,849
219,119		219,119	Non-Domestic Rates	218,324	-	218,324
(6,050)		(6,050)	Transitional Protection Payment	(2,355)	-	(2,355)
-	-	0	Prior Period Adjustment	1,302	-	1,302
			Contributions towards previous years			
			Collection Fund Deficit:			
-	-	0	Central Government	7,130		7,130
-	-	0	Bristol City Council	6,721	32	6,753
-	-	0	Avon & Somerset Police and Crime			
-	-	0	Commissioner	-	4	4
-	-	0	Avon Fire Authority	140	1	141
-	-	0	West of England Combined Authority	(14)		(14)
213,069	227,200	440,269		231,248	240,886	472,134
			Expenditure			
			Apportionment of Previous Years Surplus			
6,586		6,586	Central Government	-	-	0
6,455	3,945	10,400	Bristol City Council	-	-	0
			Avon & Somerset Police and Crime	-	-	0
-	477	477	Commissioner	-	-	0
132	182	314	Avon Fire Authority	-	-	0
-	-	0	West of England Combined Authority	-	-	0
13,173	4,604	17,777		0	0	0
			Precepts, Demands and Shares			
192,396	192,162	384,558	Bristol City Council	197,401	204,539	401,940
			Avon & Somerset Police and Crime			
-	22,559	22,559	Commissioner	-	24,380	24,380
2,047	8,596	10,643	Avon Fire Authority	2,100	8,974	11,074
10,234	-	10,234	West of England Combined Authority	10,500	-	10,500
204,677	223,317	427,994		210,001	237,893	447,894
			Charges to the Collection Fund			
1,004	1,983	2,987	Write offs of uncollectable amounts	1,022	2,380	3,402
338	285	623	Increase/(Decrease) in bad debt provision	(899)	194	(705)
716	-	716	Cost of Collection Allowance	714	-	714
4,017	-	4,017	Disregarded amounts	4,572	-	4,572
(758)	-	(758)	Prior year adjustment	-	-	0
2,541	-	2,541	Increase/(Decrease) in provision for appeals	3,401	-	3,401
7,858	2,268	10,126		8,810	2,574	11,384
(12,639)	(2,989)	(15,628)	Surplus/ (Deficit) for the year	12,437	419	12,856
(1,085)	4,761	3,676	Surplus/ (Deficit) as at 1 April	(13,725)	1,773	(11,952)
(13,724)	1,772	(11,952)	Surplus/ (Deficit) as at 31 March	(1,288)	2,192	904

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 125,798 for 2018/19 (124,083 for 2017/18). 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 £1,891.10 for 2018/19 (£1,799.75 for 2017/18) 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 2018/19 Council Tax:

	BANDS										Total
	A Entitled to Disabled Relief	A	B	C	D	E	F	G	H		
No of Properties	-	51,725	72,992	38,772	18,138	9,643	4,759	2,846	338		199,213
Exemptions and disabled relief	30	- 2,631	- 1,344	- 1,232	- 1,179	- 1,026	- 162	- 40	17	-	7,567
Less Discounts	-	3	- 5,374	- 5,573	- 2,695	- 1,102	- 526	- 194	- 110	- 80	15,657
Total Equivalent Dwellings	27	43,720	66,075	34,845	15,857	8,091	4,403	2,696	275		175,989
Ratio	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9		
Band D Equivalents	15	29,147	51,392	30,973	15,857	9,889	6,360	4,493	550		148,676
Add Changes re: Additional Properties											1,489
Additional Exemptions											-1,153
Council Tax Support											-21,300
Adjustments to reflect Discretionary Discounts											
Rate of Collection 98.5%											-1,914
Council Tax Base											<u>125,798</u>

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

Council Tax	Total	Bristol City Council	Police & Crime Commissioner	Avon Fire Authority
	£'000	£'000	£'000	£'000
Debtors	13,538	11,540	1,487	511
Bad debt allowance	(6,778)	(5,778)	(744)	(256)
Prepayments and overpayments	(2,169)	(1,849)	(238)	(82)
Surplus/ (Deficit) at 31 March	2,191	1,871	238	82

Business Rates	Total	Bristol City Council	West of England Combined Authority	Avon Fire Authority	Central Government
	£'000	£'000	£'000	£'000	£'000
Debtors	5,810	5,461	291	58	
Bad debt allowance	(1,587)	(1,492)	(79)	(16)	
Prepayments and overpayments	(2,070)	(1,946)	(103)	(21)	
Appeals provision	(28,630)	(26,912)	(1,432)	(286)	
Surplus/ (Deficit) at 31 March	(1,287)	(2,171)	(139)	(7)	1,030

4. National Non-Domestic Rates (NNDR)

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

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

In 2018/19 the non-domestic rating multiplier was 49.3p (47.9p in 2017/18) and the small business non-domestic rating multiplier was 48.0p (46.6p in 2017/18).

