

# **BATH & NORTH EAST SOMERSET COUNCIL**

## **STATEMENT OF ACCOUNTS 2013/14**

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# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BATH & NORTH EAST SOMERSET COUNCIL**

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## **Opinion on the Authority financial statements**

We have audited the financial statements of Bath & North East Somerset Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

## **Respective Responsibilities of the Chief Finance Officer and auditor**

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

## **Scope of the audit of the financial statements**

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

## **Opinion on financial statements**

In our opinion the financial statements:

- \* give a true and fair view of the financial position of Bath and North East Somerset Council as at 31 March 2014 and of its income and expenditure for the year then ended; and
- \* have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

## **Opinion on other matters**

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

## **Matters on which we report by exception**

We report to you if:

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

We have nothing to report in these respects.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BATH & NORTH EAST SOMERSET COUNCIL - continued**

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

### **Respective Responsibilities of the Authority and the auditor**

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

## **Conclusion**

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Bath and North East Somerset Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

## **Certificate**

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

Barrie Morris  
Director

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House  
55-61 Victoria Street  
Bristol BS1 6FT

26th September 2014

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BATH & NORTH EAST SOMERSET COUNCIL - continued**

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## **Opinion on the pension fund accounting statements**

We have audited the pension fund financial statements of Avon Pension Fund for the year ended 31 March 2014 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

## **Respective Responsibilities of the Chief Finance Officer and auditor**

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

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Divisional Director of Finance and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on other matters**

In our opinion, the content of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Opinion on accounting statements**

In our opinion the pensions fund's financial statements:

- \* give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014 and
- \* have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Barrie Morris  
Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House  
55-61 Victoria Street  
Bristol BS1 6FT

26th September 2014

# FOREWORD TO THE ACCOUNTS

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## Introduction

The Statutory Statement of Accounts have been produced in accordance with the CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards.

The Accounts and Audit Regulations 2003 require that the Statement of Accounts shall be approved by a resolution of a Committee of the relevant body and that following approval, the Statement of Accounts be signed and dated by the person presiding at the Committee.

The main purpose of a local authority's published Statement of Accounts is to provide electors, Council Tax payers, members of the Council, employees and other interested parties, with clear information about the Council's financial position. It should aim to provide answers to the following questions:

- What did the Council's services cost in the year?
- Where did the money come from?
- What are the Council's assets and liabilities at the year-end?

The main financial statements are:

### Movement in Reserves Statement

The Movement on Reserves Statement shows the movement in the year on different reserves held by the authority.

### Comprehensive Income and Expenditure Account

The Comprehensive Income and Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Council during the year.

### Balance Sheet

The Balance Sheet shows the assets and liabilities of the Council as a whole at the 31 March 2014.

### Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from external transactions for both capital and revenue purposes.

### Collection Fund

These statements show the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to precepting bodies.

### Pension Fund Accounts

A summary of the Pension Fund accounts is included, as the Council is the administering authority for the Avon Pension Fund.

### Statement of Accounting Policies

The statement describes the accounting concepts and policies adopted in the preparation of the accounts. It contains a number of technical notes, none of which are unusual or which differ from the concepts adopted by the majority of other Local Authorities. The Council complied with all recommended accounting practices contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2010, which is recognised by statute as representing proper accounting practices. The Code of Practice incorporates Best Value Accounting principles with which the Council has also complied.

## FOREWORD TO THE ACCOUNTS - continued

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### General Review

#### Summary of the Council's financial performance

The 2013/14 budget included the delivery of over £11m of savings which have been achieved. The Council underspent its revenue budget by £410k in 2013/14, which after allowing for the proposed carry forwards the overall outturn position reduces to an underspend of £83k.

The outturn position reflects that the funding of one-off costs relating to the delivery of savings required as part of the 2013/14 budget have been offset against underspends achieved during the year rather than using earmarked reserves.

The main area contributing to the underspend relates to the exceptional return generated this year by the Heritage estate, particularly the Roman Baths which has experienced an increase in visitors following on from the Olympics last year, and savings achieved in debt interest costs following the repayment of £50 million of Council borrowing during the year following a review of its debt portfolio.

#### The Next Twelve Months & Medium Term Outlook

The financial challenge was summarised last year equating to a 40% reduction in the Council's grant funding over the period 2011/12 to 2014/15. The challenging outlook for local government funding as set out in the Autumn Statement in December 2012 looked to continue well into the future and over the period of the Medium Term Service & Resource Plan from 2013/14 to 2015/16 it was estimated that at least £30 million of savings would be required.

Since then there have been a series of Government announcements that have increased this challenge. The key announcements and effects are as follows:-

- The Budget Statement delivered by the Chancellor on 20th March 2013 provided for an additional 1% cut in council funding assessments for 2014/15. This actually equates to a further 2% reduction in grant (from 16% to 18%).
- The Spending Review 2013 announced by the Chancellor on 26th June 2013 covered the 2014/15 and 2015/16 financial years and together with subsequent consultation documents, sets at least a 13.4% reduction in council funding assessments for 2015/16. This actually equates to a 27% reduction in grant.
- A reduction of 20% in the Education Support Grant in 2015/16.
- The confirmation of a Council Tax Freeze Grant for both 2014/15 and 2015/16 equivalent to 1% of council tax for councils who freeze their council tax in these years.
- The Local Government Finance Settlement announcement on 18th December 2013 which confirmed the anticipated reductions in grant funding for 2014/15 and 2015/16.

These changes, together with the existing savings to be identified, meant that further savings totalling at least £6 million for the Council need to be identified over the next two years. This assumes the savings in the existing approved medium term plans are delivered in full.

For 2014/15 the budget focused on the variations required to the approved medium term plan to deliver a balanced budget proposal.

The Cabinet's aim remains to achieve the medium term plan with minimal alterations, but at the same time to reflect public feedback together with local and national policy changes.

The Council has a prudent level of reserves and can use these to smooth the effects of policy changes and additional financial challenges.

The indication from Treasury figures is that an equally tough set of financial targets will need to be repeated in the next three year plan which starts in 2016/17, and of course at that time the difficulty in meeting the challenge will have increased as efficiency opportunities are reduced.

The proposed budget for 2014/15 continues to recognise the very difficult financial challenge now facing the whole of the public sector and the increasing need to prioritise resources. The following principles have continued to be used to support this:

- Protecting frontline services;
- No increases in Council Tax;
- Investing in homes and jobs for local people.

There are no longer the available resources to deliver the full range of services that have been provided in the past. New legislation and demographic changes similarly demand clear prioritisation and new approaches. This increasingly means difficult choices.

## FOREWORD TO THE ACCOUNTS - continued

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The development of the Budget has moved away from setting targets and budget top slices based on historic spending to and approach more focussed on prioritisation supported where appropriate by zero based budgeting. This approach has included: -

- Ensuring only essential cost pressures are taken into consideration, challenging all proposals for inflationary increases and additional spending.
- A continued focus on achieving efficiency savings within and across service areas.
- Maximising savings achieved through the continued development of the Change Programme with projects like reducing the number of Council offices and Customer Services.
- Seeking to increase income from new and existing sources. Developing and investing in a diversified income base to help protect the Council from reductions in Government funding.
- Minimising costs of borrowing utilising Council cash flow balances where appropriate to provide funding for capital projects.
- Exploring opportunities to support Communities to enable them to be more resilient and self-sustaining.
- Where Government is cutting its grants to local authorities, or other external sources of funding are being reduced, these savings requirements may need to be passed on to the relevant service.

There are also a range of service specific cost pressures including impacts of national policy changes. The most significant of these include:

- Rising elderly population placing significant demands on Adult Social Care and Health services.
- Increased demand for Children's care services.
- Contractual inflationary costs particularly for care placements and external service contracts.

Taking account of the known and anticipated reductions in government grant funding and the pressures outlined above, requires savings of £10.9m in 2014/15 and at least £30m of budget savings are required over the period 2013/14 to 2015/16.

The scale of the projected savings required over the next three years, is such that the Council will need to prioritise services and whilst every effort has been made to protect essential frontline services for local people, this will inevitably lead to reductions in service areas which are considered a lower priority.

In considering the budget report at its meeting in February 2013, the Council approved a three year Medium Term Service & Resource Plan covering the period 2013/14 to 2015/16.

## FOREWORD TO THE ACCOUNTS - continued

### Revenue outturn and balances

The Council's net revenue budget was set at £123.63 million with a freeze in its part of the 2013/14 Council Tax. Dedicated schools grant funding of £79.45m separately supports expenditure on schools.

Total net spending amounted to £124.54 million against a revised budget of £124.95m, with a year end surplus of £0.41 million on general fund spending.

The Council followed well established procedures for monitoring its finances and reporting the position to Senior Management and the Cabinet. The outturn position reflects that the funding of one-off costs relating to the delivery of the £11.63m savings required as part of the 2013/14 budget have been offset against underspends achieved during the year rather than using earmarked reserves. This approach does result in some service areas showing an overspend position due to the non draw down of reserves that were previously anticipated.

The Council continues with its programme of budget management where overspends and underspends can be carried forward (rollovers) subject to policy approval. After transfers to earmarked reserves the General Fund stands at £10.5m, which is in accordance with the level approved by the Council.

The main adverse variances from budget incurred are:

Children's Services - overspend of £734k - the position reflects not drawing down reserves for severance costs and medium term service and resource plan transformation costs of £465k. The residual overspend mainly related to pressure in Children Social Care budgets arising from remand cases and court directed parent and baby residential assessment requirements.

Resources & Support Services overspend of £104k - the position reflects not drawing down reserves for the one off cost relating to delivery of the medium term service and resource plan savings totalling £1.487m. The main area of underspending in this area related to the savings in debt interest costs following the repayment of £50 million of Council borrowing undertaken during the year.

The main favourable variances from budgets incurred are:

Place - underspend of £1.127m - mainly due to the exceptional return generated this year by the Heritage estate, in particular the Roman Baths following an increase in visitors. There were also increased income achieved by the Planning Service and related to Park & Ride services.

The outturn position compared to the budget is as follows:

	Budgeted	Actual	(Under)/ Over
<b>Service (based on Council Directorates)</b>	Spend	Spend	Spend
	£'000	£'000	£'000
Place	26,397	25,270	(1,127)
Children's Services	23,427	24,162	734
Adult Social Services & Housing	58,158	58,036	(122)
Resources & Support Services (Including Corporate & Agency Budgets)	16,970	17,075	104
	<b>124,953</b>	<b>124,542</b>	<b>(410)</b>

The bottom line outturn position in relation to schools is an overspend of £0.1m resulting in a decrease in the balances held by schools from £3.3m to £3.2m. The centrally held elements of the Dedicated Schools Grant (DSG) has an underspend of £0.7m. The DSG underspend results in a DSG balance to be carried forward through earmarked reserves of £4.459m up from £3.758m in 2012/13.

### Collection Fund

As part of the 2014/15 budget setting, an estimate was made on the position of the Collection Fund as at 31st March 2014. The estimate is split into two elements, one relating to Council Tax and the other relating to Business Rates. The estimated and actual position for each is shown in the following table. The figures relate to the Council's share of the surplus / deficit, excluding any preceptor and central government shares. The difference will be taken into consideration when estimating the closing 2014/15 Collection Fund as part of the 2015/16 budget process.

	Estimated surplus / (deficit)	Actual surplus / (deficit)	Difference
	£'000	£'000	£'000
Council Tax	1,600	2,231	631
Business Rates	(589)	(546)	43
<b>Total</b>	<b>1,011</b>	<b>1,685</b>	<b>674</b>



## FOREWORD TO THE ACCOUNTS - continued

### Income and Expenditure Account

The Income and Expenditure Account includes a number of items that are not required to be included in the General Fund and to be taken into account in setting the council tax. The Income and Expenditure Account included within this Statement of Accounts shows the net cost of services for the year of £158.8m. This reconciles to the General Fund spending reported above as follows:

	£m	£m
Total net spending by departments		124,542
Add:		
Charges related to capital assets:		
- depreciation and impairments	16,657	
- revenue expenditure funded from capital under statute	6,756	
- loss on revaluations	13,765	
		<u>37,178</u>
Offset by:		
Grant funded revenue expenditure funded from capital under statute	1,741	
Unapportioned pensions contributions	1,679	
Levy payments	217	
Interest received and paid	(11,508)	
Other movements on funds and balances	8,397	
Net transfers to reserves	2,355	
		<u>2,881</u>
Cost of services - continuing operations		<b>158,839</b>

The principal differences relate to capital assets. The general fund includes the cost of financing capital assets whereas the Income and Expenditure Account includes depreciation and impairment.

### Capital Expenditure

Capital expenditure in 2013/14 totalled £44.6m. Overall capital spending was 71% of the revised capital budget, primarily reflecting the delivery time to complete projects moving into future financial periods. Details are:

Departments	Planned Spend	Actual Spend	Variation on planned spend
	£,000's	£,000's	£,000's
Place	27,775	19,208	(8,567)
People & Communities	10,592	7,333	(3,259)
Resources & Support Services	22,126	18,031	(4,095)
Corporate Capital Contingency	2,430	-	(2,430)
	<u>62,923</u>	<u>44,572</u>	<u>(18,351)</u>
Capital expenditure was financed as:			-
		£,000's	
Capital receipts		10,221	
Capital grants and contributions		17,447	
Revenue		818	
Borrowing		<u>16,086</u>	
		<u>44,572</u>	

Long term borrowing at 31 March 2014 is shown in the Balance Sheet at £71.3m (2012/13 £122.0m). This reflects the repayment of £50m of borrowing during 2013/14 following the restructuring of the Council's PWLB debt portfolio by utilising the Council's cashflow.

## FOREWORD TO THE ACCOUNTS - continued

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### Pensions Fund

As required under the Regulations, a triennial valuation of the Avon Pension Fund was carried out as at 31 March 2013 which sets the employer contribution rates from 1 April 2014. The funding level was calculated at 78% (i.e. the Fund's assets cover 78% of future liabilities) which compares to 82% in 2010. The deficit widened during the period due to the fall in real gilt yields over the 3 years which increased the value of the liabilities. Over the period investment returns were above expectations. The next triennial valuation will be as at 31st March 2016.

### Pension Liabilities

The Council itself has a liability of £179.0m for future pensions costs. This is because under IAS19 the Council must account for pensions for former members of staff when the commitment is made not when the pension is paid.

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The reduction in 2013/14 is mainly due to gains from changes in actuaries assumptions in valuing the liabilities, as detailed in Note 41. This is a recent change to their assumptions following recent positive yield changes. These happened after their triennial valuation of the total Fund (as described above), so therefore were not included in that valuation.

A revision to the accounting standard IAS 19 Employee Benefits was made on the 1 January 2013 to take effect in accounting periods after that date. The changes affect the pension scheme where the expected return on the scheme assets has been replaced by a net interest cost of £7.856m (£7.573m for 2012/2013) comprising of interest income on assets and interest expense on the liabilities. The return on assets of £12.886m is now shown within other comprehensive income and expenditure. The administration costs are now charged to the net cost of services as opposed to the expected return on assets. The 2012/2013 statements and the disclosures in notes 40 to 41 have been re-stated to reflect these changes to the accounts.

### West of England Revolving Investment Fund

In 2011/12 the Council, as accountable body to the West of England Partnership, received grants of £40m and £17m to establish the West of England's Revolving Investment Fund which will provide for future infrastructure works. The Council is acting as agent for these regional central government grants. Sums are to be distributed to specific projects as various criteria are satisfied, with the receiving authority then treating these appropriately in their own accounts. The balance of funds not distributed is therefore treated as a creditor in B&NES accounts; these sums will either be transferred to the West of England Unitary Authorities in future or will be returned back to government if not used.

### Group Accounts

There is now a requirement to include a consolidation of group accounts under the Local Authority Statement of Recommended Practice (SORP) 2010. The Council has group relationships with Bath Tourism Plus and Connexions West of England. The turnover and assets held by these companies are not considered significant enough to produce Group Accounts.

### Further Information

Further information on the Council's Accounts and those of the Avon Pension Fund is available on the Councils' website and that of the Avon Pension Fund:

[www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending](http://www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending)

[www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk)

Once again the accounts have been produced promptly and to a high standard. This would have not been possible without the hard work of finance staff across the Council. My thanks go to all finance staff and to Service Directors for their assistance in the preparation of these accounts and for their support throughout the year.



**Tim Richens**

Divisional Director of Business Support & Chief Finance Officer (Section 151 Officer)

## MOVEMENT IN RESERVES STATEMENT 2013/14

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balances for Council Tax setting purposes. The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to and from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2013</b>	10,497	42,388	6,757	12,843	72,488	202,732	275,220
Surplus or Deficit on Provision of Services (accounting basis)	(30,202)				(30,202)		(30,202)
Other Comprehensive Income & Expenditure						53,157	53,157
<b>Total Comprehensive Income &amp; Expenditure</b>	(30,202)	-	-	-	(30,202)	53,157	22,955
Adjustment between accounting basis and funding basis under regulations	32,532		(6,382)	280	26,430	(26,430)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	2,330	-	(6,382)	280	(3,772)	26,727	22,955
Transfers to/from earmarked reserves	(2,355)	2,355			-	-	-
<b>Increase/Decrease in Year</b>	(25)	2,355	(6,382)	280	(3,772)	26,727	22,955
<b>Balance at 31 March 2014</b>	10,472	44,743	375	13,123	68,716	229,459	298,175
	See Note 8			See Note 24			
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2012</b>	15,799	37,344	790	8,240	62,177	289,111	351,288
Surplus or Deficit on Provision of Services (accounting basis)	(43,579)				(43,579)		(43,579)
Other Comprehensive Income & Expenditure	-				-	(32,489)	(32,489)
<b>Total Comprehensive Income &amp; Expenditure</b>	(43,579)	-	-	-	(43,579)	(32,489)	(76,068)
Adjustment between accounting basis and funding basis under regulations	42,485	835	5,967	4,603	53,890	(53,890)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	(1,094)	835	5,967	4,603	10,311	(86,379)	(76,068)
Transfers to/from earmarked reserves	(4,209)	4,209			-		-
<b>Increase/Decrease in Year</b>	(5,302)	5,044	5,967	4,603	10,311	(86,379)	(76,068)
<b>Balance at 31 March 2013</b>	10,497	42,388	6,757	12,843	72,488	202,732	275,220

## COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT 2013/14

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

Notes	Restated 2012/13	Restated 2012/13	2012/13		2013/14	2013/14	2013/14
	Gross Exp	Gross Inc	Net Exp		Gross Exp	Gross Inc	Net Exp
	£'000	£'000	£'000		£'000	£'000	£'000
				<b>Expenditure on Services</b>			
	2,386	(1,644)	742	Central Services to the Public	4,074	(3,661)	413
	15,905	(12,177)	3,728	Cultural & Related Services	18,545	(14,037)	4,508
	24,953	(4,434)	20,519	Environmental & Regulatory Services	26,921	(5,271)	21,650
	8,311	(2,120)	6,191	Planning Services	8,705	(2,543)	6,162
	139,799	(101,997)	37,802	Children's & Education Services	134,109	(95,370)	38,739
	25,806	(11,686)	14,120	Highways & Transportation Services	27,184	(12,787)	14,397
	71,348	(63,871)	7,477	Housing Services	63,956	(54,039)	9,917
	86,137	(36,585)	49,552	Adult Social Care	87,982	(33,590)	54,392
	-			Public Health	7,134	(7,134)	-
	28,986	(17,324)	11,662	Corporate and Democratic Core	31,361	(21,922)	9,439
	1,674	(3,589)	(1,915)	Non Distributed Pensions Costs	-	(778)	(778)
	405,305	(255,427)	149,878	<b>Cost of Services - continuing Operations</b>	409,971	(251,132)	158,839
9			31,461	Other Operating Expenditure			14,580
10			5,733	Financing and Investment Income & Expenditure			(1,898)
			-	Surplus or Deficit on Discontinued Operations			-
11			(143,493)	Taxation and Non-Specific Grant Income			(141,319)
			43,579	<b>Surplus or Deficit on Provision of Services</b>			30,202
			(1,691)	Surplus or Deficit on Upward Revaluation of Non-current Assets			(9,883)
				Surplus or Deficit on Downward Revaluation of Non-current Assets			4,830
			-	Surplus or Deficit on Revaluation of Available for Sale Financial Assets			-
41			34,180	Remeasurement of the net defined benefit liability			(48,104)
			-	Share of Other Comprehensive Expenditure & Income of Associates & Joint Ventures			-
			32,489	<b>Other Comprehensive Income &amp; Expenditure</b>			(53,157)
			76,068	<b>Total Comprehensive Income &amp; Expenditure</b>			(22,955)

## BALANCE SHEET as at 31 MARCH 2014

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

Notes	31 March 2013 £'000		31 March 2014 £'000
<b>12</b>		Property, Plant & Equipment:	
	231,952	Land & Buildings	202,161
	2,853	Community Assets	1,632
	52,269	Infrastructure	63,594
	8,385	Vehicles, Plant & Equipment	8,661
	32,050	Assets under Construction	41,923
	9,962	Surplus assets	12,420
<b>13</b>	17,780	Heritage Assets	17,899
<b>14</b>	223,417	Investment Property	231,814
<b>15</b>	750	Intangible Assets	909
	5	Long Term Investments	4
<b>19</b>	2,397	Long Term Debtors	2,529
	581,820	<b>Long Term Assets</b>	583,546
<b>16</b>	122,524	Short Term Investments	58,686
<b>18</b>	451	Inventories	513
<b>19</b>	21,342	Short Term Debtors	22,975
<b>20</b>	20,331	Cash and Cash Equivalents	11,085
<b>21</b>	-	Assets Held for Sale	449
	164,648	<b>Current Assets</b>	93,708
	(8,305)	Bank Overdraft	-
	-	Short Term Borrowing	
<b>22</b>	(95,373)	Short Term Creditors	(101,883)
<b>35</b>	(1,665)	Grants Receipts In Advance - Revenue	(2,201)
<b>35</b>	(3,025)	Grants Receipts In Advance - Capital	(3,251)
	(108,368)	<b>Current Liabilities</b>	(107,335)
<b>23</b>	(956)	Provisions	(2,406)
<b>16</b>	(122,040)	Long Term Borrowing	(71,340)
<b>41&amp;42</b>	(235,616)	Other Long Term Liabilities	(193,531)
<b>35</b>	(4,266)	Grants Receipts In Advance - Capital	(4,469)
	(362,878)	<b>Long Term Liabilities</b>	(271,746)
	<b>275,220</b>	<b>Net Assets</b>	<b>298,173</b>
<b>8</b>	72,488	Usable reserves	68,714
<b>24</b>	202,732	Unusable Reserves	229,459
	<b>275,220</b>	<b>Total Reserves</b>	<b>298,173</b>

The unaudited accounts were authorised for issue on 23rd June 2014 and the audited accounts were authorised for issue on 30th September 2014.

## CASH FLOW STATEMENT

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

	2012/13	See Note 25 for further details	2013/14
	£'000		£'000
	(43,579)	Net surplus or (deficit) on the provision of services	(30,202)
		Adjustment to surplus or deficit on the provision of services	
A	84,649	for non cash movements	41,970
		Adjust for items included in the net surplus or deficit on the provision	
A	(39,674)	of services that are investing and financing activities	(13,813)
	<u>1,396</u>	Operating Activities	<u>(2,045)</u>
C	(58,480)	Investing Activities	49,941
D	(3,337)	Financing Activities	(48,837)
	<u>(60,421)</u>	Net Increase/(decrease) in cash equivalents	<u>(941)</u>
E	72,447	Cash & cash equivalents at the beginning of the reporting period	12,026
E	12,026	Cash & cash equivalents at the end of the reporting period	11,085

# NOTES TO MAIN FINANCIAL STATEMENTS

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## 1 ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts & Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting policies. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

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

### 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:

- \* Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- \* 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.
- \* Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- \* Interest payable on borrowings and receivable on investments is accounted for 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 income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- \* Income and expenditure are credited and debited to the relevant service account, unless they properly represent capital receipts or capital expenditure.
- \* Employee benefits are accounted for as they are earned.

### Tax Income (Council Tax & Non-Domestic Rates)

Non Domestic Rates (NDR)

- Retained Business Rate income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.
- Top Up income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Council Tax

- Council Tax income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Both Non Domestic Rates (NDR) and Council Tax will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation and Non-Specific Grant Income. As a billing authority, the difference between the NDR and Council Tax included in the Comprehensive Income & Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken into the Collection Fund Adjustment Account and reported in the Movement In Reserves Statement. Each major preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

The income for Non Domestic Rates and Council Tax is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.

### Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. 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 to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

### Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent useable resources for the council - these reserves are explained in the relevant policies below. Capital reserves are not available for revenue purposes.

## NOTES TO MAIN FINANCIAL STATEMENTS

### Government Grants and Contributions

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

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

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

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

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

### Retirement Benefits

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

- \* The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).
- \* The Local Government Pensions Scheme, administered by Bath & North East Somerset Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council.

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

### The Local Government Pension Scheme

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

- \* The liabilities of the Avon Pension scheme attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- \* Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bonds).
- \* The assets of the Avon Pension Fund attributable to the Council are included in the balance sheet at their fair value:
  - quoted securities - bid price
  - unquoted securities - professional estimate
  - unitised securities - average of the bid and offer rates
  - property - market value.

The change in the net pensions liability is analysed into the following components:

#### Service Costs:

- Current service cost - the increase in the present value of the liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Account to the revenue accounts of services for which the employees worked.
- Past service cost - the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the authority in the number of employees covered by a plan) - debited to the Surplus or Deficit on The Provision of Services in the Comprehensive Income and Expenditure Account as part of Non-Distributed Costs
- Any gain or loss on settlement - arising when an authority enters into a transaction what eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan.

**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 & 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.

#### Remeasurements of the net defined benefit liability (asset) comprising:

- 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 present value of the defined benefit obligation resulting from: a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), and b) the effects of changes in actuarial assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

**Contributions by scheme participants** - the increase in scheme liabilities and assets due to payments made into the scheme by employees (where increased contribution increases pensions due to the employee in the future).

