

South Gloucestershire Council

Annual Financial Report

2020/21

You can obtain additional copies of this report by writing to the Corporate Finance Manager at: South Gloucestershire Council, PO Box 1953, Bristol BS37 0DB or by telephoning 01454 665715

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Independent Auditor's Report to the Members of South Gloucestershire Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of South Gloucestershire Council (the 'Authority') for the year ended 31 March 2021 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Head of Financial Services' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Head of Financial Services' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Head of Financial Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Head of Financial Services with respect to going concern are described in the 'Responsibilities of the Authority, the Head of Financial Services and Those Charged with Governance for the financial statements' section of this report.

Other information

The Head of Financial Services is responsible for the other information. The other information comprises the information included in the Annual Financial Report, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Annual Financial Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Head of Financial Services and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 8, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Financial Services. The Head of Financial Services 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Head of Financial Services

determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Financial Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Accounts Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, The Local Government and Housing Act 1989, the Local government Act 1972 and the Local Government Act 2003.
- We enquired of senior officers and the Audit and Accounts concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Accounts Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to:
 - journals that altered the Council's financial performance for the year
 - potential management bias in determining accounting estimates, especially in relation to
 - the calculation of the valuation of the Council's land and buildings and defined benefit pensions liability valuations; and

- accruals of income and expenditure at the end of the financial year.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Head of Financial Services has in place to prevent and detect fraud;
 - journal entry testing, with a particular focus on significant journals at the year-end which had an impact on the Council's financial performance;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements - the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in respect of the above matter.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit Certificate

We certify that we have completed the audit of South Gloucestershire Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. 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.

Mark Stocks

Mark Stocks, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Birmingham

15 March 2023

Statement of Responsibilities

The council's responsibilities

The council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In South Gloucestershire Council that officer is the Head of Financial Services who is Chief Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets, and
- approve the Statement of Accounts.

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the council's Statement of Accounts in accordance with proper practice as set out in the CIPFA (Chartered Institute of Public Finance and Accountancy)/LASAAC (Local Authority Accounts Advisory Committee) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Statement of Accounts, the Chief Financial Officer has:

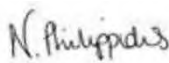
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent, and
- complied with the local authority Code.

The Chief Financial Officer has also:

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

Certification of the Accounts by the Chief Financial Officer

In accordance with the Accounts and Audit (Amendment) Regulations 2021, and the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts for 2020/21 give a true and fair view of the financial position of South Gloucestershire Council as at 31 March 2021 and its income and expenditure for the financial year ended 31 March 2021.



Nina Philippidis CPFA
Head of Financial Services

Date ...19th January 2022.....

Approval of the Statement of Accounts

I certify that the Statement of Accounts for the year ended 31 March 2021 was approved by the Audit and Accounts Committee at its meeting on 23rd November 2021.



Cllr Christopher Wood
Chair of the Audit and Accounts Committee

Date19th January 2022.....



2020/21

STATEMENT OF ACCOUNTS

Narrative Report

This report aims to provide the context for the Council's financial statements and to demonstrate how the council has delivered the economical, efficient and effective use of its resources during the year.

1. INTRODUCTION

South Gloucestershire Council was created in 1996 from areas in the north and east of Bristol, stretching from the River Severn estuary to the Cotswolds.

The population of South Gloucestershire was 282,600 in 2018 and is projected to rise by over 25% to over 354,000 by 2043. The largest increases are projected in the older age groups, resulting in a flatter age structure by the end of the projection period with a 44% increase in residents aged 65 or over.

The council's responsibilities are wide-ranging and include services it is legally required to provide (e.g. education, adult social care and waste collection) as well as more discretionary services such as regeneration activities, leisure and sports facilities.



2. AIMS, OBJECTIVES and ACHIEVEMENTS

The council's overarching goal is to achieve the best for our residents and their communities, to ensure that South Gloucestershire will always be 'a great place to live and work'. The Council plan for 2020-2024 sets out how we will build on and deliver this vision highlighting:

- What we will focus on
- How we will work, and
- How we will measure performance

The council plan is based around four key priorities which have been informed by a recognition of some fundamental challenges: notably driven by a passion to reduce our growing inequality gap and meet our climate emergency promise. A strong commitment to equality of opportunity, value for money and transitioning to a low carbon future will flow through everything we do and will form the basis of an overarching plan developed with our key local partners. These priorities will inform the council's policies and decision-making:

- creating the best start in life for our children and young people
- Identifying and supporting those most in need and helping people to help themselves
- promoting sustainable inclusive communities, infrastructure and growth
- realising the full potential of our people and delivering value for money

During 2020/21 the council continued to secure significant inward investment and has improved local infrastructure and transport routes as part of regional initiatives. Other key achievements include the following:

- Investment in school places continuing as part of the ongoing Schools Investment Programme, including Elm Park Primary School, Frenchay CE primary School, Lyde Green Primary Satellite and the new Lyde Green School.
- Securing £12.5m from the Government's Future High Streets Fund focussing on improving and regenerating the town centre in Kingswood and surrounding area.
- Despite the pandemic 1,500 new homes were constructed in the area, including over 400 affordable homes.
- Our Youth Offending Team being rated Outstanding by HM Inspectorate of Probation.
- Superfast broadband coverage across South Gloucestershire increasing to 97.8%.
- In a recent staff survey, 92% of staff agreed that they feel trusted at work.



Conservation works at Winterbourne Medieval Barn

3. FINANCIAL PERFORMANCE

Revenue

Total expenditure on council services as reported in the outturn position to Cabinet in June 2021 was £721m in 2020/21 (£629m in 2019/20). The net cost of services was £16m underspent compared to budget as shown below:

	Agreed budget £m	Year-end outturn £m	Variance Over/(-) under £m
Children, Adults and Health	148	151	3
Environment and Communities	43	45	2
Corporate and Central services	54	39	-15
Corporate allowance (contingency – see below)	6	0	-6
TOTAL NET SPENDING	251	235	-16

The underspend is presented with variances arising from Covid-19 and from the council's normal activities. The underspend on the council's normal activities is mainly due to spending controls put in place to mitigate the impact of the pandemic on council finances coupled with staff being diverted to support the Covid-19 response. Although Children, Adults and Health shows an overspend in year, this is offset by the budget held in the Corporate Allowance for demand and price pressures in the department. The pandemic has resulted in a number of overspends across departments due to a loss of income across a range of services such as parking enforcement, planning, traded services to schools, court fees and registrars. The pandemic also impacted the achievement of the Council Savings Programme due to staff focusing on supporting the pandemic response. The additional costs and income losses were offset by Government emergency funding and the underspend in this financial year has been taken into account in managing the medium term impact of the pandemic on the council's financial plan.

S31 grant funding of £68m for business rate reliefs to retail, leisure, hospitality and nursery providers was received following a supplementary claim as a result of its exclusion from the original 2020/21 NNDR 1 return. The funding has been set aside in a newly created reserve which will be drawn down to offset the associated cost of providing the reliefs realized in 2021/22 as a result of timing differences in the Collection Fund.

The approved revenue budget for 2021/22 includes additional investment in adults and children's social care services to support changes in the local demographic.

Capital

Capital investment in 2020/21 totalled £66m against an approved budget of £121m, excluding the Property Investment Fund. This underspend was mainly a result of slippage on highways maintenance and improvement schemes, lower possession costs on the Metrobus regional transport initiative and an updated cost profile for flood management and ecology projects. Major items of capital expenditure included:

- £11m contribution to the MetroBus regional transport initiative
- £8m improvements to school buildings
- £12m investment in highways maintenance & improvements
- £7m Flood management and ecology projects.

Within the Property Investment Fund £16m was spent acquiring two properties in Yate.

Capital investment was primarily funded from government grants totalling £47m and unsupported borrowing totalling £25m, with capital receipts of £1m, revenue of £4m and £5m of CIL and S106 reserves.



Bristol and Bath Science Park

The council plans to deliver an ambitious capital programme of over £388m in the next four years, as shown below:

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	TOTAL £'000
Area of expenditure:					
Children's and adult services	52,361	26,077	6,913	5,050	90,401
Environment and Transport	59,985	17,845	15,919	14,355	108,104
Corporate Resources	84,767	3,489	4,476	2,345	95,077
Economic Development Fund & forward funded works	60,901	18,025	6,257	9,209	94,392
TOTAL	258,014	65,436	33,565	30,959	387,974
Expected funding:					
Capital grants and contributions	102,391	21,835	13,836	14,047	152,109
Prudential borrowing	130,509	24,732	14,644	12,866	182,751
Other funding	25,114	18,869	5,085	4,046	53,114
TOTAL	258,014	65,436	33,565	30,959	387,974

Cash Flow Management

The council has a comprehensive cash flow and treasury management system designed to ensure that surplus cash is invested wisely, that any new external borrowing represents value for money, and that it has sufficient cash in hand to meet its liabilities as they fall due.

Cash and cash equivalents at 31 March 2021 were £12m, a decrease of £18m compared to 31 March 2020. This is due to:

- A greater use of highly liquid accounts in the previous year due to the uncertainty about cash needs following the public health restrictions at the time and following the receipt of additional funding at year end for COVID-19.

Balance Sheet Position

The council continues to maintain a strong balance sheet position:

	At 31 March 2021 £m	At 31 March 2020 £m
Non-current assets – principally land, buildings and equipment used to deliver council services	1,016	983
Long-term investments & long term debtors	34	36
Net current assets / (liabilities) – short term investments, debtors and cash, less short term creditors and grant receipts in advance	4	(5)
Pension liabilities	(464)	(399)
Provisions	(24)	(24)
External borrowing	(123)	(123)
Other long term liabilities	(20)	(22)
NET ASSETS	423	446
Represented by:		
Usable reserves	256	132
Unusable reserves	167	314
TOTAL	423	446

- The council's largest single liability is for future staff pensions. In 2020/21 the council made a one-off single payment to reduce pension liabilities, achieving a net saving of almost £0.3m.
- Long-term borrowing mostly comprises PWLB loans taken out over 25 to 50 years at preferential rates on an interest only basis with the option of 100% rollover on maturity. No new long-term borrowing was taken out in 2020/21
- Other liabilities relate to future payments for the waste management and recycling contract, together with the council's share of debts owed by Avon County Council prior to reorganisation.
- Provisions are set aside for business rating appeals (£19.3m) and for future costs associated with the closed landfill site at Harnhill (£2.5m), insurance and other amounts.
- The council is also party to a £100m guarantee in respect of Home Group Ltd. (previously North Housing Association) in respect of which it has a first charge over a number of properties. This potential liability is not included in the Balance Sheet given the unlikelihood of it being called in.
- Usable reserves include £9m held on behalf of schools and £9m working balances to cover short term cash flow fluctuations, budget overspends and other contingencies. Other useable reserves have been earmarked for capital investment or to support service improvements. The council would like to increase working balances to £11m (5% of net spending) over the medium term, however this has to be balanced against service priorities and the needs of residents as one-off resources arise.
- Unusable reserves cannot be used to fund council expenditure and are held to meet statutory or accounting requirements.

Group Activities

In 2018/19 the council purchased Bristol and Bath Science Park, which is included on the Balance Sheet as Investment Property. This 59-acre site provides office accommodation, meeting rooms and workspace. As part of the transaction the council also acquired ownership of the Science Park estates management company, oversight of which is exercised by 100% control through director appointments. Since these transactions and balances are not significant in the context of the council's accounts, however, Group financial statements are not prepared.

4. FINANCIAL MANAGEMENT

The council approves a number of key documents before the start of each financial year:

- a capital strategy and 4-year capital programme.
- a treasury management strategy, setting out expected borrowing needs and investment income.
- a 10-year Medium Term Financial Plan, and an annual revenue budget.

These plans and strategies are continually updated and formally reviewed on a quarterly basis. Key financial indicators, known as "Prudential Indicators," are monitored and reported to members.

The council has continued to make significant financial savings since the 2010 Spending Review. The target for savings in 2020/21 was £7,264k. At outturn the programme achieved £4,230k permanently, £1,732k temporarily and £1,302k not achieved due to the impact of COVID-19. However, this is a timing delay and is expected to be achieved in 2021/22. Long term plans are in place for the savings not achieved.

Consultation with residents and businesses is a key part of the financial planning process. Questionnaires and surveys, a Citizens' Panel and social media feedback all inform decisions on council tax levels, spending and saving priorities. 2021/22 feedback is summarised below:

- 79% of respondents were satisfied with South Gloucestershire as a place to live.
- 59% of respondents were happy with the way the council runs things, and 96% of those felt that it provided good value for money.
- Service satisfaction was highest for waste and recycling (66%) followed by parks and open spaces (64%) and the lowest for highways and roads (10%), and planning (21%),
- Satisfaction reduced by 13% in respect of planning followed by the One Stop Shop at 12%.
- 'We will clean streets and maintain roads effectively' was jointly ranked as the overall priority with a weighted average of 16% of respondents rating it highly alongside 'We will work to eliminate child poverty across South Gloucestershire' (16%).

Overall 70% of residents were supportive of an increase in council tax in 2021/22 and Full Council took the decision to increase by 4.99% in 2021/22, inclusive of a 3% “ring fenced” precept for adult social care.

5. COVID-19 IMPACT

The impact of Covid-19 on the council and residents has been significant and is likely to continue into 2021/22 with public health restrictions impacting both directly on costs and services and indirectly with partner bodies and suppliers.

As a result of public health restrictions from 23 March 2020, emergency procedures under the Constitution were activated using the delegated powers granted to the Chief Executive Officer.

A range of measures were introduced to provide support to both residents and local businesses including:

- Implementing COVID outbreak control and management measures using c. £3m of grant funding received to combat the transmission of the virus.
- Making a 10% goodwill grant payment to Adult Social Care providers to ensure the market could cope with the number of clients needing support.
- Providing business rates reliefs to local businesses in the leisure, retail, and hospitality sectors as well as to nursery providers.
- Administering additional Local Council Tax Reduction Scheme support through an up to £150 reduction to the council tax bill for 2020/21 of those eligible for support.
- Suspending recovery action across council services for those unable to pay sums owed to the council, in recognition of the financial challenges arising from the current crisis.
- Making immediate payment to suppliers immediately rather than take apply normal credit terms.
- Supporting the homeless and rough sleepers to self-isolate in local accommodation.
- Administering around £6.4m from government to help care homes implement and enhance their infection control measures.
- Funding additional staffing of around £2.6m, mainly in staff in both Adults and Children’s Social Care to respond to the crisis working with partners across the health system and supporting vulnerable clients.
- Acquiring and supplying approx. £1.3m of personal protective equipment (PPE) usage to ensure that our own staff and care homes were able to access PPE throughout the pandemic period keeping customers, staff and the public as safe as possible.
- Ensuring the availability of emergency additional mortuary provision, as well as supporting additional coroner’s costs, at around £0.6m.
- Operating an emergency food hub for the Clinically Extremely Vulnerable and providing additional support to families in receipt of free school meals during all school holidays.
- Supporting the establishment of community testing and vaccination centres in South Gloucestershire.

Whilst additional costs have been incurred in providing this relief, central government provided additional grant funding during the course of the financial year totalling £165m. This included:

- £64m of S31 business rate grant income, ordinarily paid in arrears of business rate relief to the retail and hospitality sector.
- £18m in Covid-19 emergency funding in 4 tranches, with the first £6m received in March 2020.
- Small business grant funding of £37m to support struggling businesses due to public health restrictions with South Gloucestershire Council acting as an agent on behalf of central government for its administration to local business owners.
- Local Restrictions Grant funding of £18m, for which the council acted as agent and is now closed scheme.

Regular reporting on the financial impact of Covid-19 was provided to members on a quarterly basis as part of the quarterly monitoring process, alongside more regular internal monitoring of key variances with monthly returns back to the Ministry of Housing, Communities and Local Government (MHCLG) on the costs incurred locally as a result of the pandemic.

A robust budget was set for 2020/21 and, as referenced above, an outturn position of £16m meant reserves increased to give total usable reserves for the planning period associated with the medium-term financial plan (MTFP) of £266m. A balanced budget has been set for 2021/22 and 2022/23 with planning being undertaken to address a forecast deficit in 2023/24 and 2024/25.

6. LOOKING AHEAD

The level of uncertainty about the impact of the pandemic and its duration, together with an uncertain funding position for the ongoing financial impact means the financial position in future years is unclear. The council has set a balanced budget for both 2021/22 and 2022/23 with a forecast deficit of £15.6m in 2023/24. Work has begun to re-prioritise resources and create a sustainable financial position from 2023/24 onwards with the help of a firm of specialists contracted to provide a framework within which to methodically prioritise and link resources to council priorities whilst shifting away from annual incremental budgeting. The outcome of this work will form part of the 2022/23 budget setting process and will be built into ongoing budget rounds.

Risk Management

The council's Risk and Opportunity Management framework provides a clear and consistent process for identifying, assessing, managing, and reporting risks. These arrangements also cover partnerships, joint operations, and group activities. Key operational and strategic risks, together with any significant changes to governance arrangements, are set out in the Annual Governance Statement.

Comprehensive financial modelling ensures that all significant financial risks are identified and reflected in approved budgets and the Medium-Term Financial Plan. Key risks have been identified as follows:

- Planned savings will not be achieved or will be realised later than expected.
- Impact of Covid-19 is still unknown and what funding will be made available for any future restrictions
- Bed placements prices have risen by an average of 12.5% in recent years, twice the national average with this continuing trend presenting a further cost pressure without mitigation.
- National living wage increases may increase on the Adult Social Care market and thus the council's supply chain.
- 2021/22 local government pay award offers have exceeded the estimated increases in the MTFP.
- City Region Deal and the funding of parts of the capital programme are based on future income projections.
- The sufficiency of capital receipts to fund capital expenditure commitments.
- Uncertainty regarding the route and value of future Department for Transport funding passported through the West of England Combined Authority for joint infrastructure projects.
- Impact of exit from the EU.
- Continuation of government grant funding to fund core services.

Going Concern

In recent years, as a consequence of growing demand and funding pressures for councils, there has been increasing focus on the assessment of a council's going concern status. The financial consequences for councils of the global Covid-19 pandemic have emphasised this even more.

The Code of Practice for local authorities considers that because of the economic and statutory environment in which local authorities operate, they have no ability to cease being a going concern and therefore the financial statements are prepared on a going concern basis (other than in exceptional circumstances where services provided are to cease).

However, in preparing these accounts, full consideration has been given to the medium term financial position of the council and the treasury management and liquidity forecasts, and this confirms the assessment of the council as a going concern.

Devolution

The West of England Combined Authority is made up of three of the councils in the West of England – Bath & North East Somerset, Bristol and South Gloucestershire having been established under a devolution deal with government to facilitate inward investment and more strategic solutions to issues such as skills, jobs, infrastructure and affordable homes. Priorities for investment stem from four strategic themes, cross sectional innovation, innovation in infrastructure, inclusive growth and the productivity challenge with the priority areas for delivery being:

Infrastructure	<ul style="list-style-type: none"> - Better links to connect people and encourage sustainable transport - Improved national international connections - Regional housing growth that promotes a mix of sustainable affordable homes - Employment spaces that meet the needs of businesses and communities - World leading digital connections to support innovation and collaboration
Business	<ul style="list-style-type: none"> - Protect and promote our regions culture - Drive and innovative and collaborative economy - Support businesses to invest in the region and realise export opportunities - Help businesses to start up, grow and flourish, nurturing inclusivity and entrepreneurial spirit
Skills	<ul style="list-style-type: none"> - Integrate employment, skills and education system to align with employers needs - Enable all young people to achieve their potential - Addresses barriers to employment and progression - Empower people to progress in employment and higher education opportunities - Ensure employers can recruit and retain the skills they need to thrive

7. STATEMENT OF ACCOUNTS 2020/21

The Statement of Accounts which follow set out the council's income and expenditure for the year, and its financial position at 31 March 2021. The format and content of the statements is prescribed by CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom, which is based on International Financial Reporting Standards adapted for use in a public sector context.

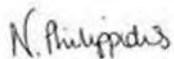
The Statement of Accounts comprises:

Comprehensive Income and Expenditure Statement (CIES)	This Statement shows the net cost of providing council services. The Expenditure Funding Analysis (Note 7) compares the CIES with the levels of income and expenditure which are taken into account when setting the annual budget and Council Tax, since certain non-cash items are disregarded by statute. Note 8 also provides a subjective analysis of the CIES.
Balance Sheet	The Balance Sheet shows the council's assets and liabilities at the year end. Net assets are matched by reserves which may be "usable" or "unusable".
Movement in Reserves Statement	This Statement shows the movements in reserves during the year, and the different funds held by the council. "Usable" reserves are held to fund future expenditure, whereas "unusable reserves" are maintained to meet specific statutory responsibilities.
Cash Flow Statement	This Statement shows how the council generates and uses cash and cash equivalents and explains the reasons for changes in cash balances during the year.
Collection Fund	This account demonstrates how income raised from local taxpayers has been distributed to the council and to other precepting authorities for the provision of services.
Accounting Policies	Note 1 sets out the accounting policies that have been followed in preparing the accounts and how the Code requirements have been met in practice.
Annual Governance Statement	Reviews the effectiveness of corporate governance processes and systems of internal control. The Statement is signed by the council's Chief Executive and the Leader of the Council.
Disclosure Notes	These notes provide more detail about individual transactions and balances.

Policies and estimations of particular significance are:

Accounting for schools' assets	All land and buildings occupied by community schools, voluntary aided and voluntary controlled schools which are legally owned by the council are included in its balance sheet.
Fair Value measurements	Surplus assets, investment properties and long-term investments are included in the balance sheet at their current market value.
PFI contract	The council's waste management contract with Suez Recycling and Recovery UK Ltd is accounted for as a service concession.
City Region Deal	The council administers the Business Rates Pool for the City Region Deal and applies IPSAS 23 to this arrangement.
Property, Plant and Equipment (PPE)	All PPE is valued by RICS qualified employees in line with CIPFA Code and "red book" requirements. Operational assets are valued on a 5-year rolling programme, investment assets are revalued each year end.
Depreciation rates	Land is not depreciated. Depreciation is charged on other assets on a straight-line basis – up to 60 years for Buildings depending on the condition of the assets, 17-50 years for infrastructure assets and 3-10 years for Vehicles, Plant, and Equipment.
Rating appeals	Provision is made for the estimated cost of future rating appeals based on the number, value and success rate of appeals made to date.
Pension liabilities	Various assumptions are made by actuaries when calculating this liability concerning discount rates, pay price increases and pensioner longevity.

A Glossary of key terms can be found at the end of this publication.