As part of the governments West of England devolution deal Bristol, Bath and North West Somerset and South Gloucestershire Councils agreed to the establishment of the West of England Combined Authority (WECA) to support economic growth and development across the region. This also enabled the three Councils to take part in a 100% business rates retention pilot. As a result Bristol City Council is now responsible not only for collection of rates due from the ratepayers in its area but also for redistribution of the sums paid according to the following percentages: Bristol City Council: 94%, West of England Combined Authority 5% and Avon Fire Authority: 1%.

The NNDR income after reliefs and provisions was £214,800m for 2018/19 (£215,236m for 2017/18). The total rateable value at 31 March 2019 was £556.252m (£558.772m at 31 March 2018).

5. City Region Deal Growth Disregard

From 2015/16, the Council is allowed to retain 100% of the growth in Business Rates in its Enterprise area and Enterprise Zone. The growth is transferred to the Council's General Fund before being pooled with other participating authorities.

City Region Deal

Background

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

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

Transactions

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

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

Cash receivable and disbursements payable by the BRP and the Council's share of these are reflected under "Cash Transactions" in the table below. Expenditure and revenue recognised in the Council's CIES is also disclosed.

	CASH TRANSACTIONS		REVENUE & EXPENDITURE	
	Business Rates Pool Total	of which the Council's share	Council Expenditure	Council Revenue
	£'000	£'000	£'000	£'000
Funds held by BRP at 1 April	(20,328)	(5,682)	-	-
Receipts into the Pool in-year				
- Growth sums payable by Council's to BRP in year	(19,487)	(5,335)	5,335	-
Distributions out of the Pool in-year				
- Tier 1 no worse off	6,924	2,559	-	(2,559)
- BRP management fee	81	20	-	-
- EDF management fee	67	17	-	-
- Tier 2 EDF funding	1,677	265	-	(1,033)
- Tier 3 demographic and service pressures	1,980	437	-	(516)
Funds held by BRP at 31 March	(29,086)	(7,719)		
Analysed between:				
Uncommitted cash (Tier 2 inc contingency)	(25,534)	(6,777)	(2,037)	n/a
Committed cash (Tier 3)	(3,552)	(943)	n/a	n/a
	(29,086)	(7,720)		
Expenditure/(Revenue) recognised			3,298	(4,108)

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 £6.777m contributed by the council and held by the BRP is recognised by the council as a debtor and is held in a new earmarked reserve to smooth the impact of City Region Deal transactions, and match the release of revenue support and charges for projects. The BRP has made one payment of £1.033m to Bristol City Council on behalf of the EDF in 2018/19 (2017/18 £1.437m.)

The Council itself has recognised revenue income of £4.108m (2017/18 £4.084m) from the BRP and expenditure of £3.298m (2017/18 £2.885m) to the BRP for the year.

Group Accounts

Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (The Code) requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material. The aim of the Group Accounts is to provide the reader with an overall view of the material economic activities of the Council.

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

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

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

The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement
- Associated Notes to the Accounts where there are significant differences between the Council's single entity accounts and the consolidated Group.

Group Financial Statements

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

This statement shows the accounting cost in the year of providing the Group's services in accordance with generally accepted accounting practices.

2017/18			2018/19		
Gross Exp	Gross Income	Restated Net Exp	Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000	£'000	£'000	£'000
359,789	(148,904)	210,885	373,922	(155,103)	218,819
249,760	(188,712)	61,048	238,021	(178,553)	59,468
257,205	(150,812)	106,393	278,345	(162,187)	116,158
92,874	(121,351)	(28,477)	94,440	(120,041)	(25,601)
210,377	(207,965)	2,412	195,412	(199,251)	(3,839)
(4,386)	(1,256)	(5,642)	(1,755)	(849)	(2,604)
1,165,619	(819,000)	346,619	1,178,385	(815,984)	362,401
		30,180			25,946
		28,514			17,411
		(393,731)			(389,967)
		11,582			15,791
		(233,641)			(11,755)
		(87,543)			72,832
		749			150
		(320,435)			61,227
		(308,853)			77,018

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the group, analysed into usable reserves and other reserves.