**Contributions by the employer** - the increase in scheme assets due to payments made into the scheme by employer.

**Benefits Paid** - payments to discharge liabilities directly to Pensioners.



## NOTES TO MAIN FINANCIAL STATEMENTS

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

A revision to the accounting standard IAS 19 Employee Benefits was made on the 1 January 2013 to take effect in accounting periods after that date. The changes affect the pension scheme where the expected return on the scheme assets has been replaced by a net interest cost of £7.856m (£7.573m for 2012/2013) comprising of interest income on assets and interest expense on the liabilities. The return on assets of £12.886m is now shown within other comprehensive income and expenditure. The administration costs are now charged to the net cost of services as opposed to the expected return on assets. The 2012/2013 statements and the disclosures in notes 40 to 41 have been re-stated to reflect these changes to the accounts.

### Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them. VAT receivable is excluded from income

### Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2013/14 (SeRCOP)*. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of :

- \* Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- \* Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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

### Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment (3 years) on a straight line basis to reflect the pattern of consumption of benefits.

### Property, Plant & Equipment

Property, plant and equipment are assets held for use in the provision of services or for administrative purposes on a continuing basis.

**Recognition:** expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to revenue as it is incurred. In relation to assets under construction, these are recognised at invoiced cost. Once an asset under construction has reached practical completion, it will become operational and will be transferred to the appropriate asset class.

**Measurement:** Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- \* dwellings, other land and buildings, vehicles, plant and equipment - fair value, unless there is no market-based evidence because of the specialist nature of the asset then depreciated replacement cost
- \* infrastructure assets, community assets and assets under construction - depreciated historical cost.
- \* assets under construction - historical cost.
- \* all other assets - fair value determined as the amount that would be paid for the asset in its existing use.

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

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

Non-current assets are valued in accordance with the Manual published by the Royal Institute of Chartered Surveyors. Valuations are undertaken by the Council's Property Services Department on a minimum 5 year basis and reviewed annually for impairment and material changes. The valuations were done on the basis of Existing Use Value, Market Value or, in the case of specialised properties on the basis of, Depreciated Replacement Cost in accordance with the RICS Valuation Standards. Valuations are reviewed and signed off by Richard Long MRICS (Registered Valuer), Head of Property Services. The carrying value of asset in the balance sheet ahead of new valuations can be different due to both Depreciation, an assumed diminution in value, as well as new capital spend.

## NOTES TO MAIN FINANCIAL STATEMENTS

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The total value of Property, Plant & Equipment amounted to £348.291m at 31st March 2014 compared to £355.251m at 31st March 2013. This decrease in value of Property, Plant & Equipment is due to a number of factors including new valuations. The accounts also reflect decrease from an Opening Balance Adjustment of £11.909m to Gross Book Valuations, and associated depreciation of £6.638m, being a net figure of £5.271m, as a result of a review to realign the Corporate Fixed Asset Register with Property Valuation records. This also resulted in a re-alignment of classes, including Investment Assets. This net movement is made only to the face of balance sheet at 31st March 2014, and was not of material amount to require adjustment to 2012-13 Financial Statements.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

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

- \* where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains).
- \* where there is no balance or insufficient balance in the Revaluation Reserve, 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 reversed subsequently, 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 depreciation that would have been charged if the loss had not been recognised.

**Depreciation:** depreciation is provided for on all assets with a determinable finite life (except for investment properties) by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. Changes to depreciation charges to reflect revaluations and additions are made a year in arrears.

Depreciation is calculated on the following bases:

- \* other buildings - straight-line allocation over the life of the property as estimated by the valuer
- \* vehicles, plant and equipment - straight-line allocation over the life of the asset as advised by a suitably qualified officer
- \* community assets - straight line allocation over the life of the property as estimated by the valuer
- \* infrastructure - straight-line allocation over 10 - 50 years.
- \* assets under construction - assets are not depreciated until they become operational.

Where an asset has major components whose cost is significant in relation to the total cost of the item (i.e. 20% or more of the asset as a whole), with different estimated useful lives, these are depreciated separately. Assets with a value of less than £500,000 are not subject to the componentisation policy.

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 re-valued 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 decommissioned, the carrying amount of the asset in the Balance Sheet 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 are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve 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 then reversed out in the Movement in Reserves Statement so there is no impact on the level of council tax.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### Charges to Revenue for Property, Plant & Equipment

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

- \* depreciation attributable to the assets used by the relevant service
- \* impairment losses attributable to the clear consumption of economic benefit on property, plant and equipment used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- \* amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement in accordance with its approved Minimum Revenue Provision (MRP) Policy. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

### Revenue expenditure funded from capital by statute

Previously called 'Deferred charges' this is expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue expenditure funded from capital incurred during the year has been written off as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the costs from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged on General Fund Balances in the Movement in Reserves Statement so there is no impact on the level of council tax.

### Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable partners at arms-length. Properties are not depreciated but values are reviewed annually according to market conditions at 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.

In accordance with guidance, the Council values the Investment Estate Portfolio on an annual basis. Investment Properties are valued specifically at Market Value assuming the properties would be sold subject to any existing leases. The valuer's opinion was primarily derived using comparable recent market transactions on arm's length terms. For the current financial year 2013/14 the value of the estate is £231,814m which is greater than the previous year's value of £223.492m. The change in the valuation is due to factors which include revaluations, material changes to asset conditions and disposals. A opening balance adjustment, as previously described relating to PPE on Page 18, also provided better alignment to Valuation records for Investment Assets.

Rental received in relation to Investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

### Heritage Assets

The Council's museums, galleries, record office and libraries hold a number of collections of historical artefacts. The collections include archaeological artefacts, coin collections, fine and decorative art collections, fashionable dress, accessories and associated paperwork collections, rare books, maps, manuscripts and local history collections.

They are maintained for their contribution to knowledge and culture and are held in order to preserve them for future generations. Details relating to accessibility of these items to the public is available on the council's website.

### Museum Collections

Museum collections will be reported in the balance sheet at market value where the information is available. In other circumstances, valuations for insurance purposes will be used if appropriate. Valuations are not required to be carried out or verified by external valuers, and so in most cases will be undertaken by the museums curator. Where officers are unable to value items themselves, external expertise may be used.

Acquisitions will only relate to existing subject fields and areas of collection. The collections will not be extended into new areas. This is in line with the policy set by the Museums and Archives service. New acquisitions will be recognised at cost for assets purchased. Donated assets will be recognised at valuation if available or insurance values where relevant.

### Chandeliers

The chandeliers located in the Guildhall will be reported in the balance sheet at a valuation representing their insurance value.

### Statues and Monuments

The Authority has a number of statues, fountains, memorials and monuments throughout the area. As there is no readily available valuation held by the council and no definitive market value for these types of assets they will not be recognised on the Council's Balance Sheet.

### Historical Buildings

The Council owns many historic buildings. Buildings such as the Roman Baths, Victoria Art Gallery and Guildhall are operational buildings and as such remain classified within Property, Plant and Equipment in the Council's balance sheet. Others are held within the Council's Investment Estate. The accounting treatment of these buildings will not change. Some of these buildings contain some items of antique furniture.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### Heritage Assets - General

**Recognition & Measurement;** Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets.

Assets will be measured at fair value where the information is available. In other circumstances valuations for insurance purposes will be used if appropriate. Valuations are not required to be carried out or verified by external valuers, but details will be given where this is the case. No minimum period has been set at which valuations must be carried out but reviews will be made with sufficient frequency to ensure they remain current.

**Acquisitions;** will only relate to existing subject fields and areas of collection. The collections will not be extended into new areas. This is in line with the policy set by the Museums and Archives service. New acquisitions will be recognised at cost for assets purchased. Donated assets will be recognised at valuation if available or insurance values where relevant.

**Disposals;** There is a strong presumption against the disposal of any items in the Museums' or Records Office collections. This is in line with the Museums and Archives policy. Where in the exceptional circumstances a decision has been made to dispose of an item, it will in the first instance be offered to other accredited or registered museums likely to be interested in its acquisition. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and receipts.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet 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 are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

**Impairments;** Where indications of an impairment exists that is estimated to be material and the recoverable amount is less than the carrying amount of the asset, an impairment loss will be recognised for the shortfall and the appropriate accounting entries made.

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

- \* where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance ( up to the amount of accumulated gains).
- \* where there is no balance or insufficient balance in the Revaluation Reserve, 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 reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss.

**Depreciation;** Heritage assets have been estimated to have indeterminate lives and therefore will not be depreciated.

### Cash & 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 highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

### Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### The Authority as Lessee

#### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the leases inception. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the period 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 assets estimated useful life.

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### Operating Leases

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

### The Authority as Lessor

#### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

#### Operating Leases

Where the Authority grants an operating lease over a property or 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. 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.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.

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

### Financial Assets

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

### Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Account is the amount receivable for the year in the loan agreement.

The Council has no soft loans.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Account.

### Available-for-sale Financial Assets

The Authority has no available-for-sale financial assets.

### Instruments Entered into Before 1 April 2006

The Authority entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in Policy 3.

### Inventories and Work in Progress

Inventories and work in progress are included in the Balance Sheet at the lower of cost and net realisable value.

### Controlled Companies

The Authority has two controlled companies - Bath Tourism Plus Ltd and Connexions West of England. The turnover and assets held by these companies are not considered significant and therefore no Group Accounts have been produced. If they were material they would be treated as an investment.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but wither 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 accounting statements but disclosed by way of a note giving a brief explanation of any possible obligations and an estimate of the likely financial effect if known.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### Schools' Income & Expenditure Recognition

The Council oversees a range of maintained schools, such as Voluntary Aided schools and Voluntary Controlled schools. The Council has included all income and expenditure and liabilities of these schools in the accounts. However, academy schools are treated outside of the Council's accounts from the date of the transfer.

### Events After the Reporting Period

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

- 1) those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events
- 2) those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

### Exceptional Items

Items which require a degree of prominence in order to give a fair presentation of the accounts are shown separately either on the face of the Comprehensive Income and Expenditure Statement, or in the notes to the accounts, depending how significant the items are to an understanding of the authority's financial performance.

### Joint Working Arrangements

Where the Authority has a joint working arrangement with other organisations, the authority's share of income and expenditure is accounted for only in the Authority's accounts. An example of this is the West of England Partnership.

## 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 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes.

### IFRS 10 Consolidated Financial Statements

This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council does have controlled companies but has not produced consolidated accounts for this financial year on the basis of materiality.

### IFRS 11 Joint Arrangements

This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The Council has no material joint venture arrangements.

### IFRS 12 Disclosures of Involvement with Other Entities

This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Council has a number of arrangements with other entities, details of which are already disclosed in the notes to the accounts.

### IAS 1 Presentation of Financial Statements

The changes clarify the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

### IAS 27 Separate Financial Statements & IAS 28 Investments in Associates and Joint Ventures

These statements conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, except for disclosure, due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.

### IAS 32 Financial Instruments Presentation

The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

#### **Future Funding Levels**

Government spending announcements have identified a significant reduction in Central Government funding for local authorities over the medium term financial planning period.

The Authority's medium term financial planning process is based on the anticipated implications for the Authority although at this stage it is not possible to provide an indication if any of the Authority's assets might be impaired as a result of potentially needing to close facilities and reduce future levels of service provision.

#### **Accounting for School Assets**

School assets are accounted for within the PPE heading of the balance sheet depending on their status.

#### **On Balance Sheet**

**Community Schools** - are managed and owned directly by the local authority who are responsible for admissions, employment of staff, repairs and maintenance and funding.

**Voluntary Controlled Schools** - are owned by the Diocese but are managed and funded by the local authority.

#### **Off Balance Sheet**

**Voluntary Aided Schools** - are owned by the Diocese, who are responsible for the employment of staff and admissions.

Capital Funding is provided directly to the Diocese making them responsible for capital works.

**Foundation Schools** - are funded by the local authority however the Foundation Trust owns and manages the school and has responsibility for admissions and employment of staff. The local authority is responsible for repairs and of the schools and capital investment.

**Academies** - are owned and managed completely outside of the local authority. Funding is provided directly by central government.

#### **West Of England Revolving Investment Fund**

Bath and North East Somerset Council is the accountable body for the West of England. The reporting approach is that total expenditure is not shown in the Financial Statements; rather the following accounting treatment is adopted:-

- i) West of England expenditure is incurred as an Agent, acting as an intermediary on behalf of the 4 Unitary Authorities. Each authority's accounts will reflect its own contribution towards expenditure.
- ii) Where the Partnership office does act as principal, such as where it has received grant funding directly, this is on behalf of all authorities but the share for any individual authority is not considered material to show.

#### **Bath Leisure Centre**

The Bath Leisure Centre is built on land which is owned by Bath Recreation Trust. Based on the risks and rewards associated with the operation and use of the centre, it remains included on the Council's Balance sheet.

#### **Property Valuations**

Additional assurance from our Valuers confirmed that value of our Other Land and Buildings in Note 12 (Property, Plant and Equipment) are within tolerances afforded by total valuations and reflect fair value, being £201.7m with a 10% tolerance of £181.5m to £221.9m. In addition, an impairment review of movements in price indices was carried out which was also within tolerance. The authority is satisfied the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. Other assets are valued at depreciated historical cost.

### 4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Authority's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### **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 assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in Note 41.



## NOTES TO MAIN FINANCIAL STATEMENTS

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### **Property, Plant and Equipment Values**

The Council has a large number of properties which are valued in accordance with the RICS valuation standards. Individual valuations are undertaken to reflect material changes in circumstances affecting individual properties and properties are valued on a minimum five year basis to comply with the Code of Practice on Local Authority Accounting. As a consequence the balance of properties valued differs from year to year.

The authority is required to review whether there is any indication of material impairment to property values at the balance sheet date. Impairment may be indicated by a reduction in the value of the asset because of market changes.

To satisfy this requirement the Council's Property Services has undertaken a desktop re-valuation of the asset portfolio using national indices (IPD & BCIS) and also considered other local factors. They have confirmed that there has been no material impairment to property values and consequently no adjustments have been required.

### **NNDR Appeals**

If the number of business rates appeals were to increase by 10% then this could require an increase in the Council's share of its appeals provision by £156k. The actual impact would depend on the make-up and nature of the new appeals, this estimate is based on them being in line with the known appeals outstanding as at 31st March 2014 on which the current provision is calculated.

## **5 MATERIAL ITEMS OF INCOME AND EXPENSE**

There were no material items of Income and Expenditure which are not separately detailed elsewhere in the accounts.

## **6 EVENTS AFTER THE BALANCE SHEET DATE**

The draft Statement of Accounts was authorised for issue by the Divisional Director of Business Support & Chief Finance Office (Section 151 Officer) on 23rd June 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this situation.

### **Academy Schools**

These accounts reflect the appropriate transfer of assets and liabilities in respect of those schools which became Academies during the 2013/14 financial year. A number of schools have also submitted applications to DfE to convert to Academy Status:-

- High Littleton Primary
- Peasedown St John Primary
- Weston All Saints Primary School
- St Mark's Secondary School (although off balance sheet as Voluntary Aided school)
- St Gregory's Secondary School (although off balance sheet as Voluntary Aided school)
- The Link (although off balance sheet as Foundation School)

Subject to approval, we would expect these schools to transfer during the current financial year 2014/15.

# NOTES TO MAIN FINANCIAL STATEMENTS

## 7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2013/14	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000's	£'000's	£'000's	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Charges for depreciation of Non-Current Assets	16,598			(16,598)
Revaluation gains / Impairments on Property Plant & Equipment	13,765			(13,765)
Movements in the Market Value of Investment Properties	(8,076)			8,076
Amortisation of Intangible Assets	61			(61)
Capital Grants & contributions applied	(1,741)		-	1,741
Revenue expenditure funded from Capital under Statute	6,756			(6,756)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	15,381			(15,381)
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Statutory provision for the financing of capital investment expenditure charged against the General Fund	(4,844)			4,844
Principal repayment of Avon Loan	(605)			605
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(15,414)		15,414	
Application of grants to capital financing transferred to the Capital Adjustment Account			1,587	(1,587)
			(16,721)	16,721
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,831)	3,831		
Use of the Capital Receipts Reserve to finance new capital expenditure		(10,221)		10,221
Capital expenditure financed from revenue	(1,390)			1,390
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	1	(1)		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		9		(9)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	6,850			(6,850)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	21,242			(21,242)
Employer's pensions contribution and direct payments to pensioners payable in the year	(14,618)			14,618
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(531)			531
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	483			(483)
Other movements	2,445			(2,445)
<b>Total Adjustments</b>	<b>32,532</b>	<b>(6,382)</b>	<b>280</b>	<b>(26,430)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

2012/13

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000's	£'000's	£'000's	£'000's
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Charges for depreciation and Impairment of Non-Current Assets	23,318			(23,318)
Revaluation gains on Property Plant & Equipment	8,851			(8,851)
Movements in the Market Value of Investment Properties	(1,718)			1,718
Amortisation of Intangible Assets	152			(152)
Capital Grants & Contributions Applied	(3,662)			3,662
Revenue expenditure funded from Capital under Statute	8,458			(8,458)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	59,860			(59,860)
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Statutory provision for the financing of capital investment expenditure charged against the General Fund	(4,310)			4,310
Principal repayment of Avon Loan	(631)			631
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(19,312)		19,312	
Application of grants to capital financing transferred to the Capital Adjustment Account			(14,709)	14,709
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(20,359)	20,359		
Use of the Capital Receipts Reserve to finance new capital expenditure		(14,409)		14,409
Capital expenditure financed from revenue	(1,632)			1,632
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	6	(6)		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		23		(23)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	14,509			(14,509)
Employer's pensions contribution and direct payments to pensioners payable in the year	(13,488)			13,488
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(474)			474
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	653			(653)
Other movements	(7,736)			6,901
<b>Total Adjustments</b>	<b>42,485</b>	<b>5,967</b>	<b>4,603</b>	<b>(53,890)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 8 GENERAL FUND BALANCES AND RESERVES

This note sets out the amounts set-a-side from the general Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14.

#### Unearmarked Reserves

	31 March 2013 £'000	transfers to £'000	transfers from £'000	31 March 2014 £'000
General Fund Balances unearmarked	10,497	897	(922)	10,472

#### Earmarked Reserves

	31 March 2013 £'000	transfers to £'000	transfers from £'000	31 March 2014 £'000
LMS Schools Balances	3,286	105	(206)	3,185
Corporate Earmarked Reserves	34,868	6,740	(5,243)	36,365
Service Specific Reserves	134	29	(62)	101
General Service Earmarked Reserves	4,100	1,555	(563)	5,092
	42,388	8,429	(6,074)	44,743

#### Total General Fund Balances and Reserves

	52,885	9,326	(6,996)	55,215
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#### Other Usable Reserves

Capital Receipts Reserve	6,757	3,839	(10,221)	375
Capital Grants Unapplied Reserve	12,843	17,001	(16,721)	13,123

#### Total Usable Reserves

	72,488	30,166	(33,938)	68,716
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LMS Schools balances will be used by individual schools

	31 March 2013 £'000	transfers to £'000	transfers from £'000	31 March 2014 £'000
<b>Corporate Earmarked Reserves</b>				
Insurance Fund	871	1,577	(1,323)	1,125
Capital Financing Reserve	2,351	1,055	-	3,406
Revenue Funding of capital	337	1,386	(817)	906
Financial Planning Reserve	6,210	-	(515)	5,695
Affordable Housing & Capital Development	3,000	-	-	3,000
Revenue Budget Contingency Reserve	1,521	676	(277)	1,920
Revenue Grants Unapplied	1,647	629	-	2,276
Transformation Investment Reserve	4,233	-	(416)	3,817
Restructuring & Severance Reserve	5,418	-	-	5,418
Dedicated Schools Grant Reserve	3,785	674	-	4,459
Other	5,495	743	(1,895)	4,343
	34,868	6,740	(5,243)	36,365

The Insurance Fund exists in order to meet the cost of claims which fall below the policy excesses.

The Capital Financing reserve is used to match capital financing costs arising in the future.

The Revenue Funding of capital reserve is used to finance specific capital spend items.

The Financial Planning reserve has been established to support the future medium term financial planning of the Council. It will be allocated as part of the Budget each year to support the specific medium term financial proposals and priorities of the Council.

The Affordable Housing & Capital Development reserve will be used to fund affordable housing and capital development.

The Revenue Budget Contingency reserve is used to fund unforeseen revenue costs not containable within the annual revenue budget and related risks.

The Revenue Grants Unapplied Reserve is used to fund future costs where the revenue grant is received without any conditions, in advance of Service spend.

The Transformation Investment Reserve is used to support the Authority's change programme including the development and implementation of specific transformation business cases.

The Restructuring & Severance reserve is used to fund severance related costs related to service changes arising from the Medium Term Service & Resource Plan.

The Dedicated Schools Grant (DSG) Reserve holds the balance of DSG to be carried forward for use in future years.

## NOTES TO MAIN FINANCIAL STATEMENTS

	31 March 2013 £'000	transfers to £'000	transfers from £'000	31 March 2014 £'000
<b>General Service Earmarked Reserves</b>				
Information Technology Reserve	831	1,183	(140)	1,874
HR Payroll System	69	27	(33)	63
Ward Councillors Initiatives Reserve	153		(152)	1
Finance VAT Advice Reserve	152	-	(32)	120
Adult Services RE-Enablement (s256)	2,689	345		3,034
Heritage Services Reserve	206	-	(206)	-
	4,100	1,555	(563)	5,092

### 9 OTHER OPERATING EXPENDITURE

	2013/14 £'000	2012/13 £'000
(Gain)/Loss on disposal of non-current assets	12,317	29,074
Parish Precepts	2,045	2,166
Levy payments to joint bodies	217	215
Contribution to Housing Pooled Receipts	1	6
	14,580	31,461

### 10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2013/14 £'000	2012/13 £'000
Interest Payable & Premiums	11,730	6,161
Interest & Investment Income	(222)	(700)
Net Deficit/(Surplus) on Trading Services	21	236
Income & expenditure in relation to Investment properties and changes in fair value	(22,213)	(6,023)
Net Interest on the Net Defined Benefit Liability (Asset)	8,786	6,059
	(1,898)	5,733

### 11 TAXATION AND NON-SPECIFIC GRANT INCOME

	2013/14 £'000	2012/13 £'000
Council Tax Income	(74,086)	(80,088)
Non -Domestic Rates Income & Expenditure	(19,715)	(40,692)
Non ring fenced government grants	(32,104)	(3,401)
Capital grants and contributions	(15,414)	(19,312)
	(141,319)	(143,493)

# NOTES TO MAIN FINANCIAL STATEMENTS

## 12 PROPERTY, PLANT & EQUIPMENT

Movement in 2013/14:

	Other Land & Buildings	Community Assets	Infrastructure Assets	Veh'cls, Plant & Equipment	Assets Under Construction	Surplus Assets	Heritage Assets	Total Property Plant & Equipment £'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation as at 1 April 2013</b>	248,339	4,207	79,817	20,924	32,050	14,491	17,780	<b>417,608</b>
Adjustment to opening balance	(5,901)	(1,414)	(146)			(4,448)		<b>(11,909)</b>
Additions	4,405	133	9,819	1,893	19,771	143	69	<b>36,233</b>
Revaluations increases/decreases recognised in the Revaluation Reserve	296	-				4,568	-	<b>4,864</b>
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(14,551)					(88)		<b>(14,639)</b>
De-recognition - Disposals	(12,441)	(608)	-	(1)	-	(287)		<b>(13,337)</b>
Assets reclassified to/from Held for sale	(59)				-			<b>(59)</b>
Reclassifications - other	2,719	-	8,977	430	(9,898)	(1,826)	50	<b>452</b>
<b>Valuation as at 31 March 2014</b>	<b>222,807</b>	<b>2,318</b>	<b>98,467</b>	<b>23,246</b>	<b>41,923</b>	<b>12,553</b>	<b>17,899</b>	<b>419,213</b>
<b>Accumulated Depreciation and Impairment</b>								
Accumulated depreciation as at 1 April 2013	(16,441)	(1,354)	(27,548)	(12,539)	-	(4,529)	-	<b>(62,411)</b>
Adjustment to opening balance	1,775	435				4,428		<b>6,638</b>
Depreciation charge in year	(6,993)	(193)	(7,325)	(2,047)		(38)		<b>(16,596)</b>
Depreciation written out to the Revaluation Reserve	142					5		<b>147</b>
Depreciation written out to the Surplus/Deficit on Provision of Services	875					-		<b>875</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve								<b>-</b>
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services*	-					-		<b>-</b>
De-recognition - disposals	-	425		1		1		<b>427</b>
Other Movements in Depreciation & Impairment	(3)					-		<b>(3)</b>
Accumulated depreciation at 31 March 2014	<b>(20,645)</b>	<b>(687)</b>	<b>(34,873)</b>	<b>(14,585)</b>	<b>-</b>	<b>(133)</b>	<b>-</b>	<b>(70,923)</b>
<b>Balance sheet amount 31 March 2014</b>	<b>202,162</b>	<b>1,631</b>	<b>63,594</b>	<b>8,661</b>	<b>41,923</b>	<b>12,420</b>	<b>17,899</b>	<b>348,290</b>

\* Neither the property impairment review or the non-property impairment review resulted in any impairment loss in 2013/14. Therefore the figure shown is for is for gains only'

### Net Book Value

Balance sheet amount 1 April 2013	231,952	2,853	52,269	8,385	32,050	9,962	17,780	355,251
Balance sheet amount 1 April 2012	259,024	2,890	46,832	8,914	33,650	16,776	17,570	385,656
Balance sheet amount 1 April 2011	276,733	3,027	45,297	8,716	26,022	19,205	17,780	396,780
Balance sheet amount 1 April 2010	280,189	3,082	42,488	5,213	19,086	19,011	100	369,169

## NOTES TO MAIN FINANCIAL STATEMENTS

Comparative Movements in 2012/13:

	Other Land & Buildings	Community Assets	Infrastructure Assets	Veh'cls, Plant & Equipment	Assets Under Construction	Surplus Assets	Heritage Assets	Total Property Plant & Equipment £'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation as at 1 April 2012</b>	275,462	3,979	68,109	19,450	33,650	16,778	17,570	<b>434,998</b>
Additions	7,812	229	9,609	1,499	10,439	105	161	<b>29,854</b>
Revaluations increases/decreases recognised in the Revaluation Reserve	(1,297)	-				572	50	<b>(675)</b>
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(11,048)					(90)		<b>(11,138)</b>
De-recognition - Disposals	(33,075)	-	-	(25)	(4,528)	(158)		<b>(37,786)</b>
Assets reclassified to/from Held for sale	(1,117)				-	(2,777)		<b>(3,894)</b>
Reclassifications - other*	11,602	(1)	2,099		(7,511)	61	(1)	<b>6,249</b>
<b>Valuation as at 31 March 2013</b>	<b>248,339</b>	<b>4,207</b>	<b>79,817</b>	<b>20,924</b>	<b>32,050</b>	<b>14,491</b>	<b>17,780</b>	<b>417,608</b>
<b>Accumulated Depreciation and Impairment</b>								
Accumulated depreciation as at 1 April 2012	(16,438)	(1,089)	(21,277)	(10,536)	-	(2)	-	<b>(49,342)</b>
Adjustment to opening balance	-							-
Depreciation charge in year	(8,170)	(265)	(6,271)	(2,018)		(35)		<b>(16,759)</b>
Depreciation written out to the Revaluation Reserve	2,296					70		<b>2,366</b>
Depreciation written out to the Surplus/Deficit on Provision of Services	2,315					(27)		<b>2,288</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve								-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services	(1,768)					(4,514)		<b>(6,282)</b>
De-recognition - disposals	1,655			15				<b>1,670</b>
Other Movements in Depreciation & Impairment	3,723					(21)		<b>3,702</b>
<b>Accumulated depreciation at 31 March 2013</b>	<b>(16,387)</b>	<b>(1,354)</b>	<b>(27,548)</b>	<b>(12,539)</b>	<b>-</b>	<b>(4,529)</b>	<b>-</b>	<b>(62,357)</b>
Balance sheet amount 31 March 2013	<b>231,952</b>	<b>2,853</b>	<b>52,269</b>	<b>8,385</b>	<b>32,050</b>	<b>9,962</b>	<b>17,780</b>	<b>355,251</b>

\* Other reclassifications relate to a £7.1m transfer from Investment Assets to Land & Buildings, with the remainder being Assets Under Construction which have now become operational.

### Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Other Land and Buildings	30 - 60 years
Vehicles, Plant and Equipment	3 - 10 years
Infrastructure	10 - 50 years

## NOTES TO MAIN FINANCIAL STATEMENTS

### Effects of Changes in Estimates

In 2013/14 there were no material changes made to the Authority's accounting estimates for Property, Plant & Equipment.

### Revaluations

The Council carries out a rolling programme that ensures all PPE required to be measured at fair value and where necessary valuations are carried out at least every five years. All valuations undertaken in 2013/14 were carried out internally to the value of £24.4m. Valuations of land & 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.

The general assumptions applied in estimating the fair values are as follows:

- Properties classified as occupied by the council for the purpose of its business have been valued on the basis of air Value (Existing Use Value), assuming vacant possession on all parts occupied by the Council.
- Properties classified as Investment or Surplus to Requirements have been valued at fair Value (Market Value).
- Specialist building are valued at Depreciation replacement cost (e.g. Schools)
- All other assets are valued at Historical Costs, including Infrastructure and Vehicles
- Academies, Faith, Foundation and Voluntary Aided schools are not included on the Council's Balance Sheet.
- To Assets not revalued in year, estimated for enhancing expenditure and depreciation of useful life is applied.

### Capital Commitments

At 31 March 2014 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years estimated to cost £34.12m.

The major commitments are:

	2013/14 £'000	2012/13 £'000
Resources (Property) Schemes	7,632	18,823
Education & Children's Services	1,352	2,486
Public Realm	-	369
Gypsy & Traveller's Site	19	-
Bath Transportation Package	5,050	8,132
BWR (Infrastructure & Affordable Housing)	1,898	665
Highways & Bridge Strengthening	1,805	692
Waste Services	136	17
Neighbourhoods projects	270	71
London Road Regeneration	84	24
LSTF	-	12
SWEIP-E-Purse	-	36
Roman Bath - Temple Project	301	-
Bath Quays	222	-
Radstock Regeneration	190	-
Odd Down Playing Field	78	-
	<b>19,037</b>	<b>31,327</b>



## NOTES TO MAIN FINANCIAL STATEMENTS

### 13 HERITAGE ASSETS

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

<b>2013/14</b>	Victoria Art Gallery	Roman Baths	Costume Museum	Chandeliers	Records Office	Library	<b>Total</b>
<b>Cost or Valuation</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1st April 2013	12,213	1,339	1,053	1,000	936	1,239	17,780
Additions		119					119
Disposals							-
Revaluations							-
Impairment Losses/(reversals) recognised in the Reval Reserve							-
Impairment Losses/(reversals) recognised in the Surplus or Deficit on Provision of Service							-
<b>31st March 2014</b>	<b>12,213</b>	<b>1,458</b>	<b>1,053</b>	<b>1,000</b>	<b>936</b>	<b>1,239</b>	<b>17,899</b>

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

<b>2012/13</b>	Victoria Art Gallery	Roman Baths	Costume Museum	Chandeliers	Records Office	Library	<b>Total</b>
<b>Cost or Valuation</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1st April 2012	12,035	1,337	1,022	1,000	936	1,239	17,569
Additions	154	2	5				161
Impairment Reversals	24		26				50
<b>31st March 2013</b>	<b>12,213</b>	<b>1,339</b>	<b>1,053</b>	<b>1,000</b>	<b>936</b>	<b>1,239</b>	<b>17,780</b>

<b>2011/12</b>	Victoria Art Gallery	Roman Baths	Costume Museum	Chandeliers	Records Office	Library	<b>Total</b>
<b>Cost or Valuation</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1st April 2011	11,983	1,337	1,022	1,000	936	1,239	17,517
Additions	52						52
<b>31st March 2012</b>	<b>12,035</b>	<b>1,337</b>	<b>1,022</b>	<b>1,000</b>	<b>936</b>	<b>1,239</b>	<b>17,569</b>

<b>2010/11</b>	Victoria Art Gallery	Roman Baths	Costume Museum	Chandeliers	Records Office	Library	<b>Total</b>
<b>Cost or Valuation</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1st April 2010	11,949	1,337	1,022	1,000	936	1,239	17,483
Additions	34						34
<b>31st March 2011</b>	<b>11,983</b>	<b>1,337</b>	<b>1,022</b>	<b>1,000</b>	<b>936</b>	<b>1,239</b>	<b>17,517</b>

A summary of transactions relating to heritage assets over the last 5 years has not been produced as it is not practicable to provide such information prior to 1st April 2010.

## NOTES TO MAIN FINANCIAL STATEMENTS

### 14 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.

	2013/14	2012/13
	£'000	£'000
Rental Income from Investment Property	15,175	15,545
Direct operating expenses arising from Investment Property	(1,171)	(2,127)
Net gain/(loss)	14,004	13,418

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

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

	2013/14	2012/13
	£'000	£'000
Balance at start of year	223,417	238,862
Adjustment to opening balance	2,466	(57)
Additions of expenditure	712	5,829
Disposals	(2,011)	(18,099)
Net gains/losses from fair value adjustments	8,076	1,718
Transfer to/from Property, Plant & Equipment	(846)	(4,836)
Balance at end of the year	231,814	223,417

### 15 INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, Plant and Equipment. All software is given a finite useful life based on assessments of the period that the software is expected to be of use to the Authority.

The carrying amount of intangible assets is amortised on a straight-line basis over a 3 year period.

	2013/14	2012/13
	£'000	£'000
<b>Cost or valuation as at 1 April</b>	2,469	2,264
Purchases	220	205
<b>Cost or valuation as at 31 March</b>	2,689	2,469
Accumulated depreciation as at 1 April	1,719	1,567
Depreciation for the period	61	152
Accumulated depreciation at 31 March	1,780	1,719
<b>Net Carrying amount at 31 March</b>	909	750

## NOTES TO MAIN FINANCIAL STATEMENTS

### 16 FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
Financial liabilities at amortised cost - loans	120,482	70,477	-	-
Accrued Interest (1)			1,558	863
Financial liabilities at amortised cost trade creditors			28,314	32,041
<b>Total borrowings</b>	<b>120,482</b>	<b>70,477</b>	<b>29,872</b>	<b>32,904</b>

The Authority does not have any Financial Liabilities at fair value through profit and loss.

	Long-Term		Current	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
Loans & receivables (cash on deposit)	-	-	134,464	69,584
Accrued Interest (1)			232	133
Loans & receivables - trade debtors			15,878	17,617
<b>Total Investments</b>	<b>-</b>	<b>-</b>	<b>150,574</b>	<b>87,334</b>

(1) Accrued interest reflects interest on financial liabilities/loans & receivables which is payable within 12 months of the balance sheet date.

The Authority does not have any Unquoted Equity Instruments at Cost.

The Authority has not granted any financial guarantees or material soft loans.

#### Financial Instruments Gains & Losses

	Financial Liabilities 31 March 2013 Liabilities measured at amortised cost £'000	Financial Assets 31 March 2013 Loans & Receivables £'000	Total £'000	Financial Liabilities 31 March 2014 Liabilities measured at amortised cost £'000	Financial Assets 31 March 2014 Loans & Receivables £'000	Total £'000
Interest Expense *	(5,351)	-	(5,351)	(3,928)	-	(3,928)
Premium on Early Repayment of Debt	-	-	-	(7,019)	-	(7,019)
<b>Interest payable &amp; similar charges</b>	<b>(5,351)</b>	<b>-</b>	<b>(5,351)</b>	<b>(10,947)</b>	<b>-</b>	<b>(10,947)</b>
Interest Income	-	700	700	-	222	222
<b>Interest &amp; investment Income</b>	<b>-</b>	<b>700</b>	<b>700</b>	<b>-</b>	<b>222</b>	<b>222</b>
<b>Net gain/(loss) for the Year</b>	<b>(5,351)</b>	<b>700</b>	<b>(4,651)</b>	<b>(10,947)</b>	<b>222</b>	<b>(10,725)</b>

\*The Authority also paid £1.39m (of which £0.61m related to principle), in respect of its share of debt relating to the former Avon County Council which is managed by Bristol City Council.

The decrease in interest expense reflects impact of borrowing repayments undertaken during 2013/14. This also incurred the Early Repayment Premium costs.

The decrease in interest income earned reflects the lower average interest rate earned on investments during 2013/14, along with the reduced cash balance following the £50m Debt Repayment undertaken during 2013/14.

## NOTES TO MAIN FINANCIAL STATEMENTS

### Fair value of assets and liabilities carried at amortised cost

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

+ cash flows arising from Public Works Loan Board loans have been discounted at the premature repayment rates published by the Board, so that the fair value equals the amount at which the authority could repay its loans on balance sheet date.

+ The fair values of long-term "Lender's Option Borrower's Option" (LOBO) loans have been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate and adding the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to Bloomberg's proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

+ cash flows arising from investments have been discounted at money market rates available for investments of similar remaining maturities on the balance sheet date.

+ the fair value of trade receivables and payables is taken to be the invoiced amount.

+ The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, we have also included accrued interest in the fair value calculation.

The fair values calculated are as follows:

	31 March 2013		31 March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities - PWLB Loans (Long Term Borrowing)	101,151	130,230	50,455	63,566
Financial Liabilities - Market Loans (Long Term Borrowing)	20,889	29,062	20,885	25,744
Total Long Term Borrowing	122,040	159,292	71,340	89,310
Financial Liabilities - trade creditors***	28,314	28,314	19,474	19,474
	150,354	187,606	90,814	108,784

\*\*\* This is the trade creditor element of the "Other Entities & Individuals" amount included in Note 22 - Short Term Creditors. The balance of creditors as disclosed in the Balance Sheet and in Note 22 of £82,409 are not Financial Instruments.

The total long term borrowing shown above is the sum of the financial liabilities at amortised costs and the accrued interest from the table in the previous page.

The fair value as at 31st March 2014 on the Council's portfolio of loans is more than the carrying amount because the interest rate payable is higher than the premature repayment rates available for similar loans at the Balance Sheet date. This commitment to pay interest above market exit prices increases the amount that the Council would have to pay if it requested early repayment of the loan. The significant change in value between years relates to the £50m PWLB debt repayment in 2013/14.

	31 March 2013		31 March 2014	
	£'000	£'000	£'000	£'000
Loans & Receivables - investments*	134,696	134,716	69,717	69,723
Loans & Receivables - trade debtors**	15,878	15,878	12,766	12,766

\* The "Loans & Receivables - investments" figures above include those short-term investments classed as Cash Equivalents, as detailed in Note 20. This equated to **£11.031m** in 2013/14 (£12.172m in 2013/14), with the remaining **£58.686m** being short term investments in 2013/14 (£122.524m in 2012/13).

\*\* This is the trade debtor element of the "Other Entities & Individuals" amount included in Note 19 - Short Term Debtors. The balance of creditors as disclosed in the Balance Sheet and in Note 19 of £10,209 are not Financial Instruments.

The fair value of loans and receivables is slightly higher than the carrying amount as at 31st March 2014 due to fixed interest investments being held by the authority where the interest rate is higher than the prevailing rate estimated to be available on the balance sheet date.

### Disclosure of 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 and refinancing risk - the possibility that the authority might not have funds available, or that it may have to borrow funds at a high rate of interest, to meet its financial obligations.

\* market risk - the possibility that changes in market variables such as interest rates and asset prices may place an unexpected burden on the authority's finances.

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the central treasury team, under policies approved by the Authority in the Annual Treasury Management Strategy. The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk interest rate risk and investment of surplus cash.

# NOTES TO MAIN FINANCIAL STATEMENTS

## Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. The Council's approved Treasury Management Strategy for 2013/14 set the minimum credit ratings for the banks and financial institutions with which deposits can be made. The minimum credit ratings were Short Term rating F1 or equivalent, Long Term rating A- or equivalent, and Support rating 3 or equivalent. The Council also set additional criteria in relation to the time limit and amount of monies which will be invested with financial institutions based on the level of their credit rating with a maximum lending limit of £20m restricted to UK banks, on the basis that they either had already or were likely to receive support from the UK Government should they experience financial difficulties. Investments in UK Building Societies that do not meet the above criteria are permitted provided they have a minimum asset size of £4bn and a long-term rating of BBB or above and short-term credit rating of F2 or above. These investments are subject to a lower cash limit and shorter time limit.

For operational reasons, the Treasury Management Strategy for 2013/14 permits the overnight use of the Council's current bank account provider (NatWest), subject to maintaining a credit rating of not lower than BBB-.

Investments in foreign countries will be limited to those that hold a AAA or AA+ sovereign credit rating from all three major credit rating agencies, and to a maximum of £20m per country for those rated AAA and £15 million per country. Banks that are domiciled in one country but are owned in another country will need to meet the rating criteria of and will count against the limit for both countries. There is no aggregate limit on investments in the UK.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five years, adjusted to reflect current market conditions.

	Amount at 31 March 2014	Historical Experience of default	Estimated maximum exposure to default & uncollectability
	£'000	%	£'000
<b>Deposits with banks &amp; financial institutions</b>			
<b>(grouped by LT credit rating):</b>			
Government Debt Management Office & Local Authorities - AAA rated	58,682	0.16	94
Banks/Financial Institutions with lowest equivalent rating of AAA	0	0.15	0
Banks/Financial Institutions with lowest equivalent rating of AA	5,028	0.33	17
Banks/Financial Institutions with lowest equivalent rating of A	5,004	0.80	40
Banks/Financial Institutions with lowest equivalent rating of BBB	1,000	2.12	21
Total deposits with Banks & Financial Institutions	69,714	-	172
		2014	2013
Trade Debtors		17,617	15,878
Total debtors at 31st March including trade debtors		22,975	23,029

The historical experience of default for deposits is based on a simple tri-agency average of historic default rates over the past 5 years from Fitch, Moody's and Standard & Poor's rating agencies.

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 due to its tight investment policy.

The authority does not generally allow credit for customers, such that the balance of £18.6m outstanding at 31st March 2014 is all past its due date for payment.

The past due amount can be analysed by age as follows:

	2013/14 £'000's	2012/13 £'000's
Less than three months	15,742	13,265
Three to six months	291	361
Six months to one year	357	434
More than one year	1,227	1,818
	17,617	15,878

## NOTES TO MAIN FINANCIAL STATEMENTS

The following table provides analysis of investment balances (including accrued interest) as at 31st March by the country of the counterparty. If the financial institution is part of a group, the country is assessed by the parent financial institution.

	Amount at 31 March 2014 £'000's	%	Amount at 31 March 2013 £'000's	%
<b>Loans &amp; Receivables (Cash on Deposit) by Country Analysis</b>				
UK Debt Management Office	8,586	12.3%	1,364	1.0%
UK Local Authorities	50,096	71.9%	64,074	47.6%
UK - Other Financial Institutions	6,007	8.6%	44,154	32.8%
Australia	-	0.0%	5,005	3.7%
Singapore	-	0.0%	15,030	11.2%
Sweden	5,028	7.2%	5,069	3.8%
<b>Total</b>	<b>69,717</b>	<b>100%</b>	<b>134,696</b>	<b>100%</b>

### Liquidity and Refinancing Risk

As the Council has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. Following the recent transition from being debt free, with long term borrowing only starting in 2004/05, the Council's debt maturity profile is mainly in the 20+ year range, with the earliest maturity in 2029/30. As the borrowing portfolio develops in the future the maturity profile will be structured to ensure an even spread.

#### The maturity analysis of borrowing is as follows:

	31 March 2013 £'000	31 March 2014 £'000
Borrowing due for repayment:		
Between 15 and 20 years	15,000	15,000
Between 20 and 25 years	15,000	15,000
Between 35 and 40 years	10,000	0
Between 40 and 45 years	60,482	20,477
Between 45 and 50 years	20,000	20,000
	120,482	70,477

Trade creditors and interest on borrowing are not included in the above table. They fall due to be paid in less than one year.

The Council does hold £20m of borrowing through market loans called LOBOs (Lenders Option Borrowers Option) where, after an initial fixed interest period, the lender has six monthly options to increase the coupon rate of the loan. If the lender decided to increase the coupon rate the Council would have the option to either agree to the increased rate or to repay the loan with no penalty charge. In the event that the Council decided to repay the loan and long term borrowing rates were unfavourable, it is likely that short term borrowing would be undertaken until long term rates return to target levels. The fixed interest period has passed on all loans and the lender has options to change the rate of interest in April and October of each year the loan continues.

All trade and other payables are due to be paid in less than one year.

## NOTES TO MAIN FINANCIAL STATEMENTS

### Market Risk

#### Interest Rate Risk

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

- \* borrowings at variable rates - the interest expense charged to the Income and Expenditure Account will rise
- \* borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- \* investments at variable rates - the interest income credited to the Income and Expenditure Account will rise
- \* investments at fixed rates - the fair value of the assets will fall.

Borrowings and fixed rate investments are not carried at fair value, so nominal gains and losses on fixed rate borrowings & investments would not impact on the Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance £ for £.

The effect of interest rates is monitored throughout the year and the impacts are reflected in budget monitoring reports which identify performance against the budget. This allows any adverse changes to be accommodated.

For indication purposes, at 31st March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(272)
Impact on Income and Expenditure Account	(272)
Decrease in fair value of fixed rate investment assets (no impact on I & E)	243
Decrease in fair value of fixed rate borrowing liabilities (no impact on I & E)	11,608

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

### Price Risk

The authority does not invest in equity shares and doesn't have shareholdings in any joint ventures and is therefore not exposed to losses arising from movements in the prices of shares. Changes in the price of fixed interest investments are managed as part of the authority's interest rate risk management strategy.

### Foreign Exchange Risk

The authority has no financial assets or liabilities denominated in foreign currencies and it makes few purchases or sales in foreign currencies. It therefore has no material exposure to loss arising from movement in exchange rates.

## 17 Acquired and Discontinued Operations

The Council has acquired Public Health operations from Bath & North East Somerset Primary Care Trust in April 2013. With the transfer came a number of commissioning responsibilities for the Council, together with overall responsibility for improving health in the area. The national Public Health outcomes framework has been developed, which sets out key outcomes of interest for partners in improving health (some of which are mandatory).

The Public Health expenditure is a separate service line in the Comprehensive Income & Expenditure Statement, and is funded by a Department of Health grant, so there is no impact on the Council's net expenditure.

No operations were acquired in 2012/13.

## 18 INVENTORIES

	Balance 2012/13	Purchases	Recognised as expense in year	Written off Balances	Balance 2013/14
	£'000	£'000	£'000	£'000	£'000
Consumable Stores	410	103	(26)		487
Client Services Work in Progress	41	17	(32)		26
<b>Total Inventories</b>	<b>451</b>	<b>120</b>	<b>(58)</b>	<b>-</b>	<b>513</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 19 DEBTORS

	2013/14 £'000	2012/13 £'000
Amounts falling due in one year:		
Central Government bodies	5,503	7,672
Other local authorities	16	1,138
NHS bodies	1,421	332
Other entities and individuals (including Trade Debtors)	13,234	9,180
Prepayments	2,801	3,020
<b>Total - Current Assets</b>	<b>22,975</b>	<b>21,342</b>
Amounts falling after one year:	£'000	£'000
Other entities and individuals	2,529	2,397
<b>Total - Long Term Assets</b>	<b>2,529</b>	<b>2,397</b>

### 20 CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	2013/14 £'000	2012/13 £'000
Cash held by the authority	92	87
Bank current accounts	(38)	8,072
Short-term deposits	11,031	12,172
<b>Total cash and cash equivalents</b>	<b>11,085</b>	<b>20,331</b>

### 21 ASSETS HELD FOR SALE

	Current		Non-Current	
	2013/14 £'000	2012/13 £'000	2013/14 £'000	2012/13 £'000
Balance outstanding at start of year	-	1,467		
Assets newly classified as held for sale:	449	3,894		
Property, Plant & Equipment			-	-
Additions	-	24		
Revaluation gains/(losses)				
Assets declassified as held for sale:	-	-		
Assets sold	-	(5,385)		
<b>Balance outstanding at year end</b>	<b>449</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 22 CREDITORS

	2013/14 £'000	2012/13 £'000
Central government bodies	62,187	61,250
Other local authorities	5,034	594
NHS bodies	1,083	602
Public corporations and trading funds	387	87
Other entities and individuals (including Trade Creditors)	28,765	26,872
Income Received in Advance	3,881	1,768
Pensions Fund	546	4,200
	<b>101,883</b>	<b>95,373</b>

Included in Central Government Bodies is £54m held on behalf of West of England's Revolving Investment Fund which will provide for future infrastructure works, and is described further in Note 46.



# NOTES TO MAIN FINANCIAL STATEMENTS

## 23 PROVISIONS FOR LIABILITIES

	31 March 2013	New Provisions	Utilised in Year	Written Back	31 March 2014
Provisions comprise:	£'000	£'000	£'000	£'000	£'000
Spa Right of Lights Provision	38	-	(3)	-	35
Provision for Child Care Costs	126	-	(115)	-	11
Chew Valley Bus Partnership	32	-	-	-	32
Children's Services Provision	32	-	-	-	32
Customer Services Provision	213	12	-	-	225
Social Services Pension Provision	327	-	-	-	327
Planning Provision	154	-	-	-	154
NNDR Appeals Provision	-	1,559	-	-	1,559
Land Charge Fee Provision	34	-	(3)	-	31
	956	1,571	(121)	-	2,406

- \* The Spa right of lights provision is in relation to a possible claim arising from the Spa project.
- \* The provision for child care costs is to provide for fees and charges in relation to a recent court case, the amount of which is unknown.
- \* Chew Valley Bus Partnership is a provision for repayment of grant funding not spent.
- \* The Children's Services Provision is for an employee claim.
- \* The Customer Services provision is to provide for an over claim of Housing Benefit subsidy relating to 2010-11 that was identified as part of the external audit process.
- \* The Social Services Provision relates to Pension deficit costs relating to the transfer of staff between the Council and a care provider.
- \* The Planning Provision is for a number of Planning Appeals.
- \* The NNDR Appeals Provision is for appeals made to the Valuation Office in respect of NNDR valuations.
- \* The Land Charges Fee Provision is for search fee claims.

The amounts payable and the timing of the outflow of economic benefits is unknown.

## 24 UNUSABLE RESERVES

	2013/14 £'000	2012/13 £'000
Revaluation Reserve	80,428	78,878
Capital Adjustment Account	334,173	343,665
Deferred Capital Receipts Reserve	454	463
Financial Instruments Adjustment Account	(6,850)	-
Accumulated Absences Account	(1,436)	(953)
Pensions Reserve	(178,995)	(220,475)
Collection Fund Adjustment Account	1,685	1,154
<b>Total Unusable Reserves</b>	<b>229,459</b>	<b>202,732</b>

### Revaluation Reserve

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

- \* re-valued 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.

	2013/14 £'000	2012/13 £'000
Balance at 1 April	78,878	86,848
Adjustment to opening balance	-	-
Upwards revaluation of assets	9,883	6,225
Downwards revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(4,873)	(4,534)
Impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	-
Transfer of depreciation on re-valued assets	(689)	(621)
Written Back on asset disposal and transfer	(2,771)	(9,040)
Impairment of fixed assets - transfer	-	-
Balance at 31 March	80,428	78,878

## NOTES TO MAIN FINANCIAL STATEMENTS

### 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 amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set aside by the Authority as finance for the cost of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties.