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Nina Philippidis CPFA

Head of Financial Services
19th January 2022

Comprehensive Income and Expenditure Statement

This statement shows the accounting 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2019/20			2020/21			Note
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000	£'000	£'000	£'000	
384,352	(208,888)	175,464	Children, Adults and Health	402,871	(236,368)	166,503
122,508	(59,798)	62,710	Environment and Communities	116,829	(48,345)	68,484
132,920	(85,575)	47,345	Corporate and Central services	115,133	(75,030)	40,103
639,780	(354,261)	285,519	Cost of Services	634,833	(359,743)	275,090
7,346		7,346	Parish Precepts	8,039		8,039
3,766	(38)	3,728	Levies	5,336	(38)	5,298
546		546	Pensions administration expense*			
4,662		4,662	(Gains)/losses on disposal of non-current assets	(2,644)		(2,644)
16,320	(38)	16,282	Other operating expenditure	10,731	(38)	10,693
6,477		6,477	Interest payable and similar charges	6,627		6,627
9,104		9,104	Net interest on the net defined benefit liability/(asset)	9,052		9,052
	(1,969)	(1,969)	Interest receivable and investment income		(1,572)	(1,572)
998	(6,775)	(5,777)	Income and expenditure in relation to investment properties and changes in their fair value	902	(3,962)	(3,060)
3,034		3,034	Changes in the fair value of financial instruments	(2,757)		(2,757)
19,613	(8,744)	10,869	Financing and investment income and expenditure	13,824	(5,534)	8,290
	(148,858)	(148,858)	Council Tax income		(155,063)	(155,063)
84,234	(136,443)	(52,209)	Non-domestic rates income and expenditure		11,695	11,695
	(23,325)	(23,325)	Non ring-fenced Government grants		(105,580)	(105,580)
	(54,217)	(54,217)	Capital grants and contributions		(58,084)	(58,084)
84,234	(362,843)	(278,609)	Taxation and non-specific grant income		(307,032)	(307,032)
		34,061	(Surplus)/Deficit on Provision of Services		(12,959)	
		(56,738)	(Surplus) / Deficit on revaluation of property, plant and equipment.		(14,533)	19
		1,199	Impairment losses on non-current assets charged to the Revaluation Reserve.		1,347	19
		(16,233)	Re-measurement of the net defined benefit liability		49,093	19
		(71,772)	Other Comprehensive Income and Expenditure		35,907	
		(37,711)	Total Comprehensive Income and Expenditure		22,948	

*Pensions administration expense is included in Corporate and Central Services with effect from 2020/21.

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by South Gloucestershire Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of South Gloucestershire Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net increase/decrease line shows the General Fund Balance movements following these adjustments.

	General Fund Balance	Earmarked Reserves	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
2020/21	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020	(8,711)	(76,218)	(84,929)	(8,690)	(38,882)	(132,501)	(313,639)	(446,140)
Reporting of Schools budget deficit to new adjustment account at 1 April 2020		(16,347)	(16,347)			(16,347)	16,347	
Restated balance at 1 April 2020	(8,711)	(92,565)	(101,276)	(8,690)	(38,882)	(148,848)	(297,292)	(446,140)
Movement in Reserves in 2020/21								
(Surplus)/Deficit on the provision of services	(12,959)		(12,959)			(12,959)		(12,959)
Other comprehensive income and expenditure							35,906	35,906
Total comprehensive income and expenditure	(12,959)		(12,959)			(12,959)	35,906	22,947
Adjustments between accounting basis and funding basis under regulations (Note 9)	(86,367)		(86,367)	(829)	(6,778)	(93,974)	93,974	
Net (increase)/decrease before transfers to Earmarked Reserves	(99,326)		(99,326)	(829)	(6,778)	(106,933)	129,880	22,947
Transfers to/from Earmarked Reserves (Note 10)	99,327	(99,327)						
(Increase)/Decrease in the year	1	(99,327)	(99,326)	(829)	(6,778)	(106,933)	129,880	22,947
Balance at 31 March 2021	(8,710)	(191,892)	(200,602)	(9,519)	(45,660)	(255,781)	(167,412)	(423,193)

	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
2019/20	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	(78,502)	(9,397)	(38,538)	(126,437)	(281,993)	(408,430)
Movement in reserves in 2019/20						
(Surplus)/Deficit on the provision of services	34,061			34,061		34,061
Other comprehensive income and expenditure				0	(71,772)	(71,772)
Total comprehensive income and expenditure	34,061	0	0	34,061	(71,772)	(37,711)
Adjustments between accounting basis and funding basis under regulations (Note 9)	(40,489)	707	(344)	(40,126)	40,126	0
Net (increase)/decrease before transfers to Earmarked Reserves	(6,427)	707	(344)	(6,064)	(31,646)	(37,710)
Transfers to/from Earmarked Reserves (Note 10)	0	0	0	0	0	0
(Increase)/Decrease in the year	(6,427)	707	(344)	(6,064)	(31,646)	(37,710)
Balance at 31 March 2020	(84,929)	(8,690)	(38,882)	(132,501)	(313,639)	(446,140)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by South Gloucestershire Council. The net assets of South Gloucestershire Council (assets less liabilities) are matched by the reserves held by the Council. 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 may only be used to fund capital expenditure and repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes 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 under regulations'.

Restated 1 April 2019 £'000	Restated 31 March 2020 £'000		31 March 2021 £'000	Note
880,072	915,420	Property, Plant and Equipment	946,801	11
493	1,646	Heritage Assets	1,833	
18,556	60,634	Investment Property	62,681	12
1,702	5,001	Intangible Assets	4,012	
945	399	Assets Held for Sale	399	
34,338	31,303	Long term Investments	29,061	13
2,884	4,576	Long Term Debtors	4,768	16
938,990	1,018,979	Long Term Assets	1,049,555	
72,463	22,961	Short Term Investments	73,528	13
660	855	Inventories	588	
33,790	48,802	Short Term Debtors	69,136	16
14,094	30,351	Cash and Cash Equivalents	12,454	14
121,007	102,969	Current Assets	155,706	
(1,662)	(1,667)	Short Term Borrowing	(11,661)	13
(72,681)	(77,199)	Short Term Creditors	(121,961)	15
(20,745)	(4,113)	Current Provisions	(8,639)	17
(95,088)	(82,979)	Current Liabilities	(142,261)	
(2,425)	(19,784)	Provisions	(15,804)	17
(121,788)	(121,341)	Long Term Borrowing	(110,893)	13
(388,002)	(398,942)	Pension Liability	(463,653)	35
(19,789)	(30,808)	Grants Receipts in Advance	(29,903)	28
(24,475)	(21,954)	Other Long Term Liabilities	(19,554)	18
(556,479)	(592,829)	Long Term Liabilities	(639,807)	
408,430	446,140	Net Assets	423,193	
(126,437)	(132,501)	Usable Reserves	(255,781)	
(281,993)	(313,639)	Unusable Reserves	(167,412)	19
(408,430)	(446,140)	Total Reserves	(423,193)	

The prior year opening and closing Balance Sheets have been restated to show Grants Receipts in Advance separately from Short Term Creditors.

Cash Flow Statement

The Cash Flow Statement shows the change in cash and cash equivalents of South Gloucestershire Council during the reporting period. The statement shows how the council 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 council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for reserves which are intended to contribute to the council'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 council.

2019/20 £'000		2020/21 £'000	Note
(34,061)	Net surplus / (deficit) on the provision of services	12,959	
90,790	Adjustments to the net deficit on the provision of services for non-cash movements	87,157	20
(54,789)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(60,623)	20
1,940	Net cash flows from Operating Activities	39,493	
15,521	Investing activities	(55,733)	21
(1,204)	Financing activities	(1,658)	22
16,257	Net increase /(decrease) in cash and cash equivalents	(17,897)	
14,094	Cash and cash equivalents at the beginning of the reporting period	30,351	
30,351	Cash and cash equivalents at the end of the reporting period	12,454	14

Notes to the Statement of Accounts

1. Accounting policies

i. General principles

The Statement of Accounts summarises the council's financial transactions for 2020/21 and its position at the year end of 31 March 2021. The Accounts and Audit Regulations 2015, as amended, require the council's accounts to be prepared in accordance with proper accounting practice, namely the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

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

ii. Recognition of income and expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Government grants and third party contributions are recognised when there is reasonable assurance that the council will comply with any conditions attached to the payments, and that the grants or contributions will be receivable. Where conditions attached to grants or contributions have not been satisfied, monies received to date are carried in the Balance Sheet as creditors (Receipts in Advance) and credited to the Comprehensive Income and Expenditure Statement (CIES) when the conditions are satisfied. Where capital grants are credited to the CIES 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.
- Supplies and services 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 in the Balance Sheet. Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable on notice of not more than 24 hours demand without material penalty. Cash equivalents are highly liquid investments that mature in no more than three days or less and that are readily convertible to known amounts of cash with low risk of change in value. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management strategy.

iv. City Region Deal

South Gloucestershire Council is the accountable body for the City Region Deal and its Business Rates Pool (BRP). The council has applied the principles of IPSAS23 'Revenue from non-Exchange transactions (taxes and transfers)' in accounting for the transactions and balances relating to the City Region Deal.

Cash - The council is the entity responsible for pooling the cash from growth figures payable to the Business Rates Pool (BRP) by the constituent authorities, and for making BRP payments. As the Accountable Body the council recognises the growth figure payable by the authorities, which when received will be held as cash on its Balance Sheet. Until the funds are paid out by the BRP or committed and allocated by the Economic Development Fund (EDF) to fund payments in respect of approved programmes, they are recognised by the council as creditors to the Authorities (and by them as an associated debtor), in the proportion in which they have contributed where cash remains uncommitted, or a creditor to the Sponsor Authority where cash is committed.

Income – Income receivable by South Gloucestershire Council from the BRP is recognised as revenue in the year it occurs. Furthermore, the council will recognise revenue and a debtor balance to the extent that future EDF payments are receivable and have been committed to by the EDF, and sufficient cash remains in the BRP to fund future payments.

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

v. Council tax and non-domestic rates /Collection Fund

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government (for NDR) share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

vi. Employee benefits

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are payable following a decision by the council to terminate an officer's employment before their normal retirement date, or an officer's decision to accept voluntary redundancy. Costs are recognised in the Comprehensive Income and Expenditure Statement at the earlier of when the council can no longer withdraw the offer of redundancy or when the council recognises the cost of re-structuring.

Post-employment benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE),
- The Local Government Pension Scheme (LGPS), administered by Bath and North East Somerset Council,
- The National Health Service (NHS) Pension scheme, administered by NHS Pensions.

Each scheme provides defined benefits to members (retirement lump sums and pensions), earned whilst employees are working for the council.

However, the centralised arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot be identified specifically to the council. These schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits recognised in the Balance Sheet. The Children, Adults and Health line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Scheme and the NHS Pension Scheme in the year.

The Local Government Pension Scheme

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

- The liabilities of the Avon Pension Fund attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and forecasts of projected earnings for current employees.
- The assets of the Avon Pension Fund attributable to the council are included in the Balance Sheet at their fair value:
 - Quoted securities - current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – average of the bid and offer rates
 - Property – market value

The change in the net pension liability is analysed into its components:

- Service Cost: the increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked. Past service costs is a change to the defined benefit obligation resulting from a plan amendment or curtailment. The council's accounts also recognise a gain or loss on settlement when the settlement occurs. The settlement is deemed to occur when the council enters into a transaction which eliminates all further obligations for part or all of the benefits provided under the LGPS defined benefit plan.
- Net interest on the net defined benefit liability: the expected increase in the present value of liabilities during the year as they move one year closer to being paid, offset by the interest on assets, which is the interest on assets held at the start of the year, and cash flows occurring during the period. The result is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Remeasurements of the return on plan assets excluding amounts included in net interest and actuarial gains and losses. These are charged to the Comprehensive Income and Expenditure Statement in Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – relate to changes in the net pension liability which arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions. These are charged to the Comprehensive Income and Expenditure Statement in Other Comprehensive Income and Expenditure.
- Contributions paid to the Avon Pension Fund: cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and to replace them with debits for the cash paid to the pension fund and pensioners and any such amounts that are payable but remain 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.

Early Payment of Local Government Pension Scheme Deficit Contributions

In 2020/21 the Council made an advance payment of its LGPS deficit contribution which would otherwise not have been due for payment until 2020/21, 2021/22, and 2022/23 respectively. In so doing, the Council obtained a discount on the amount payable.

The deficit payments due for each year (discount applied) are as follows:	
2020-21	£1,595,530
2021-22	£1,657,689
2022-23	£1,722,391
Total	£4,975,610

The Pension Liability at 31 March 2021 was reduced by the total £4,975,610, and the full amount was reflected in the actuarial valuation at 31 March 2021.

In 2020/21 we have charged the 2020/21 deficit (£1,595,530) to the General Fund. The 2021/22 deficit (£1,657,689) will be charged to the General Fund in 2021/22, and the 2022/23 deficit (£1,722,391) will be charged to the General Fund in 2022/23, but in the meantime the deficit amount for 2021/22 and 2022/23 has been credited to the Pension Reserve.

The result of this accounting treatment is that the Pension Liability and the Pension Reserve will not be aligned until the close of 2022/23, by which time the total contribution will have been charged to the General Fund.

Discretionary benefits

The council 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.

vii. Financial instruments

Financial instruments are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument.

Financial liabilities

Financial liabilities are initially measured at fair value and are carried at amortised cost. Annual charges to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the council's borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest. Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial assets

Financial assets are accounted for based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The council's business model is to hold investments to collect contractual cash flows, except for those whose contractual payments are not solely payment of principal and interest. It holds financial assets that are therefore measured at either amortised cost or fair value through profit or loss (FVPL).

Financial assets measured at amortised cost are presented in the Balance Sheet as the outstanding principal receivable plus accrued interest. Interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The council recognises expected credit losses on all of its financial assets held at amortised cost, either on a

12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors). Impairment losses are calculated to reflect an expectation that future cash flows might not take place because the borrower could default. Credit risk plays a part in the assessment and where it has increased significantly losses are assessed on a lifetime basis. Otherwise losses are assessed based on 12-month expected losses.

Financial assets measured at FVPL are initially measured and subsequently carried at fair value. Changes in fair value are recognised as they arise in the Surplus or Deficit on the Provision of Services. Dividends are credited to the Comprehensive Income and Expenditure Statement when they become receivable by the council. Fair value measurements are categorised at levels 1-3 in accordance with the requirements of IFRS 13.

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

Fair value measurements of financial assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the authority's financial assets are based on the following techniques:

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

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset. Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

Instruments entered into before 1 April 2006

The authority entered into a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is 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 the section on provisions, contingent liabilities and contingent assets.

viii. Leases

Leases are classified as finance leases where their terms transfer substantially all the risks and rewards of ownership of the asset 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.

Council as lessor

Operating leases

Where the council grants an operating lease over an asset, this is retained on the Balance Sheet. Rental income is recognised in the Comprehensive Income and Expenditure statement on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the commencement of the lease).

Finance leases

Where the council 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 and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease.

ix. Overheads and support services

The costs of overheads and support services are held within Corporate and Central Services, in accordance with the council's arrangements for accountability and financial performance.

x. Property, plant and equipment**Recognition**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that the future economic benefits or service potential associated with the item will flow to the council. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential, is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost. This comprises the purchase price and any costs attributable to bringing the asset to an operational condition. The council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a cash inflow or improved service potential for the council). Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

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

- Infrastructure and community assets – depreciated historical cost,
- Assets under construction - historical cost,
- School buildings – at current value but because of their specialist nature are measured at depreciated replacement costs which is used as an estimate of current value,
- Surplus assets – at current value, estimated at highest and best price reasonably achievable in the current market,
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. For non-property assets that have short useful lives, or low values (or both), depreciated historical cost is used as an estimate of current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying value is not materially different from their current value at the year-end but, as a minimum, every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains), and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

Disposals

When an asset is disposed of, or is decommissioned, the carrying amount of the asset on the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement, alongside any receipts from the disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. All sale proceeds in excess of £10,000 are treated as capital receipts.

Depreciation

Depreciation is provided for on all property, plant and equipment over their useful lives. An exception is made for assets without a finite useful life (i.e. freehold land and certain community assets) and assets which are under construction and not available for use. Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the useful life of the property as estimated by a qualified valuer.
- Vehicles, plant and equipment – on a straight-line basis over the life of the asset, as advised by a suitably qualified officer.
- Infrastructure – on a straight-line basis as follows (unless otherwise advised by a suitably qualified officer):
 - Carriageways – 17 years
 - Footways and cycleways – 30 years
 - Structures (e.g. bridges) – 50 years
 - Lighting – 40 years
 - Traffic management and street furniture – 20 years

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.

xi. Non-current Assets Held for Sale

Where a disposal of an asset is highly probable and the asset is available for sale in its present condition these are classified as assets held for sale. Management must be committed to the sale. Depreciation is not charged on assets held for sale.

xii. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost and subsequently at fair value, being the amount at which the asset could be exchanged in an arm's length transaction between knowledgeable partners. Investment properties are not depreciated, but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental income receivable from Investment properties is credited to the Financing and Investment Income and Expenditure 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. These 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 as appropriate.

xiii. Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation likely to require settlement by a transfer of economic benefit or service potential and a reliable estimate can be made of the amount of the obligation.

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

xiv. Usable Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance.

xv. Revenue Expenditure Funded by Capital under Statute

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

xvi. Schools

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

xvii. Service Concessions (Private Finance Initiative or PFI)

Service concession contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the council is deemed to control the services that are being provided under such contracts, and as ownership of the assets will pass to the council at the end of the contract, the council carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

The amounts paid to the PFI operator each year are analysed into five elements:

- Fair value of services received: debited to the relevant service in the Comprehensive Income and Expenditure statement.
- Finance cost: an interest charge on the outstanding liability is debited to interest payable in the Comprehensive Income and Expenditure Statement.
- Contingent rent: this represents increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability: this is applied to write down the Balance Sheet liability towards the PFI operator.
- Life cycle replacement costs: these are recognised as non-current assets on the Balance Sheet.

A government grant is received in respect of the PFI scheme, and this is credited to the Waste service.

xviii. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC, whether of a revenue or capital nature.

xix. Fair Value Measurement of Non-financial Assets

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

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

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

xx. Former Avon County Council debt

Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. The share of the residual debt apportioned to South Gloucestershire Council is included on the Balance Sheet as a deferred liability under long-term liabilities. All successor unitary authorities make an annual contribution to principal and interest repayments. The deferred liability is written down by the amount of the principal repayment. The interest is charged to the Surplus/Deficit on Provision of Services.

xxi. Interests in Limited Companies

The council has one wholly owned subsidiary company. This is the Bristol and Bath Science Park Estate Management Company Limited, (registered number 07523533) which the Council acquired in September 2018. Group accounts have not been prepared as the value of the company's income, expenditure, assets and liabilities is not material in the context of the council's financial statements overall.

xxii. 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 when the statement of accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the statement of accounts is adjusted to reflect such events
- 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.

xxiii. Prior Period Adjustments, changes in accounting policies and estimates and errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

2. Accounting standards issued, not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), the council is required to disclose information setting out the impact of an accounting change required by a new standard that has been issued but not yet adopted. Potential items have been identified as follows:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

None of these amendments are anticipated to have a material impact on the council's financial position.

CIPFA have recently advised that implementation of IFRS16 will be further deferred to 2022/23. This standard will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). The estimated impact of this standard is not yet known.

3. Critical judgements in applying accounting policies

The judgements made which have the most significant effect on the amounts recognised in the financial statements are:

(a) Waste PFI contract

The council is deemed to control the services created under the integrated waste management contract with Suez. The accounting policies for service concession arrangements (formerly known as PFI schemes and similar contracts) have been applied to these contracts and assets (valued at £9,952k) are recognised as Property, Plant and Equipment on the council's Balance Sheet, as shown in Note 11. The council is deemed to control the residual value of the assets, as the contract provides for the return of these assets at the end of the contract period.

(b) Schools

In its role as a Local Education Authority the council oversees a range of schools: Community schools, Voluntary Aided (VA) schools and Voluntary Controlled (VC) schools. The different form of school affects the make-up of their governing body, the admissions policy, funding arrangements and the legal ownership of assets.

Legal ownership of VA and VC schools often rests with a Diocese or another charitable body or trust. However, the council is deemed to exert significant control over the activities conducted in these schools and it has therefore determined that the buildings of VA and VC schools should be included on its Balance Sheet. The land element of these schools has been assessed on a case by case basis and land not controlled by the council (depending on ownership, leasing arrangements and maintenance responsibilities) is not included on the Balance Sheet. The income, expenditure, liabilities and reserves of these schools are also included in the accounts and reserves held for schools are included in Earmarked Reserves (see Note 10).

The council undertook a comprehensive review of its policy for school non-current assets in 2014/15. All Community schools are owned by the council and the land and buildings used by the schools are included on the council's Balance Sheet.

4. Assumptions made about the future and other major sources of estimation uncertainty

The items on the Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment due to estimation or assumptions are set out below:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	<p>The net book value of Property Plant and Equipment at 31st March 2021 is £947m. This is detailed in Note 11.</p> <p>Operational Assets, Land and Community Assets are revalued on a rolling program designed to ensure that all assets are revalued at least once every 5 years. They are revalued on an Existing Use basis, using either a Market approach, an Income approach or a mix.</p> <p>Assets such as the Community Centres, Leisure Centres, Libraries, Schools and the Secure Unit are revalued every year on a DRC basis.</p> <p>Surplus Assets are revalued every year on a fair value basis.</p> <p>In 2020-21 there was one impaired asset being Little Stoke Youth Centre,</p>	<p>We seek specialist advice to ensure assumptions are as accurate as possible, and the bulk of our portfolio is revalued every year. Reasonable assumptions have been made with reference to the BCIS recent comparable evidence and market reports.</p> <p>A 1% reduction in the value of the Council's Property Plant and Equipment valued in 2020-21 (£604,932k) would result in a £6.05m reduction in the value of long term assets and an equivalent reduction to Unusable Reserves in the Balance Sheet.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
	<p>which was returned to the council by its tenant with a defective roof covering.</p> <p>When carrying out revaluations, assumptions are made using comparable evidence, market conditions, build costs, and the remaining life of the assets.</p>	
Pension Liability (see also Note 35).	<p>Estimating the net liability for future pensions depends on a range of judgements, notably the discount rate, rate of salary increases, and mortality rates. Actuarial estimates of pension liabilities are based on long term forecasts covering the next 20 years.</p> <p>The net liability included on the Balance Sheet for 2020/21 in respect of defined benefit plans £463.653m.</p>	<p>Relatively small changes in specific assumptions would have a marked impact on the LGPS pension liability. For instance a 0.1% increase in the discount rate would lead to a decrease of £20.7m in the pension liability. Whereas a 0.1% increase in the inflation assumption would result in a £21.1m increase in the pension liability and an addition to the life expectancy assumption by one year leads to a £37.7m increase in the pension liability.</p>

5. Material items of income and expense

The council paid Suez Recycling and Recovery UK Ltd £17.3m (£19.5m in 2019/20) for waste collection and disposal services provided by under a service concession contract (see Note 32 for more details).