	Note	General Fund Balance	Earmarked Reserves Restated	School Reserves	Sub Total - General Fund	Housing Revenue Account	Housing Revenue Account	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 32) Restated	Total Council Reserves Restated	Council Share of Subsidiaries	Total Group Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Movement in Reserves during 2017/18															
Surplus or (deficit) on the provision of services		(38,767)	-	-	(38,767)	25,497	-	-	-	-	(13,270)	-	(13,270)	1,688	(11,582)
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	-	-	329,178	329,178	(8,743)	320,435
Total Comprehensive Expenditure and Income		(38,767)	-	-	(38,767)	25,497	-	-	-	-	(13,270)	329,178	315,908	(7,055)	308,853
Adjustments between accounting basis and funding basis under regulations	Note 18	62,044	-	-	62,044	(9,910)	-	17,763	1,225	(336)	70,786	(70,786)	-	-	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		23,277	-	-	23,277	15,587	-	17,763	1,225	(336)	57,516	258,392	315,908	(7,055)	308,853
Transfers to/(from) Earmarked Reserves	Note 19	(23,277)	21,975	1,302	-	1,445	(1,445)	-	-	-	-	-	-	-	-
Increase/(Decrease) in 2017/18		-	21,975	1,302	23,277	17,032	(1,445)	17,763	1,225	(336)	57,516	258,392	315,908	(7,055)	308,853
Balance at 31 March 2018 Carried Forward		20,000	87,421	6,761	114,182	71,269	7,345	63,472	1,225	3,004	260,497	1,411,868	1,672,365	(7,055)	1,665,310
Adjustment from the adoption of IFRS9		(22,500)	-	-	(22,500)	-	-	-	-	-	-	22,500	-	-	-
Adjusted Balance at 1 April 2018		(2,500)	87,421	6,761	91,682	71,269	7,345	63,472	1,225	3,004	260,497	1,434,368	1,672,365	(7,055)	1,665,310
Movement in Reserves during 2018/19															
Surplus or (deficit) on the provision of services		(20,830)	-	-	(20,830)	17,511	-	-	-	-	(3,319)	-	(3,319)	(12,473)	(15,792)
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	-	-	(61,226)	(61,226)	-	(61,226)
Total Comprehensive Expenditure and Income		(20,830)	-	-	(20,830)	17,511	-	-	-	-	(3,319)	(61,226)	(64,545)	(12,473)	(77,018)
Adjustments between accounting basis and funding basis under regulations	Note 17	46,078	-	-	46,078	(9,555)	-	9,965	2,381	915	49,784	(49,784)	-	-	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		25,248	-	-	25,248	7,956	-	9,965	2,381	915	46,465	(111,010)	(64,545)	(12,473)	(77,018)
Transfers to/(from) Earmarked Reserves	Note 18	510	(6,242)	5,732	-	(507)	507	-	-	-	-	-	-	-	-
Increase/(Decrease) in 2018/19		25,758	(6,242)	5,732	25,248	7,449	507	9,965	2,381	915	46,465	(111,010)	(64,545)	(12,473)	(77,018)
Balance at 31 March 2019 Carried Forward		23,258	81,179	12,493	116,930	78,718	7,852	73,437	3,606	3,919	306,962	1,323,358	1,607,820	-19,528	1,588,292

Group Consolidated Balance Sheet as at 31 March 2019

31-Mar-18		Note	31 March 2019
<u>£'000</u>			<u>£'000</u>
2,620,874	Property, Plant & Equipment		2,626,964
201,094	Heritage Assets		202,094
10,901	Intangible Assets		12,275
255,415	Investment Property		249,251
12,502	Long Term Investments	G9	34,652
46,872	Long Term Debtors		42,941
3,147,658	Long Term Assets		3,168,177
25,132	Short Term Investments	G9	80,080
2,376	Inventories		1,988
126,150	Short Term Debtors	G3	125,142
29,990	Cash and Cash Equivalents		18,865
1,539	Assets held for sale		3,572
185,187	Current assets		229,647
(4,997)	Short Term Borrowing	G9	(5,922)
(143,354)	Short Term Creditors	G4	(174,704)
(4,188)	Provisions		(3,589)
(26,057)	Capital grants received in advance		(20,079)
(178,596)	Current liabilities		(204,294)
(430,489)	Long Term Borrowing	G9	(430,488)
(24,637)	Provisions		(27,846)
(1,027,094)	Other Long Term Liabilities		(1,132,404)
(6,719)	Capital Grants Receipts in Advance		(14,500)
(1,488,939)	Long-term liabilities		(1,605,238)
1,665,310	Net assets		1,588,292
(262,702)	Usable Reserves		(277,674)
(1,402,608)	Unusable Reserves	G5	(1,310,618)
(1,665,310)	Total reserves		(1,588,292)