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

Note 8 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2013/14 £'000	2013/14 £'000	2012/13 £'000
Balance at 1 April		343,665	387,976
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	(16,598)		(23,318)
Revaluation losses on Property, Plant & Equipment	(13,765)		(8,851)
Amortisation of intangible assets	(61)		(152)
Revenue expenditure funded from capital under statute	(6,756)		(8,458)
Grant funding of revenue expenditure funded from capital under statute	1,741		3,662
		(35,439)	(37,117)
Adjusting amounts written out of the Revaluation Reserve			
Transfer of depreciation on re-valued assets		689	621
Transfer of revaluation reserve balance on asset disposal		2,771	9,040
Net written out amount of the cost of non-current assets consumed in the year		(31,979)	(27,456)
Capital financing applied in the year:			
Use of capital receipts reserve to finance new capital expenditure	10,221		14,409
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	15,133		14,709
Capital expenditure financed from revenue	1,390		1,632
Minimum Revenue Provision	4,844		4,310
		31,588	35,060
Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		8,076	1,718
Deferred liability - Repayment of Avon Loan Debt		605	631
Carrying value of fixed assets disposed of		(15,381)	(59,860)
Other movements		(2,401)	5,596
<b>Balance at 31 March</b>		<b>334,173</b>	<b>343,665</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the Account to manage premiums paid on 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.

Discounts received have the opposite entries.

	2013/14 £'000	2013/14 £'000	2012/13 £'000
Balance at 1 April		-	-
Premiums incurred in year and charged to the Comprehensive Income & Expenditure Statement	(7,019)		
Proportions of Premiums incurred to be charged against General Fund Balance in accordance with statutory requirements	169		
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.		(6,850)	
<b>Balance at 31 March</b>		<b>(6,850)</b>	<b>-</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### Pensions Reserve

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

	2013/14 £'000	2012/13 £'000
Balance at 1 April	(220,475)	(185,274)
Remeasurements of the net defined benefit liability / (asset)	48,104	(34,180)
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	(21,242)	(14,509)
Employer's pensions contributions and direct payments to pensioners payable in the year	14,618	13,488
<b>Balance at 31 March</b>	<b>(178,995)</b>	<b>(220,475)</b>

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2013/14 £'000	2012/13 £'000
Balance at 1 April	463	486
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement		
Transfer to the Capital Receipts Reserve upon receipt of cash	(9)	(23)
<b>Balance at 31 March</b>	<b>454</b>	<b>463</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax, and from 2013/14, National Non Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and Business Rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2013/14 £'000	2012/13 £'000
Balance at 1 April	1,154	680
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	531	474
<b>Balance at 31 March</b>	<b>1,685</b>	<b>1,154</b>

### Accumulated Absences Account

The Accumulated Absences 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 is neutralised by transfers to or from the Account.

	2013/14 £'000	2013/14 £'000	2012/13 £'000
Balance at 1 April		(953)	(1,606)
Settlement or cancellation of accrual made at the end of the preceding year	953		1,606
Amounts accrued at the end of the current year	(1,436)		(953)
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(483)	653
<b>Balance at 31 March</b>		<b>(1,436)</b>	<b>(953)</b>

# NOTES TO MAIN FINANCIAL STATEMENTS

## 25 CASH FLOW STATEMENT

### Note A to the cashflow statement

	2013/14 £'000	2012/13 £'000
Net Surplus or (Deficit) on the Provision of Services	(30,202)	(43,579)
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>		
Depreciation	16,599	17,036
Impairment and downward valuations	13,765	15,133
Amortisation	61	152
Adjustment for internal interest charged	7,019	
Adjustments for effective interest rates	(700)	(4)
Increase/Decrease in Interest Creditors	-	-
Increase/Decrease in Creditors	3,228	57
Increase/Decrease in Interest and Dividend Debtors	137	698
Increase/Decrease in Debtors	(1,295)	1,522
Increase/Decrease in Inventories	(62)	48
Pension Liability	(8,786)	(6,059)
Pension Fund Gains on Past Service Costs		-
Contributions to/(from) Provisions	1,450	291
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	15,381	59,860
Movement in investment property values	(8,076)	(1,693)
Other movements	3,249	(2,392)
	<b>41,970</b>	<b>84,649</b>

Note A to the cashflow statement continued

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

Capital Grants credited to surplus or deficit on the provision of services	(17,002)	(19,312)
Premiums or Discounts on the repayment of financial liabilities	7,019	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(3,830)	(20,362)
	<b>(13,813)</b>	<b>(39,674)</b>

### Net Cash Flows from Operating Activities

	<b>(2,045)</b>	<b>1,396</b>
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### Note B to the Cash Flow Statement - Operating Activities (Interest)

	2013/14 £'000	2012/13 £'000
<b>Operating activities within the cashflow statement include the following cash flows relating to interest</b>		
Ordinary interest received	222	700
Opening Debtor	171	528
Closing Debtor	(34)	(170)
Interest Received	<b>359</b>	<b>1,398</b>
Interest charge for year	(11,730)	(6,161)
Adjustment for difference between effective interest rates and actual interest payable	(700)	(4)
Adjustment for internal interest charged to balance sheet funds	7,019	
Opening Creditor	-	-
Closing Creditor		
Interest Paid	<b>(5,411)</b>	<b>(6,165)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### **Note C to the Cash Flow Statement - Cash Flows from Investing Activities**

	2013/14 £'000	2012/13 £'000
Property, Plant and Equipment Purchased	(37,165)	(35,912)
Opening Capital Creditors	(6,858)	(5,158)
Closing Capital Creditors	7,928	6,858
Purchase of Property, Plant and Equipment, investment property and intangible assets	(36,095)	(34,213)
Purchase of short term investments	(155,934)	(223,178)
Long term loans granted	-	(267)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	2,459	20,385
Proceeds from short term investments	219,772	158,144
Other capital cash receipts	458	20
Capital Grants Received	19,281	20,629
Other Receipts from Investing Activities	19,739	20,649
<b>Total Cash Flows from Investing Activities</b>	<b>49,941</b>	<b>(58,480)</b>

### **Note D to the Cash Flow Statement - Cash Flows from Financing Activities**

	2013/14 £'000	2012/13 £'000
Cash receipts of long term borrowing	7,019	-
Billing Authorities - Council Tax and NNDR adjustments	691	(2,784)
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	1,077	78
Repayment of Short-Term and Long-Term Borrowing	(57,624)	(631)
Payments for the reduction of a finance lease liability	-	-
<b>Total Cash Flows from Financing Activities</b>	<b>(48,837)</b>	<b>(3,337)</b>

### **Note E - Makeup of Cash and Cash Equivalents**

	2013/14 £'000	2012/13 £'000
Cash and Bank Balances	54	8,159
Cash Investments - regarded as cash equivalents	11,031	12,172
Bank Overdraft	-	(8,305)
	11,085	12,026

## NOTES TO MAIN FINANCIAL STATEMENTS

### 26 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

- \* no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- \* the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- \* expenditure on some support services is budgeted for centrally and not charged to portfolios

#### Portfolio Income & Expenditure 2013/14

	Transport	Early Years Children & Youth	Wellbeing	Leader
	£'000	£'000	£'000	£'000
Fees, charges & other income	(22,845)	(14,349)	(41,639)	(5,625)
Government grants	(764)	(83,512)	(7,388)	-
<b>Total Income</b>	<b>(23,609)</b>	<b>(97,861)</b>	<b>(49,027)</b>	<b>(5,625)</b>
Employee expenses	8,209	69,123	3,717	7,700
Other service expenses	19,854	45,509	94,216	7,143
Support service recharges	2,605	7,391	7,195	948
<b>Total Expenditure</b>	<b>30,668</b>	<b>122,023</b>	<b>105,128</b>	<b>15,791</b>
<b>Net Expenditure</b>	<b>7,059</b>	<b>24,162</b>	<b>56,101</b>	<b>10,166</b>

	Neighbourhoods	Sustainable Development	Community Resources	Homes & Planning	Total
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other income	(6,435)	(18,074)	(35,089)	(3,219)	(147,275)
Government grants	(1,275)	(36)	(57,311)	(40)	(150,326)
<b>Total Income</b>	<b>(7,710)</b>	<b>(18,110)</b>	<b>(92,400)</b>	<b>(3,259)</b>	<b>(297,601)</b>
Employee expenses	11,768	5,344	16,933	4,467	127,261
Other service expenses	14,063	6,544	75,062	1,800	264,191
Support service recharges	2,886	4,072	4,770	824	30,691
<b>Total Expenditure</b>	<b>28,717</b>	<b>15,960</b>	<b>96,765</b>	<b>7,091</b>	<b>422,143</b>
<b>Net Expenditure</b>	<b>21,007</b>	<b>(2,150)</b>	<b>4,365</b>	<b>3,832</b>	<b>124,542</b>

#### Portfolio Income & Expenditure 2012/13

	Transport	Early Years Children & Youth	Wellbeing	Leader
	£'000	£'000	£'000	£'000
Fees, charges & other income	(21,683)	(16,242)	(35,876)	(10,921)
Government grants	(753)	(88,916)	(4,932)	(74)
<b>Total Income</b>	<b>(22,436)</b>	<b>(105,158)</b>	<b>(40,808)</b>	<b>(10,995)</b>
Employee expenses	7,453	73,888	2,913	6,220
Other service expenses	19,360	45,499	86,441	8,017
Support service recharges	2,983	8,843	2,005	2,471
<b>Total Expenditure</b>	<b>29,796</b>	<b>128,230</b>	<b>91,359</b>	<b>16,708</b>
<b>Net Expenditure</b>	<b>7,360</b>	<b>23,072</b>	<b>50,551</b>	<b>5,713</b>

	Neighbourhoods	Sustainable Development	Community Resources	Homes & Planning	Total
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other income	(6,445)	(15,963)	(39,486)	(2,616)	(149,232)
Government grants	(552)	(86)	(65,047)	(95)	(160,455)
<b>Total Income</b>	<b>(6,997)</b>	<b>(16,049)</b>	<b>(104,533)</b>	<b>(2,711)</b>	<b>(309,687)</b>
Employee expenses	11,373	5,509	16,998	4,186	128,540
Other service expenses	13,867	6,873	87,217	2,282	269,556
Support service recharges	3,229	3,703	9,671	1,194	34,099
<b>Total Expenditure</b>	<b>28,469</b>	<b>16,085</b>	<b>113,886</b>	<b>7,662</b>	<b>432,195</b>
<b>Net Expenditure</b>	<b>21,472</b>	<b>36</b>	<b>9,353</b>	<b>4,951</b>	<b>122,508</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2013/14 £'000	2012/13 £'000
Net expenditure in the portfolio analysis	124,542	122,508
Net expenditure of services and support services not included in the analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	29,583	22,030
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	4,714	5,340
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>158,839</b>	<b>149,878</b>

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14	Portfolio Analysis	Services & Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(147,275)	-	-	-	35,248	(112,027)	-	(112,027)
Interest & Investment income	-	-	-	222	-	222	(222)	-
Income from council Tax	-	-	-	14,004	-	14,004	(22,213)	(8,209)
Government grants & contributions	(150,326)	-	-	-	-	(150,326)	(141,319)	(291,645)
<b>Total Income</b>	<b>(297,601)</b>	<b>-</b>	<b>-</b>	<b>14,226</b>	<b>35,248</b>	<b>(248,127)</b>	<b>(163,754)</b>	<b>(411,881)</b>
Employee expenses	127,261	-	(1,764)	2,456	-	127,953	8,786	136,739
Other service expenses	264,191	-	925	(21)	-	265,095	21	265,116
Support service recharges	30,691	-	-	-	(35,248)	(4,557)	-	(4,557)
Depreciation, amortisation & impairment	-	-	16,657	-	-	16,657	-	16,657
Interest payments	-	-	-	(11,730)	-	(11,730)	11,730	-
Precepts & levies	-	-	-	(217)	-	(217)	2,262	2,045
Payments to housing	-	-	-	-	-	-	-	-
Capital Receipts Pool	-	-	-	-	-	-	1	1
Gain or loss on disposal of Fixed Assets	-	-	-	-	-	-	12,317	12,317
<b>Total Expenditure</b>	<b>422,143</b>	<b>-</b>	<b>29,583</b>	<b>(9,512)</b>	<b>(35,248)</b>	<b>406,966</b>	<b>35,117</b>	<b>442,083</b>
<b>Surplus or deficit on the provision of services</b>	<b>124,542</b>	<b>-</b>	<b>29,583</b>	<b>4,714</b>	<b>-</b>	<b>158,839</b>	<b>(128,637)</b>	<b>30,202</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

2012/13	Portfolio Analysis	Services & Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(149,232)				39,983	(109,249)		(109,249)
Interest & Investment income				700		700	(700)	-
Income from council Tax				13,418		13,418	(6,023)	7,395
Government grants & contributions	(160,455)					(160,455)	(143,493)	(303,948)
<b>Total Income</b>	<b>(309,687)</b>	-	-	14,118	39,983	(255,586)	(150,216)	<b>(405,802)</b>
Employee expenses	128,540		(5,833)			122,707	6,059	128,766
Other service expenses	269,556		(4,181)	(2,617)		262,758	2,617	265,375
Support service recharges	34,099				(39,983)	(5,884)		(5,884)
Depreciation, amortisation & impairment			23,193			23,193		23,193
			8,851			8,851		8,851
Interest payments				(6,161)		(6,161)	6,161	-
Precepts & levies						-		-
Payments to housing						-		-
Capital Receipts Pool						-	6	6
Gain or loss on disposal of Fixed Assets						-	29,074	29,074
<b>Total Expenditure</b>	<b>432,195</b>	-	22,030	(8,778)	(39,983)	405,464	43,917	<b>449,381</b>
<b>Surplus or deficit on the provision of services</b>	<b>122,508</b>	-	22,030	5,340	-	149,878	(106,299)	<b>43,579</b>

### 27 TRADING OPERATIONS

The Council has the following Trading Services which are required to operate in a commercial environment and balance their budget by generating income from providing services to the public and other organisations, or as support functions to other frontline Council Departments.

	2013/14 Income £'000	2013/14 Expend £'000	Deficit/ (Surplus) £'000	2012/13 £'000
School and Other Catering	(3,189)	3,295	106	(1)
Cleaning Services	(791)	802	11	(80)
Fleet Management	(2,328)	2,565	237	276
Passenger Transport Services	(5,198)	5,318	120	357
Trade Refuse Collection	(672)	526	(146)	(78)
Building Maintenance	(675)	669	(6)	0
Print Services	(349)	379	30	31
Bath Museum Shops	(2,178)	1,847	(331)	(269)
<b>Surplus for Year</b>	<b>(15,380)</b>	<b>15,401</b>	<b>21</b>	<b>236</b>

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public whilst others are support services to the Authority's services to the public. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Financing and Investment Income and Expenditure.

	2013/14 £'000	2012/13 £'000
Net surplus on trading operations	21	236
Services to the public included in Expenditure of Continuing Operations	(363)	10
Support services recharged to Expenditure of Continuing Operations	384	226
<b>Net Surplus credited to Other Operating Expenditure</b>	<b>21</b>	<b>236</b>



## NOTES TO MAIN FINANCIAL STATEMENTS

### 28 POOLED FUNDING

NHS Bath & North East Somerset CCG has Pooled Budget arrangements under section 31 of the Health Act 1999. The Pooled Budgets are hosted by B&NES Local Authority. There are three Pooled Budgets :-

#### Adult Learning Difficulties

	2013/14 £'000	2012/13 £'000
Balance Brought Forward from previous year	-	-
<b>Gross Funding</b>		
Bath & North East Somerset Council	18,941	15,350
Bath & North East Somerset Primary Care Trust	-	5,033
Bath & North East Somerset Clinical Commissioning Group	4,643	-
Department of Health Vote Transfer Grant	-	3,243
Income from Client Contributions	1,604	-
Interest on External Funding Balances	23	41
<b>Total Funding</b>	<b>25,211</b>	<b>23,667</b>
<b>Total Expenditure</b>	<b>25,211</b>	<b>23,667</b>
<b>Net Underspend /over spend</b>	<b>-</b>	<b>-</b>

#### Community Equipment

	2013/14 £'000	2012/13 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	433	285
Bath & North East Somerset Council (one-off Capital)*	-	81
Bath & North East Somerset Primary Care Trust	-	217
Bath & North East Somerset Clinical Commissioning Group	307	
Interest on External Funding Balances & Fees	2	1
<b>Total Funding</b>	<b>742</b>	<b>584</b>
Spend on community equipment	742	584
<b>Total Expenditure</b>	<b>742</b>	<b>584</b>

#### Children and Young People with Multiple and Complex Needs

	2013/14 £'000	2012/13 £'000
<b>Gross Funding</b>		
Bath & North East Somerset Council	2,484	2,484
Bath & North East Somerset Primary Care Trust	131	131
<b>Total Funding</b>	<b>2,615</b>	<b>2,615</b>
<b>Total Expenditure</b>	<b>2,462</b>	<b>2,781</b>
<b>Net Underspend / (overspend)</b>	<b>153</b>	<b>(166)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 29 MEMBERS' ALLOWANCES

The total cost of Members Allowances for 2013/14 including employers national insurance, pensions contributions and expenses was £937,738 (£906,869 in 2012/13).

Payments to Members listed below do not include the cost of employers national insurance or pension contributions:

		Basic & Special Allowance	Expenses	Total
		£	£	£
ALLEN	S	26,134	-	26,134
ANKETELL-JONES	PM	7,809	36	7,845
APPLEYARD	R	15,478	903	16,381
BALL	S	7,809	325	8,134
BALL	TM	26,134	502	26,636
BARRETT	CV	7,809	119	7,928
BATT	GM	11,400	120	11,520
BEATH	CE	13,084	363	13,446
BELLOTTI	DF	26,134	2,510	28,644
BEVAN	SF	10,146	531	10,677
BLANKLEY	MP	7,809	-	7,809
BRETT	LJ	12,412	1,810	14,222
BRINKHURST	L	7,809	102	7,911
BULL	JA	16,337	137	16,474
BUTTERS	TN	15,938	-	15,938
CHALKER	BA	9,691	-	9,691
CLARKE	AK	7,809	-	7,809
COOMBES	NJ	8,567	-	8,567
CROSSLEY	PN	38,324	1,110	39,434
CURRAN	GF	21,272	-	21,272
DAVIS	S	15,289	-	15,289
DEACON	DE	8,148	137	8,285
DIXON	D	26,134	196	26,329
EDWARDS	PM	7,809	102	7,911
EVANS	M	7,809	380	8,189
FOX	PJ	12,321	25	12,346
FURSE	AJ	7,809	-	7,809
GERRISH	CD	11,400	478	11,878
GILCHRIST	IA	11,041	291	11,332
HAEBERLING	F	8,832	-	8,832
HALE	AD	7,809	-	7,809
HALL	KF	10,169	1,076	11,245
HARDMAN	EJ	8,857	459	9,316
HARTLEY	N	9,215	241	9,456
HEDGES	SP	8,065	-	8,065
JACKSON	EM	8,754	359	9,113
KEW	LJ	7,809	1,267	9,076
LAMING	DW	7,809	-	7,809
LEES	MJH	7,809	-	7,809
LONGSTAFF	M	15,289	-	15,289
MACRAE	BJ	7,809	-	7,809
MARTIN	DJ	8,130	127	8,257
MOSS	R	17,084	479	17,563
MYERS	P	7,809	-	7,809
NICOL	D	8,376	638	9,014
ORGAN	BS	7,809	-	7,809
PLAYER	J	7,809	-	7,809
PRITCHARD	VL	15,289	2,298	17,587
RICHARDSON	EA	7,809	-	7,809
RIGBY	A	12,184	-	12,184
ROBERTS	CM	24,075	193	24,267
ROBERTS	N	7,809	-	7,809
ROMERO	UM	26,134	592	26,726
SANDRY	WA	7,809	-	7,809
SIMMONS	B	7,809	-	7,809
SIMMONS	KS	7,809	-	7,809
SPARKS	J	7,809	-	7,809
STEVENS	BCD	24,446	462	24,908
SYMONDS	RA	11,894	1,618	13,512
VEAL	M	9,796	1,674	11,470
VEALE	DJ	7,809	369	8,178
WARD	G	7,809	24	7,833
WARREN	T	17,569	261	17,830
WATT	C	7,809	57	7,866
<b>Total</b>		<b>782,575</b>	<b>22,367</b>	<b>804,942</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 30 OFFICER REMUNERATION

#### Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2014

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total
	£	£	£	£	£
Chief Executive - Jo Farrar	150,000	1,393		28,500	179,893

#### Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2014

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total
	£	£	£	£	
Strategic Director - People & Communities	130,000	2,459	963	24,700	158,122
Strategic Director of Resources	120,000	891	320	22,800	144,011
Strategic Director for Place	120,968	165	-	22,984	144,117
Director of Public Health	101,901	1,316	7,000	14,266	124,483
Monitoring Officer & Divisional Director	97,275	-	963	18,482	116,720
Divisional Director - Finance & Business	97,275	125	205	18,482	116,087

#### Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2013

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total
	£	£	£	£	
Chief Executive - Jo Farrar	100,403	1,071	7,000	18,073	126,547
Interim Chief Executive - John Everitt	72,386	1,132	-	-	73,518

The Chief Executive took up post on 31st July 2012. The annualised salary for the post is £150,000. The Benefits In Kind is a one-off relocation allowance.

The Interim Chief Executive left on 31st August 2012. This post was paid at a daily rate.

#### Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2013

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total
	£	£	£	£	
Strategic Director - People & Communities	134,691	2,278	963	24,244	162,176
Strategic Director of Resources	124,340	958	-	22,381	147,679
Strategic Director for Place	60,000	1,275	-	10,800	72,075
Monitoring Officer & Divisional Director	101,006	-	963	17,510	119,479
Divisional Director - Finance & Business Support	97,275	87	-	17,510	114,872

The Strategic Director for Place post was vacant between 1st October 2012 and 31st March 2013.

## NOTES TO MAIN FINANCIAL STATEMENTS

### 31 EMPLOYEES EMOLUMENTS

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

Remuneration band	2013/14 Teachers	2013/14 Others	2013/14 Total	2012/13 Teachers	2012/13 Others	2012/13 Total
£50,000 - £54,999	20	35	55	16	30	46
£55,000 - £59,999	13	12	25	16	4	20
£60,000 - £64,999	13	5	18	10	5	15
£65,000 - £69,999	6	3	9	8	3	11
£70,000 - £74,999	2	4	6	1	6	7
£75,000 - £79,999	-	7	7	1	5	6
£80,000 - £84,999	1	2	3	1	4	5
£85,000 - £89,999	1	4	5	1	5	6
£90,000 - £94,999	1	3	4	-	-	-
£95,000 - £99,999	-	3	3	-	5	5
£100,000 - £104,999	-	-	-	-	3	3
£105,000 - £109,999	-	2	2	-	-	-
£110,000 - £114,999	-	1	1	-	-	-
£115,000 - £119,999	-	-	-	-	-	-
£120,000 - £124,999	-	2	2	-	1	1
£125,000 - £129,999	-	1	1	-	1	1
£130,000 - £134,999	-	-	-	-	-	-
£135,000 - £139,999	-	-	-	-	1	1
£140,000 - £144,999	-	-	-	-	-	-
£145,000 - £149,999	-	-	-	-	-	-
£150,000 - £154,999	-	1	1	-	-	-
£155,000 - £159,999	-	-	-	-	-	-
£160,000 - £164,999	-	-	-	-	-	-
£165,000 - £169,999	-	-	-	-	-	-
£170,000 - £174,999	-	1	1	-	-	-
£175,000 - £179,999	-	-	-	-	-	-
£180,000 - £184,999	-	-	-	-	-	-
£185,000 - £189,999	-	1	1	-	-	-
	<b>57</b>	<b>87</b>	<b>144</b>	<b>54</b>	<b>73</b>	<b>127</b>

The above totals include 16 staff who would not have been included in the note if it were not for one-off severance payments (11 staff in 2012/13). This included 3 in the Teacher category (4 in 2012/13) and 13 in the Others category (7 in 2012/13).

The list above includes Senior Officers, who are also listed separately in Note 30.

### 32 EXIT PACKAGES

The Authority terminated the contracts of a number of employees in 2013/14, incurring liabilities of £3.3m (£1.0m in 2012/13). This amount recognises the on-going impact of the financial challenge across the Council as it seeks to deliver the savings required to balance its budget.

The number of exit packages, split between compulsory redundancies and other departures, and the total cost per band, are set out below:

Exit Package Cost Band (incl. Special Payments)	2013/14 Number of Compulsory Redundancies	2013/14 Number of Other Exits Agreed	2013/14 Total Cost £	2012/13 Number of Compulsory Redundancies	2012/13 Number of Other Exits Agreed	2012/13 Total Cost £
£0 - £20,000	5	42	388,534	3	28	204,026
£20,001 - £40,000	3	26	836,809	-	10	316,557
£40,001 - £60,000	4	13	807,039	1	5	298,720
£60,001 - £80,000	-	7	481,943	-	2	129,914
£80,001 - £100,000	1	3	346,653	1	-	86,601
£100,001 - £150,000	-	2	279,226	-	-	0
£150,001 - £200,000	-	-	0	-	-	0
£200,001 - £250,000	-	1	205,779	-	-	0
	<b>13</b>	<b>94</b>	<b>3,345,983</b>	<b>5</b>	<b>45</b>	<b>1,035,816</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### 33 EXTERNAL AUDIT COSTS

The Council has incurred the following fees payable to its auditors, Grant Thornton UK LLP	<b>2013/14</b> <b>£'000</b>	<b>2012/13</b> <b>£'000</b>
Fees payable with regard to external audit services	<b>164</b>	164
Fees payable for the certification of grant claims and returns	<b>20</b>	25
Fees payable for objections to previous years accounts	-	-
Fees payable for other services during the year	<b>8</b>	21
	<b>192</b>	210

In addition, the Council received a rebate from the Audit Commission of £18,707 relating to fees paid for the 2012/13 audit.

### 34 DEDICATED SCHOOLS GRANT

The Dedicated Schools Grant (made under section 14 of the Education Act 2002) has been deployed in accordance with the regulations made under sections 45A, 45AA, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of Schedule 14 to, the School Standards and Framework Act 1998.