COVID-19 has had a significant financial impact in 2020/21. The council received £28.2m specific grants and £81.8m general non ring-fenced government grants which are detailed in Note 28. In addition, £66.4m has been transferred to a S31 grant earmarked reserve relating to exceptional Government grant income in 2020/21 which will be released to offset the consequential Collection Fund deficits in future years.

The council has made judgements about whether it is acting as principal or agent in relation to COVID-19 grant receipts. Where the council is acting as principal, the grants receivable and associated expenditure have been recognised in the Comprehensive Income and Expenditure account (CIES). Where the council is deemed to be acting as Agent the relevant amounts are excluded from the CIES. Agency transactions include; Small Business and Retail, Hospitality and Leisure grants (£37.2m) and Local Restrictions Support grants to businesses - including closed business lockdown grants and wet led pubs grants (£18.1m).

6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 19th January 2022. 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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for events taking place after 31 March 2021 which are relevant to an understanding of the council's overall financial position but do not relate to events and conditions taking before the year end.

Best estimates of the impact of COVID-19 have been reflected in the council's financial planning and budget for 2021/22 and the potential impact of the continuing uncertainties are being kept under close review.

7. Expenditure and Funding Analysis

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

	2020/21							Net Expend. in the CIES
	Outturn reported to Council	Non-statutory adj's (1)	Net Expenditure Chargeable to the General Fund	Capital adjustments (2)	Pensions adjustments (3)	Other adj's (4)	Total Adj's between the Funding and Accounting Basis	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Children, Adults & Health	151,451	(22,302)	129,149	24,181	4,874	8,298	37,353	166,503
Environment & Community	44,764	(3,409)	41,355	24,576	2,556	(2)	27,129	68,484
Corporate and Central services	38,802	(6,497)	32,305	5,266	2,517	15	7,798	40,103
Net Cost of Services	235,017	(32,208)	202,809	54,023	9,946	8,311	72,280	275,090
Other Income and Expenditure	(251,144)	(50,993)	(302,137)	(60,946)	9,052	65,982	14,088	(288,049)
(Surplus)/Deficit on Provision of Services	(16,127)	(83,201)	(99,327)	(6,923)	18,998	74,293	86,368	(12,959)
Opening General Fund Balance			(84,929)					
Plus transferred to DSG adjustment account			(16,347)					
			(101,276)					
Less/plus surplus or deficit on General Fund			(99,326)					
Closing General Fund Balance at 31 March 2021			(200,602)					

	2019/20							Net Expend. in the CIES
	Outturn reported to Council	Non-statutory adj's (1)	Net Expenditure Chargeable to the General Fund	Capital adjustments (2)	Pensions adjustments (3)	Other adj's (4)	Total Adj's between the Funding and Accounting Basis	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Children, Adults & Health	141,811	(4,154)	137,657	33,870	3,831	106	37,807	175,464
Environment & Community	41,809	(3,289)	38,520	21,867	2,288	35	24,190	62,710
Corporate and Central services	34,436	(11,945)	22,491	18,889	5,966	(1)	24,854	47,345
Net Cost of Services	218,056	(19,388)	198,668	74,626	12,085	140	86,851	285,519
Other Income and Expenditure	(220,992)	15,897	(205,095)	(61,087)	9,104	5,620	(46,363)	(251,458)
Deficit on Provision of Services	(2,936)	(3,491)	(6,427)	13,539	21,189	5,760	40,488	34,061
Opening General Fund Balance			(78,502)					
Less/plus surplus or deficit on General Fund			(6,427)					
Closing General Fund Balance at 31 March 2020			(84,929)					

Expenditure and Funding Analysis - Adjustments between Funding and Accounting Basis

Net Change for Non-Statutory Adjustments (1)

To reallocate specific transactions to/from service areas (net cost of services) to Other Income and Expenditure to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement. These adjustments include interest receivable and payable, investment income, levies and movements in earmarked reserves.

Net Change for Capital Adjustments (2)

Adds in depreciation, impairment and revaluation gains/losses in the services line, and for:

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

Net Change for the Pension Adjustments (3)

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

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

Other Adjustments (4)

Represent other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

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

8. Expenditure and income analysed by nature

2019/20		2020/21
£'000		£'000
Expenditure		
216,440	Employee benefits and related expenditure	220,207
276,023	Other services expenses	306,289
48,303	Benefit payments and other grants	54,245
77,535*	Depreciation, amortisation and impairment	43,218
15,654	Interest payments	16,252
27,403	Precepts and levies	21,819
4,662	(Gains) / Losses on the disposal of assets	(2,643)
666,020	Total expenditure	659,387
Income		
(127,744)	Fees, charges, and other service income	(114,183)
(5,874)	Interest and investment income	(1,897)
(201,067)	Income from council tax and non-domestic rates	(143,368)
(243,057)	Government grants and contributions	(354,814)
(54,217)	Capital grants and contributions	(58,084)
(631,959)	Total income	(672,346)
34,061	(Surplus) / Deficit on the Provision of Services	(12,959)

*this includes £12,907k Revenue expenditure funded by capital under statute in 2019/20, which is included in Other services expenses, in 2020/21.

9. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments made between the Comprehensive Income and Expenditure Statement which is prepared in accordance with proper accounting practice, and the Movement in Reserves Statement which is calculated by reference to statutory provisions affecting the General Fund balance.

General Fund	2019/20 Capital Receipts	Capital Grants Unapplied	TOTAL Unusable Reserves		General Fund	2020/21 Capital Receipts	Capital Grants Unapplied	TOTAL Unusable Reserves
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Adjustments to Revenue Resources								
(44,571)			44,571	Reversal Pensions costs debited to CIES	(40,686)			40,686
23,382			(23,382)	Employers Pensions contributions Payable	21,688			(21,688)
114			(114)	Finance costs charged to CIES differ from those chargeable by statute	98			(98)
(3,034)			3,034	Pooled Fund Adjustment Account	2,757			(2,757)
(2,700)			2,700	Council tax and non-domestic rates (transfers to or from Collection Fund Adjustment Account)	(68,837)			68,837
(140)			140	Reversal of effect of holiday pay accrual	(756)			756
				Dedicated Schools Grant Adjustment Account	(7,555)			7,555
(12,907)			12,907	Revenue expenditure funded from capital under statute (REFCUS)	(15,220)			15,220
(39,856)	0	0	39,856	Total adjustments to revenue resources	(108,511)	0	0	108,511
Adjustments between capital and revenue resources								
1,776	(1,776)		0	Sale proceeds credited as part of gain/loss on disposal	3,743	(3,743)		0
624			(624)	Repayment of Avon CC Debt Principal	599			(599)
1,518			(1,518)	Statutory provision for the financing of capital investment	1,643			(1,643)
5,485			(5,485)	Capital expenditure funded from revenue	5,469			(5,469)
9,403	(1,776)	0	(7,627)	Total adjustments between revenue and capital resources	11,454	(3,743)	0	(7,711)
Adjustments to capital resources:								
(40,423)			40,423	Charges for depreciation of non-current assets	(41,261)			41,261
(20,416)			20,416	Revaluation (Decrease)/Increase of PPE	(2,044)			2,044
(126)			126	Impairment of PPE charged to Capital Adjustment Account	(320)			320
3,903			(3,903)	Movements in the value of Investment Properties	219			(219)
(753)			753	Amortisation of intangible assets	(2,889)			2,889
(6,438)			6,438	Non-Current assets written off on disposal	(1,100)			1,100
	2,483		(2,483)	Funding capital expenditure from Capital Receipts reserve		2,915		(2,915)
		53,873	(53,873)	Funding Capital Expenditure from Capital Grants Unapplied Account			51,306	(51,306)
54,217		(54,217)	0	Capital grants and contributions credited to CIES	58,084		(58,084)	0
(10,036)	2,483	(344)	7,897	Total adjustments to capital resources	10,689	2,915	(6,778)	(6,826)
(40,489)	707	(344)	40,126	Total adjustments	(86,368)	(828)	(6,778)	93,974

10. Movements in earmarked reserves

This note sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

Earmarked reserves	Balance at 31 March 2019	Transfers out	Transfers in	Balance at 31 March 2020	Transfers out	Transfers in	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Schools balances	(5,187)	715	(664)	(5,136)	5,021	(8,954)	(9,069)
Earmarked for revenue purposes							
Childrens, Adults & Health service development	(492)	375	0	(117)	115	(20)	(22)
Dedicated Schools Grant balance	11,646	4,701	0	16,347	(16,347)	0	0
Drug action	(441)	74	0	(367)	367	0	0
Home choice	(402)	0	(404)	(806)	0	(349)	(1,155)
Psychology service	(72)	8	0	(64)	1	0	(63)
Public Health	(1,038)	169	(88)	(957)	121	(1,455)	(2,291)
Syrian refugees	(195)	0	(32)	(227)	0	(23)	(250)
Vinney Green Secure Unit	0	0	(213)	(213)	0	(159)	(372)
Troubled families	(211)	0	(63)	(274)	10	(362)	(626)
Total Childrens, Adults & Health	8,795	5,327	(800)	13,322	(15,733)	(2,368)	(4,779)
Arts funding	(72)	18	(0)	(54)	6	0	(48)
Building control	(93)	63	(0)	(30)	0	(34)	(64)
Domestic homicide review	(40)	0	(0)	(40)	0	0	(40)
Drainage strategic works	(60)	34	(0)	(26)	10	0	(16)
Housing Enabling	(487)	63	(0)	(424)	0	0	(424)
Licensing	(272)	0	(78)	(350)	0	(218)	(568)
Local Infrastructure Fund	(138)	138	(0)	(0)	0	0	0
Local Plan/Development Framework	(370)	42	(0)	(328)	66	0	(262)
Oldbury Nuclear Planning	(409)	0	(18)	(427)	0	(23)	(450)
Open Spaces improvements	(181)	8	(0)	(173)	0	0	(173)
Planning Appeals	1	0	(1)	0	0	(281)	(281)
Planning Capacity Funding	(144)	5	(0)	(139)	133	0	(6)
Planning Enforcement	(83)	0	(0)	(83)	0	0	(83)
Private Sector Housing - Accommodation Survey	(49)	0	(8)	(57)	0	(8)	(65)
Private sector housing deposits	(24)	0	0	(24)	0	0	(24)
Proceeds of Crime Act	(12)	12	(0)	(0)	0	0	0
Prosecution	(36)	18	(0)	(18)	0	(4)	(22)
Remedial works	(118)	0	0	(118)	0	0	(118)
Smart cards	(48)	0	(0)	(48)	0	0	(48)
Waste management equalisation	(9,854)	1,001	(1,066)	(9,919)	1,591	(39)	(8,367)
Total Environment and Communities Service	(12,489)	1,402	(1,171)	(12,258)	1,806	(607)	(11,059)

	Balance at 31 March 2019	Transfers out	Transfers in	Balance at 31 March 2020	Transfers out	Transfers in	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget carry forward	(999)	999	(7,196)	(7,196)	7,196	(9,073)	(9,073)
City Region Deal – Economic Development Fund smoothing	(16,283)	0	(8,238)	(24,521)	0	(9,953)	(34,474)
Corporate Telephone system	(460)	0	(230)	(690)	5	(229)	(914)
Council elections	(334)	257	(0)	(77)	0	(32)	(109)
Economic development	(1,006)	0	(0)	(1,006)	400	0	(606)
Financial Risks Reserve	(24,187)	5,902	(4,662)	(22,947)	14,543	(26,906)	(35,310)
Insurance	(4,000)	0	(0)	(4,000)	0	0	(4,000)
Invest to Save	(1,194)	852	(376)	(718)	370	(1,184)	(1,532)
Investment smoothing	(652)	29	(0)	(623)	0	(250)	(873)
New Homes Bonus	(1,627)	53	(0)	(1,574)	238	0	(1,336)
Print and multi-functional device renewal	(446)	0	(0)	(446)	6	(20)	(460)
Property Maintenance Reserve	0	0	0	0	0	(100)	(100)
Residual HRA	(13)	0	(0)	(13)	0	0	(13)
Section 31 Grant Reserve	0	0	0	0	0	(66,352)	(66,352)
Severance	(730)	0	(0)	(730)	0	0	(730)
Service Investment and Opportunities	0	103	(1,000)	(897)	184	(1,500)	(2,213)
Traded services	(1,407)	461	(25)	(971)	89	(30)	(912)
Universal credit implementation	(330)	165	(0)	(165)	165	(107)	(107)
Total Corporate Resource & Central Services	(53,668)	8,821	(21,727)	(66,574)	23,196	(115,736)	(159,114)
Total earmarked for revenue purposes	(57,362)	15,550	(23,698)	(65,510)	9,269	(118,711)	(174,952)
Earmarked for capital purposes							
BAC Aviation Trust	(989)	0	(11)	(1,000)	56	0	(944)
Capital Fund	(1,622)	499	(0)	(1,123)	0	0	(1,123)
Page Park Maintenance	(20)	0	(14)	(34)	0	(8)	(42)
Revenue Contributions to Capital funding	(50)	50	(39)	(39)	10	(122)	(151)
Major schemes	(1,281)	0	(0)	(1,281)	196	(30)	(1,115)
Street Care Fixed Assets Replacement	(3,280)	1,937	(752)	(2,095)	0	(2,401)	(4,496)
Total earmarked for capital purposes	(7,242)	2,486	(816)	(5,572)	262	(2,561)	(7,871)
Total Earmarked Reserves	(69,791)	18,751	(25,178)	(76,218)	14,552	(130,226)	(191,892)

The purpose of each reserve is:

Reserves for revenue purposes Name	Purpose
Arts funding	To fund art development projects and officer resource
Budget carry forward	To hold carry forwards at year end for transfer to relevant service areas in the new financial year
Building control	To hold any surpluses/deficits arising from the separate rolling trading account as required under legislative requirements.
Childrens, Adults & Health service development	To support future one-off service requirements and smooth demographic pressured.

Reserves for revenue purposes**Name****Purpose**

City Region Deal - Economic Development Fund Smoothing	To hold Council's share of unallocated funds in City Region Deal Business Rates Pool.
Council elections	To fund the cost of full council elections and any by-elections
Corporate Telephone system	To fund the replacement of the Council's telephone and call handling system
Cultural diversity	To fund community events such as Armed Forces Day, Ambitions and St Georges Day
Domestic homicide review	To fund domestic homicide reviews
Drainage strategic works	To meet the cost of Strategic Drainage Developments
Drug action	To support drug action within South Gloucestershire
Dedicated Schools Grant Balance	Up to 2019/20 this reserve held any variations in the DSG high needs budget. With effect from 2020/21 this reserve is retained to hold any annual surpluses which are to be held as ring-fenced reserves.
Economic Development	To partly offset the revenue cost of carry borne by the council when initially funding City Region Deal infrastructure schemes, together with the costs of the Devolution Agreement and any subsequent underwriting of the West of England Combined Authority in its formative years
Financial Risks	To give cover for possible adverse impacts arising from the economy, business rate appeals, and welfare responsibilities, and to help offset projected in year deficits in future years to ensure a broadly balanced budget in the medium term.
Housing Enabling	To provide a 3 year contingency to mitigate any fall in fees against newly set income target.
Insurance	To fund the potential costs of claims incurred but not yet reported where the council may be liable and to cover claims liabilities which fall outside the scope of the council's insurance cover.
Invest to Save	To meet the costs of projects which support the Council Savings and Digital Programmes
Investment smoothing	To support income fluctuations arising from the Council's investment strategy
Licensing	To hold surpluses relating to licensing to support the ongoing delivery of the licensing service in line with statutory guidance
Local Infrastructure Fund	To hold grant funding received from DCLG for extra capacity within the planning department for use on New Neighbourhood areas
Local Plan/Development Framework	To support the costs of the Local Plan through its 6 year rolling cycle of development
New Homes Bonus	To hold the balance of New Homes Bonus grant allocated out via the Area Fora.
Oldbury Nuclear Planning	To provide funding for any costs that are not covered by the Planning Performance Agreement for the potential plan at Oldbury on Severn
Open Spaces improvements	To fund open spaces works for a defined purpose, either revenue or capital
Planning appeals	To meet the legal costs of any planning appeals that exceed revenue budget and includes funds to support additional capacity
Planning Capacity Funding	To hold grant funding received from DCLG to provide additional planning capacity to keep application process running as efficiently and effectively as possible
Planning Enforcement	To contribute towards larger planning enforcement case which cannot be covered by base budget
Print and multi-functional device renewal	To cover the renewal of print and MFD equipment
Private sector housing deposits	To underwrite housing deposit bonds paid to landlords
Private Sector Housing - Accommodation Survey	To provide cyclical funding for 5 yearly accommodation survey
Proceeds of Crime Act	To partly fund fighting Envirocrime over the next three years
Prosecution	To cover the costs of prosecution on issues of licensing, envirocrime, planning enforcement and trading standards

Reserves for revenue purposes

Name	Purpose
Psychology service	To support continued delivery of psychology services through Integra, including cover for sickness and maternity leave, equipment and training
Public Health	To support the public health functions of the council
Remedial works	To fund remedial highways expenditure
Residual HRA	To hold the Housing Revenue Account balance at the time the Large Scale Voluntary Transfer of housing in 2007, delegated to members to fund projects in former council housing areas.
Schools balances	To hold ring-fenced grants related to individual schools balances and under / over spends of non-schools budgets funded from ring fenced Dedicated Schools Grant (DSG)
Section 31 Grant reserve	To hold the s.31 grants receivable that are earmarked against future years' collection fund deficits.
Service Investment and Opportunities	To support current and forthcoming new service investments and opportunities. Created in Outturn report 2018/19
Severance	To support the costs of achieving staffing reductions
Smart cards	To meet the development costs of Smart Ticketing and contactless payments across the West of England public transport network
Syrian refugees	To support resettled Syrian refugee families across multiple years
Traded services	To meet in-year trading deficits and provide funding for transition costs to move the service into a LA company
Troubled families	To complete the five year work plan associated with Troubled Families initiative.
Universal credit implementation	To absorb any additional costs to the council following the introduction of Universal Credit
Vinney Green	To ensure there is a contingency fund in the event of disaster, emergency or security risk
Waste management equalisation	To equalise the costs of the PFI waste contract over its life to 2025/26

Reserves for capital purposes

BAC Aviation Trust	To underwrite loan funding to the BAC trust
Capital Fund	To provide funding to support the capital programme
Major Schemes	To contribute towards the funding of major transport schemes in South Gloucestershire.
Page Park maintenance	To fund maintenance costs of Page Park maintenance from rental income as per HLF funding agreement
Revenue Contributions to Capital funding	Funds held for future spend against specified capital projects
Street Care Fixed Assets Replacement	To provide the financing for the replacement of vehicles and equipment as supported by the Asset Replacement Plan

11. Property, plant and equipment

The following useful lives have been used in the calculation of depreciation (which is applied on a straight line basis):

- Land - indefinite life.
- Buildings - up to 60 years, determined by a professional valuer at each valuation.
- Plant, Vehicles and Equipment - 3 to 10 years.
- Infrastructure (unless otherwise advised by a suitably qualified officer): Carriageways – 17 years; Footways and cycle ways – 30 years; Structures (e.g. bridges) – 50 years; Lighting – 40 years, and Traffic management and street furniture – 20 years.

Movements in 2020/21

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	Service concessions assets included within Property, Plant and Equipment
<u>Cost or Valuation</u>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2020	525,939	131,092	379,576	1,005	18,801	12,323	1,068,736	20,684
Additions	23,318	5,306	20,180	66	1,546	12,504	62,920	1,239
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(29,105)	12,100	991	(10)	3,063	0	(12,961)	307
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(4,717)	1,423	174	0	(755)	0	(3,876)	(1,318)
Derecognition – Disposals	(118)	(1,372)	(123)	0	(745)	0	(2,358)	0
Assets reclassified	(358)	959	0	100	(300)	(401)	0	0
At 31 March 2021	514,959	149,508	400,798	1,161	21,610	24,426	1,112,462	20,912
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2020	(7,497)	(19,659)	(126,155)	(5)	0	0	(153,316)	(9,880)
Depreciation charge.	(17,714)	(9,257)	(14,283)	(8)	0	0	(41,262)	(1,080)
Depreciation written off to the Revaluation Reserve.	19,112	7,283	0	0	0	0	26,395	0
Depreciation written off to the Surplus/Deficit on Provision of Services.	1,408	307	0	0	0	0	1,715	
Impairment (losses)/reversals recognised in the Revaluation Reserve.	(250)	3	0	0	0	0	(247)	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services.	(216)	64	0	(51)	0	0	(203)	0
Derecognition – disposals.	13	1,245	0	0	0	0	1,258	0
Assets reclassified.	121	(121)	0	0	0	0	0	0
At 31 March 2021	(5,023)	(20,136)	(140,438)	(64)	0	0	(165,661)	(10,960)
<u>Net Book Value</u>								
At 31 March 2021	509,936	129,372	260,360	1,097	21,610	24,426	946,801	9,952
At 31 March 2020	518,442	111,433	253,421	1,000	18,801	12,323	915,420	10,804

Movements in 2019/20	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	Service concessions assets included within Property, Plant and Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2019	504,362	140,849	361,651	715	10,401	97	1,018,075	21,732
Additions	12,455	2,468	18,491	290	736	12,226	46,666	26
Revaluation increases recognised in the Revaluation Reserve.	38,530	(9,330)	16		1,232		30,448	505
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services.	(18,152)	(1,933)	(174)		(157)		(20,416)	(1,495)
Derecognition – Disposals	(5,727)	(856)					(6,583)	
Assets reclassified	(5,529)	(106)	(408)		6,589		546	(84)
At 31 March 2020	525,939	131,092	379,576	1,005	18,801	12,323	1,068,736	20,684
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2019	(5,856)	(16,754)	(115,390)	(2)	0	0	(138,002)	(8,580)
Depreciation charge	(18,650)	(10,645)	(10,949)	(3)	(176)		(40,423)	(1,300)
Depreciation written off to the Revaluation Reserve.	18,218	7,678	184		210		26,290	
Impairment (losses)/reversals recognised in the Revaluation Reserve.	(1,199)						(1,199)	
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services.	(126)						(126)	
Derecognition – disposals	91	53					144	
Assets reclassified	25	9			(34)		0	
At 31 March 2020	(7,497)	(19,659)	(126,155)	(5)	0	0	(153,316)	(9,880)
<u>Net Book Value</u>								
At 31 March 2020	518,442	111,433	253,421	1,000	18,801	12,323	915,420	10,804
At 31 March 2019	498,506	124,096	246,260	713	10,400	97	880,072	13,152

Note: the table above for 2019/20 has been expanded to show depreciation written off to the Revaluation Reserve.