Group Cash Flow Statement for the year ended 31 March 2019

The cash flow statement shows the changes to cash and cash equivalents of the Group during the reporting period. The statement shows how the group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2017/18		2018/19
£'000	Note	£'000
(11,581)	Net surplus on the provision of services	(15,791)
102,593	Adjustment to net surplus on the provision of services for non-cash movements	163,478
(75,184)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(65,160)
15,828	Net cash flows from Operating Activities	82,527
(7,907)	Investing Activities	(89,706)
(18,170)	Financing Activities	(3,946)
(10,249)	Net increase (decrease) in Cash and Cash Equivalents	(11,125)
40,239	Cash and Cash Equivalents at the beginning of the reporting period	29,990
29,990	Cash and Cash Equivalents at the end of the reporting period	18,865

Accounting Policies

Generally, the accounting policies for the group accounts are the same as those applied to the single entity financial statements, except for the following policies which are specific to the group accounts:

Basis of Identification of the Group Boundary

Group accounts are prepared by aggregating the transactions and balances of the Council and all its material subsidiaries, associates and joint arrangements. In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories:

- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- Joint Arrangements (Joint Operations and Joint Ventures) – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group.
- Associates – where the Council is an investor and has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee (stopping short of control or joint control.) It is presumed that holding 20% of the voting power of an investee (either directly or indirectly) brings significant influence but this presumption can be rebutted.
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

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

Bristol Holding Ltd	Subsidiary	Consolidated
Bristol Waste Company Ltd	Subsidiary	Consolidated
Bristol Energy Ltd (formally Bristol Energy and Technology Services (Supply) Ltd	Subsidiary	Consolidated
Bristol Energy and Technology Services (supply) Ltd	Subsidiary	Not Material – Dormant company
Local Education Partnership	Joint Venture	Not Material
Bristol is Open Ltd	Joint Venture	Not Material
Goram Homes	Subsidiary	Not Material – Not yet trading

The grounds for exclusion from consolidation of certain entities are not material to the true and fair view of the financial statements or to the understanding of the users.

Basis of Consolidation – Group Accounts

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

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

Bristol Holding Limited

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

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

As at the 31 March 2019 the Council has invested £29.411m in Bristol Holding Limited. This was made up of £7.243m ordinary shares and £22.168m cumulative redeemable preference shares.

Bristol Waste Company Limited

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

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

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

2016. On 14 February 2018 a resolution was passed to authorise the Company to change its name to Bristol Energy Limited.

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

Bristol Energy and Technology Services (Supply) Limited is a wholly owned subsidiary of Bristol Holding Limited incorporated on 14 March 2016. The company is currently dormant. On 14 February 2018 a resolution was passed to authorise the Company to change its name to Bristol Energy and Technology Services (supply) Limited.

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

Group financial position

The closing net deficit balance of the group is £31.628m which takes into account previous years losses carried forward. This is in-line with the expectations set out in the company's business plan. The Council has ambitious strategic plans which with collaboration across the company portfolio will give Bristol a sustainable and smart energy system that will protect the environment and improve the quality of life for the people of Bristol.

Notes to the Group Accounts

Where there are no material changes to the statements the notes are as per the Council's single entity accounts. Where consolidation has resulted in material changes additional notes are set out below.

G1 Net Cost of Services

The Net cost of Services in the consolidated CIES includes gross income of £73.6m and gross expenditure of £84.6m associated with Bristol Energy trading outside of the group boundary. Similarly the net cost of services includes gross income of £7.3m and gross expenditure of £6.9m associated with Bristol Waste trading outside of the group boundary.

G2 Financing and Investment Income and Expenditure

	2018/19	2017/18
	£'000	£'000
Interest payable and similar charges	36,949	36,608
Pensions net interest cost	21,106	21,374
Interest receivable and similar income	(32,890)	(9,859)
Income and expenditure in relation to Investment Properties	(11,272)	(10,991)
Changes in fair value of Investment Properties	3,520	(8,618)
Total	17,413	28,514

G3 Current Debtors

	31 March 2018	31 March 2017
	£'000	£'000
Current debtors		
Trade Receivables	35,561	27,672
Prepayments	16,175	8,771
VAT	7,652	14,822
Other Receivable Amounts	65,754	74,885
Total	125,142	126,150

G4 Creditors

	31 March 2019	31 March 2018
	£'000	£'000
Current liabilities		
Trade Payables	26,187	13,911
Other Payables	91,320	88,595
Receipts In Advance	57,197	40,848
Total	174,704	143,354