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped to by the Department to fund academy schools in the council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2013/14 are as follows:

	<b>2013/14</b> Central Expenditure  <b>£'000</b>	<b>2013/14</b> Individual Schools Budget  <b>£'000</b>	<b>2013/14</b> <b>Total</b>  <b>£'000</b>	<b>2012/13</b> Total  <b>£'000</b>
Final DSG for before Academy recoupment			<b>116,849</b>	114,231
Academy figure recouped			<b>41,587</b>	37,981
Total DSG after Academy recoupment			<b>75,262</b>	76,250
<i>plus</i> Brought forward from previous year	3,848	(63)	<b>3,785</b>	4,359
<i>less</i> Carry forward into future year agreed in advance				
Final budget distribution	27,648	51,399	<b>79,047</b>	80,609
<i>less</i> Actual central expenditure	23,016		<b>23,016</b>	13,710
<i>less</i> Actual ISB deployed to schools	-	51,572	<b>51,572</b>	63,114
<i>plus</i> Local authority contribution for year			-	-
Carry forward	4,632	(173)	<b>4,459</b>	3,785

### 35 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

	<b>2013/14</b> <b>£'000</b>	<b>2012/13</b> <b>£'000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council Tax Income	<b>74,086</b>	80,088
Revenue Support grant	<b>31,106</b>	789
Contribution from the Non-Domestic Rate Pool	<b>19,715</b>	40,692
Local Services Support Grant	<b>208</b>	676
Council Tax Freeze Grant	<b>790</b>	1,936
Department for Education	<b>3,386</b>	4,303
Department of Transport	<b>9,999</b>	12,735
Department of Health	<b>204</b>	265
Other	<b>1,690</b>	663
Third party contributions	<b>133</b>	1,289
Section 106 Developer Contributions	<b>573</b>	57
	<b>141,890</b>	143,493

## NOTES TO MAIN FINANCIAL STATEMENTS

### Credited to Services

Education Services Grant	2,027	-
Education Funding Agency	1,210	2,151
Early Intervention Grant	-	6,385
Pupil Premium Grant	2,352	1,646
Mandatory rent allowances	51,658	51,619
Council tax benefit	-	10,886
Public Health Grant	7,184	-
Department of Health	516	3,357
National Treatment Agency	64	1,292
Department of Transport	740	481
DCLG	3,549	125
New Homes Bonus Grant	1,977	1,119
Other	4,443	3,150
Third party contributions	296	775
Section 106 Developer Contributions	153	697
	<b>76,169</b>	<b>83,683</b>

The above is in addition to the Dedicated Schools' Grant, which is separately disclosed in Note 34.

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

### Current Liabilities

	2013/14 £'000	2012/13 £'000
<b>Grants Receipts In Advance (Capital Grants)</b>		
Section 106 Developer Contributions	2,231	1,749
Various Capital Grants	1,020	1,276
<b>Total</b>	<b>3,251</b>	<b>3,025</b>
<b>Grants Receipts In Advance (Revenue Grants)</b>		
Various Service Grants	2,201	1,665
<b>Total</b>	<b>2,201</b>	<b>1,665</b>

### Long-Term Liabilities

	2013/14 £'000	2012/13 £'000
<b>Grants Receipts In Advance (Capital Grants)</b>		
Section 106 Developer Contributions	4,469	4,266
<b>Total</b>	<b>4,469</b>	<b>4,266</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 36 RELATED PARTIES

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

#### Central Government

Central Government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 26 on reporting for resources allocation decisions.

#### Pension Fund

Details of Contributions to the Avon Pension Fund are shown in note 41. As administering body to the Fund, the Council charges the fund for the direct costs of £1,440,124 (£1,306,811 12/13) and support services costs of £412,510 (£391,735 12/13) provided. Five B&NES Councillors are voting members on the Pensions Committee.

#### West of England Partnership

In 2011/12 the Council, as accountable body to the West of England Partnership, received grants of £40m and £17m to establish the West of England's Revolving Investment Fund which will provide for future infrastructure works. The Council is acting as agent for these regional central government grants.

#### Bath Tourism Plus

During 2003/04 the Council set up the above as a company to provide tourism information and marketing services, in partnership with the private sector. The company is limited by guarantee. The Council and Initiative have equal rights to appoint directors. The directors have day to day control over the management of the company.

#### Members & Officers

Four Members of the Council are members of the Avon Fire Authority.

Two Members are members of the Bath Recreation Ground Trust.

Thirteen Members are Parish / Town Councillors

One Member is on the Board of Curo

One Member is on the Board of the Local Enterprise Partnership (LEP)

The Director of People & Communities is a Director on the Connexions Company, also one Member of the Council is a non-executive director (see note 45 Controlled Companies).

The Council made payments of £421,180 (£425,117 12/13) to voluntary bodies and organisations where members have an interest (either due to a Council nomination or in an independent capacity).

The Council is in partnership with the NHS B&NES Clinical Commissioning Group to commission adult social care, health and housing services (previously with the PCT until 31st March 2013 prior to the enactment of the Health & Social Care Act 2012). Community Health & Social Care services, previously delivered through the partnership between the Council and PCT, transferred to Sirona care & health CIC (Community Interest Company) in October 2011 under a "tri-partite" contract between the Council, PCT and Sirona, with the Council acting as lead commissioner for this contract. Relevant elements of the Council's budget are reported to the Health & Wellbeing Board. The Board is Chaired by the Cabinet Member for Wellbeing and the Council Chief Executive and Councillors are on the Board.

## NOTES TO MAIN FINANCIAL STATEMENTS

### 37 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

#### Capital expenditure on fixed assets was as follows:

	2013/14 £'000	2012/13 £'000
School Improvements	2,536	5,104
Highways/Road Safety & Bridge Strengthening	6,053	8,351
Capitalised Buildings Maintenance	2,113	5,452
Keynsham Redevelopment Project	14,851	3,207
Western Riverside Project	1,497	839
Other	10,115	12,960
	<b>37,165</b>	<b>35,913</b>

#### Capital Expenditure was categorised as follows:

	2013/14 £'000	2012/13 £'000
Property, plant and equipment	16,393	19,255
Investment properties	712	5,829
Intangible assets	220	205
Heritage Assets	69	161
Assets under construction	19,771	10,440
Non Current Assets held for sale	-	23
Capital Loans	650	-
Revenue expenditure funded from capital under statute	6,757	8,458
Total expenditure	<b>44,572</b>	<b>44,371</b>

#### Sources of finance:

Capital Receipts	10,221	14,409
Grants	16,277	15,159
Borrowing	16,086	9,959
3rd Party Contributions	445	2,397
Revenue	817	1,632
S.106 contributions	726	815
Total financing	<b>44,572</b>	<b>44,371</b>



## NOTES TO MAIN FINANCIAL STATEMENTS

### Capital Financing Requirement

	2013/14 £'000	2012/13 £'000
Opening Capital Financing Requirement	141,783	136,134
Capital Investment	44,572	44,371
Sources of Finance:		
Capital Receipts	(10,221)	(14,409)
Government grants & other contributions	(17,448)	(18,371)
Sums set aside from revenue (including MRP)	(5,661)	(5,942)
Closing Capital Financing Requirement	153,025	141,783
Increase in underlying need to borrow unsupported by Government financial assistance	16,086	9,959
Less minimum revenue provision repayment	(4,844)	(4,310)
Increase / (decrease) in Capital Financing Requirement	11,242	5,649

## 38 LEASES

### Authority as Lessee

#### Finance Leases

The Authority has acquired a number of buildings and vehicles, plant and equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2013/14 £'000	2012/13 £'000
Other Land & Buildings	2,430	2,852
Vehicles, Plant & Equipment	17	99
	2,447	2,951

No deferred liability is disclosed in the Council's Balance Sheet for Other Land & Buildings as these properties are subject to peppercorn rents only. The deferred liability for Vehicles, Plant and Equipment is not material.

#### Operating Leases

The Council uses vehicles, computers and other equipment financed under the terms of various operating leases. The lease rentals paid in 2013/14 were £73,792 (£642,675 in 2012/13).

The future payments required under these leases are £2,334,376 comprising the following elements:

	2013/14 £'000	2012/13 £'000
Not later than one year	371	298
Later than one year and not later than five years	1,962	248
Later than five years	1	240
	2,334	786

The Council holds property leases which are operating leases. The amount paid in rent for 2013/14 was £818,630 (2012/13 in £774,071)

The future commitments required under these leases are £1,105,000 comprising the following elements:

	2013/14 £'000	2012/13 £'000
Not later than one year	694	818
Later than one year and not later than five years	411	959
Later than five years	-	-
	1,105	1,777

In practice, although some leases are due for renewal, the Council expects to continue using many of its leased buildings beyond the renewal dates.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### Authority as Lessor

#### Finance Leases

The authority has leased out a number of commercial properties on finance leases.

#### Operating Leases

The Authority leases out a large number of investment properties.

Rental income receivable from operating property leases totalled £14,119,570 (£13,702,414 in 2012/13).

The net book value of these properties is £231,814,200 (£229,108,107 in 2012/13).

The future rental income receivable under non-cancellable operating leases in the aggregate and for each of the following periods:

	2013/14	2012/13
	£'000	£'000
Not later than one year	3,196	2,713
Later than one year and not later than five years	3,761	3,991
Later than five years	7,163	6,998
	<u>14,120</u>	<u>13,702</u>

### 39 EXCEPTIONAL ITEMS

#### Gain/Loss on Disposal of Non-Current Assets

The loss on disposal of £12.317m as shown in Note 9 Other Operating Expenditure, is due mainly to the transfer at Nil value of schools to Academy status.

### 40 PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTIONS SCHEMES

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a 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 Authority is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes.

In 2013/14 the council paid £4.110m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £4.546m and 14.1%. There were no contributions remaining payable at the year end.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 41. The authority is not liable to the scheme for any other entities obligations under the plan.

# NOTES TO MAIN FINANCIAL STATEMENTS

## 41 PARTICIPATION IN PENSIONS SCHEMES

The Council offers retirement benefits as part of the terms and conditions of employment. Whilst these benefits are not payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two pension schemes:

- The Teachers' Pension Scheme, as detailed in Note 40, and,
- The Local Government Pension Scheme via the Avon Pension Fund. This is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into the fund which are calculated at a level intended to balance the pension liabilities with investment assets.

Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

### IAS 19 Change to Accounting Standard

Prior period adjustments have been made to the 2012/13 published financial statements in relation to the changes to the accounting standard IAS19 – Employee Benefits, which changes the accounting treatment for financial years starting on or after 1st January 2013. Although this change in Accounting Standard requires changes to the disclosure note & Comprehensive Income & Expenditure Statement, there has been no impact on the Balance Sheet.

### Transactions relating to post-employment benefits

We recognise 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 we are required to make 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		Unfunded Liabilities (Teachers) Discretionary Benefits	
	2013/14	2012/13	2013/14	2012/13
	Restated			
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
Current Service Costs	13,013	10,619		
Past Service Cost	-	-	-	-
Settlement and Curtailment (Gain) / Loss	(778)	(1,915)	-	-
Administration Expenses	221	207		
<i>Financing and Investment Income &amp; Expenditure:</i>				
Net Interest Expense	7,856	7,573	930	1,052
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>20,312</b>	<b>16,484</b>	<b>930</b>	<b>1,052</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</i>				
Remeasurement of the net defined benefit liability:				
Return on plan assets (excluding the amount included in the net interest expenses)	(12,886)		(731)	
Actuarial gains and losses arising on changes in demographic assumptions	(2,822)		76	
Actuarial gains and losses arising on changes in financial assumptions	(32,910)		(1,528)	
<b>Total Remeasurements</b>	<b>(48,618)</b>	<b>59,101</b>	<b>(2,183)</b>	<b>2,777</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(28,306)</b>	<b>75,585</b>	<b>(1,253)</b>	<b>3,829</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	20,312	16,484	930	1,052
<b>Actual amount charged against General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	13,024	11,956		
	(2,247)	(5,180)	-	-
Retirement benefits payable to pensioners			<b>23,075</b>	<b>25,922</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

### Assets and Liabilities in Relation to Retirement Benefits in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		(Teachers) Discretionary Benefits	
	2013/14	2012/13	2013/14	2012/13
	£'000	£'000	£'000	£'000
	Restated			
Present value of defined benefit obligation	573,606	600,996	23,075	25,922
Fair value of plan assets	(417,686)	(406,443)	-	-
<b>Net liability arising from defined benefits obligation</b>	<b>155,920</b>	<b>194,553</b>	<b>23,075</b>	<b>25,922</b>

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		(Teachers) Discretionary Benefits	
	2013/14	2012/13	2013/14	2012/13
	£'000	£'000	£'000	£'000
	Restated			
Opening Balance at 1 April	600,996	524,107	25,922	23,625
Current service cost	13,013	10,619		
Interest cost	24,866	25,230	930	1,052
Contributions from scheme participants	3,674	3,599	(1,594)	(1,532)
Actuarial gains and losses	(48,618)	59,101	(2,183)	2,777
Benefits paid	(19,431)	(18,225)		
Past service costs	(894)	(3,435)	-	-
Past service gain	-	-	-	-
<b>Closing Balance at 31 March</b>	<b>573,606</b>	<b>600,996</b>	<b>23,075</b>	<b>25,922</b>

Reconciliation of the Movements in the Fair Value of the Scheme Assets:

	Local Government Pension Scheme	
	2013/14	2012/13
	£'000	£'000
	Restated	
Opening Fair Value of scheme assets at 1 April	406,443	362,458
Interest on Plan Assets	17,010	17,657
Remeasurement Gain (Loss)	(2,697)	30,725
Administration Expenses	(221)	(207)
Contributions from employer	13,024	11,956
Contributions from employees into the scheme	3,674	3,599
Benefits paid	(19,547)	(19,745)
<b>Closing Balance at 31 March</b>	<b>417,686</b>	<b>406,443</b>

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

The actual return on scheme assets in the year was £27.602m (2012/13 £48.382m).

### Scheme History

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:						
Local Government Pension Scheme	(366,836)	(503,953)	(489,340)	(524,107)	(600,996)	(573,606)
Discretionary Benefits	(20,448)	(24,223)	(22,079)	(23,625)	(25,922)	(23,075)
Fair value of assets in the Local Government Pension Scheme	246,148	334,613	357,115	362,458	406,443	417,686
Surplus/(deficit) in the scheme:						
Local Government Pension Scheme	(120,688)	(169,340)	(132,225)	(161,649)	(194,553)	(155,920)
Discretionary Benefits	(20,448)	(24,223)	(22,079)	(23,625)	(25,922)	(23,075)
<b>Total</b>	<b>(141,136)</b>	<b>(193,563)</b>	<b>(154,304)</b>	<b>(185,274)</b>	<b>(220,475)</b>	<b>(178,995)</b>

## NOTES TO MAIN FINANCIAL STATEMENTS

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £179m has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- > the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary
- > finance is only required to be raised to cover teachers' pensions when the pensions are actually paid.

Employer contributions to the Pension Fund in 2014/15 are estimated to be £12.9m. Estimated contributions to the Discretionary Benefits scheme are £1.6m.

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both scheme liabilities have been assessed by an independent firm of actuaries Mercer Human Resource Consulting Ltd, estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

	Avon Pension Fund		Discretionary Benefits (Teachers) Scheme	
	2013/14	2012/13	2013/14	2012/13
Long term expected rate of return on assets in the scheme:				
Equity investments	7.0%	7.0%		
Government Bonds	3.4%	2.8%		
Other Bonds	4.3%	3.9%		
Property	6.2%	5.7%		
Cash / Liquidity	0.5%	0.5%		
Other				
	<b>Asset</b>			
	<b>Dependant</b>	7.0%		
<b>Mortality assumptions :</b>				
Longevity at 65 for current pensioners:				
Men	23.3	22.9	23.3	22.9
Women	25.8	25.9	25.8	25.9
Longevity at 65 for future pensioners:				
Men	25.7	25.2		
Women	28.7	28.2		
Rate of inflation	2.4%	2.4%	2.4%	2.4%
Rate of increase in salaries	3.9%	3.9%		
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%
Rate for discounting scheme liabilities	4.4%	4.2%	4.3%	3.7%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring in 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.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	10,910	(10,910)
Rate of Inflation (increase or decrease by 1%)	10,092	(10,092)
Rate of increase in salaries (increase or decrease by 1%)	1,908	(1,908)
Rate of discounting scheme liabilities (increase or decrease by 1%)	(9,919)	9,919

### Risks and Investment strategy

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

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

## NOTES TO MAIN FINANCIAL STATEMENTS

### Constitution of the fair value of scheme assets

The Discretionary Benefits Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Assets Held :	Assets at 31 March 2014		Assets at 31 March 2013	
	£'000	%	£'000	%
Equity investments	236,140	56.5%	253,215	62.3%
Government Bonds	46,793	11.2%	46,741	11.5%
Other Bonds	33,679	8.1%	37,799	9.3%
Other	101,074	24.2%	68,688	16.9%
<b>Total</b>	<b>417,686</b>	<b>100%</b>	<b>406,443</b>	<b>100.0%</b>

### History of experience gains and losses

Actuarial losses identified as movements on the Pensions Reserve in 2013/14 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2014.

	2013/14	2012/13 Restated	2011/12	2010/11	2009/10	2008/09
<b>Difference between the expected and actual return on scheme assets:</b>						
amount (£'000)	(2,697)	30,725	(13,953)	(872)	(70,093)	(73,037)
percentage	0.6	7.6	3.8	0.2	20.9	29.7
<b>Experience gains and losses on liabilities</b>						
amount (£'000)	-	-	-	16,835	113,936	88,712
percentage	0.0	0.0	3.4	3.4	22.5	24.2
	<b>(2,697)</b>	<b>30,725</b>	<b>(13,953)</b>	<b>15,963</b>	<b>43,843</b>	<b>15,675</b>
<b>Cumulative gains / losses recognised</b>	<b>89,556</b>	<b>92,253</b>	<b>61,528</b>	<b>75,481</b>	<b>59,518</b>	<b>15,675</b>

### 42 AVON COUNTY COUNCIL DEBT

Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment. The amount of residual debt outstanding at 31 March 2014 apportioned to this Council is £14.54m (£15.14m in 2012/13). The debt has now been included in the Council's Balance Sheet as a deferred liability which will reduce each year due to principle repayments.

	31 March 2013	Principal Repaid	31 March 2014
	£000	£000	£000
Ex- Avon loan debt principal repayment	15,141	(605)	14,536

### 43 MINIMUM REVENUE PROVISION (MRP)

Minimum Revenue Provision - Provision for Repayment of External Debt

The net amount charged to revenue in compliance with the statutory requirement to set aside a Minimum Revenue Provision for the repayment of external debt is £4.844m calculated as follows:

	2013/14	2012/13
	£000	£000
4% of Capital Financing Requirement (CFR)	3,584	3,622
Adjustment allowed under Capital Finance Regulations	(1,551)	(1,551)
Provision based on estimated useful life of new assets since 2008	2,811	2,239
Statutory Minimum Revenue Provision (MRP)	4,844	4,310

The excess of depreciation, impairment and the effect of deferred charges and intangible assets charged to Net Operating Expenditure over the Minimum Revenue Provision is reversed through the Statement of Movement on the the General Fund Balance by an adjustment with the Capital Adjustment Account.

New regulations regarding Minimum Revenue Provision introduced (effective from 31st March 2008), allow local authorities to choose from three calculation methods.

The Council MRP Policy is:

Bath and North East Somerset has elected to make a prudent minimum revenue provision for all new unsupported borrowing from 1st April 2008, based on the estimated useful life of the asset or equal to depreciation as calculated in line with the Statement of Recommended Practice.

a) For existing schemes the Council will determine that its MRP is equal to the amount determined in accordance with the former regulations.

b) For all new schemes after 1st April 2008 it will calculate MRP based on the estimated useful life of the asset.

When borrowing to construct an asset, the authority will treat the asset life as commencing in the year in which the asset becomes operational.

## NOTES TO MAIN FINANCIAL STATEMENTS

### 44 TRUST FUNDS

The Council is the trustee of a small number of Trusts which were inherited from the predecessor authorities. These include bequests, schools prize and scholarship funds and grave maintenance.

The only Trusts with material assets are:

	2013/14 Exp. £'s	2013/14 Income £'s	2013/14 Assets £'s	2013/14 Liabilities £'s
Alice Park Trust	1	(1,018)	140,536 *	
Bath Recreation Ground Trust	306,457	(412,861)	not separately valued	
<b>Total</b>	<b>306,458</b>	<b>(413,879)</b>	<b>140,536</b>	<b>0</b>

\* Includes external investments valued at £12,722. The income figure of £1,018 relates to interest earned on the balance of the account.

	2012/13 Exp. £'s	2012/13 Income £'s	2012/13 Assets £'s	2012/13 Liabilities £'s
Alice Park Trust		(1,034)	139,519 *	
Sydney Garden Fund	21,181	(69)	0	
Bath Recreation Ground Trust		(13,099)	not separately valued	
<b>Total</b>	<b>21,181</b>	<b>(14,202)</b>	<b>139,519</b>	<b>0</b>

\* Includes external investments valued at £13,243.

The purpose of these funds is to provide for the maintenance of specific parks or recreation grounds in Bath.

#### Bath Recreation Ground Trust

The Council has included the leisure centre in its balance sheet even though it is built on land owned by the charity. The financial regulations determine that as the Council is bearing the risks and rewards of ownership, in accordance with FRS5 it should stay on the Council's balance sheet. The Charity Commission has agreed to a lease being signed to allow the council to remain on the recreation ground land for the period of the life of the building but the lease has not been signed yet.

**Other Trust Funds** of which B&NES is the sole trustee, relate to assets held - these are for items such as Bequests and Scholarship funds, for which external annual accounts are not prepared:

	2013/14 Exp. £'s	2013/14 Income £'s	2013/14 Assets £'s	2013/14 Liabilities £'s
Educational Funds	0	(220)	46,177	
Graves/memorial maintenance		(75)	15,000	
Parks & Gardens maintenance	9,287	(1,661)	0	
Client accounts	93,917		94,000	
Twinning Fund	130	(130)	26,130	
Bequests		(197)	39,525	
<b>Total</b>	<b>103,334</b>	<b>(2,283)</b>	<b>220,832</b>	<b>0</b>

  

	2012/13 Exp. £'s	2012/13 Income £'s	2012/13 Assets £'s	2012/13 Liabilities £'s
Educational Funds	0	(219)	45,957	
Graves/memorial maintenance		(74)	14,925	
Parks & Gardens maintenance	1,359	(664)	7,626	
Client accounts			187,917	
Twinning Fund	130	(130)	26,130	
Bequests	2,300	(201)	39,328	
<b>Total</b>	<b>3,789</b>	<b>(1,288)</b>	<b>321,883</b>	<b>0</b>

# NOTES TO MAIN FINANCIAL STATEMENTS

## 45 CONTROLLED COMPANIES

### Bath Tourism Plus Ltd

During 2003/04 the Council set up the above as a company to provide tourism information and marketing services, in partnership with the private sector. The company is limited by guarantee. The Council and Initiative have equal rights to appoint directors. The directors have day to day control over the management of the company.

There were no acquisition or merger costs arising.

The Company's un-audited accounts show a turnover of £2,559,000, a net profit of £91,630 and net current assets of £157,668 (turnover of £2,339,722, a net loss of £28,481 and net current assets of £100,751 in 2012/13). The turnover and assets held by this company are not considered significant enough to produce Group Accounts.

A copy of the accounts can be obtained from Bath Tourism Plus at Abbey Chambers, Abbey Churchyard, Bath.

### Connexions West of England

On 1 September 2007 responsibility for Connexions West of England was transferred jointly to Bath & North East Somerset Council, Bristol City Council, South Gloucestershire Council and North Somerset Council. The company provides services to 13 to 19 year olds, including career education and guidance, supporting post 16 transition for young people with learning disabilities and encouraging participation in education and training.

The company is limited by guarantee. The Council does not profit from the company's activities and has no rights to its assets.

## 46 West of England Partnership

The 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) and is fully aligned to promoting economic growth and prosperity through the key themes of Place, People and Business.

The Place theme creates the conditions for economic growth by taking an integrated approach to infrastructure and development; prioritising investment in infrastructure, overcoming barriers to development, coordinating strategic housing delivery and enabling growth in homes and jobs. Funding has been provided by Central Government including from DCLG for Core LEP Activity and Strategic Economic Plan Development, BIS for Regional Growth Funds 2 & 3 (Revolving Infrastructure Fund and Growth Fund) and the Department of Transport. The local authorities remain the primary local contributors and each provide equal shares of funding.

The People theme facilitates the supply of a readily available workforce with the skills that businesses need. In 2013-14 Business West took the Accountable Body Role for this theme, aligning with the support provided by BIS Growth and Innovation Funding. The Business theme is pursued directly private sector partners.

The table below reflects the revenue expenditure incurred by Bath and North East Somerset on behalf of the West of England Authorities:

### West of England Pooled Budget

Expenditure	£'000	Acting As
LEP Management & Co-ordination	795	
LEP Places & Infrastructure	467	
LEP Funds Management	781	
LEP Skills	39	
Other Spend	49	
<b>Total Expenditure</b>	<b>2,131</b>	
<b>Funding</b>		
Local Authority Contributions Core	633	Agent
Local Authority Contributions Projects	56	Agent
Govt Grant - Core & Strategic Economic Plan	500	Principal
Govt Grant - RIF Admin	217	Principal
Govt Grant - Growth Fund Admin	563	Principal
Govt Grant - Other	123	Principal
Skills Funding	39	Principal
<b>Total Income</b>	<b>2,131</b>	

Bath and North East Somerset Council is the accountable body for the West of England. The reporting approach is that total expenditure is not shown in the Financial Statements; rather the following accounting treatment is adopted:-

- West of England expenditure is incurred as an Agent, acting as an intermediary on behalf of the 4 Unitary Authorities. Each authority's accounts will reflect its own contribution towards expenditure.
- Where the Partnership office does act as principal, such as where it has received grant funding directly, this is on behalf of all authorities but the share for any individual authority is not considered material to show.