Capital Commitments

As at 31 March 2021, the Council had contractual commitments for capital schemes in 2021/22 and future years. These commitments totalled £59,582k as shown in the table below. Similar commitments as at 31 March 2020 were £67,837k.

	Commitment at 31 March 2021 £'000
Avonmouth & Severnside flood Mitigation & Ecology (BMM)	49,374
Cribbs Patchway Metrobus Extension (Network Rail)	4,723
Yate Park & Ride	2,265
Land East of Harry Stoke (Mulgrove Farm)	1,941
Whitfield Tabernacle	700
Vinney Green Secure Unit (en suites)	579
Total	59,582

Schedule of Asset Revaluations by Year

The council carries out a 5 year rolling revaluation programme for its material Property, Plant and Equipment assets. The valuations are undertaken by officers in the council's Property Services division, who are RICS qualified valuers, in accordance with methodologies and bases for estimation set out in the standards of the Royal Institution of Chartered Surveyors.

In 2020/21 the rolling programme of revaluations was undertaken at 31 December 2020; all schools, libraries and youth centres were valued at 31 January 2021; Assets Held for Sale, Surplus Assets and Investment Properties at 28 February 2021, and leisure centres, office accommodation and the Bristol and Bath Science Park were valued at 31 March 2021. Valuers are satisfied that the Balance Sheet value of assets is not materially different from if a full valuation had been carried out on 31 March 2021.

	Land & Buildings £'000	Infrastructure Assets £'000	Community Assets £'000	Vehicles, Plant & Equipment £'000	Assets Under Construction £'000	Surplus Assets £'000	Total £'000
Valued at Current Value in year							
2020/21	463,917		273	119,133		21,609	604,932
2019/20	25,274		100	2,193			27,567
2018/19	16,051		457	2,561			19,069
2017/18	2,112			3,873			5,985
2016/17	1,482		267	960			2,709
Held at historic cost	1,100	260,360		653	24,426		286,539
Total	509,936	260,360	1,097	129,373	24,426	21,609	946,801

12. Investment Property

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:

31 March 2020 £'000		31 March 2021 £'000
2,869	Rental income from investment property	3,962
(999)	Direct operating expenses arising from investment property	(902)
1,870	Net gain/(loss)	3,060

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

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

31 March 2020 £'000		31 March 2021 £'000
18,556	Balance at the start of the year	60,634
38,173	Additions – Purchases	1,828
3,905	Net gains/(losses) from fair value adjustments	219
60,634	Balance at the end of the year	62,681

Fair value hierarchy

Details of the council's investment properties and information about the fair value hierarchy as at 31 March 2021 and 2020 are as follows:

2020/21	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2021 £'000
<i>Recurring fair value measurements using:</i>			
Retail	1,720	0	1,720
Industrial	25,560	2,606	28,166
Office units	28,750	0	28,750
Commercial units	936	3,109	4,045
Total	56,966	5,715	62,681

2019/20	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2020 £'000
<i>Recurring fair value measurements using:</i>			
Retail	2,154	0	2,154
Industrial	26,792	796	27,588
Office units	26,908	0	26,908
Commercial units	2,282	792	3,074
Total	58,136	1,588	59,724

Transfers between levels of the fair value hierarchy

The council transferred 12 investment properties from Level 2 to Level 3 in the year. These assets were scored at a Level 3 hierarchy in light of the COVID pandemic and the lack of transactional evidence as at the valuation date. Given the nature of the assets and the evidence available, the majority of these assets would normally be categorised as Level 2, meaning that the council have had to make reasonable adjustments to the evidence available to reflect the asset being valued. Where an outstanding rent review has caused a degree of uncertainty these may be recorded as a Level 3 hierarchy. Likewise in future years, if a rent review has been completed or is nearing agreement it may be moved to a Level 2 hierarchy, where previously Level 3. The hierarchy level is determined during the preparation of each asset valuation, a process which ensures scrutiny by two valuers. In light of the ongoing COVID pandemic and current market uncertainty, regular review of the value of assets will be needed.

Valuation techniques used to determine Level 2 and 3 fair values for investment properties

Significant observable inputs – Level 2

One retail property, two office units, and four industrial units have been categorised as Level 2 in the fair value hierarchy. The fair value for these properties has been based on the market approach to valuation, reflecting the assets highest and best use. This takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market yields, the covenant strength for existing tenants, and data and market knowledge. Market conditions are such that similar properties are actively purchased and sold and level of observable inputs is significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant unobservable inputs – Level 3

Seven industrial units and nine commercial units have been categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions). Level 3 assets are measured using the income approach, predominantly valued through capitalization of actual or estimated net rental income at a market yield. The approach has been developed using the investments approach set out in the RICS Red Book and the authority's own data, factoring in assumptions such as future market conditions, rent growth, and occupancy levels.

Highest and best use of investment properties

The investment properties have been valued by the council's in-house valuers (all RICS qualified) and by external specialists (Avison Young) on an investment income basis which represents highest and best use overall.

Valuation techniques

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

Reconciliation of fair value measurement (using significant unobservable inputs) categorised within Level 3 of the fair value hierarchy

31 March 2020 £'000		31 March 2021 £'000
3,003	Opening balances	1,588
688	Transfers into Level 3	3,961
(724)	Transfers out of Level 3	0
80	Total gains/losses for the period included in the surplus or deficit on the provision of services resulting from changes in the fair value	166
3,047	Closing balance	5,715

Gains or losses arising from the changes in the fair value of the investment property are recognised in the surplus or deficit on the provision of services - financing and investment income and expenditure line.

Quantitative information about fair value measurement of investment properties using significant unobservable inputs (Level 3)

	As at 31 March 2021 (£'000)	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Industrial	2,606	Capitalisation of actual or estimated net rental income at market yield	Future market conditions Future rent reviews Future assignees Void periods	Yield 5% - 7%	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets
Commercial units	3,110	Capitalisation of actual or estimated net rental income at market yield	Future market conditions Future rent reviews Future assignees Void periods	Yield 5% - 7%	

Valuation process for investment properties

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

13. Financial instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long term		Current	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial liabilities at amortised cost				
Principal borrowed	(121,341)	(110,893)	(447)	(10,448)
Accrued interest	0	0	(1,220)	(1,213)
Total borrowing *	(121,341)	(110,893)	(1,667)	(11,661)
Financial liabilities at contract cost included in creditors	0	0	(33,645)	(38,007)
PFI Liabilities	(5,312)	(4,093)	(1,204)	(1,219)
Total Financial Liabilities	(126,653)	(114,986)	(36,516)	(50,887)
Financial Assets				
Investments held at amortised cost				
Principal	5,000	0	22,500	73,500
Accrued interest	0	0	469	40
Loss allowance	0	0	(8)	(12)
Total investments held at amortised cost**	5,000	0	22,961	73,528
Investments held at fair value through profit and loss***	26,303	29,061	0	0
Total investments	31,303	29,061	22,961	73,528
Cash and Cash equivalents				
Held at amortised cost	0	0	(2,239)	(2,857)
Held at fair value through profit and loss	0	0	32,590	15,311
Total cash and cash equivalents	0	0	30,351	12,454
Debtors				
Long and short term debtors	5,070	5,318	21,514	28,299
Loss allowances	(494)	(550)	(3,289)	(3,040)
Financial instruments included in Debtors	4,576	4,768	18,225	25,259
Total Financial Assets	35,879	33,829	71,537	111,241

* Borrowing comprises approximately £105m from the Public Works Loan Board and £16m market borrowing

** Investments at amortised cost comprise fixed term deposits in banks, bank notice accounts and loans to other Local Authorities.

*** Investments and cash equivalents at fair value through profit and loss comprise investments in pooled funds

Fair Values of Financial Assets and Financial Liabilities

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms'-length transaction. Where liabilities are held as an asset by another party, such as the council's borrowing, the fair value is estimated from the holder's perspective.

Financial instruments, except those classified at amortised cost, are carried on the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from market price.

Financial assets classified at amortised cost are carried on the Balance Sheet at amortised cost. The following table provides a comparison of these carrying values to the fair value of the instruments. Their fair values have

been estimated by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the assumptions below.

The fair value of borrowing from the Public Works Loan Board (PWLb) has been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.

The fair value of market borrowing has been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.

The fair value of the PFI liability has been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.

The fair value of long term investments has been calculated by discounting at the market rate for similar instruments with similar remaining terms to maturity on 31 March 2021.

No early repayment or impairment is recognised for any financial instrument.

Fair values are shown in the table below, split by their value in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs that are observable for the asset or liability, other than quoted prices, e.g. interest rates or yields for similar instruments, or for example where an instrument is traded in a market which is not considered to be active, using prices based on a valuation of related fund assets
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

	Fair value level	Carrying amount 31 March 2020 £'000	Carrying amount 31 March 2021 £'000	Fair Value 31 March 2020 £'000	Fair Value 31 March 2021 £'000
Financial Liabilities held at amortised cost					
External Borrowing - Public Works Loan Board	2	(106,568)	(106,116)	(151,010)	(151,302)
External Borrowing - Market	2	(16,439)	(16,437)	(24,549)	(24,753)
Creditors - financial liabilities at contract cost	*	(33,645)	(38,007)	(33,645)	(38,007)
PFI liability	2	(6,516)	(5,312)	(6,199)	(5,336)
Total Financial Liabilities		(163,168)	(165,872)	(215,403)	(219,398)
Financial Assets held at amortised cost					
Long and short term investments	2	27,961	73,528	27,981	73,598
Long and short term debtors	*	22,801	30,027	22,801	30,027
Cash and cash equivalents	*	(2,239)	(2,857)	(2,239)	(2,857)
Total Financial Assets at amortised cost		48,523	100,698	48,543	100,768
Financial Assets where carrying value is fair value					
Money market funds	1	32,590	15,311		
Bond, equity and multi asset funds	1	19,895	22,697		
Property fund	2	6,409	6,363		
Total Financial Assets held at fair value		58,894	44,371		
Total Financial Assets		107,417	145,069		

* Where an instrument has a maturity of less than 12 months including trade payables and receivables, the fair value is assumed to approximate to the carrying or billed amount.

The fair value of borrowings is higher than the carrying amount because the council's portfolio of loans includes a number of loans where the interest rate payable is lower than the current rates available for similar loans in the market at the Balance Sheet date.

The fair value of investments held at amortised cost is higher than the carrying value because the investments include a long term investment where the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Financial Instruments: income, expense, gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement in relation to financial instruments are made up as follows:

2019/20					2020/21			
Financial Liabilities	Financial Assets		Total		Financial Liabilities	Financial Assets		Total
At amortised cost	At amortised cost	Fair Value through Profit and Loss			At amortised cost	At amortised cost	Fair Value through Profit and Loss	
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
6,476	0	0	6,476	Interest expense	6,567	0	0	6,567
		3,034	3,034	Losses from change in fair value	0	0	0	0
0	1	0	1	Impairment losses	0	60	0	60
6,476	1	3,034	9,511	Interest payable and similar charges	6,567	60	0	6,627
0	(743)	0	(743)	Interest income	0	(111)	(66)	(177)
		(1,215)	(1,215)	Dividend income	0	0	(1,077)	(1,077)
0	0	0	0	Gains from changes in fair value	0	0	(2,757)	(2,757)
0	(11)	0	(11)	Impairment loss reversals	0	0	0	0
0	(754)	(1,215)	(1,969)	Interest and investment income	0	(111)	(3,900)	(4,011)
6,476	(753)	1,819	7,542	Net impact on surplus/deficit on provision of services	6,567	(51)	(3,900)	2,616

14. Cash and cash equivalents

31 March 2020			31 March 2021	
£'000			£'000	
103	Cash held by the council		100	
(2,342)	Bank current accounts		(8,657)	
32,590	Other short term deposits		21,011	
30,351	Total Cash and Cash Equivalents		12,454	

The negative balance on bank current accounts at 31 March 2021 relates to payments recognised in the accounts but not yet processed by the bank (unpresented cheques and unprocessed BACS payments). The council manages calls on cash at the bank by drawing down on its deposits in money market funds ("Other short term deposits"). Therefore these balances are considered together as a net asset.

"Other Short Term Deposits" comprises investments in pooled funds and notice accounts where funds can be liquidated with less than three days' notice.

15. Creditors

Restated 1 April 2019 £'000	Restated 31 March 2020 £'000	Creditors	31 March 2021 £'000
(3,486)	(1,157)	Central Government Bodies	(37,158)
(20,204)	(24,406)	Other local authorities	(25,396)
(273)	(484)	NHS bodies	(1,304)
(38,220)	(44,558)	Other Trade Payables	(47,251)
(2,299)	(2,214)	Council Tax	(3,443)
(5,045)	(2,336)	Business Rates	(4,010)
(3,154)	(2,044)	Receipts in advance	(3,399)
(72,681)	(77,199)		(121,961)

The prior year opening and closing figures for Receipts in Advance have been restated to exclude Grants Receipts in Advance from Short Term Creditors, as these are now analysed in Note 28 - Grant Income.

16. Debtors

Restated 31 March 2020 £'000		31 March 2021 £'000
4,576	Non-current debtors	4,768
	Current debtors	
5,390	Council tax payers	9,143
2,747	Business rates	11,401
13,990	Related party receivables	28,952
22,782	Trade receivables	26,431
7,590	Other local authorities	566
4,311	Prepayments	8,744
(8,008)	Allowance for bad debts	(16,101)
48,802	Total Current debtors	69,136

Related party receivables and Trade receivables have been restated for comparison with 2021.

17. Provisions

Provisions are amounts set aside by the council for liabilities or losses that are certain to be incurred but the amounts and dates on which they will arise are uncertain. The following is an analysis of the movement on provisions during the year:

	31 March 2020 £'000	Additional provisions £'000	Amounts used £'000	31 March 2021 £'000
Business rates appeals provision	(18,949)	(5,525)	5,160	(19,314)
Harnhill restoration	(2,519)	(55)	81	(2,493)
Insurance provision	(1,843)	(1,835)	1,555	(2,123)
Severance provision	(561)	0	73	(488)
Other provisions	(25)	0	0	(25)
Total	(23,897)	(7,415)	6,869	(24,443)

Provisions are shown on the Balance Sheet as below:

	31 March 2020	Additional provisions	Amounts used	31 March 2021
	£'000	£'000	£'000	£'000
Current (< 1 year)	(4,113)	(7,756)	3,230	(8,639)
Non-current (> 1 year)	(19,784)	341*	3,639	(15,804)
	(23,897)	(7,415)	6,869	(24,443)

*Includes amounts reclassified from long term to short term

- Business Rates Appeals provision - Following the introduction of the new retained Business Rate system in April 2013, the council is responsible for meeting the cost of successful business rate appeals. This provision has been made on the basis of known appeals lodged with the Valuation Office Agency and outstanding at the end of March 2021, and an allowance for appeals not yet lodged against the 2017 rating list. The figure shown in the Balance Sheet is the council's share of the overall provision charged to the Collection Fund for Business Rates.
- The Harnhill Restoration provision relates to a closed landfill site and reflects the estimated future expenditure on after-care costs discounted for the time value of money.
- The Insurance provision - the purpose of this provision is to cover losses below the external insurance excesses.
- The Severance provision is for redundancy costs arising from the cost of organisational change that cannot be funded from within departmental budgets. Although an estimate has been made, the final amount of these costs will depend on the details of each individual redundancy case.

18. Other long term liabilities

This balance is made up of:

31 March 2020		31 March 2021
£'000		£'000
(5,312)	Waste Private Finance Initiative lease	(4,093)
(14,371)	Residual Avon County Council debt (see below)	(13,796)
(2,016)	Revolving Infrastructure Fund liability	(1,449)
(253)	Deferred income	(214)
(2)	Repayable deposits	(2)
(21,954)	Total	(19,554)

Former Avon County Council debt

Following Local Government Reorganisation in 1996, Bristol City Council administers the former Avon County Council residual debt. All Avon area unitary authorities make an annual contribution to principal and interest repayments.

31 March 2020		31 March 2021
£'000		£'000
(14,970)	Opening balance	(14,371)
599	Reclassified and included in short term creditors	575
(14,371)	Closing balance	(13,796)

Repayment of debt amounting to £599k was made in 2020/21. This is part of the movement on the balance due within one year, which is included in short term creditors (Note 15).

19. Unusable reserves

31 March 2020		31 March 2021
£'000		£'000
(405,281)	Revaluation Reserve	(398,838)
(314,220)	Capital Adjustment Account	(333,167)
467	Financial Instruments Adjustment Account	369
398,942	Pensions Reserve	467,033
(1,200)	Collection Fund Adjustment Account	67,637
4,146	Accumulated Absences Account	4,902
3,507	Pooled Fund Adjustment Account	750
	Dedicated Schools Grant Adjustment Account	23,902
(313,639)	Total Unusable Reserves	(167,412)

Revaluation Reserve

The Revaluation Reserve contains the gains made from increases in the value of the council's Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are: revalued downwards, impaired, used in the provision of services or disposed of.

31 March 2020		31 March 2021
£'000		£'000
(372,912)	Opening Balance	(405,281)
(97,556)	Upward revaluation of assets	(75,373)
40,818	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	60,840
(56,738)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(14,533)
1,199	Impairment losses on non-current assets charged to the revaluation reserve	1,347
19,552	Difference between fair value depreciation and historical cost depreciation	18,657
3,618	Accumulated gains on assets sold or scrapped	972
23,170	Amount written off to the Capital Adjustment Account	19,629
(405,281)	Closing Balance at 31 March	(398,838)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences from the different arrangements for accounting for the consumption of non-current assets and for financing the construction or enhancement of those assets under statutory provisions.

31 March 2020 £'000 (304,227)		31 March 2021 £'000 (314,220)
	Opening Balance at 1 April	
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
40,423	Charges for depreciation and impairment of non-current assets	41,261
20,416	Revaluation losses and gains reversing past losses on non-current assets	2,044
753	Amortisation of intangible assets	2,889
12,907	Revenue expenditure funded from capital under statute	15,220
126	Impairments	320
6,438	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,099
81,063 (23,170)		62,833 (19,629)
57,893	Net written out amount of the cost of non-current assets consumed in the year	43,204
	Capital financing applied in the year:	
(1,861)	Use of capital receipts to finance new capital expenditure	(1,479)
(53,873)	Capital grants and contributions applied	(51,306)
(4,008)	Capital expenditure charged against General Fund balances	(3,788)
(1,477)	PFI and Finance Lease repayments	(1,681)
(1,518)	Statutory provision for the financing of capital investment charged against the General Fund balance	(1,643)
(622)	Debt repayment funded by capital receipts	(1,436)
(624)	Repayment of ex-Avon debt	(599)
(63,983)		(61,932)
(3,903)	Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement	(219)
(314,220)	Closing Balance at 31 March	(333,167)

Financial Instruments Adjustment Account

This account absorbs the timing differences arising from discounts and premiums on premature debt redemption, and similar financial transactions.

31 March 2020		31 March 2021
£'000		£'000
581	Opening Balance at 1 April	467
(121)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements.	(104)
7	Proportion of discounts received in previous financial years to be credited against the General Fund Balance in accordance with statutory requirements.	6
(114)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	(98)
467	Closing Balance at 31 March	369

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory accounting 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.

31 March 2020		31 March 2021
£'000		£'000
393,986	Opening Balance at 1st April	398,942
(16,233)	Remeasurement of the net Defined Benefit Liability	49,093
44,571	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	40,686
(23,382)	Employer's pensions contributions and direct payments to pensioners payable in the year	(21,688)
398,942	Closing Balance at 31 March	467,033

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rate income in the Comprehensive Income and Expenditure Statement as compared to the statutory transactions reflected in the Collection Fund.

31 March 2020		31 March 2021
£'000		£'000
(3,900)	Opening Balance at 1st April	(1,200)
2,700	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from that calculated for the year in accordance with statutory requirements.	68,837
(1,200)	Closing Balance at 31 March	67,637

Accumulated Absences Account

The accumulated absences account absorbs the differences that would otherwise arise on the General Fund balance from accruing compensating absences earned but not taken in the year e.g. annual leave entitlement carried forward at the year end. Statutory arrangements require the impact on the General Fund to be neutralised by transfer to or from the account.

31 March 2020		31 March 2021
£'000		£'000
4,006	Opening Balance at 1st April	4,146
(4,006)	Settlement of previous year accrual	(4,146)
4,146	Amounts accrued at end of the current year	4,902
4,146	Closing Balance at 31 March	4,902

Pooled Fund Adjustment Account

The Pooled Fund Adjustment Account fulfils a statutory requirement to maintain an account to hold changes in the fair value of pooled investment funds, such that the changes do not impact on the revenue account.

31 March 2020		31 March 2021
£'000		£'000
473	Opening Balance at 1st April	3,507
3,034	Amounts by which the changes in the value of pooled investment funds charged to the Comprehensive Income and Expenditure Statement is different from that calculated in accordance with statutory requirements	(2,757)
3,507	Closing Balance at 31 March	750

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account fulfils a statutory requirement to maintain an account to hold deficits arising in the Schools budget such that the changes do not impact on the revenue account.