G5 Unusable Reserves

	31 March 2019	31 March 2018
	£'000	£'000
Revaluation Reserve	(788,594)	(800,696)
Capital Adjustment Account	(1,493,718)	(1,480,127)
Available for Sale Financial Instruments	-	850
Financial Instruments Adjustment Account	7,254	7,432
Financial Instruments Revaluation Reserve	1,000	-
Pensions Reserve	957,196	859,706
Collection Fund Adjustment Account	(126)	5,705
Accumulated Absences Account	6,370	4,522
	(1,310,618)	(1,402,608)

G6 Cash Flow Statement

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

	2018/19	2017/18
	£'000	£'000
Interest received	6,201	7,318
Interest paid	(36,947)	(44,146)
Dividends received	2,790	2,589

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

	2018/19	2017/18
	£'000	£'000
Depreciation, impairment and downward revaluations	54,769	72,388
Amortisation	3,171	5,705
Increase/(decrease) in impairment for bad debt	1,400	1,400
(Decrease)/increase in creditors	29,241	(1,442)
(Increase)/decrease in debtors	(5,882)	(13,251)
(Increase)/decrease in inventories	388	(523)
Movement in pension liability	39,147	(1,866)
Contributions to/(from) provisions	2,609	14,396
Carrying amount of non-current assets held for sale, sold or derecognised	36,164	44,205
Other non-cash items charged to the net surplus or deficit	2,470	(18,419)
On the provision of services	2,470	(18,419)
Net cash flows from non-cash movements	163,478	102,593

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

	2018/19	2017/18
	£'000	£'000
Capital grants credited to surplus or deficit on the provision of services	(44,218)	(44,705)
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	(20,942)	(30,479)
	(65,160)	(75,184)

G7 Cash Flow Statement - Investing Activities

	2018/19	2017/18
	£'000	£'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(99,875)	(112,028)
Purchase of short-term and long-term investments	(254,393)	(48,903)
Other (payments)/receipts for investing activities	2,015	2,536
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	24,279	28,326
Proceeds from short-term and long-term investments	199,500	56,903
Capital Grants Received	36,234	60,736
Other receipts from investing activities	2,534	4,523
Net cash flows from investing activities	(89,705)	(7,907)

G8 Cash flow Statement - Financing Activities

	2018/19	2017/18
	£'000	£'000
Cash receipts of short- and long-term borrowing	-	-
Cash payments for the reduction of outstanding liabilities relating to Finance leases and on-Balance Sheet PFI contracts	(6,401)	(6,367)
Repayments of short and long-term borrowing	(1,775)	(3,000)
Council Tax and NNDR adjustments	4,230	(18,863)
Other payments/(receipts) in respect of financing activities	-	10,060
Net cash flows from financing activities	(3,946)	(18,170)

G9 Officers Remuneration and Exit Packages

Where a senior officer's annual salary is £150,000 or more, details are disclosed in the table below by job title and their name.

2018/19					Salary, Fees and Allowances	Compensation for Loss of Office	Pension Contribution	Total
Post Title	Post Term	Post Holder	Notes		£	£	£	£

Draft

G10 Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments. The value of debtors and creditors reported in the table are those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and associated notes also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

	Long-Term		Current	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£'000	£'000	£'000	£'000
Financial Liabilities at Amortised cost				
Borrowing	(430,488)	(430,489)	(5,922)	(4,997)
Service Concessions	(142,874)	(148,623)	-	(976)
Creditors	(2,033)	(75)	(151,147)	(129,862)
Total Financial Liabilities	(575,395)	(579,187)	(157,379)	(135,835)
Financial Assets				
Available-for-sale financial assets		9,249		-
Unquoted equity investment at cost		3,252		-
Loans & Receivables at Amortised Cost		4,272		135,026
Financial Assets at amortised cost				
Investments	2		79,926	
Debtors	1,961		93,213	
Financial Assets at Fair Value through Other Comprehensive Income				
Investment	9,650		-	
Financial Assets at Fair Value through profit and loss				
Investments	25,000		19,019	
Total Financial Assets	36,613	16,773	192,158	135,026

Movements

The increase in financial assets, circa £65m, primarily relates to the increase in value of long term investments through revaluation (£23m) and acquisition. In addition the increase in working capital and reserves has resulted in additional cash resources to invest in lieu of using these resources.