## NOTES TO MAIN FINANCIAL STATEMENTS

In addition, B&NES is the accountable body for central government grants and acts as Agent. Sums are distributed to specific projects, as various criteria are satisfied, with the receiving body or authority treating as grant in their own accounts. The balance of funds not distributed is therefore treated as a creditor in B&NES accounts; these sums will either be paid to future grant recipients or returned to government if not used.

Grant Award	Fund b/f	Grant Received	Interest	Grant Distributed	Funds c/f
	£'000	£'000	£'000	£'000	£'000
Department of Communities and Local Government (DCLG) - Growth Points Fund	896	0	4	212	688
Department of Communities and Local Government (DCLG) - Growing Places Fund for "revolving investment fund"	17,079	0	87	2,284	14,882
Department of Business, Innovation and Skills (BIS) - Regional Growth Fund 2 for "revolving investment fund"	39,303	0	206	2,183	37,326
"Revolving investment fund" - returned Funds from Completed schemes	0	398	0	0	398
Department of Business, Innovation and Skills (BIS) - Regional Growth Fund 3 – "Growth Fund "	0	5,001	0	1,297	3,704
	57,278	5,399	297	5,976	56,998

### 47 CONTINGENT LIABILITIES

The Council's Senior Management Team have identified / reviewed the potential significant liabilities arising from appeals or objections to the Council's actions. There are a small number of such cases. The most significant are:

**Transfer of Housing Stock** - in transferring the Council's housing stock to Somer Community Housing Trust (since renamed to Curo Places Limited), the Council made a number of warranties relating to the properties and land transferred. The Council has received notice of arbitration in relation to a potential breach of one of these warranties. The Council is currently investigating whether there is likely to be any potential liability relating to the serving of this notice by Curo Places Limited.

**Leisure Trust** - the Council has transferred its Leisure functions to an external company. As is usual with this type of Private/Public agreement, the Council would be liable for costs should it breach its obligations or warranties.

**Bath Recreation Ground Trust** - This is a charitable trust where Bath & North East Somerset Council is the Trustee. The Council as Trustee is ultimately responsible for any liabilities or deficits incurred by the Trust.

**Section 117 Aftercare Services** - In 1999 the High Court decided that people receiving section 117 aftercare services under the Mental Health Act should not be charged for Community Care. As a result of the High Court ruling the Council has received claims for reimbursement of charges in the region of £205,000. The Council's best estimate of total claims is £299,000 with a balance of £94,000 set aside.

**Social Care for Children** - The outcome of a social care court case could result in additional legal fees for the Council. The outcome of the case has been decided but the extent of fees and charges is still to be determined.

**NNDR Appeals** - The Council has made a provision for NNDR Appeals based on estimates of the actual liabilities as at the year end of known appeals made to the Valuation Office. However, it is not possible to make a reliable estimate of the expenditure required to settle future appeals that have not yet been lodged, so there is a risk that national and local appeals may have a future impact on the Council's accounts.

In common with our WoE partner authorities, an estimate of the impact (up to 31 March 2014) of future business rate appeals, where some businesses have been overcharged but have not yet made an appeal, has not been made. This is because, in our judgement, a reliable estimate of the probable expenditure required to settle these as yet unknown ratepayer appeals cannot be practicably assessed.

Any attempt to analyse the rateable value being appealed historically by its originating date reveals extreme volatility in the amounts coming forward from one year compared to another. As the current 2010 rating list will not be subject to a revaluation until 2017 there is no historic precedent to inform a judgement on the level of appeals that may now come forward (with a possible backdating impact pre 31 March 2014) throughout the final three years of the current rating list.

In any case, at this point in the rating cycle, the majority of appeals are likely to be made under the grounds of a Material Change of Circumstance (MCC). By their nature, these are ad hoc appeals made in response to specific circumstances or events affecting particular properties and are therefore inherently more unpredictable. MCC's also have relatively lower successful average RV reductions than other grounds of appeal and are less likely to have an impact on RV liabilities before 31 March 2014 which is the period for which any provision could be made.

Therefore, it is our view that an accurate estimate of value cannot be readily made and a Contingent Liability has been disclosed in a note to the Accounts.

There are two companies which are limited by guarantee by the Council. The amounts are not material and there is no expectation that any liability will arise.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### 48 HERITAGE ASSETS; FURTHER INFORMATION ON THE COLLECTIONS

#### Roman Baths Museum

The Roman Baths Museum holds a number of collections principally of an archaeological nature but also include a diverse local history collection and a major collection of coins which together tell the story of 7,000 years of human activity around the hot springs of Bath. The collections have been designated as being of outstanding national significance.

**Archaeology:** the prehistoric collections include flint and stone objects, mostly from the downs to the north and south of Bath. There is also bronze age metalwork and small quantities of prehistoric pottery, human and faunal remains including objects from the iron age hillfort at Little Solsbury.

In the Roman collection, the bulk of materials relate to the Baths and Temple site in which the museum is situated, consisting of building blocks, architectural fragments, sculptural reliefs, inscriptions, tile and lead and bronze plumbing fittings. There are similar objects from elsewhere in Bath. From elsewhere in the District there are objects from the Roman Villas at Combe Hay, Somerdale Roman House and Medieval Abbey site which is managed locally by the Keynsham Heritage Trust.

The museum has been approved by English Heritage for the deposition of excavation material and the collections are added to continually through receipt of excavation material as well as the occasional stray find. The museum will only normally collect within the boundaries of Bath & North East Somerset.

**Numismatics:** There is a strong collection of Roman coins of which the most important are those excavated from the King's Spring, as well as the recently acquired Beau Street hoard of coins, purchased with the support of external grants. There are also coins from the Saxon mint at Bath as well as a representative collection of English coinage from the Saxon period to the 20th century. The collection also includes miscellaneous foreign coins, commemorative medals, jettons and reckoning counters and a comprehensive collection of 17th, 18th and 19th century tokens, tickets, inn checks and bank notes from Bath and north eastern Somerset. The museum will continue to develop its collection of locally associated objects.

**Local History:** These collections consist principally of objects relating to the city and immediate environs of Bath, including a significant and substantial collection of old photographs, postcards and glass negatives.

The museum will continue to take a leading role in promoting the acquisition of objects of local and social historical significance. The collections are valued for insurance purposes. Valuations are carried out in the main by the museums curator, where this is not possible advice is sought from a commercial source.

#### Bath Record Office

Bath is the only city in the UK to be designated as a UNESCO world heritage site, selected for its 18th century townscape, built around the ancient thermal spa. The archive collections of the Record Office are exceptional for their quality and completeness in documenting the transition from medieval market town to fashionable Georgian resort, preserved today as one of Britain's top visitor destinations.

The wide-ranging subject matter touches on almost every aspect of life in the developing city throughout the last 400 years including records of parishes, schools, crime and punishment, hospitals and medicine, charities, societies, commerce and entertainment. The role played by the Corporation of Bath as a major property developer, from the 17th century to the present is represented by an outstanding collection of title deeds, complemented by major collections from local solicitors. Since the creation of the Record Office in 1967 many substantial and historically important archives collections have been received from private sources.

The Bath Record Office collection will be developed through the acquisition of archives and records from within the Bath & North East Somerset area and may encompass records in any form including manuscripts, photographs, pictures, film and all communication media. Items from the records office are not kept on display but access to the material can be arranged by appointment.

The collections are valued for insurance purposes. Valuations are carried out in the main by the records manager, where this is not possible advice is sought from a commercial source.

## NOTES TO MAIN FINANCIAL STATEMENTS

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### Museum of Costume

The museum is one of the largest and most comprehensive collections of fashionable dress and associated material in this country and contains approximately 60,000 objects. The collection has been designated as one of outstanding national significance.

The collection includes items of fashionable dress and accessories to dress for men, women and children from the late 16th century to the present day including day and evening dress, separate garments such as blouses, skirts, shirts and trousers, underwear and outerwear, as well as fashion accessories such as hats, shoes, gloves, parasols, fans and costume jewellery.

The collection also includes works on paper associated with fashionable dress including fashion magazines, fashion photographs and drawings, fashion plates, knitting and dressmaking patterns, historic costume books, trade and designers' archives and costume historians' papers.

The museums acquisition objectives break down into three areas: to fill the gaps in the collection of fashionable dress; to build on strengths in the collection and to ensure that the collection is up to date.

The collections are valued for insurance purposes. Valuations are carried out in the main by the museums curator, where this is not possible advice is sought from a commercial source.

### Victoria Art Gallery

The Victoria Art Gallery's collections of fine and decorative art date from the 16th century to the present day. To a significant extent they tell the story of art in the city of Bath and the surrounding area. Most of the 15,350 items in the collection were acquired by way of gift and bequest.

**Fine Art:** the bulk of the collection consists of British drawings, paintings, watercolours and miniatures and silhouettes from the 17th to the 21st century. There are also small collections of sculpture and of European works of art. Of particular significance are the collections of prints, drawings and watercolours associated with Georgian Bath. The gallery also holds a large collection of portraits produced by artists who worked in the local area including Thomas Gainsborough and Sir Thomas Lawrence.

**Decorative Art:** the collections include porcelain, pottery and glass dating from the 17th to the 19th century. The bulk of this material is British and the collections of Delftware and of English drinking glasses are of particular note. The gallery seeks to build on and improve its collection with the acquisition of items which complement existing holdings.

The collections are valued for insurance purposes. Valuations are carried out in the main by the museums curator, where this is not possible advice is sought from a commercial source.

### Library Service

The collection of library service heritage assets is defined as items available for consultation but not available for loan either due to their local cultural or historical significance, or because they were bequeathed to the library by local citizens.

The collection is divided into 4 categories:

**Reserve & reference stock:** this includes approximately 44,400 items of books, journals, pamphlets and newspapers, including bound sheet music and loose engravings.

**Open access reference:** containing around 11,200 catalogued books and pamphlets, maps, photos, slides and 10,000 clippings envelopes.

**Special store:** this is stock of a non-standard item due to either its format e.g. autographed letters, manuscripts etc. or its value such as rare books and fine bindings.

**Local store:** stock that is local or family history oriented, or is a non-standard item due to its format such as maps, valentine's cards or photographs.

The latest valuation was carried out in 2007 by Bonham's for insurance purpose.

The acquisition and disposal policy for heritage assets is reviewed every five years and any changes notified to the South West Museums, Libraries and Archives Council. The Council's Museums or Record Office is guided by the most recent edition of the Code of Practice on Archives for Museums & Galleries in the UK.

Exhibitions change frequently with many objects going on and off display during the course of a year. Any objects not currently on display at any site can be viewed by appointment, including those held at off site storage facilities.

Title to the collection of civic regalia and silver of the former Bath City Council was transferred to the Charter Trustees on local government re-organisation in 1996 and is therefore not included in the Council's balance sheet.

## COLLECTION FUND 2013/14

The Collection Fund is an agents 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.

	Notes	£'000	2013/14 £'000	2012/13 £'000
<b>INCOME</b>				
Council Tax	2	(88,845)		(85,019)
Transfers from the General Fund				
Council Tax Benefit	2	-		(10,572)
Income collectable from business ratepayers	3	(63,594)		(60,482)
			(152,438)	(156,074)
<b>EXPENDITURE</b>				
Council Tax - Precepts and demands				
Bath & North East Somerset		73,387		79,614
Avon & Somerset Police	1	9,975		10,828
Avon Fire	1	3,800		4,045
			87,162	94,487
National Non-Domestic Rates (NNDR)				
Payment to National Pool		-		60,220
Central share payment to Government		30,337		-
Local share payment to Bath & North East Somerset		29,730		-
Local share payment to Avon Fire Authority		607		-
Interest on repayments		1		2
Cost of Collection Allowance		261		261
			60,935	60,482
Impairments of debts				
Write off of uncollectable amounts			779	205
Increases / (decreases) in allowance for impairment			15	(165)
Provision for NNDR Appeals			3,182	-
Contributions				
Contribution towards previous year's estimated Collection Fund surplus			200	500
			152,272	155,509
Surplus/(Deficit) for the Year			166	564
Surplus/(Deficit) Brought Forward as at 1 April			1,371	806
<b>Surplus as at 31 March</b>	<b>5</b>		<b>1,537</b>	<b>1,371</b>
Council Tax Surplus to be refunded to Police & Fire Authorities			(421)	(216)
NNDR Deficit to be charged to Government & Fire Authority			568	-
<b>Bath &amp; North East Somerset Surplus</b>			<b>1,685</b>	<b>1,155</b>

# NOTES TO THE COLLECTION FUND

## 1 The Collection Fund

The Collection Fund Account is a statutory fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The year end surplus on the Fund is due to the Council as 'billing authority' and the major precepting authorities, Avon & Somerset Police Authority and Avon Fire Authority.

The precepts and demands related to Council Tax are as follows;

	<b>Precept</b>	<b>Surplus</b>	Precept	Surplus
	<b>2013/14</b>	<b>2013/14</b>	2012/13	2012/13
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
The Avon & Somerset Police Authority	<b>9,975</b>	<b>23</b>	10,828	57
The Avon Fire Authority	<b>3,800</b>	<b>9</b>	4,045	21

## 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. Estimated values at 1 April 1991 are used for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Bath & North East Somerset Council, the Police Authority and the Fire Authority for the forthcoming year and dividing this by the Council Tax base (adjusted for discounts) of 59,360.2 (64,440.1 for 2012/13). This amount of Council Tax for a Band D property £1,468.35 (£1,466.27 - 2012/13) is multiplied by the proportion specified for the particular band to give an individual amount due.

Council Tax bills were based on the following proportions from Bands A to H:

	Discounted Properties	Ratio to Band D	Band D Equivalents
Band A - Disabled Relief	10.75	5/9	6.0
Band A	5,891.00	6/9	3,927.3
Band B	15,377.75	7/9	11,960.5
Band C	16,165.00	8/9	14,368.9
Band D	11,531.75	9/9	11,531.8
Band E	7,989.25	11/9	9,764.6
Band F	4,643.25	13/9	6,706.9
Band G	4,120.25	15/9	6,867.1
Band H	322.00	18/9	644.0
Contributions in Lieu			16.4
			65,793.5
Overall Adjustment for Council Tax Support and Technical Changes			(6,433.3)
<b>Tax Base</b>			<b>59,360.2</b>

The main reason for the reductions in tax base figures in 2013/14 relates to adjustments required in respect of the impact of the Local Council Tax Support Scheme from 1 April 2013.

The income for 2013/14 is receivable from the following sources:-

	<b>2013/14</b>	2012/13
	<b>£'000</b>	£'000
Billed to Council Tax payers	(88,845)	(85,019)
Council Tax benefits	-	(10,572)
	<b>(88,845)</b>	<b>(95,591)</b>

# NOTES TO THE COLLECTION FUND

## 3 Income collectable from business ratepayers - National Non-Domestic Rates (NNDR)

The Council collects NNDR for its area based on local rateable values multiplied by a uniform business rate set nationally by Central Government. The national multipliers for 2013/14 were 46.2 pence for qualifying small businesses and 47.1 pence for all other businesses, subject to transitional arrangements. The NNDR income after reliefs of £63.594 million for 2013/14 (£60.482 million in 2012/13) resulted from a total rateable value at 31 March 2014 of £166.038 million.

Until 2013/14, the total amount due, less certain allowances, was paid to an NNDR pool administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, based on a fixed amount per head of population.

From 1 April 2013, the NNDR scheme changed following the introduction of a business rates retention scheme where local authorities retain a proportion of the total amount due (49% for B&NES and 1% for Avon Fire Authority), subject to safety net and levy payments on disproportionate losses or growth. The remaining 50% is paid to Central Government and redistributed to local authorities as Revenue Support Grant. The new scheme aims to give the Council a greater incentive to encourage economic growth in the district but also increases the risk of non-collection of rates.

In its first year of operation, the business rates retention scheme has resulted in a deficit of £1.115m against the amounts allocated to the Council, Central Government and the Fire Authority throughout 2013/14. This is due to the level of provision required to meet the probable backdated costs of appeals, prior to 1 April 2013.

## 4 Write Offs

During the year, the following Collection Fund debts were written off as uncollectable:

	£'000
Council Tax	258
NNDR	521
	<u>779</u>

The impairment allowances for amounts that may become uncollectable in future are:

	£'000
The remaining provisions are :	
Council Tax	398
NNDR	476
	<u>874</u>

## 5 Provision for Appeals

An estimate of the impact of business rate appeals, where businesses believe they have been overcharged and have made an appeal to the Valuation Office Agency (VOA), has been made, including for the effect of backdated appeals costs prior to 1 April 2013.

	£'000
Provision for appeals	1,032
Provision for backdated appeals costs (prior to 1 April 2013)	2,150
	<u>3,182</u>

The impact of possible future business rate appeals, where an appeal had not yet been notified to the VOA by 31 March 2014, cannot be reliably estimated. A Contingent Liability has therefore been disclosed in a note to the Accounts.

## 6 Balance of Fund & Distribution

As at 31 March 2014, the balance on the Collection Fund stood at a surplus of £1,536,719

The credit balance for Council Tax, due to the Council, Police and Fire Authority, and the debit balance for Non-Domestic Rates, due from the Council, Central Government and the Fire Authority, is as follows:

	Council Tax £'000	NNDR £'000	Total £'000
Central Government	0	(557)	(557)
Bath & North East Somerset	2,231	(546)	1,685
Avon & Somerset Police	304	0	304
Avon Fire	116	(11)	105
	<u>2,651</u>	<u>(1,115)</u>	<u>1,537</u>

# PENSION FUND ACCOUNTS 2013/14

## Statement of Accounts

### Introduction

- 1.1 The following comprises the Statement of Accounts for the Avon Pension Fund (The Fund). The accounts cover the financial year from 1 April 2013 to 31 March 2014.
- 1.2 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting ('Code of Practice') in the United Kingdom 2013/14 based on International Financial Reporting Standards as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis, except for certain transfer values as described at 'Statement of Accounting Policies' – item 2.5. They do not take account of liabilities to pay pensions and other benefits in the future.
- 1.3 The accounts have been prepared following International Financial Reporting Standards as required by the Code of Practice.
- 1.4 The accounts are set out in the following order:

**Statement of Accounting Policies** which explains the basis of the figures in the accounts.

**Fund Account** which discloses the size and nature of financial additions to and withdrawals from the Fund during the accounting period and reconciles the movements in the net assets to the Fund Account.

**Net Assets Statement** which discloses the size and disposition of the net assets of the Fund at the end of the accounting period.

**Notes to the Accounts** which give supporting details and analysis concerning the contents of the accounts, together with information on the establishment of the Fund, its membership and actuarial position.

### 1.5 Actuarial Valuations

As required by the Local Government Pension Scheme Regulations 2008 an actuarial valuation of the Fund was carried out as at 31 March 2013. The market value of the Fund's assets at the valuation date was £3,146 million. The Actuary estimated that the value of the Fund was sufficient to meet 78% of its expected future liabilities of £4,023 million in respect of service completed to 31 March 2013.

- 1.6 The deficit recovery period for the Fund overall is 20 years.
- 1.7 The 2013 actuarial valuation was carried out using the projected unit actuarial method. The main assumptions used to set employers' contributions, are set out in the table below:

	Past Service Liabilities	Future Service Liabilities
Rate of Discount	4.8% per annum	5.6% per annum
Rate of pensionable pay inflation	4.1% per annum	4.1% per annum
Rate of price inflation	2.6% per annum	2.6% per annum

- 1.8 The 2013 triennial valuation was completed during 2013/14 using market prices and membership data as at 31 March 2013. The 2013 valuation set the employer contribution rates for future service and deficit recovery payments (expressed as a monetary amount payable annually) with effect from 1 April 2014.
- 1.9 The Actuary has estimated that the funding level as at 31 March 2014 has risen to 84% from 78% at 31 March 2013. This rise in the funding level is due to the rise in real yields since the valuation. Investment returns have also positively contributed to the improvement in the funding level. The value of the future pension liabilities is calculated using a discount rate based on UK gilt yields, so as gilt yields rise, the value of these liabilities falls.
- 1.10 Note 17 to the accounts shows the actuarial present value of promised retirement benefits for the purposes of IAS19 using the assumptions and methodology of IAS 19. The discount rate referenced for IAS19 is the Corporate Bond yield. The discount rate used for the Actuarial Valuation references the Fund's investment strategy.
- 1.11 The Fund's Funding Strategy Statement can be found on the Fund's website [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk)

### Statement of Investment Principles

- 1.12 The Fund's Statement of Investment Principles as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 can be found on the Fund's website [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk) or supplied on request from Liz Woodyard, Investments Manager.

# PENSION FUND ACCOUNTS 2013/14

## Statement of Accounting Policies

### Basis of Preparation

- 2.1 Except where otherwise stated, the accounts have been prepared on an accruals basis, i.e. income and expenditure is recognised as it is earned or incurred, not as it is received or paid. The accounts have been prepared on a going concern basis.

### Investments

- 2.2 Investments are shown in the accounts at market value, which has been determined as follows:
- i) Quoted Securities have been valued at 31 March 2014 by the Fund's custodian using internationally recognized pricing sources (bid-price or 'last trade') where a quotation was available on a recognised stock exchange or the unlisted securities market. Unquoted securities are included at fair value based on the Fund Manager's valuation.
  - ii) Fixed interest securities exclude interest earned but not paid over at the year end, which is included separately within investment debtors.
  - iii) Pooled investments are stated at their bid price or at the Net Asset Value quoted by their respective managers at 31 March 2014.
  - iv) Foreign currency transactions are recorded at the prevailing rate at the date of transaction. Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates ruling as at 31 March 2014.
  - v) Open futures contracts are included in the net asset statement at their fair market value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract. The amounts included in the change in market value are the realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.
  - vi) Forward foreign exchange contracts outstanding at the year- end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. Foreign currency transactions are recorded at the prevailing rate at the date of transaction.
  - vii) Acquisition costs of investments (e.g. stamp duty and commissions) are treated as part of the investment cost.
  - viii) Investment debtors and creditors at the year- end are included in investment assets in accordance with the CIPFA code of practice on local authority accounting.
  - ix)

The Fund's surplus cash is managed separately from the surplus cash of B&NES Council and is treated as an investment asset.

### Contributions

- 2.3 Contributions represent those amounts receivable from the employing bodies in respect of their own and their pensionable employees' contributions. Employers' contributions are determined by the Actuary on the basis of triennial valuations of the Fund's assets and liabilities and take into account the Funding Strategy Statement set by the administering authority. Employees' contributions have been included at the rates prescribed by the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 as amended.

### Benefits, Refunds of Contributions and Cash Transfer Values

- 2.4 Benefits payable and refunds of contributions have been brought into the accounts as they fall due.
- 2.5 Cash Transfer Values are those sums paid to or received from other pension schemes and relate to previous periods of pensionable employment. Cash Transfer Values have been included in the accounts on the basis of the cheque payment date or "Bath & North East Somerset Council cash office received" date. Accruals are only made when it is certain that a transfer is to take place.
- 2.6 Charges for splitting pensions on divorce are either invoiced to members or, on request, paid out of future benefits. In the case of payment from future benefits the charge against benefits and income to the Fund are both made in the current year.

### Investment Income

- 2.7 Dividends and interest have been accounted for on an accruals basis. Some of the income on pooled investments is accumulated and reflected in the valuation of the units. Some of the income on pooled investments (mainly property) is distributed.

### Investment Management & Administration

- 2.8 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 permit Bath & North East Somerset Council to charge administration costs to the Fund. A proportion of relevant Council costs has been charged to the Fund on the basis of actual time spent on Pension Fund business.
- 2.9 The fees of the Fund's external investment managers reflect their differing mandates. Fees are linked to the market value of the Fund's investments and therefore may increase or reduce as the value of the investment changes. Management fees are recognised in the year in which the management services are provided. In 2013/14 a provision has been made for performance fees that have been incurred but are subject to phased payments or are not to be paid until the realisation of the related investments. These remain subject to change as a consequence of future performance. Fees are also payable to the Fund's global custodian and other advisors.

### Taxation

- 2.10 The Fund is an exempt approved fund under the Income and Corporation Taxes Act 1988 and is therefore not liable to UK income tax on investment income or to capital gains tax. As Bath & North East Somerset Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. For taxation of overseas investment income please see note 3 iv. in the Notes to the Accounts.



### **Use of Accounting Estimates**

- 2.11 The Statement of Accounts contains estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking in to 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. A number of Group Transfers in to the Fund and out of the Fund are subject to final agreement by the actuary. Estimated values have been accrued as debtors and creditors (see 2.5 and note 18). Estimates are used in the valuation of unquoted investments (see 2.2i) and in the actuarial valuation for the purposes of IAS 26 (note 17) in which the actuarial calculation of the liability is subject to the professional judgement of the actuary. The Fund's investments are stated at fair value. The subjectivity of the inputs used in making an assessment of fair value is explained in note 25d

### **Events After the Balance Sheet Date**

- 2.12 The Statement of Accounts is adjusted to reflect events that occur after the end of the reporting period that provide evidence of conditions that existed at the end of the reporting period, should they occur. The Statement of Accounts is not adjusted to reflect events that are indicative of conditions that arose after the reporting period, but where material, disclosure is made in the notes of the nature and estimated financial effect of such events.

### **Financial Instruments**

- 2.13 Financial Assets and Liabilities are recognised on the Balance Sheet when the Fund becomes a party to the contractual provisions of a financial instrument and are measured at fair value or amortised cost.