31 March 2020 £'000		31 March 2021 £'000
	Opening Balance at 1st April (transferred from Earmarked reserves)	16,347
	Amounts by which the changes in the value of pooled investment funds charged to the Comprehensive Income and Expenditure Statement is different from that calculated in accordance with statutory requirements	7,555
0	Closing Balance at 31 March	23,902

20. Cash Flow Statement – operating activities

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

2019/20 £'000		2020/21 £'000
40,423	Depreciation	41,261
753	Amortisation of intangible assets	2,889
20,542	Impairments and downward valuations	2,364
15,537	Increase / (decrease) in creditors	43,858
(16,704)	(Increase) / decrease in debtors	(20,527)
(195)	(Increase) / decrease in inventories	267
27,173	Movement in pensions liability	15,618
6,438	Carrying amount of non-current assets sold/de-recognised	1,100
(3,905)	Movement in investment property values	(219)
729	Other non-cash items charged to the net surplus or deficit on the provision of services	546
90,790		87,157

The surplus or deficit on the provision of services has been adjusted for the following items that are Investing or Financing activities:

2019/20 £'000		
	Capital Grants credited to provision of services	(58,084)
1,204	Payments reducing finance lease and PFI liabilities	1,204
(1,776)	Proceeds from sale of property, plant and equipment	(3,743)
(54,789)		(60,623)

The cash flows for operating activities include the following items:

2019/20 £'000		2020/21 £'000
1,969	Interest Received	1,572
(6,477)	Interest Paid	(6,627)

21. Cash Flow Statement – investing activities

2019/20		2020/21
£'000		£'000
(90,045)	Purchase of property, plant and equipment, investment property and intangible assets	(66,834)
0	Purchase of short term and long term investments	(523,271)
(2,964)	Other payments for investing activities	(2,402)
1,776	Proceeds from the sale of property, plant and equipment	3,743
52,537	Proceeds from short-term and long-term investments	474,947
54,217	Other receipts from investing activities – Capital grants and contributions received	58,084
15,521	Net Cash Flows from Investing Activities	(55,733)

22. Cash Flow Statement – financing activities

2019/20		2020/21
£'000		£'000
0	Repayments of short and long term borrowing	(454)
(1,204)	Cash payments reducing finance lease and PFI liabilities	(1,204)
(1,204)	Net Cash Flows from Financing Activities	(1,658)

23. Partnership Scheme - Better Care Fund

The council has a partnership arrangement with Bristol, North Somerset and South Gloucestershire Clinical Commissioning Group (BNSSG CCG) for the provision of community and mental health services together with continuing and social care. This arrangement is made in accordance with section 75 of the National Health Service Act 2006 and any surplus or deficit generated is the responsibility of the respective partner to whom it is attributed. The partnership arrangement includes all income and expenditure relating to the Better Care Fund, whether funded by the local authority or by the NHS. Each of the partner authorities is responsible for managing the individual schemes for which they have lead responsibility.

The council has reviewed the Section 75 agreements to determine which party has control over the services being delivered, in accordance with IFRS 11. As control of each of the elements of the Section 75 agreements resides with either the council or the CCG, it is considered that there is not a joint arrangement as defined in IFRS 11. Management has made a judgement that the appropriate accounting arrangement is sole control for all elements of the Section 75 agreements. Therefore the Better Care Fund is treated as a non-pooled fund; each of the parties have chosen to contract with individual providers without reference to each other using their own sources of funding alone and it is for this reason that neither party considers they are operating a pooled budget.

The aim is to meet the needs of people living in the area of South Gloucestershire Council. Expenditure funded from this budget includes the provision of care in residential settings, community services enabling people to remain in their own homes and a community independence service which supports the re-ablement of residents. The funding and expenditure is set out in the table below. Income from the CCG of £10,141,000 is included in the Council's statement of accounts alongside expenditure of £16,653,000.

2019/20				2020/21		
BNSSG CCG	S.Glos. Council	Total		BNSSG CCG	S. Glos. Council	Total
£000	£000	£000		£000	£000	£000
(15,232)	(6,557)	(21,789)	Funding provided to the partnership budget	(16,076)	(6,835)	(22,911)
11,086	(11,086)	0	CCG funding to South Gloucestershire Council	10,141	(10,141)	0
(4,146)	(17,643)	(21,789)		(5,935)	(16,976)	(22,911)
4,146	18,074	22,220	Expenditure met from the partnership budget	5,935	16,653	22,588
0	431	431	Net (surplus)/deficit arising from the partnership in the year	(0)	(323)	(323)

24. Members' allowances

2019/20		2020/21
£'000		£'000
735	Basic Allowance	737
224	Special Responsibility Allowance	241
16	Expenses	4
975	Total	982

25. Officers' remuneration

The remuneration paid to the council's senior employees is as follows:

2020/21	Salaries, fees and allowances	Pension Contribution	Total remuneration
	£	£	£
D Perry - Chief Executive Officer	169,852	35,839	205,691
Director of Resources and Business Change	136,302	28,760	165,062
Director of Adult Social Services and Housing	98,458	20,775	119,233
Director for Children, Adults and Health	133,323	28,131	161,454
Director of Environmental & Community Services	136,302	28,760	165,062
Head of Legal, Governance and Democratic Services	93,446	19,717	113,163
Director of Public Health	98,653	20,401	119,054
Head of Financial Services	91,255	19,255	110,510

2019/20	Salaries, fees and allowances	Pension Contribution	Total remuneration
	£	£	£
A. Deeks – Chief Executive	82,650	18,844	101,494
D Perry - Chief Executive	151,530	34,549	186,079
Director of Corporate Resources and Deputy Chief Executive	11,055	2,520	13,575
Director of Adult Social Services and Housing	95,957	21,878	117,835
Director for Children, Adults and Health	126,856	28,923	155,779
Director of Environmental & Community Services	129,586	29,546	159,132
Director of Resources and Business Change - interim	114,270	0	114,270
Director of Resources and Business Change	54,167	12,350	66,517
Head of Legal, Governance and Democratic Services	127,365	29,040	156,405
Head of Financial Services	79,809	18,196	98,005
Director of Public Health	92,536	13,307	105,843

The Head of Financial Services holds statutory s.151 responsibilities with effect from 1 May 2019. The Head of Legal, Governance and Democratic Services is the Council's Monitoring Officer and received additional remuneration in respect of his role as Returning Officer in 2019/20 for elections and legal work for the West of England Combined Authority which is included in the figures above.

The number of other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are shown below.

Salary Band	Non-teaching staff		Teaching staff	
	No. at 31 March 2020	No. at 31 March 2021	No. at 31 March 2020	No. at 31 March 2021
£50,000 - £54,999	42	26	42	43
£55,000 - £59,999	14	37	27	28
£60,000 - £64,999	16	18	18	17
£65,000 - £69,999	4	9	8	13
£70,000 - £74,999	5	5	4	11
£75,000 - £79,999	2	4	6	3
£80,000 - £84,999	6	7	6	3
£85,000 - £89,999	2	1	1	3
£90,000 - £94,999	4	4	1	1
£95,000 - £99,999	2	2	1	3

In 2020/21, one non-teaching staff and two teaching staff appear in this table by virtue of having received redundancy or compensation payments. In 2019/20, two non-teaching staff and no teaching staff appear in this table by virtue of having received redundancy or compensation payments.

26. External audit costs

2019/20 £'000		2020/21 £'000
120*	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year.	193*
36	Fees Payable to Grant Thornton UK LLP for other services provided in the year.	35**
156	Total	228

* Additional fees of £29,604 for the 2019/20 audit have been accounted for in 2020/21.

** The fees payable for other services relate to audit-related services on Housing Benefits and Teachers' pensions.

27. Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) (No 2) Regulations 2018. 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 2020/21 are as:

2019/20		2020/21	
Total		Central Expenditure	Individual Schools Budget
£'000		£'000	£'000
207,817	Final DSG before Academy and High Needs recoupment		219,968
-74,695	Less Academy and High Needs figure recouped for 2020/21		-80,269
133,122	Total DSG after Academy and High needs recoupment		139,699
-9,434	Plus: Brought forward from previous year		-16,346
11,646	Less: Carry forward to 2021/22 agreed in advance		16,346
135,334	Agreed Initial Budget Distribution	45,773	93,926
772	In-year adjustments	87	87
136,106	Final Budget Distribution for 2020/21	45,860	93,926
50,472	Less: Actual Central Expenditure	-53,415	-53,415
90,334	Less: Actual Individual Schools Budget deployed to schools		-93,926
-4,700	In year Carry-Forward to 2021/22	-7,555	-7,555
-11,646	Plus: Carry-forward to 2020/21 agreed in advance		-16,346
-16,346	Carry-forward to 2021/22		-23,901

A multi-year recovery plan is in place to recover the debit balance on the DSG Adjustment Account. Regulations require that deficits arising on the schools budget are held separately in an unusable reserve and do not impact on the general fund balance.

28. Grant Income

The following grants and contributions have been credited to the Comprehensive Income and Expenditure Statement:

2019/20 £'000		2020/21 £'000
	<u>Credited to taxation and non-specific grants</u>	
(10,674)	S31 Grant	(7,173)
(6,431)	New Homes Bonus	(7,175)
(3,561)	Better Care Fund	(4,496)
(2,533)	Social Care Support Grant	(4,909)
(126)	Other Grants	0
		(23,753)
	COVID-19	
	S31 Business Rates Grant	(64,217)
	Local Authority Support	(11,860)
	Compensation for Loss of Fees & Charges	(1,262)
	Local Tax Income Guarantee Scheme - CTAX	(1,267)
	Local Tax Income Guarantee Scheme - NNDR	(2,135)
	Other Grants	(1,086)
(23,325)	Total non ring-fenced government grants	(105,580)
	<u>Credited to services</u>	
(133,894)	Dedicated Schools Grant	(139,786)
0	COVID-19 Grants <i>(listed below)</i>	(18,170)
(9,131)	Public Health	(9,432)
(4,746)	Other Grants	(7,135)
(1,003)	Teachers Pay Grant	(4,550)
(6,305)	Pupil Premium	(3,576)
(2,985)	Free School Meals	(3,129)
(1,515)	PE & Sports Premium	(1,496)
(986)	6th Form Funding	(863)
(160,565)	Total Children, Adults and Health	(188,139)
(3,052)	The Private Finance Initiative (PFI)	(3,052)
(2,014)	Other Grants	(1,582)
(5,066)	Total Environmental and Communities	(4,634)
(48,180)	Housing Benefit Subsidy	(45,123)
(6,079)	COVID-19 Grants <i>(listed below)</i>	(10,010)
(1,264)	Other Grants	(1,290)
(55,523)	Total Corporate and Central Services	(56,423)
(221,154)	Total Grants credited to the Comprehensive Income and Expenditure Statement	(249,196)
(38)	Devon & Severn Inshore Fisheries & Conservation Authority	(38)
(38)	Total Devon & Severn Inshore Fisheries & Conservation Authority	(38)
(244,517)	Total Revenue Grants credited to the Comprehensive Income & Expenditure Statement	(354,814)

2019/20		2020/21
£'000	<u>COVID-19 Grants credited to services</u>	£'000
	Children, Adults & Health	
	Contain Outbreak Management Fund	(8,031)
	Infection Control	(5,438)
	Test and Trace	(2,090)
	Schools COVID Grant	(1,284)
	Covid Winter Grant	(448)
	Clinically Extremely Vulnerable (CEV)	(312)
	Workforce Capacity Fund	(302)
	Emergency Assistance Grant	(211)
	Covid Other Grants	(54)
0		(18,170)
	Corporate & Central Services	
(6,079)	Covid-19 first tranche	0
	Business Support	(9,582)
	Test and Trace	(319)
	Local Restrictions Support Grant (Open)	(79)
	CTAX Hardship fund	(30)
(6,079)		(10,010)

Significant capital grants included in Tax and non-specific grant income in the Comprehensive Income and Expenditure Statement were:

2019/20		Source	2020/21
£'000			£'000
(17,334)	MetroWest CPME	WECA	(10,582)
0	WECA Investments	WECA	(6,767)
(10,430)	Developers' contributions	Various	(6,132)
(1,929)	Avonmouth & Severnside (ASEA)	WECA	(4,421)
(4,088)	Integrated Transport (Maintenance)	DfT	(4,088)
(2,515)	Standards Fund	DfE	(3,683)
0	Pot Hole Action Fund Grant	DfT	(3,408)
0	Infrastructure Investment Fund	WECA	(3,200)
0	Urban Broadband for Industrial Applications (Digital Infrastructure)	WECA	(2,562)
(2,061)	Disabled Facilities Grant	CLG	(2,339)
(1,277)	Integrated Transport Block	DfT	(1,277)
0	Go Ultra Low City	DfT	(1,007)
0	EDF/LGF Science Park	WECA	(1,004)
(2,681)	Secure Unit Refurbishment	DfE	(475)
(1,232)	Special Needs Provision	DfE	(398)
(1,327)	Broadband (BDUK)	DGCMS	(360)
(9,343)	Other grants (below £1,000k)	Various	(6,381)
(54,217)	Total		(58,084)

Grants Receipts in Advance – non-current

Restated 1 April 2019 £'000	Restated 31 March 2020 £'000		31 March 2021 £'000
		Grants receipts in advance (capital grants)	
(4,890)	(5,942)	Developers' contributions	(6,109)
(4,890)	(5,942)	Total capital grants received in advance	(6,109)
		Grants receipts in advance (revenue grants)	
(14,628)	(15,944)	Developers' contributions	(16,295)
	(8,532)	S31 MHCLG	
		Integrated Care grant	(4,961)
(270)		CCG s.256 grant	
	(223)	Housing grant	
	(166)	Public Health grant	(25)
		MAGNOX grant	(10)
	(1)	Health initiatives	
		COVID-19	
		Business Support	(2,146)
		Test & Trace	(236)
		Winter Covid	(121)
(14,898)	(24,866)	Total revenue grants received in advance	(23,793)
(19,789)	(30,808)	Total grants received in advance	(29,903)

The prior year opening and closing figures for Grants Receipts in Advance previously included in Short Term Creditors (Note 15) are now listed.

29. Transactions with related parties

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

Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 24.

Some Members or members of their close families, have an interest in voluntary organisations and community groups awarded grants by the council. Members can award funding in accordance with the Member Awarded Funding Procedures, and in accordance with the requirements of the Member Code of Conduct. Members are advised to seek advice from Legal Services in respect of any matters in which they consider they may have an interest prior to making any decision. Some Members or members of their close families have interests in planning applications to the council. These are declared in the Member's Register of Interests.

Chief Officers and Second Tier Officers

South Gloucestershire Council nominates a Trustee to the Bristol Aero Collection Trust. In 2020/21 this role was fulfilled by the Head of Financial Services (S.151 Officer). In 2017/18 a fixed term loan of £1m was made by the council to the Trust in accordance with a loan facility agreement approved by members in 2016/17. The loan is at a commercial rate of interest. The balance due to the council of £1.033m including interest is included in debtors at 31 March 2021.

Other Officers

A number of officers serve on the boards of voluntary sector or not for profit organisations that provide services to, or receive funding from the council. A number of officers have family members that may provide services to the council. The officers concerned make declarations of interest in the departmental Registers of Interest and ensure contacts at the council are aware of their involvement and are not involved in any decisions relating to

funding or award of contracts. A review was undertaken of departmental Registers of Interests, Gifts and Hospitality. There were no significant items declared.

Entities controlled or significantly influenced by the Council

South Gloucestershire Council owns 100% of the £200 issued share capital of the Bristol and Bath Science Park Estate Management Company Ltd. (the company). One of the two directors of the company was a council officer during 2020/21. The principal activity of the company is the provision of estate management services at Bristol and Bath Science Park. The company accumulates the costs of managing the estate, including utilities and staff costs recharged by the council, and recovers these through service charges to the tenants. Recharges to the company by the council amounted to £188,275 in 2020/21 and at 31 March 2021 the company owed £66,652 to the council which is included in debtors. The council's interest in the company has not been included in the financial instruments disclosures at Note 13, because the net worth of the company is less than the council's minimum reporting level of £1,000. The net worth of the company is deemed to be the fair value, because the company's business model is to break-even annually.

Government Departments

The UK Central Government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates, provides a significant amount of its funding in the form of grants, and prescribes the terms of many of the transactions that the council has with other parties (e.g. Council Tax bills, Business Rates and Housing Benefits). Grant funding received by the council in 2020/21 is shown in Note 28.

30. Analysis of Capital Expenditure and Financing

The net movement in the Capital Financing Requirement (CFR) measures the council's need to borrow in order to fund capital investment:

2019/20 £'000		2020/21 £'000
224,628	Opening Capital Financing Requirement	263,596
	Capital Investment:	
27,439	Property, Plant & Equipment	41,317
18,491	Infrastructure Assets	20,057
1,153	Heritage assets	187
38,172	Investment property	1,828
4,053	Intangible Assets	1,899
736	Surplus assets	1,546
12,907	Revenue Expenditure Funded from Capital under Statute	15,220
102,951		82,054
	Sources of Finance:	
(53,873)	Government grants & other contributions	(51,305)
(1,861)	Capital receipts	(1,479)
(4,008)	Direct revenue contributions	(3,788)
(1,518)	Minimum Revenue Provision	(1,643)
(622)	Debt repayment funded by capital receipts	(1,436)
(624)	Ex-Avon debt principal repayment	(599)
(1,477)	PFI and Finance Lease Repayment	(1,682)
(63,983)		(61,932)
263,596	Closing Capital Financing Requirement	283,718
	Explanation of movements in year:	
38,968	Increase /(decrease) in underlying need to borrow (unsupported by government financial assistance)	20,122
38,968	Increase/ (decrease) in Capital Financing Requirement	20,122

31. Leases - the council as lessor*Operating Leases*

The council leases out property under operating leases for the following purposes:

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

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

31 March 2020 £'000		31 March 2021 £'000
522	Not later than one year	1,928
1,480	Later than one year and not later than five years	4,841
908	Later than five years	2,672
2,910	Total	9,441

The minimum lease payments receivable at 31 March 2021 do not include those from Investment Properties, which are shown separately below. The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into. No contingent rents were received in 2020/21.

Operating Leases: Investment Properties

The Council's Investment Properties are generally held freehold subject to a mix of letting types to include short and long term leases, with lease terms ranging from 10 to 125 years and subject to periodic rent reviews and break options. Most leases apply to industrial premises with the exception of the Bristol and Bath Science Park (BBSP) the Clifton offices, Costa retail unit and Travelodge hotel site. The BBSP consists of an 'Innovation Centre' and 'Grow On Centres' providing flexible office, meeting and work space, as such there is a mix of Virtual Tenancies, Licences and Leases granted at BBSP and these are reported separately. The summary below assumes, in all cases, that the current passing rent will continue for the remaining term of each Lease/Tenancy/Licence up to the earliest possible termination date in accordance with the Code (i.e. to cover the period which is not 'cancellable').

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

As Restated 31 March 2020 £'000		31 March 2021 £'000
2,800	Not later than one year	3,002
9,797	Later than one year and not later than five years	9,984
25,231	Later than five years	25,572
37,828	Total	38,558

* Future minimum lease payments at 31 March 2020 have been restated.

The minimum lease payments receivable for investment properties do not include rents that are contingent on events taking place after the lease was entered into. No contingent rents were received in 2020/21.

Finance Leases

The council has leased out thirteen former secondary schools and fourteen former primary schools to Academies on 125 year finance leases, all at peppercorn rents, which is a statutory requirement for Academies. For the term of the leases, the Academies will bear the risks and rewards of ownership and reflect the value of these as assets on their Balance Sheet. The value recorded in the council's accounts is £nil as it has no rights of access to the leased land or buildings, with the buildings value expected to be fully depreciated at the end of the lease term. The net book value of the land in the council's Balance Sheet (valued at depreciated replacement cost) at the point of transfer to academy status was as follows:

31 March 2020 £'000		31 March 2021 £'000
110,020	Unguaranteed residual value of property	110,020
110,020	Total value of transfers	110,020

32. Service concession contract

The council has a service concession contract with Suez Recycling and Recovery South Gloucestershire Ltd for an integrated waste management service which has operated since 2000 and ends in July 2025. The contract gives Suez responsibility for:

- Collection and transportation of household waste;
- Operation and management of household waste and recycling centres;
- Household waste reduction through recycling and home composting; and
- Operation of facilities for the processing and final disposal of the council's waste.

The contract specifies the minimum standards for the services to be provided by the contractor, Suez, with deductions if facilities are unavailable or performance is below the standards set out. Under the terms of the contract, existing assets (buildings, vehicles, plant and machinery) are transferred to the contractor for the duration of the contract. The contractor is obliged to maintain and replace assets throughout the duration of the contract. At the end of the contract all property, plant and equipment transferred to the operator will be returned to the council for nil consideration. The council also has the option to acquire all contractor owned assets at nil cost and to have leased assets assigned or novated to it. The council receives an annual PFI grant toward the cost of the scheme of £3,052k (see Note 28).

Value of Assets under PFI contract

The value of assets held under PFI contracts and their movements during the year is set out in Note 11.

Payments

The council makes an agreed payment (or unitary charge) each year which comprises both fixed and variable elements. Variable costs include: disposal, treatment and haulage costs for landfill, thermal treatment, composting and food waste treatment. Fixed costs include staffing, maintenance and fuel etc. together with asset acquisition and replacement throughout the contract. The unitary charge is increased each year by inflation and allowance is made for additional households in the area. The unitary charge can be reduced if the contractor fails to meet availability and performance standards in any year, but can also be increased to reflect over performance. Payments remaining to be made under the service concession contract at 31 March 2021 (excluding any estimation of inflation and availability/performance deductions) are as follows.

2019/20 (Restated)					2020/21			
Service cost	Reimbursement of capital	Interest	Total		Service cost	Reimbursement of capital	Interest	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
15,336	1,204	844	17,384	within 1 year	15,776	1,219	895	17,890
67,009	4,973	3,925	75,907	within 2-5 yrs	57,342	4,093	3,342	64,777
6,109	339	312	6,760	within 6-10 yrs	0	0	0	0
88,454	6,516	5,081	100,051		73,118	5,312	4,237	82,667

The above figures have been calculated using the current financial model. The 2019/20 figures have been restated due to the financial model being updated. The council has indicated that it will seek further savings in the waste contract in future years so the above figures remain subject to change. Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to be paid to the contractor for capital expenditure incurred is as follows:

2019/20		2020/21
£'000		£'000
(7,516)	Opening balance	(6,516)
1,000	Repayment	1,204
(6,516)	Closing balance	(5,312)

33. Termination benefits

The number of exit packages agreed during the year and the total cost of redundancies are set out below.

2020/21	No. of Compulsory Redundancies	Number of Other Departures	Total Number of Exit Packages	Total cost of exit packages in band £'000
£0 – £20,000	19	9	28	153
£20,001 - £40,000	3	1	4	101
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	1	0	1	73
Total	23	10	33	327

2019/20	No. of Compulsory Redundancies	Number of Other Departures	Total Number of Exit Packages	Total cost of exit packages in band £'000
£0 – £20,000	30	15	45	181
£20,001 - £40,000	6	1	7	204
£40,001 - £60,000	2	0	2	105
£60,001 - £80,000	2	0	2	146
Total	40	16	56	636

Of the 2020/21 exit packages, seven were schools staff with exit costs of £80,948 (in 2019/20, six were schools with costs of £36,400).

Pension Schemes

Participation in pension schemes

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

The council participates in four statutory pension schemes, which provide members with defined benefits related to pay and service. The schemes are as follows:

- The Local Government Pension Scheme (LGPS) for non-teaching staff;
- The Teachers' Pension Scheme for teaching staff;
- The NHS Pension Scheme for former NHS employees who transferred to the council when public health functions were transferred to local government in 2013, but who opted to stay within the NHS Pension Scheme, and
- Discretionary post-retirement benefits upon early retirement.

34. Pension schemes accounted for as defined contribution pension schemes

The Teachers and NHS Pension Schemes although defined benefit schemes are accounted for under the Code as defined contribution schemes because they are both multi-employer schemes and it is not possible to attribute the liabilities to individual employers within either scheme.