Reclassification and re-measurement of financial assets at 1 April 2018

Previous Classification	Carrying Amount brought forward at 1 April	New Classification at 1 April 2018		
		Amortised cost	Fair value through other comprehensive income	Fair value through profit and loss
	£'000	£'000	£'000	£'000
Loans & Receivables - Amortised Cost	114,035	114,035	-	-
Cash and Cash equivalents - Amortised Cost	25,263	(3,608)	-	28,871
Available For Sale - Fair Value	9,249	-	9,249	-
Available For Sale - Unquoted Equity Investments	3,252	-	-	3,252
Reclassification amounts at 1 April 2018	151,800	110,428	9,249	32,123
Remeasurements at 1 April 2018		110,428	9,249	54,623
Remeasured carrying amount 01 April 2018		110,428	9,249	54,623
Impact on General Fund Balance				(22,500)
Statutory override for investments classed as capital expenditure				22,500
Impact on Financial Instruments Revaluation Reserve				-

Remeasurements at 1 April 2018

The Group's shareholding in Bristol Port Company Ltd was previously classified as an Unquoted Equity investment at cost (£2.5m) a classification no longer applicable with the adoption of IFRS9 on the 1st April 2018. The shareholding has been measured using various valuation techniques providing a range of valuations with the mid-point valuation of £25m being used as a prudent valuation. It is difficult to reliably measure this company because there are no established companies with similar aims in the Group's area whose shares are traded which might provide comparable market data. If the Group were to consider to realise its holdings then the Group would also seek specialist external advice as part of the process.

Effect of Asset Reclassification and Remeasurement on the Balance Sheet

	Amortised Cost	Fair Value through Other Comprehensive Income	Fair Value through profit and loss	Non-financial instruments balances	Total Balance Sheet carrying amount
	£'000	£'000	£'000	£'000	£'000
Remeasured carrying amounts at 1 April 2018					
Non-current investments	1	9,249	25,752	-	35,002
Long-term debtors	4,272	-	-	-	4,272
Current investments	21,524	-	28,871	-	50,395
Current debtors	84,631	-	-	-	84,631

Investments in instruments designated at fair value through other comprehensive income

With the introduction of IFRS 9 the Group has designated the following investments as fair value through other comprehensive income:

Description	Cost	Fair Value	Change in Fair Value during 2018/19
	£'000	£'000	£'000
Homelessness Property Fund	10,000	9,000	(150)
Other	550	550	-
Total	10,550	9,550	(150)

The Group's investments in the above originated through a policy initiative to meet service objectives primarily homelessness. As these assets are not specifically held for trading or income generation, rather a longer term policy initiative, these investments have been designated as fair value through comprehensive income.

Borrowing

	31 March 2019	31 March 2018
	£'000	£'000
Current borrowing		
Deposit loans (repayable at notice - up to 7 days)	101	101
Other short term borrowing (repayable within 1 year):		
- Public Works Loan Board	3,737	3,737
- Banks and other monetary sector	2,063	1,138
- Local bonds and property rent disposals	11	11
- Stocks	10	10
Total	5,922	4,997

	31 March 2019	31 March 2018
	£'000	£'000
Non-current borrowing		
Public Works Loan Board	310,439	310,439
Lender Option Borrower Option (Lobo)	70,000	100,000
Market Debt	50,000	20,000
Stocks	49	50
Total	430,488	430,489

The Group did not undertake any new long term borrowing during year as set out in the Treasury Management Strategy to reduce the net financing costs and counter party risk of the Group. During the year £30m of Lobo's were converted to fixed rate loans when the options in these loans were unilaterally removed.

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 2018/19

	Financial Liabilities	Financial Assets			Total
	Measured at amortised cost	Loans and receivables	Fair Value through the CI	Fair Value through the P&L	
	£'000	£'000	£'000	£'000	£'000
Interest expense & Impairment Losses	(36,920)	-	-	-	(36,920)
Total expense in Surplus or Deficit on the Provision of Services	(36,920)	-	-	-	(36,920)
Interest Income	-	7,214	-	359	7,573
Dividend Income	-	-	-	2,790	2,790
Total income in Surplus or Deficit on the Provision of Services	(36,920)	7,214	-	3,149	(26,557)
Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(150)	22,500	22,350
Net gain/(loss) for the year	(36,920)	7,214	(150)	25,649	(4,207)

Financial Instruments Gains and Losses 2017/18

	Financial Liabilities	Financial Assets			Total
	Measured at amortised cost	Loans and receivables	Available-for-sale assets	Fair Value through the I&E	
	£000s	£000s	£000s	£000s	£000s
Interest expense	(35,365)	-	-	-	(35,365)
Total expense in Surplus or Deficit on the Provision of Services	(35,365)	-	-	-	(35,365)
Interest Income	-	7,264	-	-	7,264
Dividend Income	-	-	2,589	-	2,589
Total income in Surplus or Deficit on the Provision of Services	(35,365)	7,264	2,589	-	(25,512)
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(750)	-	(750)
Net gain/(loss) for the year	(35,365)	7,264	1,839	-	(26,261)