## PENSION FUND ACCOUNTS 2013/14

### Fund Account

For the Year Ended 31 March 2014

	Notes	2013/14 £'000	2012/13 £'000
<b>Contributions and Benefits</b>			
Contributions Receivable	4	143,276	134,858
Transfers In		18,776	7,255
Other Income	5	442	500
		<b>162,494</b>	142,613
Benefits Payable	6	149,791	136,655
Payments to and on account of Leavers	7	6,868	5,173
Administrative Expenses	8	2,883	2,585
		<b>159,542</b>	144,413
<b>Net Additions from dealings with members</b>		<b>2,952</b>	<b>(1,800)</b>
<b>Returns on Investments</b>			
Investment Income	10	29,092	29,025
Profit & losses on disposal of investments & change in value of investments	11	185,124	362,285
Investment Management Expenses		(11,682)	(10,148)
Fund Manager Performance Fees	9	(4,931)	
		<b>197,603</b>	381,162
<b>Net Returns on Investments</b>		<b>197,603</b>	381,162
<b>Net Increase in the net assets available for benefits during the year</b>		<b>200,555</b>	379,362
<b>Net Assets of the Fund</b>			
At 1 April		3,145,656	2,766,294
At 31 March		<b>3,346,211</b>	3,145,656

### Net Assets Statement at 31 March 2014

	Notes	31 March 2014 £'000	31 March 2013 £'000	%
<b>INVESTMENT ASSETS</b>				
Fixed interest securities : Public Sector		92,694	109,674	3.5
Equities		542,777	495,980	15.8
Diversified Growth Funds		314,340		
Index Linked securities : Public Sector		189,176	209,876	6.7
Pooled Investment vehicles:				
- Property : Unit Trusts		102,865	78,749	2.5
: Unitised Insurance Policies		46,063	47,863	1.5
: Other Managed Funds		112,058	95,729	3.0
Property Pooled Investment vehicles		260,986	222,341	
- Non Property : Unitised Insurance Policies		778,501	811,938	25.8
: Other Managed Funds		1,051,084	1,203,448	38.3
Non Property Pooled Investment Vehicles		1,829,585	2,015,386	
Cash Deposits		85,023	85,895	2.7
Other Investment balances		9,361	12,864	0.4
<b>INVESTMENT LIABILITIES</b>				
Derivative contracts (Foreign Exchange hedge)		12,199	(2,912)	(0.1)
Derivative Contracts: FTSE Futures		162	(226)	-
Other Investment balances		(5,097)	(13,502)	(0.4)
<b>TOTAL INVESTMENT ASSETS</b>	12	<b>3,331,206</b>	3,135,376	
<b>Net Current Assets</b>				
Current Assets	14	24,980	13,283	0.4
Current Liabilities	14	(9,975)	(3,003)	(0.1)
<b>Net assets of the scheme available to fund benefits at the period end</b>		<b>3,346,211</b>	3,145,656	100.0

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2014.

## Notes to Accounts - Year Ended 31 March 2014

### 1 GENERAL

The Fund is administered by Bath & North East Somerset Council under arrangements made following the abolition of the former Avon County Council on 31 March 1996.

The Fund is governed by the Local Government Pension Scheme Regulations 2008 (as amended). Membership of the Fund is open to pensionable employees of scheduled bodies in the former Avon County area, together with employees of eligible designating and admission bodies. A list of employers with contributing scheme members can be found in note 26.

Employers' contributions are payable at the rate specified for each employing authority by the Fund's actuary. The employees' contribution rate is payable in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.

### 2 MEMBERSHIP

Membership of the Fund at the year-end was as follows:-

	31 March 2014	31 March 2013
<b>Employed Members</b>	<b>34,846</b>	33,648
<b>Pensioners</b>	<b>25,985</b>	24,574
<b>Members entitled to Deferred Benefits</b>	<b>35,321</b>	31,754
<b>TOTAL</b>	<b>96,152</b>	89,976

A further 1,181 ex-members whose membership was for up to 2 years before 1st April 2004 or up to 3 months after that date are due refunds of contributions. It is not possible to put an exact value on this liability until these ex-members have been traced and their entitlement verified.

### 3 TAXATION

#### (i) Value Added Tax

The Fund's administering authority Bath & North East Somerset Council is reimbursed VAT by H. M. Revenue and Customs and the accounts are shown exclusive of VAT.

#### (ii) Income Tax

The Fund is a wholly exempt fund and some UK income tax is recoverable from HM Revenue and Customs. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax.

#### (iii) Capital Gains Tax

No capital gains tax is chargeable.

#### (iv) Taxation of Overseas Investment Income

The Fund receives interest on its overseas government bond portfolio gross, but a variety of arrangements apply to the taxation of interest on corporate bonds and dividends on overseas equities.

## PENSION FUND ACCOUNTS 2013/14

### 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable are analysed below:-

	2013/14 £'000	2012/13 £'000
<b>Employers' normal contributions</b>		
Scheduled Bodies	55,066	52,129
Administering Authority	6,902	6,566
Admission Bodies	6,876	5,787
	<u>68,844</u>	<u>64,482</u>
<b>Employers' deficit Funding</b>		
Scheduled Bodies	27,384	26,598
Administering Authority	4,146	4,021
Admission Bodies	1,571	1,082
	<u>33,101</u>	<u>31,701</u>
<b>Total Employer's normal &amp; deficit funding</b>	<b>101,945</b>	<b>96,183</b>
<b>Employers' contributions - Augmentation</b>		
Scheduled Bodies	4,312	2,697
Administering Authority	537	224
Admission Bodies	147	457
	<u>4,996</u>	<u>3,378</u>
<b>Members' normal contributions</b>		
Scheduled Bodies	28,868	28,617
Administering Authority	3,530	3,495
Admission Bodies	3,300	2,649
	<u>35,698</u>	<u>34,761</u>
<b>Members' contributions toward additional benefits</b>		
Scheduled Bodies	474	418
Administering Authority	127	97
Admission Bodies	36	21
	<u>637</u>	<u>536</u>
<b>Total</b>	<b>143,276</b>	<b>134,858</b>

The Members' contributions towards additional benefits above represent members' purchase of added years or additional benefits under the Scheme. Augmentation contributions are paid by employers to meet the cost of early retirements. Deficit funding contributions have been paid by employers in respect of the recovery of their deficit relating to past service.

A further facility is provided whereby members can make Additional Voluntary Contributions, on a money purchase basis, which are invested in insurance policies with The Equitable Life Assurance Society or Friends Life on behalf of the individual members concerned. These contributions are not part of the Pension Fund and are not therefore reflected in the Fund's accounts. A statement of the value of these investments is given in Note 20.

### 5 OTHER INCOME

	2013/14 £'000	2012/13 £'000
Recoveries for services provided	426	492
Cost recoveries	16	8
	<u>442</u>	<u>500</u>

'Recoveries for services provided refers to administrative and accounting services provided to employing bodies. Cost recoveries are the recovery of the cost of calculating Pension Sharing on divorce.

## PENSION FUND ACCOUNTS 2013/14

### 6 BENEFITS PAYABLE

#### Analysis of Gross Benefits Payable by Type:-

	2013/14 £'000	2012/13 £'000
Retirement Pensions	124,288	106,097
Commutation of Pensions and Lump Sum Retirement Grants	14,133	27,815
Lump Sum Death Grants	11,370	2,743
	<u>149,791</u>	<u>136,655</u>

#### Analysis of Gross Benefits Payable by Employing Body:-

	2013/14 £'000	2012/13 £'000
Scheduled & Designating Bodies	124,288	114,704
Administering Authority	14,133	11,938
Admission Bodies	11,370	10,013
	<u>149,791</u>	<u>136,655</u>

### 7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

Leavers	2013/14 £'000	2012/13 £'000
Refunds to members leaving service	116	17
Individual Cash Transfer Values to other schemes	4,352	5,028
Group Transfers	2,400	128
	<u>6,868</u>	<u>5,173</u>

### 8 ADMINISTRATION EXPENSES

Costs incurred in the management and administration of the Fund are set out below.

	2013/14 £'000	2012/13 £'000
Administration and processing	1,957	1,808
Actuarial fees	486	356
Audit fees	27	29
Legal and professional fees	-	0
Central recharges from Administering Body	413	392
	<u>2,883</u>	<u>2,585</u>

### 9 INVESTMENT EXPENSES

Expenses incurred in the management of the Fund are set out below.

	2013/14 £'000	2012/13 £'000
Fund Manager Base Fees	11,366	9,827
Fund Manager Performance Fees	4,931	
Global custody	94	64
Investment Advisors	123	167
Performance Measurement	37	34
Investment Accounting	4	3
Investment Administration	58	53
	<u>16,613</u>	<u>10,148</u>

Fund Manager Performance Fees includes £558k fees paid during the year and a provision for fees that have been accrued but are subject to phased payment or not due to be paid until the realisation of the related assets. Unpaid fees remain subject to variation as a result of future performance. £1,127k of the performance fees relates to 2013/14 and £3,804k relates to previous years. Total fund manager fees include management charges for pooled investments that are settled directly within the pooled vehicles in accordance with the investment management agreement.

# PENSION FUND ACCOUNTS 2013/14

## 10 INVESTMENT INCOME

	2013/14 £'000	2012/13 £'000
Interest from fixed interest securities	3,557	3,898
Dividends from equities	16,651	15,070
Income from Index Linked securities	5,091	5,703
Income from pooled investment vehicles	3,480	4,002
Interest on cash deposits	282	335
Other - stock lending	31	17
<b>TOTAL</b>	<b>29,092</b>	<b>29,025</b>

The Fund has an arrangement with its custodian (BNY Mellon) to lend eligible securities from its portfolio to third parties in return for which the third parties pay fees to the fund. The third parties provide collateral to the Fund which is held during the period of the loan. This stock lending programme was introduced with effect from July 2004. The Fund may terminate any loan of securities by giving notice of not less than the standard settlement time for those securities.

The value of the stock on loan as at 31 March 2014 was £17.27 million (31 March 2013 £3.01 m), comprising of equities and sovereign debt. This was secured by collateral worth £18.06 million comprising OECD sovereign and supra national debt. The Fund does not sell collateral unless there is a default by the owner of the collateral.

## 11 CHANGE IN TOTAL NET ASSETS

Change in Market Value of Investments	Value at 01/04/13 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31/03/14 £'000
Fixed Interest Securities	109,674	12,836	(22,360)	(7,456)	92,694
Equities	495,980	305,283	(302,104)	43,618	542,777
Index Linked Securities	209,876	24,385	(30,469)	(14,616)	189,176
Pooled Investments-					
- Property	222,341	81,108	(61,176)	18,713	260,986
- Non Property	2,015,386	1,087,681	(1,070,788)	111,646	2,143,925
Derivatives	(3,138)	190,891	(199,962)	24,570	12,361
	3,050,119	1,702,184	(1,686,859)	176,475	3,241,919
Cash Deposits	85,895	558,772	(558,751)	(893)	85,023
Net Purchases & sales		2,260,956	(2,245,610)	15,346	
Investment Debtors & Creditors	(638)			4,902	4,264
Total Investment Assets	3,135,376				3,331,206
Current Assets	10,280			4,725	15,005
Less Net Revenue of Fund				(15,431)	
<b>Total Net Assets</b>	<b>3,145,656</b>			<b>185,124</b>	<b>3,346,211</b>

The **Change in Market Value** of investments comprises all gains and losses on Fund investments during the year, whether realised or unrealised.

The **Change in Market Value** for cash deposits represents net gains on foreign currency deposits and foreign exchange transactions during the year.

**Derivatives.** The purchases and sales of derivatives are shown at the values of the realised profits and losses of the net derivatives transactions.

## PENSION FUND ACCOUNTS 2013/14

### Change in Total Net Assets 2012/13

Change in Market Value of Investments	Value at 01/04/12 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31/03/13 £'000
Fixed Interest Securities	104,920	18,268	(18,096)	4,582	109,674
Equities	390,014	294,637	(251,080)	62,409	495,980
Index Linked Securities	189,659	35,415	(31,467)	16,269	209,876
Pooled Investments-					
- Property	196,951	36,144	(18,841)	8,087	222,341
- Non Property	1,796,213	47,414	(96,172)	267,931	2,015,386
Derivatives	(73)	2,860	(5,522)	(403)	(3,138)
	2,677,684	434,738	(421,178)	358,875	3,050,119
Cash Deposits	76,595	235,134	(225,911)	77	85,895
Net Purchases & sales		669,872	(647,089)	22,783	
Investment Debtors & Creditors	3,086			(3,724)	(638)
Total Investment Assets	2,757,365				3,135,376
Current Assets	8,929			1,351	10,280
Less Net Revenue of Fund				(17,077)	
<b>Total Net Assets</b>	<b>2,766,294</b>			<b>362,285</b>	<b>3,145,656</b>

### Investment Transaction Costs

The following transactions costs are included in the above:

	2013/14				2012/13			
	Purchases £'000	Sales £'000	Other £'000	Total £'000	Purchases £'000	Sales £'000	Other £'000	Total £'000
Fees and Taxes	608	13	-	621	644	21	-	665
Commission	321	323	4	648	320	304	5	629
<b>Total</b>	<b>929</b>	<b>336</b>	<b>4</b>	<b>1,269</b>	<b>964</b>	<b>325</b>	<b>5</b>	<b>1,294</b>

## 12 INVESTMENT ASSETS

Further analysis of the market value of investments as set out in the Net Assets Statement is given below:-

	31 March 2014 £'000		31 March 2013 £'000	
<b>UK Equities</b>				
Quoted	301,719		258,957	
Pooled Investments	225,298		318,640	
FTSE Futures	162	527,179	(226)	577,371
<b>Diversified Growth Funds</b>				
Pooled Investments	314,340	314,340		0
<b>Overseas Equities</b>				
Quoted	241,057		237,022	
Pooled Investments	1,083,136	1,324,193	1,185,894	1,422,916
<b>UK Fixed Interest Gilts</b>				
Quoted	92,694		109,674	
Pooled Investments	14,226	106,920	14,668	124,342
<b>UK Index Linked Gilts</b>				
Quoted	189,176	189,176	209,876	209,876
<b>Sterling Bonds (excluding Gilts)</b>				
Pooled Investments	269,350	269,350	193,549	193,549
<b>Non-Sterling Bonds</b>				
Pooled Investments	74,588	74,588	81,488	81,488
<b>Hedge Funds</b>				
Pooled Investments	162,986	162,986	221,147	221,147
<b>Property</b>				
Pooled Investments	260,987	260,987	222,341	222,341
<b>Cash Deposits</b>				
Sterling	78,163		81,806	
Foreign Currencies	6,860	85,023	4,089	85,895
<b>Investment Debtors/Creditors</b>				
Investment Income	3,414		3,671	
Sales of Investments	5,948		9,194	
Foreign Exchange Hedge	12,199		-2,912	
Purchases of Investments	(5,097)	16,464	(13,502)	(3,549)
<b>TOTAL INVESTMENT ASSETS</b>		<b>3,331,206</b>		<b>3,135,376</b>

## PENSION FUND ACCOUNTS 2013/14

### DERIVATIVES ANALYSIS

Open Forward Currency Contracts

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £'000	Liability Value £'000
Up to one month	EUR	68,400	GBP	(57,876)		(1,321)
Up to one month	JPY	3,871,000	GBP	(25,479)		(2,924)
Up to one month	GBP	73,311	EUR	(81,700)	1,294	
Up to one month	GBP	35,729	JPY	(5,478,000)	3,811	
One to six months	EUR	154,300	GBP	(131,820)		(4,175)
One to six months	JPY	13,900,000	GBP	(88,506)		(7,451)
One to six months	USD	202,300	GBP	(126,194)		(4,709)
One to six months	GBP	1,918	CHF	(2,800)	15	
One to six months	GBP	184,238	EUR	(217,812)	4,578	
One to six months	GBP	139,278	JPY	(21,935,000)	11,351	
One to six months	GBP	255,038	USD	(404,600)	12,102	
Six to twelve months	EUR	136,700	GBP	(113,600)		(392)
Six to twelve months	JPY	13,287,000	GBP	(78,825)		(1,108)
Six to twelve months	USD	263,100	GBP	(160,929)		(2,773)
Six to twelve months	GBP	144,259	EUR	(174,400)	(178)	
Six to twelve months	GBP	116,548	JPY	(19,715,000)	1,249	
Six to twelve months	GBP	250,003	USD	(411,200)	2,830	
<b>Total</b>					<b>37,052</b>	<b>(24,853)</b>
Net forward currency contracts at 31st March 2014						<b>12,199</b>
Open forward currency contracts at 31 March 2013					74,499	(77,411)
Net forward currency contracts at 31st March 2013						(2,912)

#### Exchange Traded Derivatives held at 31 March 2014:-

Contract Type	Expiration	Book Cost £'000	Unrealised Gain £'000
FTSE equity futures	June 2014	28,433	162

#### Exchange Traded Derivatives held at 31 March 2013:-

FTSE equity futures	June 2013	25,186	(226)
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A derivative is a financial contract between two parties, the value of which is determined by the underlying asset. Investment in derivatives may only be made if they contribute to a reduction of risks and facilitate efficient portfolio management.

The UK Equity futures contracts are held to facilitate efficient portfolio management for a passively managed investment where the costs of investing directly in UK equities would be significant.

Forward "over the counter" foreign exchange contracts are held to reduce the impact of fluctuations in the exchange rate between sterling and the other currency.



## PENSION FUND ACCOUNTS 2013/14

The proportion of the market value of investment assets managed by each external manager and in house Treasury Management at the end of the financial year was:-

	31 March 2014		31 March 2013	
	£'000	%	£'000	%
Blackrock	1,071,963	32.2	1,506,620	48.1
Transition	0	0.0	9	0.0
Record	28,129	0.8	4,893	0.2
Jupiter Asset Management	160,956	4.8	139,898	4.5
Genesis Investment Management	145,092	4.4	158,548	5.1
Invesco Perpetual	239,795	7.2	218,121	7.0
State Street Global Advisors	107,147	3.2	103,009	3.3
Partners Group	113,446	3.4	97,395	3.1
Royal London Asset Management	251,101	7.5	176,526	5.6
TT International	185,717	5.6	163,186	5.2
Man Investments	1,115	0.0	63,955	2.0
Gottex Asset Management	58,062	1.7	55,059	1.8
Stenham Asset Management	37,654	1.1	34,936	1.1
Signet Capital Management	66,155	2.0	67,197	2.1
Barings Asset Management	209,798	6.3	-	-
Pyrford International	104,542	3.1	-	-
Unigestion UK Ltd	166,687	5.0	-	-
Schroder Investment Management	365,163	11.0	327,563	10.4
Bank of New York Mellon	7,964	0.2	10,059	0.3
Treasury Management	10,720	0.3	8,402	0.3
<b>TOTAL INVESTMENT ASSETS</b>	<b>3,331,206</b>	<b>100.0</b>	<b>3,135,376</b>	<b>100.0</b>

### 13 SINGLE INVESTMENTS OVER 5% OF ASSET CLASS

The following investments represent more than 5% of the net assets of the fund.

Investments	Value at 31st March 2014 £'000	% of Net Asset	Value at 31st March 2013 £'000	% of Net Asset
RLPPC UK Corporate Bond Fund (Royal London)	251,101	7.54%	176,526	5.63%
Invesco Perpetual Global ex UK Enhanced Index Fund	239,795	7.20%	218,121	6.96%
Aquila Life UK Equity Index Fund (BlackRock)	220,957	6.63%	315,092	10.05%
Baring Dynamic Asset Allocation Fund	209,798	6.30%	-	-
MSCI Equity Index Fund B-US (BlackRock)	173,125	5.20%	155,736	4.97%
BlackRock World Index Fund	-	-	310,707	9.91%
Genesis Emerging Markets Investment Fund	-	-	158,549	5.05%

## PENSION FUND ACCOUNTS 2013/14

### 14 CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2014.

Debtors and creditors included in the accounts are analysed below:-

	31 March 2014 £'000	31 March 2013 £'000
<b>CURRENT ASSETS</b>		
Contributions Receivable		
- Employers	8,490	7,736
- Members	2,919	2,817
Transfer Values Receivable	10,600	1,640
Discretionary Early Retirement Costs	1,952	585
Other Debtors	1,019	505
	<b>24,980</b>	<b>13,283</b>
<b>CURRENT LIABILITIES</b>		
Management Fees	(950)	(911)
Provision for Performance Fees	(4,373)	-
Transfer Values Payable	(2,400)	-
Lump Sum Retirement Benefits	(645)	(547)
Other Creditors	(1,607)	(1,545)
	<b>(9,975)</b>	<b>(3,003)</b>
<b>NET CURRENT ASSETS</b>	<b>15,005</b>	<b>10,280</b>

The provision for Performance Fees includes fees that have been incurred but are subject to phased payment or not due to be paid until the realisation of the related assets. They remain subject to variation as a result of future performance. Of these £1,127k relates to 2013/14 and £3,246k relates to previous years.

Analysis of Debtors and Creditors by Public Sector Bodies:-

	31 March 2014		31 March 2013	
	£'000	£'000	£'000	£'000
<b>CURRENT ASSETS</b>				
Local Authorities	11,028		8,050	
NHS Bodies	-		6	
Other Public Bodies	13,211		4,338	
Non Public Sector	741		889	
	<b>24,980</b>		<b>13,283</b>	
<b>CURRENT LIABILITIES</b>				
Local Authorities	(11)		-	
Other Public Bodies	(3,789)		(1,310)	
Non Public Sector	(6,175)	(9,975)	(1,693)	(1,693)
<b>NET CURRENT ASSETS</b>		<b>15,005</b>		<b>11,590</b>

### 15 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2014. (March 2013 = NIL)

### 16 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2014 that require any adjustment to these accounts.

## PENSION FUND ACCOUNTS 2013/14

### 17 ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSE OF IAS 26

The following statement is by the Fund's actuary

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2014 (the 31 March 2013 assumptions are included for comparison):

	31st March 2014	31st March 2013
Rate of return on investments (discount rate)	4.2% per annum	4.2% per annum
Rate of pay increases	3.9% per annum*	3.9% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.4% per annum

\* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.5% per annum versus 4.2% per annum). The pay increase assumption at the year end has also changed to allow for a short-term public sector pay restraint as detailed in the actuarial valuation formal report.

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2013 was estimated as £4,519 million. The effect of the changes in actuarial assumptions between 31 March 2013 and 31 March 2014 as described above is to decrease the liabilities by c£278 million. Adding interest over the year increases the liabilities by a further c£190 million, and allowing for net benefits accrued/paid over the period increases the liabilities by another c£35 million (including any increase in liabilities arising as a result of early retirements/augmentations). Finally, allowing for actual vs expected membership experience, which emerged at the 2013 valuation, gives a reduction in liabilities of c£70 million.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2014 is £4,396 million.

### 18 TRANSFERS IN

During the year ending 31 March 2013 there was a group transfer in to the fund from Strode College to Weston College. An estimated amount was included in the 2012/13 Statement of Accounts. The transfer value has not yet been confirmed. The estimate has now been increased and the additional amount included in the Fund account. The full estimate is included as part of the Fund's 2013/14 Current Assets.

During the year ending 31st March 2014 there was a group transfer in to the Fund from Stroud College to South Gloucestershire and Stroud College. The transfer value has not yet been confirmed. An estimated value has been included in the Fund account and as part of the Fund's Current Assets.

### 19 BENEFITS RECHARGED TO EMPLOYERS

The Fund makes payments with regard to added year benefits awarded by the Employer to LGPS members, including related pension increases, and pension increases in respect of certain bodies with no pensionable employees in the Fund. The Fund also pays a small number of other pension supplements. These are not funded by the Fund and are recharged in full. They are not included in the Fund Account or related notes.

	31 March 2014	31 March 2013
	£'000	£'000
<b>Benefits Paid and Recharged</b>	<b>6,240</b>	<b>6,225</b>

### 20 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested in insurance policies with The Equitable Life Assurance Society or Friends Life, the Fund's nominated AVC providers. Additional Voluntary Contributions received from employees and paid to The Equitable Life Assurance Society during 2013/14 were £498 (2012/13 - £953). Additional Voluntary Contributions received from employees and paid to Friends Life during 2013/14 were £407,897 (2012/13 - £418,478).

The total value of the assets invested, on a money purchase basis, with these AVC providers was:-

	31 March 2014	31 March 2013
	£'000	£'000
<u>Equitable Life</u>		
With Profits Retirement Benefits	501	582
Unit Linked Retirement Benefits	286	306
Building Society Benefits	235	264
	<u>1,022</u>	<u>1,152</u>
Death in Service Benefit	<u>150</u>	<u>150</u>
<u>Friends Life</u>		
With Profits Retirement Benefits	157	197
Unit Linked Retirement Benefits	3,625	3,775
Cash Fund	447	402
	<u>4,229</u>	<u>4,374</u>

AVC investments are not included in the Fund's financial statements in accordance with Regulation 5(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 1998.

### 21 RELATED PARTIES

#### **Committee Member Related:-**

In 2013/14 £37,238 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£37,071 in 2012/13). Six voting members and one non-voting member of the Avon Pension Fund Committee (including five B&NES Councillor Members) were members of the Local Government Pension Scheme during the financial year 2013/2014. (Seven voting members and one non-voting member in 2012/2013, including five B&NES Councillor Members)

#### **Independent Member Related:-**

Two Independent Members were paid allowances of £6,469 and £12,877 respectively during the year for their work in relation to the Pension Fund Committee and the Investment Panel. They are also entitled to claim reasonable expenses. The Independent Members are not eligible to join the Local Government Pension Scheme.

#### **Employer Related:-**

During the year 2013/14 the Fund paid B&NES Council £295,990 for administrative services (£275,215 in 2012/13) and B&NES Council paid the Fund £31,715 for administrative services (£40,157 in 2012/13). Various Employers paid the fund a total of £141,397 for pension related services including pension's payroll and compiling data for submission to the actuary (£177,346 in 2012/13).

#### **Officer and Manager related:-**

The officers administering the Avon Pension Fund are all eligible to be members of the Avon Pension Fund.

The Fund is governed by Central Government regulation. There are no other related party transactions except as already disclosed elsewhere.

### 22 OUTSTANDING COMMITMENTS

As at the 31 March 2014 the Fund had outstanding commitments relating to investments in property that will be drawn down in tranches by the Investment Managers totalling £61,724,899 (31st March 2013 £46,798,161).