The Teachers' Pension Scheme is administered by the Teachers' Pension Agency (TPA) on behalf of the Department for Education (DfE). The scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by participating employer organisations. Valuations of the notional fund are undertaken every four years. The council is one employer out of 11,221 employers in the Teachers' Pension Scheme.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the Teachers' scheme. These benefits are fully accrued in the pension liability.

The scheme provides a final salary-based pension based on service to 2015 and a career average revalued earnings based pension for service since 2015. In 2020/21, the council paid £10.2 million representing 23.3% of pensionable pay to the Teachers' Pension Scheme in respect of teachers' retirement benefits (£8.8 million and 20.97% in 2019/20). Expected contributions for the Teacher Pensions Scheme in the year to 31 March 2022 are £10.2m. There were no contributions remaining payable at year-end.

The NHS Pension Scheme is administered by the NHS Business Services Agency (NHSBSA). The scheme is unfunded and the NHSBSA uses a notional fund as the basis for calculating the employers' contribution rate paid by participating employer organisations. Valuations of the notional fund are undertaken every four years. The council is one employer out of 8,290 employers in the NHS Pension Scheme.

The scheme provides a final salary-based pension based on service to 2015 and a career average revalued earnings based pension for service since 2015. In 2020/21, the council paid £0.13m to the NHS Pension Scheme (£0.09m in 2019/20). The employer's contribution rate was 20.6% of pensionable pay in 2020/21 (20.6% in 2019/20). Expected contributions to the NHS Pension Scheme in the year to 31 March 2022 are £0.13m.

35. Defined Benefit Pension Schemes

The Local Government Pension Scheme (LGPS) and discretionary post-retirement benefits payable to both non-teaching and teaching staff are defined benefits schemes in that post-retirement benefits are defined in the scheme legislation rather than based on contributions to the schemes.

The Local Government Pension Scheme (LGPS) is a national scheme but administered locally. For the council, this is the Avon Pension Fund administered by Bath and North East Somerset Council. The LGPS is a funded scheme which means that the council and employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with investment assets over time.

The LGPS provides a final salary-based pension based on service to 2014 and a career average revalued earnings based pension for service since 2014.

Avon Pension Fund operates under the regulatory framework for the Public Service Pensions Act 2013 and the LGPS Regulations laid thereunder. Governance of the scheme locally is the responsibility of the Pension Fund Committee of Bath and North East Somerset Council. Investment policy is determined in accordance

with the LGPS Regulations as is the administration and governance of the scheme. Investment management of the fund is outsourced under the framework provided by the investment policy.

The LGPS is subject to a triennial actuarial valuation which determines the contribution rates for the next three years. The Fund's actuary is Mercer Limited. At the last valuation in 2019, the council's funding was valued at 98.1% meaning that there was a shortfall of £14.6m against its liabilities. This is a substantial improvement since the 2016 valuation when council's funding level was 88.6% meaning that the shortfall was £76.0m. The Fund's Funding Strategy Statement sets out a deficit recovery plan designed to improve solvency to 100% over 12 years from 2019.

Following the triennial valuation in March 2019, the council was scheduled to pay normal contributions at 18.2% of pensionable pay in 20/21, plus contributions of £5.29m towards recovering the deficit. In April 2020, the council made an early payment of pension fund contributions of £4.97m to the pension fund for the deficit contributions for the three years 2020/21 to 2022/23. This generated a cash saving of £0.3m to the council and improved funding for the pension fund.

The principal risks to the council from participation in the LGPS are:

- If future investment returns are lower than expected, the Fund's asset values will be lower and the funding level will worsen;
- If improvements in life expectancy are greater than expected, the cost of benefits will increase because members are living longer than expected;
- If members make decisions about their options which increase liabilities, the funding level may worsen. An example would be if fewer members commute their future pensions into cash than expected then this will increase liabilities.

A significant risk is that around 38% of the Fund's assets are invested in equities - either directly or through pooled investment vehicles. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note, and by the Pension Fund Committee's policy to diversify away from equities into other lower risk investment classes.

There is also a risk in relation to the Government's proposed remedy to remove unlawful age discrimination from the Local Government Pension Scheme in relation to McCloud. The McCloud case affected reforms that moved the LGPS from a final salary to a career average salary basis in 2014. The Court of Appeal ruled that measures to protect older members from the effects of the change, based on their age on 1st April 2012, directly discriminated against younger members. Following the consultation published in July 2020, the Government will proceed with the deferred choice underpin, extending the transitional protections for eligible members up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and remain active or left service after 1 April 2014. The expected effect of the McCloud remedy has been taken into account in the pension fund calculations, with the exception of some minor areas (principally in respect of members who left service after 1 April 2014) that would not have a material impact on the accounts.

Discretionary post-retirement benefits

Both the LGPS and the teachers' pension scheme permit employers to make discretionary awards of post-retirement benefits upon early retirement. These are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating to post - employment benefits

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

Post-Employment Benefits	Local Government Pension Scheme		Teachers' Pension	Total	Local Government Pension Scheme		Teachers' Pensions	Total
	Funded	Unfunded	Unfunded	2019/20	Funded	Unfunded	Unfunded	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure statement								
Cost of Services:								
Current Service Cost	31,934			31,934	31,161			31,161
Past Service cost	2,987			2,987	0			0
Settlements & Curtailments	0			0	(104)			(104)
Financing and Investment Income and Expenditure								
Net Interest Cost	8,162	298	644	9,104	8,244	237	571	9,052
Administration Expenses	546			546	577			577
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	43,629	298	644	44,571	39,878	237	571	40,686
Other Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement								
Remeasurement of the net defined benefit liability comprising:								
Return on plan assets (excluding net interest expense)	49,325			49,325	(105,759)			(105,759)
Actuarial (gains) and losses arising on changes in demographic assumptions	(47,069)	(381)	(1,257)	(48,707)	0	0	0	0
Actuarial (gains) and losses arising on changes in financial assumptions	(26,323)	(134)	(516)	(26,973)	175,497	1,038	1,989	178,524
Experience (gain)/loss	11,618	(1,520)	24	10,122	(23,043)	(240)	(389)	(23,672)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	31,180	(1,737)	(1,105)	28,338	86,573	1,035	2,171	89,779
Movement in Reserves Statement								
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(43,629)	(298)	(644)	(44,571)	(39,878)	(237)	(571)	(40,686)
Actual amount charged against the General Fund Balance for pensions in the year								
Employers' contributions payable to scheme	20,601			20,601	18,935			18,935
Retirement benefits payable to pensioners		831	1,950	2,781		821	1,932	2,753

Pensions Assets and Liabilities Recognised 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:

	LGPS Funded	LGPS Unfunded	Teachers Unfunded	Total 2019/20	LGPS Funded	LGPS Unfunded	Teachers Unfunded	Total 2020/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(1,064,529)	(10,255)	(24,740)	(1,099,524)	(1,251,051)	(10,469)	(24,979)	(1,286,499)
Fair value of plan assets	700,582	0	0	700,582	822,846	0	0	822,846
Net liability arising from defined benefit obligation	(363,947)	(10,255)	(24,740)	(398,942)	(428,205)	(10,469)	(24,979)	(463,653)

However, statutory arrangements are in place whereby any deficit on the scheme is made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. Hence, the deficit does not adversely impact on the financial position of the Council which remains healthy.

Reconciliation of the Movements in the Fair Value of Scheme Assets

	LGPS Funded £'000	LGPS Unfunded £'000	Teachers Unfunded £'000	Total 2019/20 £'000	LGPS Funded £'000	LGPS Unfunded £'000	Teachers Unfunded £'000	Total 2020/21 £'000
Opening fair value of scheme assets	738,464	0	0	738,464	700,582	0	0	700,582
Interest income	17,655	0	0	17,655	17,035	0	0	17,035
Remeasurement gains/(loss)	(49,325)	0	0	(49,325)	105,759	0	0	105,759
Employer contributions	14,617	831	1,950	17,398	22,315	821	1,932	25,068
Contributions from scheme participants	5,782	0	0	5,782	6,101	0	0	6,101
Benefits paid	(26,065)	(831)	(1,950)	(28,846)	(27,798)	(821)	(1,932)	(30,551)
Administration expenses	(546)	0	0	(546)	(577)	0	0	(577)
Settlements	0	0	0	0	(571)	0	0	(571)
Closing balance at 31 March	700,582	0	0	700,582	822,846	0	0	822,846

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligations)

	LGPS Funded £'000	LGPS Unfunded £'000	Teachers Unfunded £'000	Total 2019/20 £'000	LGPS Funded £'000	LGPS Unfunded £'000	Teachers Unfunded £'000	Total 2020/21 £'000
Opening balance at 1 April	(1,085,848)	(12,823)	(27,795)	(1,126,466)	(1,064,529)	(10,255)	(24,740)	(1,099,524)
Current service cost	(31,934)	0	0	(31,934)	(31,161)	0	0	(31,161)
Interest cost	(25,817)	(298)	(644)	(26,759)	(25,279)	(237)	(571)	(26,087)
Contributions from scheme participants	(5,782)	0	0	(5,782)	(6,101)	0	0	(6,101)
Remeasurement (gains) and losses:								
Actuarial gains/losses arising from changes in demographic assumptions	47,069	381	1,257	48,707	0	0	0	0
Actuarial gains/losses arising from changes in financial assumptions	26,323	134	516	26,973	(175,497)	(1,038)	(1,989)	(178,524)
Experience gain/loss	(11,618)	1,520	(24)	(10,122)	23,043	240	389	23,672
Past service costs	(2,824)	0	0	(2,824)	0	0	0	0
Benefits paid	26,065	831	1,950	28,846	27,798	821	1,932	30,551
(Gains)/losses on curtailment	(163)	0	0	(163)	(364)	0	0	(364)
Liabilities extinguished on settlements	0	0	0	0	1,039	0	0	1,039
Closing balance at 31 March	(1,064,529)	(10,255)	(24,740)	(1,099,524)	(1,251,051)	(10,469)	(24,979)	(1,286,499)

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 2020/21 was a loss of £122.795 million (gain of £46.746 million in 2019/20).

Local Government Pension Scheme assets comprised:

		31 March 2020	31 March 2021
		£'000	£'000
Equity instruments:	UK quoted	48,868	0
	Global quoted	225,868	264,065
	Emerging Markets	30,405	44,512
	Sub-total equity	305,141	308,577
Bonds:	UK Government	39,233	116,228
	Corporate	63,405	69,597
	Sub-total bonds	102,638	185,825
Property:	UK Property Funds	69,357	59,245
	Sub-total property	69,357	59,245
Alternatives:	Hedge Funds	40,283	42,904
	Diversified Growth Funds	94,438	77,818
	Infrastructure	56,140	63,959
	Secured Income	10,567	43,513
	EFTs	6,605	16,862
	Sub-total alternatives	208,033	245,056
Cash:	Cash accounts	15,413	24,143
	Sub-total cash	15,413	24,143
Total Assets		700,582	822,846
All of the scheme assets at March 2021 have quoted prices in active markets			

Basis for estimating assets and liabilities

Liabilities have been assessed using the projected unit credit actuarial cost method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the council Fund being based on the latest full valuation of the scheme as at 31 March 2019. The principal assumptions used by the actuary have been:

	<u>Local Government Pension Scheme</u>		<u>Unfunded Teachers Pensions</u>	
	2019/20	2020/21	2019/20	2020/21
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	23.2	23.3	23.2	23.3
Women	25.3	25.4	25.3	25.4
Longevity at 65 for future pensioners:				
Men	24.7	24.8	n/a	n/a
Women	27.3	27.4	n/a	n/a
Rate of inflation - CPI	2.1%	2.7%	2.1%	2.7%
Rate of increase in salaries	3.6%	4.2%	n/a	n/a
Rate of increase in pensions	2.2%	2.8%	2.2%	2.8%
Rate for discounting scheme liabilities	2.4%	2.1%	2.4%	2.1%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption

analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analyses 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	Decrease in Assumption
	£'000	£'000
Longevity (increase or decrease by 1 year)	(502,362)	(424,944)
Rate of inflation (increase or decrease by 0.1%)	(484,936)	(442,370)
Rate of increase in salaries (increase or decrease by 0.1%)	(440,731)	(436,617)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(442,718)	(484,588)

Risk Management Strategy

As the funding level of the Pension Fund has improved the Pension Fund Committee is able to move away more volatile growth assets into a range of assets which more closely match the Fund's liabilities. To assist with this the Committee uses a Liability Risk Management Framework which reduces funding level volatility by increasing the Fund's exposure to lower risk assets which better match the value of the liabilities. In addition the Committee uses an Equity Protection Strategy to protect the Fund against downside performance by providing a cap on gains. Both strategies are held in a Qualified Investor Fund bespoke to the Fund enabling all collateral management to be delegated to the investment manager.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Pension Committee has agreed a strategy with the scheme actuary to achieve a funding level of 100% over the next 12 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

When the current version of the LGPS was introduced in 2014 under the LGPS Regulations 2013, transitional provisions were enacted for older members of the LGPS to mitigate the impact of the move away from a final salary based pension to a career average revalued earnings (CARE) scheme. These changes were part of the overall reform of public service pension schemes under the Public Service Pensions Act 2013.

Two employment tribunals (the McCloud and Sargeant judgements) and the Appeal Court have found that the transitional provisions contravened age discrimination legislation, and therefore the changes introduced by the 2013 Act would need to be remedied. Whilst the two judgements affect the judges and firefighters pension schemes, the Chief Secretary to the Treasury announced on 15 July 2019 that the rulings would apply to all public service pension schemes including the LGPS. The 2020/21 IAS19 valuation reported above takes account of the two judgements. The judgements have been taken into account in the 2019 triennial funding valuation to set the contributions for the period 2020/21 to 2022/23.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2022 are £18.338m. In addition the Council made a pension deficit contribution of £4.976m in April 2020, relating to the years 2020/21, 2021/22 and 2022/23.

36. Contingent liabilities

In 1992 Northavon District Council, along with a number of other local authorities, became party to guarantee of £100m 8¼ % Loan Stock issued by North Housing Association – now known as Home Group Ltd. The loan stock matures in 2037. The share in the guarantee, now South Gloucestershire Council's, is 6.52%, however the guarantors have joint and several liability. Under the terms of the guarantee agreement the council has registered first legal charges over a number of properties the value of which exceeds the council's share of the guarantee. If the guarantee were called, the council would receive the benefit of these.

A contractual dispute has arisen with the main contractor on a highways scheme completed in 2017. Claims for additional costs have recently been raised which are being disputed, it is likely that this will progress to independent arbitration.

37. Contingent assets

As part of the City Region Deal, the four participant authorities have established an Economic Development Fund (the Fund) to re-invest money from the business rates pool (the Pool) within each authority's area through approved programmes. Distributions from the Fund are subject to approval by the Board governing the Fund.

However distributions are contingent on there being sufficient cash within the Pool to make the distributions, as the Pool cannot anticipate future income. Consequently cash is retained in the Pool and as "Committed Cash not yet allocated". As at 31 March 2021, the council has a contingent asset of £35.0m, representing the committed cash not yet allocated to the council from the Fund.

In 2007 the council transferred its housing stock, related assets and staff to Merlin Housing Society (now known as Bromford following the finalisation of a partnership arrangement with Bromford Housing Association). The stock transfer agreement covered a range of matters and made provision for the council to receive a share of 'Right to Buy' income receipts from disposals to tenants with preserved Right to Buy conditions, after deductions allowing for loss of income and administration costs. The Right to Buy receipts are contingent as they are dependent on Right to Buy sales to tenants with preserved rights. The council has a contingent asset for these receipts in 2021/22 estimated at around £1.6m.

38. Nature and extent of risk arising from financial instruments

Key Risks

The council's activities expose it to a variety of financial risks, the key risks being:

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the council;
- **Liquidity risk** – the possibility that the council might not have funds available to meet its commitment to make payments as they fall due;
- **Re-financing risk** – the possibility that the council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- **Market risk** - the possibility that financial loss might arise for the council as a result of changes in market variables such as interest rates or equity prices.

Overall Procedures for Managing Risk

The council maintains corporate risk management processes which are designed to identify, assess and manage all key strategic, operational and financial risks. More specifically:

- Treasury Management and Investment Strategies are produced each year and approved by elected members to set out how the council will fund its capital spending, how it lends its surplus cash and how it will manage the risks inherent in these activities.
 - Treasury Management Practice Schedules are produced which specify the practical arrangements to be followed to manage these risks.
 - Financial Regulations are detailed written policies covering day to day procedures and internal controls to be observed when initiating, processing and reporting financial transactions.

Credit Risk: Treasury Investments

Investment credit risk is minimised through the Annual Investment Strategy. This requires that deposits are only made with organisations of high credit quality as set out in the strategy.

For 2020/21 these credit criteria were

- long-term rating of 'A-', from Fitch, Moody's or Standard and Poor's credit ratings agencies for banks and building societies
- unrated banks and building societies may be used, but limited to a maximum deposit of £1m for a maximum period of 100 days
- non-UK banks domiciled in countries with minimum sovereign rating of AA+.

The Investment Strategy also imposes maximum amounts and time limits for investments. Depending on credit ratings, these limits in 2020/21 were:

- up to £15m with any single institution (other than the UK Government), with time limits according to sector
- money market fund deposits to be no more than £90m in total
- investments in non-UK banks not to exceed £75m in total.

The full Annual Investment Strategy for 2020/21 was approved by full Council on 12th February 2020 as part of the Treasury Management, Borrowing and Investment Strategy report, and is available on the council's website.

The Authority's maximum exposure to credit risk in relation to its investments in banks, building, societies and money market funds cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments.

The council has no past experience of default on its investments and does not expect any losses from default by any of its counterparties.

The table below summarises the credit risk exposures of the council's treasury investment portfolio by credit rating and remaining time to maturity (gross of impairment allowances):

Credit Rating	31 March 2020		31 March 2021	
	Long term £000s	Short term £000s	Long term £000s	Short term £000s
AAA	0	0	0	0
AA	0	5,023	0	15,000
A	0	7,846	0	15,005
Unrated local authorities	5,000	10,099	0	43,534
Total	5,000	22,968	0	73,539
Credit risk not applicable*	26,303	32,590	29,061	15,311
Total investments	31,303	55,558	29,061	88,850

* Credit risk is not applicable to shareholdings and pooled funds where the council has no contractual right to receive any sum of money.

12 month expected credit loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 131% (2019/20: 365%) to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded significantly and to below an investment grade credit rating since initial recognition. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31st March 2021, £11,862 (2019/20: £8,054) of loss allowances related to treasury investments.

Credit Risk: Trade Receivables

In respect of trade debtors, credit risk is minimised by a combination of:

- encouraging payment by direct debit;
- increasing the range of payment options available (such as by internet, telephone, or using retail networks for the acceptance of payment e.g. Payzone and Paypoint);
- where possible, obtaining payment in advance of service delivery;
- regular reporting on outstanding debt;
- negotiating flexible agreements for repayment of past due debt when necessary; and
- setting collection procedures based on age of debts (reminder letters progressing to County Court Claims).

The council's credit terms for trade debtors are 14 days, such that £11,832k (£13,100k at 31 March 2020) is past its due date for payment. This past due amount can be analysed as follows:

	31 March 2020	31 March 2021
	£'000	£'000
Less than one month	3,173	3,084
One to two months	1,144	292
Two to three months	1,300	394
Three to six months	2,054	1,309
Six months to one year	918	1,698
More than one year	4,511	5,055
Total	13,100	11,832

In addition to the trade debtors detailed above, the council has £2.7m of social care debtors at 31 March 2021, which arise when clients are allowed to defer payment for services if they cannot afford to pay immediately. The council initiates a legal charge on their property under S.22 of the Health and Social Services and Social Security Adjudications Act 1983. Provision has also been made to cover circumstance where the value of the property sold may not meet the value of the amount due to the council for care fees.

Loss allowances on trade receivables have been calculated by reference to the council's historic experience of default.

Trade receivables are collectively assessed for credit risk in the following groupings:

Debtor by Service Area	Range of allowances set aside	31 March 2020		31 March 2021	
		Gross receivable	Loss allowance	Gross receivable	Loss allowance
		£'000	£'000	£'000	£'000
Children, Adults and Health - Adults	0% - 90%	5,259	(2,490)	5,955	(1,987)
Children, Adults and Health - Children	0% - 50%	316	(29)	823	(66)
Environment and Community	0% - 25%	5,266	(76)	4,417	(115)
Corporate and central services	0% - 100%	2,000	(140)	3,661	(239)
Integra - Traded services	0% - 100%	320	(35)	268	(58)
		13,161	(2,770)	15,124	(2,465)

A bad debt allowance is established when invoices are six to nine months overdue for payment but recovery action continues until all appropriate avenues are exhausted. Trade debtors are fully written off after all appropriate measures have been taken to recover payment, and in cases of bankruptcy. The amount written off at 31st March 2021 is £622,667 (2020: £251,192) and is not subject to further enforcement action.

Credit Risk: Loans, Financial Guarantees and Loan Commitments

At 31 March 2021, the council was not party to any financial guarantees or loan commitments requiring recognition on the Balance Sheet. In the furtherance of the council's service objectives it has lent money to a local charity. The amounts recognised on the Balance Sheet and the council's total exposure to credit risk in relation to this loan are as follows:

Borrower	Exposure type	Balance Sheet 31 March 2020 £'000	Risk exposure 31 March 2020 £'000	Balance Sheet 31 March 2021 £'000	Risk exposure 31 March 2021 £'000
Local charity	Loans at market rates	1,047	1,047	1,033	1,033
TOTAL		1,047	1,047	1,033	1,033

The council manages the credit risk inherent in its loans for service purposes, financial guarantees and loan commitments in line with its published Investment Strategy.

The Balance Sheet amount at 31 March 2021 is net of an allowance of £56,300 which represents the twelve month expected credit loss. (31 March 2020: nil).

Liquidity Risk

The council is required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. It also has ready access to borrowing at favourable rates from the Public Works Loans Board and other Local Authorities, and at higher rates from banks and building societies.

The council also manages its daily liquidity position through day to day cash flow management, which seeks to ensure that cash is readily available when needed. There is no perceived risk that the council will be unable to raise finance to meet its commitments.

Refinancing Risk

This is the risk that the council may need to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The council's approved Treasury Management, Borrowing and Investment Strategies address this risk by:

- setting prudential indicators for the maturity structure of debt;
- ensuring that long term borrowing is matched to the value of capital investment over time.

The Treasury Management team manage operational risks within these approved parameters by taking out new borrowing or rescheduling of existing debt where it is economic and appropriate to do so, and by monitoring the maturity profile of existing investments.