Fair Value of Financial Assets and Property Assets

Some of the Group'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 2019 using:			Fair value measurements at 31 March 2018 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	Level 3 £000
Recurring fair value measurements						
Fair Value through Profit and Loss						
Money Market Funds	19,019					
Bristol Port Company (Non-traded Unquoted Equity Investment)	-		25,000			
Recurring fair value measurements						
Non-traded securities:						
Unquoted private companies	-	-	650	-	-	499
Pooled property fund	-	-	9,000	-	-	9,150
Total Non-traded securities:	19,019	-	34,650	-	-	9,649
Investment properties	-	249,251	-	-	255,415	-
Surplus properties	-	42,060	-	-	41,782	-
Total recurring fair value measurements	19,019	291,312	34,650	-	297,197	9,649
Non-recurring fair value measurements						
Assets held for sale	-	3,572	-	-	1,539	-
Total non-recurring fair value measurements	-	3,572	-	-	1,539	-

Valuation techniques and Inputs				
Description of asset	Valuation hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key sensitivities affecting the valuations provided
Money Market Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	Latest quoted prices	
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 Group'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.

Bristol Port Company	Level 3	This investment has been valued using a variety of valuation techniques, including net asset, discounted cashflow, and multiple of earnings.	Calculations have been based on the latest audited accounts, dividends and limited comparable data.	Changes to market conditions (local and global), and the comparable data used within the valuations.
Investments in unquoted companies	Level 3	These investments have been valued at the Group's share of each company.	Calculations have been based on their latest audited accounts	
Investments in Pooled Property Fund	Level 3	These investments have been valued at the Group's share within the pooled fund.	The valuation for Pooled Property Funds have been based on the latest quarterly financial report (31st December 2018).	Changes to housing market conditions could affect the valuation of the pooled property fund.

Transfers between levels of the fair value hierarchy

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

Changes in valuation technique

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

Reconciliation of fair value measurements for assets at fair value within level 3

Description	31 March 2019	31 March 2018
	Non-traded securities £000	Non-traded securities £000
Opening balance	9,649	4,999
Re-measurement 1/4/18	25,350	
Transfers into level 3	-	-
Transfers out of level 3	-	-
included in the surplus/(deficit) on the Provision of Services	-	-
included in Other Comprehensive Income and Expenditure	(150)	(750)
Total gains/(losses) for the period:	(150)	(750)
Additions	-	5,400
Disposals	(200)	-
Closing balance	34,649	9,649

Gains and losses included in Other Comprehensive Income and Expenditure for the current year relate to investments in the Homelessness Property Fund and are taken to the Financial Instruments Revaluation Reserve. These are reported in the surplus or deficit arising on the revaluation of financial assets in Other 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:

- For loans from the PWLB payable, prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment, highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, prevailing interest rates have been applied 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;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities

	31 March 2019		31 March 2018	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Public Works Loan Board (PWLB)	314,176	478,900	314,176	472,800
Lender Option Borrower Option	70,670	104,500	100,821	147,542
Market Debt	51,393	73,624	20,317	26,658
Current Creditors	153,413	153,413	129,862	129,862
Service Concessions	134,382	223,058	140,130	230,787
Other	8,740	8,375	9,716	8,352
Total Liabilities	732,774	1,041,870	715,022	1,016,001

The Group has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £1.151bn an increase of £148m which is calculated using early repayment discount rates. The Group has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

The fair value for financial liabilities and assets has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the assumptions detailed above, the fair value is arrived at by applying the discounted cash flow calculations based on the PWLB premium/discount calculations.

The fair value of the liabilities is higher than the carrying amount because the Group'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 2019) arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	31 March 2019		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Current investments	60,063	60,063	25,132	25,132
Cash and Cash Equivalents	19,863	7,397	29,990	29,990
Non-current investments	2	2	3,252	3,252
Current Debtors	93,213	70,217	79,904	79,904
Non-current debtors	1,961	1,677	4,272	5,190
Total Financial Assets	175,103	139,357	142,550	143,468

The fair value of the assets is the same as the carrying value due to the majority of these assets having a maturity of less than 12 months or is a trade or other receivable where the fair value is taken to be the carrying amount or the billed amount.

G11 Nature and Extent of Risks Arising from Financial Instruments

The Group'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 Group.
- Liquidity risk – the possibility that the Group might not have funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the Group 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 Group as a result of changes in such measures as interest rates and money market movements.