### 23 KEY MANAGEMENT REMUNERATION

Of Bath & North East Somerset Council's key management personnel, some of the remuneration costs were charged to the fund to reflect the time spent. These consisted of:

- part of the Divisional Director Business Support's salary, fees and allowances £17,360 and their employers' pension contributions £3,107. (In 2012/13 the recharge was part of the Strategic Director of Resources salary, fees and allowances £17,393 and employers' pension contributions £3,107)
- part of the Head of Business Finance and Pensions salary, fees and allowances £31,540 (2012/13 £31,540) and their employers' pension contributions £5,460 (2012/13 £5,460).

## PENSION FUND ACCOUNTS 2013/14

### 24 FINANCIAL INSTRUMENTS

The net assets of the Fund are made up of the following categories of Financial Instruments:

	31/03/2014 £'000	31/03/2013 £'000
<b>Financial Assets</b>		
Loans & Receivables	24,980	13,283
Financial assets at fair value through profit or loss	3,336,303	3,149,104
<b>Total Financial Assets</b>	<b>3,361,283</b>	<b>3,162,387</b>
<b>Financial Liabilities</b>		
Payables	(15,072)	(16,505)
Financial liabilities at fair value through profit or loss		(226)
<b>Total Financial Liabilities</b>	<b>(15,072)</b>	<b>(16,731)</b>
<b>Total Net Assets</b>	<b>3,346,211</b>	<b>3,145,656</b>

All investments are disclosed at fair value. Carrying value and fair value are therefore the same. Payables and Receivables are valued at amortised cost. The carrying value has not been amortised and therefore is the same as the fair value. The gains and losses recognised in the Fund Account in relation to financial instruments are made up as follows:-

#### Net Gains & Losses on Financial Instruments

	2013/14 £'000	2012/13 £'000
		Financial assets at fair value through profit or loss
Losses on derecognition	(4,918)	(9,302)
Reductions in fair value	(239,774)	(10,079)
<b>Total expense in Fund Account</b>	<b>(244,692)</b>	<b>(19,381)</b>
Gains on derecognition	323,622	53,216
Increases in fair value	97,545	325,040
<b>Total income in Fund Account</b>	<b>421,167</b>	<b>378,256</b>
<b>Net gain/(loss) for the year</b>	<b>176,475</b>	<b>358,875</b>

# PENSION FUND ACCOUNTS 2013/14

## 25 FINANCIAL RISK MANAGEMENT DISCLOSURE

The primary objective of the Avon Pension Fund 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. The aim of the investment 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. As a result the Fund is exposed to a variety of financial risks including market risk (price, interest rate and currency risk), credit risk and liquidity risk.

The Fund's investments are managed by external Investment Managers. Each manager is required to invest in accordance with the terms of the agreed investment guidelines that sets out the relevant benchmark, performance target, asset allocation ranges and any restrictions. The Avon Pension Fund Committee ("Committee") has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The Committee regularly monitors each investment manager and its Investment Consultant advises on the nature of the investments made and associated risks.

The Fund's investments are held by BNY Mellon Asset Servicing, who act as custodian on behalf of the Fund.

Because the Fund adopts a long term investment strategy, the high level risks described below will not alter significantly during any one year unless there are significant strategic or tactical changes to the portfolio. 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.

### (a) Market Risk

Market risk is the risk of loss from fluctuations in market prices, interest rates or currencies. The Fund is exposed through its investments portfolio to all these market risks. The objective of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return.

Volatility in market risk is primarily managed through diversification across asset class and investment managers.

### Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate caused by factors other than interest rates or currencies. These changes can be caused by factors specific to the individual instrument, its issuer or factors affecting the market in general and will affect the assets held by the Fund in different ways.

All investments present a risk of loss of capital. By diversifying its investments across asset classes, geography and industry sectors, investment mandate guidelines and Investment Managers the Fund aims to reduce its exposure to price risk. Diversification seeks to reduce the correlation of price movements. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the Committee against the strategic benchmark.

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

### Market Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of returns of the assets held within the Fund (provided by the Fund's advisors). The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the three years to 31 March 2014. These movements in market prices have been judged as possible for the 2013/14 reporting period. This analysis assumes all other variables including interest rates and foreign currency exchange rates remain the same.

Movements in market prices could have increased or decreased the net assets available to pay benefits by the amounts shown below. However, the likelihood of this risk materialising in normal circumstances is low by virtue of the diversification within the Fund. Only assets affected by market prices have been included. The volatility figure at Total Assets level incorporates the impact of correlation across the asset classes; therefore the Total Assets increase /decrease is not the sum of the parts.

The analysis for the year ending 31 March 2014:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	509,345	12.3%	571,892	446,797
Overseas Equities	1,134,606	12.1%	1,271,553	997,659
Global inc UK	207,422	11.0%	230,176	184,668
UK Bonds	376,270	6.5%	400,727	351,812
Overseas Bonds	74,588	7.4%	80,078	69,099
Index Linked Gilts	189,176	8.8%	205,862	172,491
Property	260,987	1.6%	265,137	256,838
Alternatives	477,326	3.2%	492,601	462,052
<b>Total Assets</b>	<b>3,229,720</b>	<b>7.6%</b>	<b>3,464,198</b>	<b>2,995,243</b>

## PENSION FUND ACCOUNTS 2013/14

The analysis for the year ending 31 March 2013 is shown below:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	560,825	13.1%	634,293	487,357
Overseas Equities	1,243,081	12.9%	1,403,438	1,082,723
Global inc UK	196,608	12.6%	221,341	171,875
UK Bonds	317,892	6.7%	339,032	296,752
Overseas Bonds	81,487	7.6%	87,680	75,294
Index Linked Gilts	209,876	8.3%	227,317	192,435
Property	222,341	1.4%	225,521	219,162
Alternatives	221,147	3.6%	229,042	213,252
<b>Total Assets</b>	<b>3,053,257</b>	<b>7.6%</b>	<b>3,284,083</b>	<b>2,822,431</b>

### Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates which will affect the value of fixed interest and index linked securities.

The Fund's exposure to interest rate movements on these investments is provided below. Cash includes the cash deposits held against futures contracts.

	31/03/2014 £'000	31/03/2013 £'000
Cash and Cash Equivalents	85,023	85,895
Fixed Interest Assets	640,034	609,255
<b>Total</b>	<b>725,057</b>	<b>695,150</b>

### Interest Rate Risk - Sensitivity Analysis

Fluctuations in interest rates can affect both income to the Fund and the value of the net assets to pay benefits. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the effect on the value of the fixed income securities as at 31 March 2014 of a 100 basis point (1%) change in interest rates. The analysis assumes that all other variables including foreign currency exchange rates remain constant.

An increase or decrease of 100 basis points (bps) in interest rates would have increased or decreased the net assets by the amount shown below.

#### As at 31 March 2014

	Value £'000	Change in net assets	
		+100 BPS £'000	-100 BPS £'000
Cash and Cash Equivalents	85,023	-	-
Fixed Interest Assets	640,034	(83,332)	83,332
<b>Total</b>	<b>725,057</b>	<b>(83,332)</b>	<b>83,332</b>

A 1% rise in interest rates will reduce the fair value of the relevant net assets and vice versa. Changes in interest rates do not impact the value of cash balances but they will affect the interest income received on those balances.

The same analysis for the year ending 31 March 2013 is shown below:

#### As at 31 March 2013

	Value £'000	Change in net assets	
		+100 BPS £'000	-100 BPS £'000
Cash and Cash Equivalents	85,895	-	-
Fixed Interest Assets	609,255	(83,651)	83,651
<b>Total</b>	<b>695,150</b>	<b>(83,651)</b>	<b>83,651</b>

## PENSION FUND ACCOUNTS 2013/14

### Currency Risk

Currency risk represents the risk that the fair value of financial instruments when expressed in Sterling will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on investments denominated in a currency other than Sterling. A significant proportion of the Fund's equity portfolio is invested in overseas stocks. When sterling depreciates the sterling value of foreign currency denominated investments will rise and when sterling appreciates the sterling value for foreign denominated investments will fall. The Fund has a dynamic hedging arrangement in place which reduces the volatility of returns over the longer term (the hedging programme hedges the exposure to the US Dollar, Yen and Euro).

Where an investment manager chooses to hedge against foreign currency movements forward foreign exchange contracts are used.

The following tables summarise the Fund's currency exposures within the portfolio. For the global property funds the share class of the pooled funds held has been used. The funds of hedge funds and Diversified Growth Funds are not included in this analysis given the share classes held are either in Sterling or hedged back to Sterling.

Currency risk by asset class:

Currency Exposure - Asset Type	Asset value as at 31st March 2014 £'000	Asset value as at 31st March 2013 £'000
Overseas Equities	1,324,193	1,384,728
Overseas Fixed Income	74,588	81,487
Overseas Property	112,058	95,729

### Currency Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates has been analysed using the volatility which is broadly consistent with a one-standard deviation movement in the currency and incorporates the impact of correlation across currencies. The analysis assumes a 50% hedge ratio on the equity and bond assets to reflect the dynamic hedging strategy.

A strengthening of Sterling against the various currencies by one standard deviation (expressed as a percentage) at 31 March 2014 would have decreased the net assets by the amount shown in the tables below and vice versa:

Currency Risk by Asset Type:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	1,324,193	3.3%	1,367,307	1,281,080
Overseas Fixed Income	74,588	3.3%	77,017	72,160
Overseas Properties	112,058	3.3%	115,707	108,410

The same analysis for the year ending 31 March 2013 is shown below:

Currency Risk by Asset Type:

Asset Type	Value (£) £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	1,384,728	2.6%	1,420,836	1,348,620
Overseas Fixed Interest	81,487	2.7%	83,655	79,319
Overseas Property	95,729	5.5%	101,005	90,453



### (b) Credit Risk

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

The entire Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties including brokers, custodian and investment managers minimises credit risk that may occur through the failure to settle transactions in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. Credit risk on over-the-counter derivative contracts is minimised by the various insurance policies held by exchanges to cover defaulting counterparties.

Forward currency contracts are entered into by the Fund's managers, especially the currency hedging manager, Record. These contracts are subject to credit risk in relation to the counterparties of the contracts. The responsibility for managing these contracts and counterparty risk rests with the managers. Counterparty management is evaluated as part of the due diligence process prior to appointing a manager.

The Fund's bond portfolios have significant credit risk through their underlying investments. This risk is managed through diversification across sovereign and corporate entities, credit quality and maturity of bonds. The market prices of bonds incorporate an assessment of credit quality in their valuation which reflects the probability of default (the yield of a bond will include a premium that will compensate for the risk of default).

Another source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion. Internally held cash is managed on the Fund's behalf by the Council's Treasury Management Team in line with the Fund's Treasury Management Policy which sets out the permitted counterparties and limits. Cash held by the Fund and managers is invested with the custodian in diversified money market funds rated AAA.

The cash held under the Treasury Management arrangements and by the custodian as at 31 March 2014 was £18.7m. This was held with the following institutions:

	31st March 2014		31st March 2013	
	Rating	Balance £'000	Rating	Balance £'000
<b>Custodian's Liquidity Fund</b>				
Bank of New York Mellon	AAA	7,962	AA-	10,058
<b>Bank Call Accounts</b>				
Barclays Platinum Account	A	1,000	A	1,000
Bank of Scotland Corporate Deposit Account	A	2,500	A	2,500
RBS Global Treasury Fund	AAA	6,090	AAA	4,880
NatWest Special Interest Bearing Account	BBB+	1,104	A-	-
<b>Bank Current Account</b>				
NatWest	BBB+	7	A-	17

The RBS Global Treasury Fund was taken over by Goldman Sachs International on 14th April 2014. The credit rating remained at AAA. NatWest is the Fund's banker.

A securities lending programme is managed by the Fund's custodian BNY Mellon who manage and monitor the counterparty risk, collateral risk and the overall lending programme. Through its securities lending activities, the Fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon the type of transaction. This level is assessed daily to ensure it takes account of market movements. The current collateral the Avon Pension Fund accepts is AAA rated supranational debt, AA rated sovereign debt and FTSE Equity DBV. Cash collateral is not permitted. Securities lending is capped by investment regulations and statutory limits ensure no more than 25% of eligible assets can be on loan at any time.

### (c) Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's investment strategy and cash management policy ensure that the pension fund has adequate cash to meet its working requirements. Cash flow forecasts are prepared to manage the timing of and changes to the Fund's cash flows.

The Fund has access to an overdraft facility for short term cash needs which was not drawn on during the year.

The Fund has immediate access to its cash holdings and a substantial portion of the Fund's investments consist of readily realisable securities, in particular equities and fixed income investments, even though a significant proportion is held in pooled funds. These are classed as liquid assets as they can be converted to cash within 3 months. The main liabilities of the Fund are the benefits payable as they fall due over a long period and the investment strategy reflects the long term nature of these liabilities. As a result the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes such as property and fund of hedge funds which are subject to longer redemption periods and cannot be considered as liquid as the other investments. As at 31 March 2014 the value of the illiquid assets was £634m, which represented 19.0% of the total Fund assets (31 March 2013: £443m which represented 14.1% of the total Fund assets). The increase is due to the investment during the year in a Diversified Growth Fund.

## PENSION FUND ACCOUNTS 2013/14

### (d) Fair Value Hierarchy

Fair value is the value at which the investments could be realised within a reasonable timeframe. The Fund measures fair values using the following fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. The hierarchy has the following levels:

- Level 1 - easy to price securities. Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date. These include quoted/ listed equities, exchange traded derivatives, quoted government securities and quoted unit trusts.
- Level 2 - moderately difficult to price. Inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly. For example where an instrument is traded in a market that is not considered to be active, or where valuation techniques based significantly on observable market data are used to determine fair value. Therefore Level 2 includes pooled funds where the net asset value of the pooled fund is derived from observable prices of the underlying securities including the Diversified Growth Fund that only holds quoted securities. The Fund's holding in these pooled funds can be realised at net asset value.
- Level 3 - difficult to price. Unobservable inputs for the asset or liability used to measure fair value that rely on the Fund's assumptions concerning the assumptions that market participants would use in pricing an asset or liability. Therefore Level 3 includes pooled funds such as the property funds, other Diversified Growth Funds and Fund of Hedge Funds where the net asset value is derived from unobservable inputs and the Fund's holding in these pooled funds is not immediately realisable at the net asset value.

The following sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 March 2014.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities - Quoted	536,850			536,850
Bonds - Quoted	281,870			281,870
Pooled Investment Vehicles		1,672,523		1,672,523
Fund of Hedge Funds			162,986	162,986
Diversified Growth Funds		104,542	209,798	314,340
Property			260,988	260,988
Cash	85,023			85,023
Derivatives: Forward FX	12,199			12,199
Derivatives: Futures	162			162
Investment Debtors/Creditors	4,265			4,265
	<b>920,369</b>	<b>1,777,065</b>	<b>633,772</b>	<b>3,331,206</b>

The fair value hierarchy as at 31 March 2013 was:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities - Quoted	495,979			495,979
Bonds - Quoted	319,550			319,550
Pooled Investment Vehicles		1,794,239		1,794,239
Fund of Hedge Funds			221,147	221,147
Diversified Growth Funds				-
Property			222,341	222,341
Cash	85,895			85,895
Derivatives: Forward FX	(2,911)			(2,911)
Derivatives: Futures	(226)			(226)
Investment Debtors/Creditors	(638)			(638)
	<b>897,649</b>	<b>1,794,239</b>	<b>443,488</b>	<b>3,135,376</b>

As at 31 March 2014 the following employing bodies had contributing scheme members in the Avon Pension Fund:

### Principal Councils and Service Providers

Avon Fire Brigade	North Somerset Council
Bath & North East Somerset Council	South Gloucestershire Council
Bristol City Council	

### Further & Higher Education Establishments

Bath Spa University College	St. Brendan's College
City of Bath College	University of Bath
City of Bristol College	University of the West of England
Norton Radstock College	Weston College
South Gloucestershire & Stroud College (formerly Filton College)	

### Academies & Schools

Abbeywood Community School Academy	Ilminster Avenue E – Act Academy
Academy of Trinity C of E	Kingshill Academy
Ann Harris Academy Trust (formerly St. John's Primary)	Kings Oak Academy
Backwell School	Little Mead Primary School
Bannerman Road Community Academy	Merchant's Academy
Bath Community Academy	Midsomer Norton School Partnership
Bedminster Down School Academy	Minerva Primary Academy
Beechen Cliff School Academy	Nailsea School Academy
Begbrook Primary Academy	Oasis Academy Bank Leaze
Birdwell Primary School Academy	Oasis Academy Brightstowe
Bradley Stoke Community School	Oasis Academy Connaught
Bridge Learning Campus Foundation	Oasis Academy John Williams
Bristol Cathedral Choir School	Oasis Academy Long Cross
Bristol Free School	Oasis Academy New Oak
Bristol Technology & Engineering Academy	Oldfield School Academy Trust
Broadlands Academy	One World Learning Trust
Broadoak Mathematic & Computing College	Orchard Academy
Cabot Learning Federation	Parson Street Primary School
Castle School Education Trust	Patchway Community College
Cathedral Primary School	Priory Community School Academy
Charfield Primary School	Ralph Allen Academy
Chew Stoke Church School	Redland Green School Academy
Christ Church C of E Primary School	St Bede's School Academy
Churchill Academy	St. Nicholas of Tolentine Catholic Primary School
Clevedon School Academy	St. Patrick's Academy
Colston Girl's School Trust	St. Teresa's Catholic Primary School
Colston's Primary School Academy	St. Ursula's E-ACT Academy
Cotham School Academy	Stoke Bishop C of E Primary School
Downend School	Stoke Lodge Academy
Elmlea Junior School Academy	Summerhill Academy
Fishponds Church of England Academy (Bristol Church Academies Trust )	
Filton Avenue Infants Academy	The Dolphin Academy
Fosseway School	The Kingfisher School
Frome Vale Academy	The Ridings Federation Winterbourne
Gordano School Academy	The Ridings Federation Yate
Greenfield Primary School Academy	Threeways School
Hans Price Academy	Trust in Learning
Hareclive Academy	Wallscourt Farm Academy
Hayesfield Girl's School Academy	Waycroft School Academy
Henbury Court School	Wellsway School Academy
Henbury School Academy	West Town Lane Primary School
Henleaze Junior School Academy	Westbury Park Primary School Academy
Heron's Moor Community School	Westbury-on-Trym C of E Academy
	Writhlington School Academy

### Designating Bodies

Almondsbury Parish Council  
Backwell Parish Council  
Bath Tourism Plus  
Bradley Stoke Town Council  
Charter Trustees of the City of Bath  
Clevedon Town Council  
Destination Bristol  
Dodington Parish Council  
Downend & Bromley Heath Parish Council  
Filton Town Council  
Frampton Cotterell Parish Council  
Hanham Abbots Parish Council  
Hanham Parish Council  
Keynsham Town Council  
Mangotsfield Rural Parish Council  
Midsomer Norton Town Council  
Nailsea Town Council  
Oldland Parish Council

Patchway Town Council  
Paulton Parish Council  
Peasedown St John Parish Council  
Pill & Eastern Gordano Parish Council  
Portishead & North Weston Town Council  
Radstock Town Council  
Saltford Parish Council  
Stoke Gifford Parish Council  
Thornbury Town Council  
Vista SWP Ltd.  
Westerleigh Parish Council  
Westfield Parish Council  
Weston Super Mare Town Council  
Whitchurch Parish Council  
Winterbourne Parish Council  
Yate Town Council  
Yatton Parish Council

### Community Admission Bodies

Alliance Homes  
Ashley House Hostel  
Bristol Disability Equality Forum  
Bristol Music Trust  
Centre For Deaf People  
Clifton Suspension Bridge Trust  
CURO Places Ltd  
CURO Group (Albion) Ltd  
CURO Choice  
Holburne Museum of Art  
Learning Partnership West Limited (CAB)

Merlin Housing Society (SG)  
Merlin Housing Society Ltd  
Off The Record Bath & North East Somerset  
Sirona Care & Health CIC  
Southern Brooks Community Partnership  
Southwest Grid for Learning Trust  
The Care Quality Commission  
The Park Community Trust  
Vision North Somerset  
West of England Sports Trust

### Transferees Admitted Bodies

Action For Children  
Active Community Engagement Ltd  
Agilisys  
Aquaterra Leisure Ltd  
ARAMARK  
BAM Construct UK Ltd  
Barnardos  
Bespoke Cleaning Services  
Bristol Drugs Project  
Churchill Contract Services  
Churchill Contract Services Ltd (Team Clean)  
Circadian Trust  
Circadian Trust No. 2  
Creative Youth Networks (Lot 4)  
Direct Cleaning (SW) Ltd  
Eden Food Services  
English Landscapes  
Fit For Sport  
HCT Group (CT Plus) (CIC)  
ISS Mediclean (CLF)

ISS Mediclean (Bristol City Council)  
Keeping Kids Company  
Kier Facilities Services  
Learning Partnership West (Lot 1)  
Learning Partnership West (Lot 2)  
Learning Partnership West (Lot 3)  
Learning Partnership West (Lot 7)  
Liberata UK Ltd  
Mouchel Business Services Ltd (Nailsea IT)  
Quadron Services  
Shaw Healthcare (North Somerset) Ltd  
SITA  
Skanska (Cabot Learning Federation)  
Skanska Rashleigh Westerfoil  
SLM Community Leisure  
SLM Fitness and Health  
Sodexo  
The Brandon Trust  
Tone Leisure (Trust) Ltd

## STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

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### 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. The Council has made the Divisional Director of Business Support & Chief Finance Officer responsible for financial administration.
- \* Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- \* Approve the statement of accounts for the year.

### Divisional Director of Business Support & Chief Finance Officer responsibilities:

The Divisional Director of Business Support & Chief Finance Officer 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.

In preparing this Statement of Accounts, the Divisional Director of Business Support & Chief Finance Officer has:

- \* Selected suitable accounting policies and then applied them consistently
- \* Made judgements which were reasonable and prudent
- \* Complied with the local authority Code of Practice

The Divisional Director of Business Support & Chief Finance Officer has also:

- \* Kept proper and up to date accounting records.
- \* Taken reasonable steps for the prevention and detection of fraud and other irregularities

### Statement of the Divisional Director of Business Support & Chief Finance Officer

I hereby certify that this statement of accounts presents a true and fair view of the financial position of the Council at the accounting date and the income and expenditure for the year ended 31 March 2014.



SIGNED:

**Divisional Director of Business Support & Chief Finance Officer (s.151 officer)**

**Tim Richens**

DATE: 25 September 2014



SIGNED:

**Interim Chairperson, Corporate Audit Committee**

**Councillor Andy Furse**

DATE: 25 September 2014

**The Statement of Accounts were Authorised for Issue on 26th September 2014.**

# **GLOSSARY OF TERMS**

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## **Accounting Policies**

Rules and practices adopted by the Council that dictate how transactions and events are shown or costed.

## **Accruals**

Income and expenditure are recognised as they are earned or incurred not as money is received or paid.

## **Actuary**

An independent professional who advises on the position on the Pension Fund.

## **Actuarial Valuation**

The Actuary reviews the assets and liabilities of the pension fund every three years.

## **Appropriation**

The assignment of revenue for a specific purpose.

## **Balance Sheet**

Statement of recorded assets and liabilities and other balances at the end of the accounting period.

## **Capital Charges**

A charge made to service revenue accounts, for depreciation to reflect the cost of fixed assets used in the provision of services.

## **Capital Expenditure**

Expenditure on new fixed assets such as land and buildings or on enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

## **Capital Receipts**

Income received from the disposal of land, buildings and other capital assets.

## **Collection Fund**

A fund operated by the billing authority into which all receipts of Council tax and National Non-Domestic Rates (NNDR) are paid.

## **Contingent Liabilities**

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or a present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

## **Council Tax**

A tax on domestic properties introduced 1st April 1993 to replace the community charge.

## **Creditors**

Amounts owed by the Council for goods and services received on or before 31st March.

## **GLOSSARY OF TERMS**

---

### **Debtors**

Amounts owed to the Council for goods and services provided on or before 31st March.

### **Deferred Charges**

Items for which expenditure is charged to capital, but there is no tangible asset.

### **Depreciation**

The loss in value of an asset due to age, wear and tear, deterioration and obsolescence.

### **Earmarked Reserves**

Amounts set aside for a specific purpose or a particular service or type of expenditure.

### **Fixed Assets**

Tangible assets that result in benefits to the local authority and the services it provides for more than a year.

### **Fixed Asset Restatement Account**

Balance of surpluses or deficits arising on periodic revaluation of fixed assets.

### **General Fund**

The account that summarises the revenue costs of providing services that are met by the Council's demand on the Collection Fund, specific government grants and other income.

### **Gross Expenditure**

Total expenditure before deducting income.

### **Infrastructure Assets**

Fixed assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of assets.

### **Minimum Revenue Provision**

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

### **National Non-Domestic Rates (NNDR)**

A flat rate in the pound set by government and levied on businesses in the Council area.

### **Net Expenditure**

Gross expenditure less income.

## **GLOSSARY OF TERMS**

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### **Operating Lease**

A lease under which the asset is not the property of the lessee.

### **Outturn**

Actual income and expenditure for the financial year.

### **Precept**

The charge made by one authority to another to finance its net expenditure.

### **Private Finance Initiative (PFI)**

Government initiative under which councils buy the services of the private sector to design, build, finance and operate a public facility.

### **Provision**

Amounts set aside for any liability or loss that is likely to be incurred, but where the exact amount and date is uncertain.

### **Rateable Value**

The value of a property for rating purposes set by the inland revenue. Business rates payable are calculated by multiplying the rateable value of the property by the rate in the pound set by government.

### **Reserves**

The amount held in balances and funds that are free from specific liabilities or commitments.

### **Revenue Expenditure**

The regular day-to-day running costs incurred in providing services.

### **Revenue Support Grant (RSG)**

The main grant paid by central government to a local authority towards the cost of all its services.

### **Statement of Recommended Practice (SORP)**

Recommendations on accounting practices issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) with which the Council must comply.

### **Support Services**

Activities of a professional, technical and administrative nature, which are not local authority services in their own right, but support the front line service.

### **Trading Accounts**

The profit and loss account of any trading organisation that needs to be disclosed separately in the Council's account.