The maturity analysis of short and long term borrowings is shown in the table below:

	31 March 2020 £'000	31 March 2021 £'000
Principal due in:		
Less than one year	(1,651)	(11,666)
Between one and two years	(11,667)	(1,681)
Between two and five years	(5,096)	(4,202)
Between five and ten years	(2,574)	(2,234)
Between ten and twenty years	(3,796)	(3,349)
Between twenty and thirty years	(20,000)	(20,000)
Between thirty and forty years	(74,819)	(74,819)
Between forty and fifty years	(8,700)	(8,700)
	(128,303)	(126,651)

Note: The financial liabilities above include the Waste PFI liability, see also Note 32. All trade payables are due to be settled in less than one year.

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 authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates - the interest expense will rise
- borrowings at fixed rates - the fair value of the liabilities will fall
- investments at variable rate - the interest income will rise
- investments at fixed rates - the fair value of the assets will fall

The annual Treasury Management Strategy includes expectations of interest rate movements, and aims to mitigate risks by setting upper limits on the twelve-month revenue impact of a 1% fall and rise in interest rates.

The Treasury Management team monitors market and forecast interest rates and this feeds into the setting of the annual budget as well as in-year budget monitoring. This allows for adverse changes to be accommodated, and exposure to be adjusted accordingly. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, and the drawdown of longer term fixed rate borrowing may be postponed.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

If all interest rates had been 1% higher at 31 March 2021 with all other variables held constant, the financial effect would be:

	31 March 2021
	£'000
Increase in interest receivable on variable rate investments (includes all investments for less than 1 year)	(711)
Decrease in fair value of investments held at fair value through profit and loss	427
Impact on Surplus or Deficit on the Provision of Services	(284)
Decrease in fair value of fixed rate borrowing (no impact on Surplus or Deficit on Provision of Services or Other Comprehensive Income and Expenditure)	(29,041)
Decrease in fair value of fixed rate investment assets (no impact on Surplus or Deficit on Provision of Services or Other Comprehensive Income and Expenditure)	81

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

Price risk – the market prices of the council's units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the council's maximum exposure to pooled property investments of £15m. A 5% fall in commercial property prices at 31 March 2021 would result in a £336k charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Fund Adjustment Account.

The council's investment in pooled equity funds is subject to the risk of falling share prices. This risk is limited by the council's maximum exposure to pooled equity, bond and multi-asset fund investments of £25m. A 5% fall in share prices at 31 March 2021 would result in a £384k charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Fund Adjustment Account.

Foreign exchange risk – the council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

39. City Region Deal

Background

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

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

Transactions

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

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

Cash receivable and disbursements payable by the BRP and the council's share of these transactions are shown in the table below under “Cash Transactions”. The expenditure and revenue recognised in the council's CIES is also displayed and shows the increase in funds held of £9,954k.

	Cash Transactions		Revenue & Expenditure	
	Business Rates Pool Total	of which SGC Share	Council Expenditure	Council Income
	£'000	£'000	£'000	£'000
Funds held by Business Rates Pool (BRP) at 1 April 2020	(41,031)	(24,557)		
Analysed between:				
Uncommitted cash (Tier 2 incl. contingency)	(36,232)	(21,547)		
Uncommitted cash - contingency	(1,950)	(1,316)		
Committed Cash (Tier 2 commitments)	(2,849)	(1,694)		
	(41,031)	(24,557)		
Receipts into Pool in year:				
Growth sums payable by councils into BRP (including interest)	(27,215)	(18,554)	8,600	
Distributions out of the Pool in year				
Tier 1 – no worse off	9,538	5,411		(5,411)
BRP Management fee	33	8		(33)
EDF Management Fee	64	16		0
Tier 2 EDF Funding	1,164	1,044		(575)
Tier 3 Demographic and Service pressures	2,859	2,121		(1,531)
Total distributions out of the Pool in year	13,658	8,600		
Funds Held by BRP at 31 March 2021	(54,588)	(34,511)		
Analysed between:				
Uncommitted cash (Tier 2)	(11,682)	(7,347)		
Uncommitted cash (contingency)	(2,327)	(1,644)		
Committed cash (Tier 2 commitments)	(40,579)	(25,520)		
Total CRD Business Rates Pool	(54,588)	(34,511)		
Expenditure/ (Revenue) recognised			8,600	(7,550)
Increase in funds held		(9,954)		

Growth paid over to the BRP is recognised as expenditure by each council to the extent that the use of the funds by the BRP has been incurred. The council's share of the unallocated cash balance held by the Pool (£34,511k) is recognised as income and held in an earmarked reserve to smooth the impact of City Region Deal transactions and match the release of revenue support and charges for projects.

The differences between the cash sums paid by the council of £18,554k and the expenditure recognised of £8,600k is equivalent to the £9,954k increase in uncommitted and unallocated funds transferred to the earmarked reserve.

The BRP has made the following payments on behalf of the EDF in 2020/21:

- £205k to Bristol City Council
 - £142k to North Somerset Council
 - £242k to Bath and North East Somerset Council
 - £575k to South Gloucestershire Council
-
- £1,164k in total

Under the terms of the EDF agreement, annual EDF payments from the business rates pool will only be made subject to there being sufficient cash held in the Fund in the relevant year and will be pro-rated in the event of a shortfall. Until the EDF payments become physically due each year, the cash is retained in the business rates

pool and held as "Committed Cash not yet allocated". These allocations will fluctuate significantly as overall levels of cash in the Fund change and as additional EDF-funded projects are approved. EDF income to the council in respect of future year payments from the EDF is not considered sufficiently certain in terms of timing or amount to recognise a debtor at year end, and therefore is a contingent asset. Based on the current cash held and status of approved schemes, the contingent future allocation of the committed cash to the Council is £34,986k, of the total £40,579k committed pool balance.

The council itself has recognised revenue income of £7,550k from the BRP and expenditure of £8,600k to the Pool for the year.

40. Prior Period Adjustment

A new line has been added to the Balance Sheet at 31 March 2021 to show grant receipts in advance separately from short term creditors. The comparable opening and closing balances for the prior year 2019/20 have therefore been restated as shown below:

Effect on Opening Balance Sheet at 1st April 2019

	Opening Balances at 1 April 2019 £'000	Restatement £'000	Correction to opening balances £'000
Short term creditors	(92,470)	(72,681)	+19,789
Current Liabilities	(114,877)	(95,088)	+19,789
Grant receipts in advance	0	(19,789)	-19,789
Non-current/Long-term Liabilities	(536,690)	(556,479)	-19,789

Effect on Balance Sheet at 31st March 2020

	Balance at 31 March 2020		
	As Previously Stated £'000	As Restated £'000	Correction £'000
Short term creditors	(108,007)	(77,199)	+30,808
Current Liabilities	(113,787)	(82,979)	+30,808
Grant receipts in advance	0	(30,808)	-30,808
Non-current/ Long-term Liabilities	(562,021)	(592,829)	-30,808

This change does not impact on any other of the core statements.

Effect on Notes

Note 15 Creditors – opening and closing balances for the prior year have been restated to reflect the reduction to Receipts in Advance, to exclude Grant receipts in advance.

Note 28 Grant income - opening and closing balances for the prior year have been restated to reflect Grant receipts in advance.

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

Business Rates	2019/20 Council Tax	Total		Business Rates	2020/21 Council Tax	Total	Note
£'000	£'000	£'000	Income	£'000	£'000	£'000	
	(178,252)	(178,252)	Council Tax receivable		(187,427)	(187,427)	C2
(148,036)		(148,036)	Business Rates receivable	(84,694)		(84,694)	C3
(148,036)	(178,252)	(326,288)	Total Income	(84,694)	(187,427)	(272,121)	
			Expenditure				
			Apportioned Prior Year Surplus (Deficit):				
963	1,866	2,829	South Gloucestershire Council	(2,324)	1,401	(923)	
51		51	West of England Combined Authority	(124)	0	(124)	
10	238	248	Avon Fire Authority	(25)	66	41	
0	88	88	Avon & Somerset Police & Crime Commissioner	0	195	195	
1,024	2,192	3,216		(2,473)	1,662	(811)	
			Precepts, demands and shares				
122,178	147,762	269,940	South Gloucestershire Council	119,612	157,353	276,965	
6,499	0	6,499	West of England Combined Authority	6,362	0	6,362	
1,300	6,952	8,252	Avon Fire Authority	1,272	7,250	8,522	
0	20,607	20,607	Avon & Somerset Police & Crime Commissioner	0	22,039	22,039	
129,977	175,321	305,298		127,246	186,642	313,888	
			Charges to the Collection Fund				
310	872	1,182	Increase/(decrease) in bad debt impairment allowances	8,317	1,681	9,998	
350	652	1,002	Write-offs of uncollectable amounts	47	441	488	
731		731	Increase/(decrease) in provision for Business Rate appeals	389	0	389	
347		347	Cost of collection allowance	350	0	350	
16,339		16,339	City Region growth disregard	16,340	0	16,340	
514		514	Renewable Energy cost	499	0	499	
2,222		2,222	Transition Protection Payment	1,044		1,044	
20,813	1,524	22,337		26,986	2,122	29,108	
151,814	179,037	330,851	Total Expenditure	151,759	190,426	342,185	
3,778	785	4,563	(Surplus)/ Deficit for the Year	67,065	2,999	70,064	
(1,125)	(2,117)	(3,242)	(Surplus)/ Deficit Brought Forward	2,653	(1,332)	1,321	
2,653	(1,332)	1,321	(Surplus)/ Deficit Carried Forward	69,718	1,667	71,385	C1

Notes to the Collection Fund

C1 Apportionment of Fund Balance

2019/20			Apportionment of Fund Balance	2020/21		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
2,494	(1,123)	1,371	South Gloucestershire Council	65,535	1,405	66,940
133	0	133	West of England Combined Authority	3,486	0	3,486
26	(53)	(27)	Avon Fire Authority	697	65	762
0	(156)	(156)	Avon & Somerset Police & Crime Commissioner	0	197	197
2,653	(1,332)	1,321	Total	69,718	1,667	71,385

C2 Calculation of the Council Tax Base

The council derives income from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the council in the forthcoming year and dividing this by the council tax base (i.e. the equivalent numbers of Band D dwellings). The tax base for 2020/21 was calculated as follows:

Band	No. of Properties adjusted for growth & disabled relief	Discounts & Exemptions incl. LCTR Discounts	Discounted Equivalent Properties	Ratio to Band D	Band D Equivalent Properties
A-	36	21	15	5/9	8
A	13,512	4,840	8,672	6/9	5,782
B	36,588	6,109	30,479	7/9	23,706
C	29,341	3,480	25,861	8/9	22,987
D	22,067	2,210	19,856	1	19,856
E	12,415	794	11,621	11/9	14,204
F	5,983	309	5,674	13/9	8,195
G	2,033	130	1,903	15/9	3,172
H	160	7	154	2	308
Total	122,135	17,900	104,236		98,218
Adjustment to allow for new discounts & single persons allowances					(1,473)
Council Tax Base for 2020/21					96,745

C3 Non-Domestic Rateable Value and multiplier

2019/20		2020/21
£355,440,264	Total Non-Domestic Rateable Value at 31 March 2020	
	Total Non-Domestic Rateable Value at 31 March 2021	£350,979,380
0.504	National Non-Domestic Rate multiplier for the year (standard)	0.512
0.491	National Non-Domestic Rate multiplier for the year (small business)	0.499

ANNUAL GOVERNANCE STATEMENT

AS AT JULY 2021

(A requirement of the Accounts and Audit Regulations (England) 2015)

1. Introduction

- 1.1 The council is required by the [Accounts and Audit \(England\) Regulations 2015](#) to prepare and publish an Annual Governance Statement, in order to report publicly on the extent to which we comply with our own Local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in year and on any planned changes to our governance arrangements in the coming year. This statement provides transparency, and gives assurance that the council is committed to continuously improve the way in which it functions.

In this document the council:

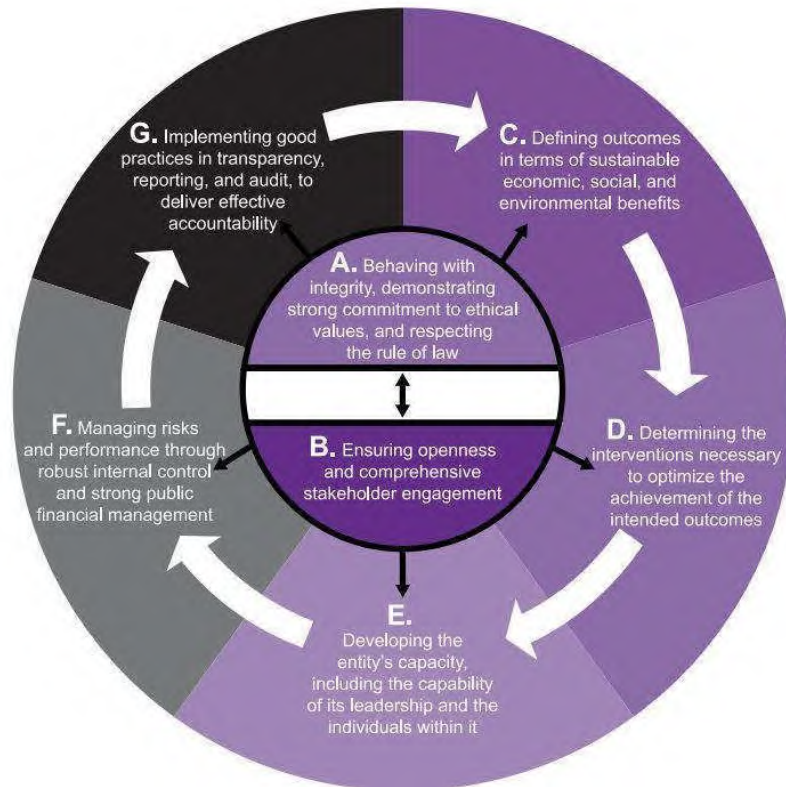
- Acknowledges its responsibility for ensuring that there is a sound system of governance;
- Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- Describes how the council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- Provides details of how the council has responded to any issues identified in last year's governance statement; and
- Reports on any key governance matters identified from this review and provides a commitment to addressing them.

- 1.2 The Annual Governance Statement (AGS) reports on the governance framework that has been in place for South Gloucestershire Council for the year ended 31st March 2021 and up to the date of the approval of the statements of accounts.

2. Scope of Responsibility

- 2.1 South Gloucestershire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.
- 2.2. In discharging these responsibilities, the council must put in place proper arrangements for the governance of its affairs and effective exercise of its functions, which includes arrangements for the management of risk.
- 2.3 South Gloucestershire Council has a [Code of Corporate Governance](#) that defines the principles and practices that underpin the governance arrangements operating at the council. The Code is located within the council's [Constitution](#). The Code is consistent with the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) guidance 'Delivering Good Governance in Local Government Framework – 2016 Edition'. The diagram below provides an overview of the seven principles upon which this AGS and the Code is based:

Delivering Good Governance – Principles (CIPFA) – Achieving the Intended Outcomes While Acting in the Public Interest at all Times



- 2.4 More information on how the council demonstrates adherence to these principles is provided in the tables in Section 5 below.

3. What is Governance?

- 3.1 Governance is about how the council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- Leadership and management;
- Performance and risk management;
- Stewardship of public money; and
- Public engagement and outcomes for those who work, live and visit our area.

3. How we know our governance arrangements are working

- 3.1 To monitor the effectiveness of the council's corporate governance systems, a governance framework has been developed (see diagram overleaf). This framework is monitored by the Audit and Accounts Committee.
- 3.2 The governance framework comprises the culture, values, systems and processes, by which the council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

Framework for the Annual Governance Statement



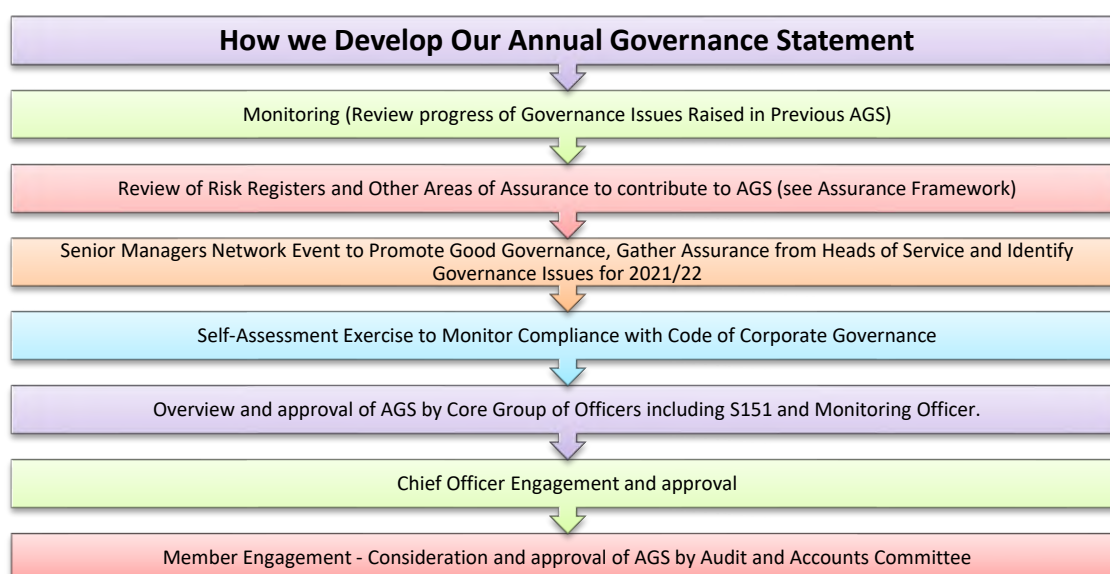
3.3 The system of internal control is a significant contributor to the overall framework and is designed to manage risk to a reasonable level. It ensures that in conducting its business, the council:

- Operates in a lawful, open, inclusive and honest manner;
- Makes sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud, properly accounted for and used economically, efficiently and effectively;
- Has effective arrangements for the management of risk;
- Secures continuous improvement in the way that it operates;
- Enables human, financial, environmental and other resources to be managed efficiently and effectively;
- Properly maintains records and information; and
- Ensures its values and ethical standards are met.

3.4 The council annually evaluates the effectiveness of its governance arrangements to ensure it supports the delivery of sustainable service outcomes and value for money. Some of the key sources of assurance contributing to the overall framework are:

- The work of Councillors and Senior Officers of the council who have responsibility for good governance;
- The Audit Manager's annual audit opinion (acting in the capacity as Chief Internal Auditor) which provides an independent opinion on the effectiveness of the council's control environment comprising, risk management, control and governance;
- The work of the Corporate Governance Working Group and their collective oversight of the council's risk management arrangements, including receiving regular operational risk monitoring reports and providing steer on development of risk policy;
- Any comments made by the Council's External Auditors and any other review agencies and inspectorates.

3.5 There is a comprehensive review and engagement process for the development of the Annual Governance Statement. The diagram below provides an overview:



3.6 It should be noted however, that any system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness.

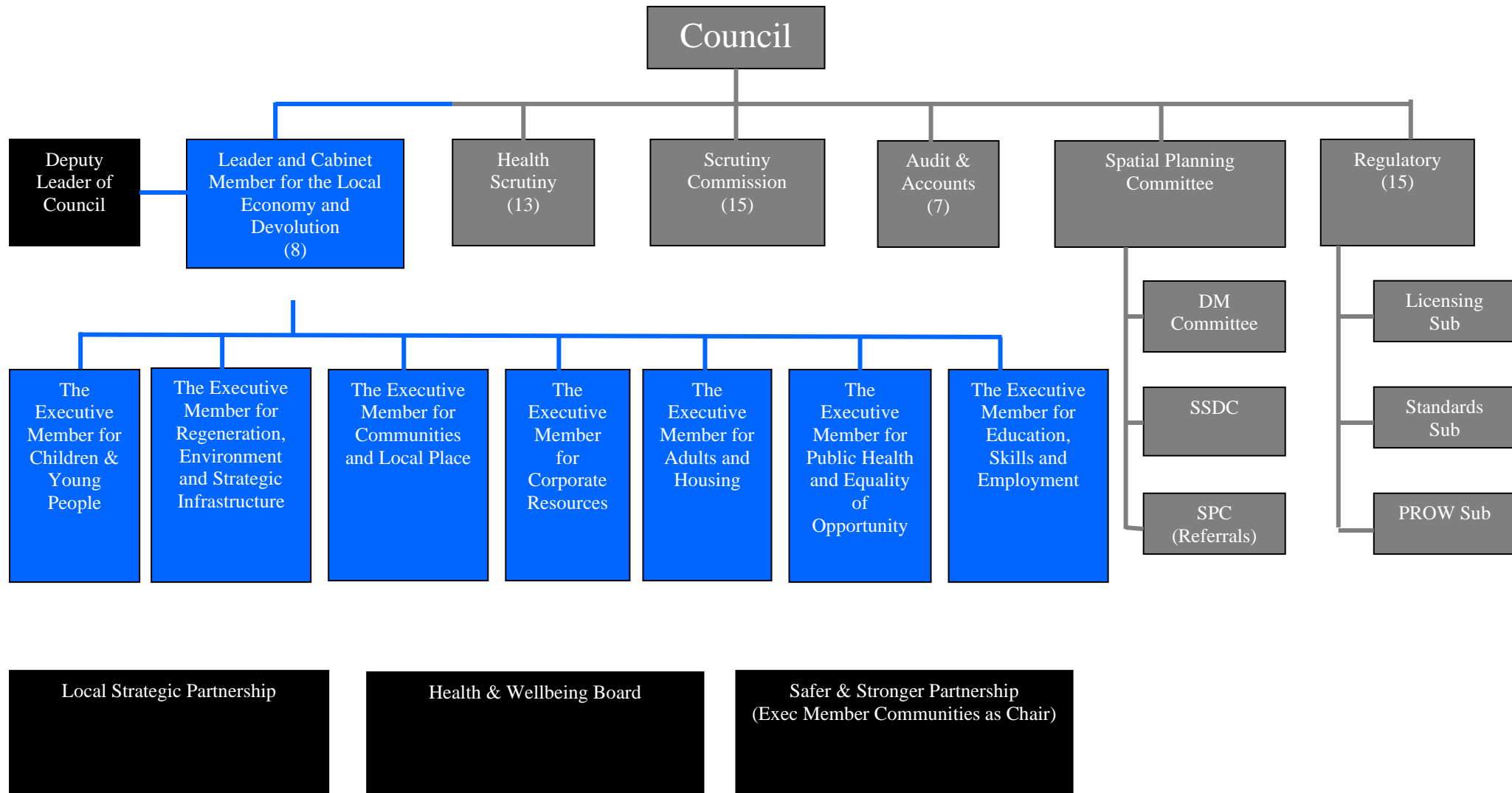
- 3.7 The diagram (overleaf) describes key governance roles and responsibilities at South Gloucestershire Council:
- 3.8 The council's constitution sets out: how the council legally operates; how formal decisions are made; and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

4. Impact of COVID-19 Pandemic on Governance Arrangements

- 4.1 The Covid-19 pandemic has continued to present additional challenges to service delivery for the council in 2020/21. This statement will identify where specific governance measures have been adapted as a result of the pandemic and to provide assurance over the checks and balances that have been implemented to safeguard staff and residents and to ensure COVID funding has been deployed effectively.
- 4.2 The Coronavirus Bill introduced the legal capability for meetings to be held using virtual technologies and the council used this approach throughout 2020/21. Until 7th May 2021, key meetings were being delivered using virtual software which enabled participation. The Chief Executive implemented an emergency governance structure in March 2020 which extended into financial year 2020/21 to enable operational decisions to be effectively managed and key issues and risks to be escalated swiftly to Chief Officers for decision.
- 4.3 Any emergency structures contain key features to ensure risks are identified promptly, issues escalated and a system of control maintained.
- 4.4 The council mobilised swiftly to adapt service delivery and meet government requirements. Like all other local authorities in the country, the council engages and liaises with MHCLG and the LGA on funding requirements and the likely impact on the council. Around £17.9M has been received in emergency funding during 2020/21. This addressed the forecast 2020/21 financial pressure alongside further support such as the Sales, Fees & Charges Income Scheme and local spending controls and mitigations. The council prepares a detailed four year revenue budget, which sits within a 10 year medium term financial plan. The full impact of the Coronavirus pandemic on collection fund accounts and levels of council tax and business rates income continues to be monitored and understood. The council has continued to secure investment through the West of England Combined Authority (WECA) to pursue strategic infrastructure schemes. Locally the council has progressed its Place-Shaping and Regeneration aspirations through its Land & Property Investment Fund with two purchases made during 2020/21 to push forward master planning ambitions in Yate.