The Group'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 Group 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 Group'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 20 February 2018 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 Group'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 Group'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. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Group's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

Allowance for Credit Losses

The following analysis summarises the Group's potential maximum exposure to credit risk on financial assets valued at amortised cost, 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-19	31-Mar-19	31-Mar-19	31-Mar-19	31-Mar-18
Current Investments:					
Local Authorities	30,040	0.00%	0.00%	-	-
AA rated counterparties	10,044	0.02%	0.02%	2	8
A rated counterparties	39,843	0.06%	0.06%	24	16
Sub-total	79,927			26	24
Trade debtors	93,213			-	-
Non-current debtors	1,963			-	-
Total Financial assets	175,103			26	24

The estimated maximum exposure for credit loss for Treasury investments is £26k and therefore no allowance for credit loss have been made for these assets.

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

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

Current debtor analysis	Gross debtor at	Allowance for credit losses at	Net debtor at	Net debtor at
	31-Mar-19	31-Mar-19	31-Mar-19	31-Mar-18
	£'000	£'000	£'000	Restated £'000
Local tax payers	15,632	(7,270)	8,362	9,415
Housing rents	11,428	(8,814)	2,614	2,089
Other - sundry debtors	128,325	(32,211)	96,114	61,546
Total Other Entities and Individuals	155,385	(48,295)	107,090	73,050
Central Government bodies	9,731	-	9,731	35,056
Other local authorities	1,704	-	1,704	13,905
NHS bodies	6,617	-	6,617	4,139
Total debtors	173,437	(48,295)	125,142	126,150
Balance sheet debtors	173,437	(48,295)	125,142	126,150
Current debtors not qualifying as a financial instrument under IFRS	(39,199)	7,270	(31,929)	(46,246)
Other				
Current debtors qualifying as a financial instrument under IFRS	134,238	(41,025)	93,213	79,904

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 2019	31 March 2018
	£'000	Restated £'000
Less than three months	26,337	15,603
Three to four months	2,967	1,382
Four months to one year	8,121	8,218
More than one year	39,241	39,964
Total	76,666	65,167

Liquidity risk

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

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

	31 March 2019	31 March 2018 Restated
	£'000	£'000
Less than 1 year	192,158	135,026
Between 1 and 2 years	720	151
Between 2 and 3 years	439	-
More than 3 years	35,455	16,622
Total	228,772	151,799

The maturity analysis of financial liabilities is as follows:

	31 March 2019	31 March 2018
	£'000	£'000
Less than 1 year	163,793	141,583
Between 1 and 2 years	26,425	14,630
Between 2 and 3 years	7,025	16,771
More than 3 years	535,531	542,037
Total	732,774	715,021

Refinancing and Maturity risk

The Group 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 Group 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 Group's day-to-day cash flow needs, and monitoring the spread of longer-term investments provides stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity profile of the Group's debt portfolio along with the Group's approved minimum and maximum exposure is shown in the table below.

	Approved minimum limits	%	Approved maximum limits	%	Actual 31 March 2019 £'000	%	Actual 31 March 2018 £'000	%
Less than 1 year	-		30		5,922	1%	4,997	1%
Between 1 and 2 years	-		40		10,000	2%	-	0%
Between 2 and 5 years	-		40		5,000	1%	15,000	3%
Between 5 and 10 years	-		50		54,000	12%	49,000	11%
More Than 10 Years	25		100		361,488	84%	366,489	85%
Total					436,410	100%	435,486	100%

Included within the maturity profile are £70m of LOBOS with maturities averaging 40 years. Inherent within these loan instruments are options (averaging an option every 3 years) that could give rise to the debt being repaid early. These loans are regularly reviewed with the current and expected structure of interest rates. The risk of the lenders exercising their options is currently low for the short to medium term. Therefore, the maturity of these loans in above table are currently based on their maturity date, 10 years and over.

Market risk

The Group is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Group. 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 Group has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Group'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 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2019 £'000
Increase in interest receivable on variable rate investments	1,275
Impact on Surplus or Deficit on the Provision of Services	1,275
Share of overall impact debited to the HRA	1,368
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>110,600</u>

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

Foreign exchange risk

During 2018/19 the Group received monies denominated in Euro's relating to the receipt of European grant. The Group 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.

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 either:

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).

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.

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 2018/19.

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.

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.

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 - A contingent liability is either:

- a possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Council; or
- a present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.

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 CONTRIBUTIONS - 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 Grant Thornton.

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) – International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB)

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.

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.

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.

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.