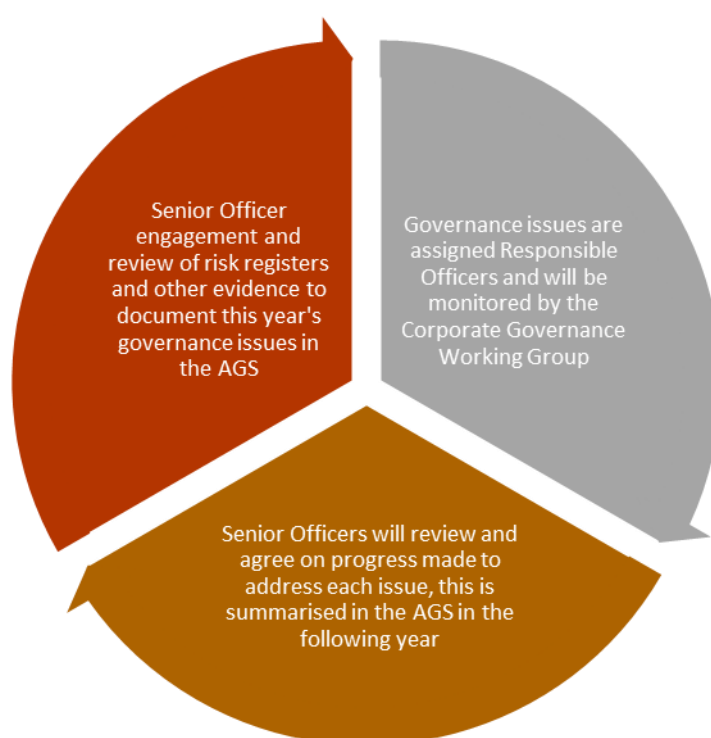
The Council	<ul style="list-style-type: none"> • There are 61 Councillors who approve the Council Plan and the Constitution (including standing orders and Financial Regulations) • Approves key policies and the budgetary framework.
Cabinet	<ul style="list-style-type: none"> • The main decision-making body of the council • Comprises the Leader of the Council and seven Cabinet Members who all have responsibility for portfolios
Audit And Accounts Committee	<ul style="list-style-type: none"> • Provides independent assurance to the council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment. • Oversees the work of internal audit and regularly reviews to ensure adequately resourced and effective. • Approves the Annual Statement of Accounts and Annual Governance Statement
The Scrutiny Commission	<ul style="list-style-type: none"> • Responsible for overview and scrutiny, and for holding the Executive to account. It allows a greater say in council matters by holding inquiries into matters of local concern. • Inquiries can lead to reports and recommendation which advise the Executive and council as a whole on its policies, budget and service delivery. They will be informed of forthcoming decisions and policy. • The Scrutiny commission is responsible for setting their own work programme and where a decision is called in by any five members, they can review the decision and recommend whether it is reconsidered.
The Senior Leadership Team	<ul style="list-style-type: none"> • Implements the policy and budgetary framework set by the Council and provides advice to Cabinet and the Council on the development of future policy and budgetary issues. • Oversees the strategic implementation of council policy • Influences a corporate culture, encouraging the highest ethical standards and integrity.
The Chief Financial Officer	<ul style="list-style-type: none"> • Accountability for developing and maintaining the council's governance, risk and control framework. • Statutory reporting duties in respect of unlawful and financially imprudent decision making, ensuring compliance with CIPFA Statement on the Role of the Chief Financial Officer in Local Government. • Contribute to the effective corporate management and governance of the council.
Monitoring Officer	<ul style="list-style-type: none"> • Responsibility for ensuring the proper and lawful conduct of the council's affairs and statutory reporting duties in respect of unlawful decision making and maladministration. • To advise members on the interpretation of the Code of Conduct for Members and Co-opted Members. • To oversee and review the registers of interest for staff and member and the registers of gifts and hospitality.
Head of Human Resources	<ul style="list-style-type: none"> • Overall responsibility for the maintenance and operation of the Whistle-blowing procedure and how this contributes to effective corporate governance.
Internal Audit	<ul style="list-style-type: none"> • Provides independent assurance and an annual opinion on the adequacy and effectiveness of the council's governance, risk management and control framework • Delivers an annual programme of risk based audit activity, including counter-fraud and investigation activity. • Makes recommendations for improvements in the management of risk
External Audit	<ul style="list-style-type: none"> • Audit/review and report on the council's financial statements (including the Annual Governance Statement) providing an opinion on the accounts and use of resources. • To conduct a value for money review to provide an opinion on how well the council uses its resources to secure economy, efficiency and effectiveness.
Managers	<ul style="list-style-type: none"> • Responsible for developing, maintaining and implementing the council's governance, risk and control framework. • Contribute to the effective corporate management and governance of the council.

The Constitutional Structure



5. Annual Evaluation of the Effectiveness of the Governance Framework

- 5.1 The council is responsible for conducting an annual evaluation of the effectiveness of its governance framework, including the systems of internal control. This work is informed by the work of managers within South Gloucestershire Council who have responsibility for the development and maintenance of the governance environment. After conducting this review the council has assurance that its governance arrangements and systems of control are robust and reflect the principles of the Code of Corporate Governance. This section explains what arrangements were reviewed, and how this assurance was achieved.
- 5.2 The evaluation of effectiveness takes place in a cycle and will, not only provide assurances over the current governance areas and arrangements but, will also identify governance matters to be taken forward and addressed in the following financial year. This approach ensures a process of continuous improvement in governance.



- 5.3 The tables below present how South Gloucestershire Council demonstrates compliance with the good governance core principles:

COMPLIANCE WITH THE GOOD GOVERNANCE CORE PRINCIPLES

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Supporting Principles:		
Behaving with Integrity	Demonstrating strong commitment to ethical values	Respecting the Rule of Law
<p>WECARE – The Council's Values:</p> <p>The Chief Executive and his Senior Leadership Team meet regularly to steer the organisation's activity. The council's values provide guiding principles which define how the council works with each other and the community. The values define what the council stands for and sets aspirations central to achieving the vision for residents and communities, ensuring South Gloucestershire will always be a great place to live and work. The value are as follows:</p> <ul style="list-style-type: none"> ➤ Working Together ➤ Equality Focused ➤ Committed to our Communities ➤ Ambitious and Adaptable ➤ Resourceful ➤ Encouraging Responsible Growth <p>There is a behaviours framework to support the Values.</p> <p>Arrangements are in place to ensure that members and officers are not influenced in anyway when dealing with decisions and stakeholders. These arrangements include:</p> <p>Registers of interests</p> <p>Registers of gifts and hospitality.</p> <p>Requirement to make specific declarations of interests at formal meetings.</p>	<p>The Council has a Code of Conduct for elected and co-opted members, it forms part of the Constitution of the council and is a requirement of the Localism Act 2011. Allegations of breaches of the code are heard by the Standards Sub Committee. Constitution Containing Member Code of Conduct & Member Officer Protocol</p> <p>The Standards Sub-Committee is a champion of high standards of ethical governance from elected councillors, it receives complaints made by any persons about elected and co-opted councillors of South Gloucestershire Council and all parish and town councils within the district. It will assess the complaints and determine if they require investigation. A summary of its work is included in its Annual Report to the Regulatory Committee.</p> <p>The council has a Members Planning Code of Good Practice and a Member and Officer Protocol, these documents are contained in the council's constitution.</p> <p>The council has a Code of Conduct for Employees which sets out the professional standards required of all employees, including the ethical values of equality, political neutrality in the workplace, disclosure of information and ethical and sensible use of resources.</p> <p>The council has a Partnership Governance Framework, this sets out how the council will work with partners to form effective relationships.</p>	<p>South Gloucestershire Council has agreed a constitution which sets out how the council operates and how decisions are made and the procedures which are followed.</p> <p>The council uses its legal powers, including the general power of competence to promote its values and priorities to the full benefit of all those who live and work in South Gloucestershire.</p> <p>Roles and responsibilities are defined in the diagram in Section 4.</p> <p>The council appoints Statutory Officers who have the skills, resources and support necessary to ensure the council's statutory and regulatory requirements are complied with.</p> <p>The council has the Scrutiny Commission and Joint Health Scrutiny to oversee the operations of the council and in the case of the latter, advocate for the best possible services for the residents of South Gloucestershire, through holding the NHS and other providers of health services to account.</p>

B. Ensuring openness and comprehensive stakeholder engagement.

Supporting Principles		
Ensuring Openness	Engaging comprehensively with Institutional stakeholders	Engaging stakeholders effectively, including individual citizens and service users
<p><u>How we do this:</u></p> <p>The council's website is set out in a clear and easily accessible way, using plain language and by having links to commonly accessed areas.</p> <p>Members of the public may usually attend all formal meetings, have access to the Agenda and Reports before the meeting and access to the Minutes after the meeting.</p> <p>Cabinet Member decisions and significant officer decisions are reported on the council website.</p> <p>Emergency arrangements were implemented during 2019/20, any member of the public wishing to make a statement needed to give 24 hours' notice and provide the statement in advance so that it could be circulated to all councillors on the committee.</p> <p>Video conferencing software was used to enable the council to webcast virtual meetings, to enable public participation. Minutes and now Webcasts of all Members' Meetings are available on the council's web pages. These show key decisions made at each meeting.</p> <p>The council publishes data in accordance with the Local Government Transparency Code which encourages an increase in democratic accountability and makes it easier for individuals to contribute to local decision making.</p>	<p><u>How we do this:</u></p> <p>The council is a key partner to the West of England Combined Authority (WECA). The Combined Authority has sub regional responsibilities around transport infrastructure and adult education. A positive relationship between stakeholders will unlock funding and enable collective and joined up planning of the region.</p> <p>The South Gloucestershire Partnership (SGP), brings together organisations to work with the community to identify and tackle key issues in a more co-ordinated way which enables both strategic decisions and local action. Members of the partnership come from voluntary and community groups, local businesses, the council and other public sector agencies.</p> <p>The council commits to community engagement through a range of community forums. There is a South Gloucestershire Compact in place to help guide the council's work with the VCSE sector.</p> <p>Partnership working with the Police and Health Sector has been critical during the pandemic. Partnership relationships have significantly matured and developed over the past twelve months securing a positive outlook.</p>	<p><u>Council Website, Facebook and Other Social Media Platforms:</u></p> <p>The council makes use of its own website plus Social Media including Facebook, Next Door and Twitter to engage with citizens and service users. Recently Facebook has been used for communication on matters relating to COVID.</p> <p>Engaging communities in decision making is one of the four priorities for community engagement set by South Gloucestershire's Safer Stronger Communities Strategic Partnership Strategy 'Building Safer Stronger Communities Together'.</p> <p>The council actively promotes residents to "Have Your Say" on current issues by filling in online questionnaires, commenting on plans or taking part in on-line discussions. Residents can look at planned, current and past consultation and involvement activities, and look at the results of these and how they have been used.</p> <p>Residents are encouraged to take part in the budget consultation each year. The Annual financial statements provide a summary of council performance.</p> <p>Residents can sign up for email e-bulletins, register for viewpoint and use social media to interact with the council.</p> <p>The council has a published Complaints Procedure to ensure residents and service users can complain if they are dissatisfied with a service or if they have failed to receive a service. People can complain using a variety of methods.</p>

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Supporting Principles:

Defining Outcomes	Sustainable economic, social and environmental benefits
<p>The Sustainable Community Strategy sets out the shared vision and key priorities for the future of the area. The South Gloucestershire Partnership uses this strategy to identify and be responsive to local needs; it also provides direction to the partners' work to improve integration, sustainability and service quality; to focus resources and work more efficiently together for the benefit of the people of South Gloucestershire.</p> <p>The council operates in a complex and constantly evolving financial, policy and legislative environment. The role, responsibilities and funding models of local government continue to be in a period of rapid transition. The council has launched their new council plan which sets out the council's ambition and vision over the next few years.</p> <p>The Council Plan builds on and delivers the council's vision to make South Gloucestershire a great place to live and work. The core priorities are:</p> <ol style="list-style-type: none"> 1. Creating the best start in life for our children and young people 2. Identifying and supporting those in need and helping people to help themselves 3. Promoting sustainable inclusive communities, infrastructure and growth 4. Realising the full potential of our people and delivering value for money <p>Underpinned by: Closing the inequality gap, Addressing the climate emergency and value for money. Prior to the COVID-19 pandemic, the medium term financial plan assumed savings of £15m expected from the council's Savings Programmes between 2020/21 and 2021/22. There is still a predicted budget gap amounting to £16.3m by 2024/25. Work is ongoing to identify further potential savings through a Resource Allocation project to realign available resources to Council Plan priorities. The council is working towards identifying closer links between school leadership and governance and a school's financial situation.</p>	<p>South Gloucestershire Council works for all parts of every community. The council's aim is to: encourage mutual respect for all of our residents; recognise and work with every diverse group; give high quality inclusive services and facilities; make sure our employment policies and practices are fair; challenge harassment and discrimination.</p> <p>The council has an Equalities and Diversity Action Team (EDAT) that meets at least every three months to provide strategic direction, guidance and performance management to Members, departments and partners on equality and diversity issues, as well as discussing and acting on equality and diversity issues within the authority and partnerships. Equalities Impact Assessments are required for all new business endeavours and changes to ascertain how the development will impact.</p> <p>In July 2019, the council declared a climate emergency recognising that urgent action needs to be taken to reduce the area's carbon emissions and mitigate the negative impacts of climate change. The council has pledged to support South Gloucestershire in becoming carbon neutral by 2030. In addition the council is signing up to the UK100 pledge to ensure 100% renewable energy across the area by 2050.</p> <p>Together with the community, the council has made significant progress to reduce the amount of waste produced. Between 2014 and 2019 individual household waste reduced by 10 per cent and residual household waste by 27 per cent. 57.8 percent of waste was recycled in 2018/19, making the local authority one of the best performing authorities in England and already exceeding the national target of 50 percent by 2020. The council has a target in place to achieve zero waste to landfill by 2030.</p> <p>The West of England Combined Authority (WECA), as well as being empowered to make more decisions locally on areas such as transport, housing and skills, also works with partners including the West of England Local Enterprise Partnership, North Somerset Council and others, to deliver economic growth for the wider region.</p> <p>South Gloucestershire Council is committed to making our spending decisions in a way that delivers both value for money on a whole life cycle basis, and achieves wider economic, social and environmental benefits.</p>

D. Determining the interventions necessary to optimise the achievement of the intended outcomes.

Supporting Principles:

Determining Interventions	Planning Interventions	Optimising achievement of intended outcomes
<p>We inform key decision makers in various ways: Reports to Councillors; Statutory Reporting to external bodies and other agencies; Management and Financial Reports direct from the Council's accounting system; Performance Management System data, and; Risk and assurance-based work undertaken by Internal Audit and their resultant reports, all ensure council decision makers receive accurate, relevant and timely evidenced-based information on which to make decisions.</p> <p>The delegation of some defined day to day decision making (defined in the constitution) to Officers and the referral to Cabinet or Executive Member for those matters requiring Members' Decisions that can be made without requiring approval at Full Council enables more prompt decision making.</p> <p>South Gloucestershire Council's Performance Management System enables the council and its committees to receive timely and accurate performance information about service delivery. This enables prompt intervention to take place to address any barriers to good performance.</p>	<p>The council plans its activity at a strategic level through its budget and business planning cycle and it does so in consultation with internal and external stakeholders.</p> <p>Occasionally staff are asked to complete internal questionnaires to help gain feedback on an existing situation and help shape plans for the future.</p> <p>Neighbourhood planning gives communities the power to develop a vision of their neighbourhood. It enables them to contribute to the development and growth of their area. It also ensures that the desire of the neighbourhood is aligned with the overall needs and priorities of the wider local area.</p> <p>The Council's Statement of Community Involvement (SCI) explains how everyone can be involved in the preparation of new planning policy documents and in consultation on planning applications.</p> <p>South Gloucestershire Council has a commitment to protect and enhance the environment for the benefit of all residents and businesses in the area. The council has an officer and member protocol for planning decisions.</p>	<p>The council integrates and balances service priorities, affordability and other resource constraints, supporting it to take into account the full cost of operations over the medium and longer term. This includes both revenue and capital expenditure budgets. A medium term financial plan is developed.</p> <p>The financial plans demonstrate how the council's financial resources will be deployed over the next three years to deliver aims and priorities.</p> <p>The council takes into consideration social value when procuring essential goods and services.</p>

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Supporting Principles:

Developing the Organisation's Capacity

The council participates in relevant benchmarking exercises and peer reviews to help inform how resources should be allocated.

The benchmarking activities and analysis and collaborative working will assist in the seeking of better outcomes from the use of resources.

Collaborative working and alternative service delivery models are fully considered as part of option appraisals.

The council has an Occupational Health Service that offers health assessments, health screening and advice. The council also has a confidential counselling service available to all employees. This has been expanded during the pandemic to provide additional support where beneficial to employees.

The council recently promoted a programme of support for Women in Leadership. The council has a comprehensive workforce development and training offering for all staff and other key partner organisations.

Developing the capability of the council's leadership and other individuals

The council's constitution clearly defines the statutory and distinctive leadership roles of the Leader of the council, the Chief Executive and other Statutory Posts.

Both elected Members and Senior Officers have their own respective Codes of Conduct to adhere to

Members undergo an Induction process post-election. Members have their own section of the Intranet specific to their own roles and responsibilities.

The Members pages includes a section on Learning & Development which includes links to the Councillor Development Group, Personal Development Interviews, Skills Framework, Learning Resources, E-learning, Self-Study Courses and a link to the Local Government Association website.

The council has a comprehensive development and supervision offering for staff. This commences from appointment with a corporate induction and access to e-modules and other training courses. Staff must have regular supervision, and an annual PDPR (Personal Development Performance Review) plus follow up. Staff receive regular updates on new initiatives by email on the intranet.

There is a whole section of the council's intranet dedicated to HR (My HR). These pages explain all of the above processes plus provide more information such as for example, essential staff policies and helpful links to coaching and mentoring and other services. The pages also provide a link to the online Learning and Development Portal.

The council places a high priority on the wellbeing of its staff. There are pages on the council intranet devoted to wellbeing alongside the appointment of a Wellbeing Co-ordinator and associated internal communications called "Wellbeing Wednesday".

There is a package of support available for staff to access and the council promotes this offering via Mental Health Champions and regular communications.

F. Managing risks and performance through robust internal control and strong public financial management.	
Supporting Principles	How the Council meets these principles
Managing Risks	<p>The council has a risk and opportunity management strategy. The Corporate Governance Working Group oversee the council's risk management arrangements.</p> <p>The Strategic Risk Register is part of the council's framework of risk management. This register is reviewed by the Strategic Leadership Team and presented to Cabinet annually. Each Department has a risk register. These registers are monitored by Departmental Management Teams and are presented to Portfolio Leads annually. The Risk Registers include information on inherent risks and the associated mitigating controls to treat, terminate, tolerate or transfer any residual risk. Each risk will have an assigned owner and a date to review progress of the mitigation. Internal Audit Services currently co-ordinate the completion and submission of the Council's Strategic, and the CE&CR Departmental, Risk Registers.</p> <p>Risk management is an integral component of business continuity planning and emergency management. During the COVID-19 pandemic the council introduced additional pandemic specific risk registers at Senior Leadership team and Departmental level. These specific registers are reviewed more frequently and enable the council to respond quickly to emerging risks associated with the pandemic.</p> <p>The Health & Safety Team provide Corporate Health and Safety guidance, including corporate oversight of schools.</p> <p>The main principles of the council's Health & Safety policy are that: the people responsible for managing and carrying out the work are also responsible for making sure it is safe; Senior management has ultimate responsibility for safety, but everyone has a part to play, and; Standards should be high and control measures should be proportionate to the level of risk.</p>
Managing Performance	<p>The council has implemented key performance indicators in many areas of service. The council makes use of a performance management system to capture the indicators corporately and enable review and consideration to take place at Departmental level.</p> <p>Some council services are subject to statutory national Key Performance Indicators (KPI's). For significant high expenditure, high volume areas of the council, the information management team are working with IT systems to develop data dashboards to improve the quality of performance data to enable informed decision making. This data can then be used to support effective resource allocation if changes in resources are identified as needed to assist in improvement of performance. Each service has its own Service Plan which is updated annually. These plans detail specific service priorities, which are aligned to overall council service delivery and community needs and priorities.</p> <p>The council has a Contract Management Framework which sets out a centrally-led and consistent framework for Contract Management activities across South Gloucestershire Council, which draws upon existing good practice and national guidance. Contractual documentation will contain key performance measures expected of them to deliver services and monitoring will take place to ensure this happens in practice.</p>
Effective Overview and Scrutiny	The Scrutiny Commission holds decision makers to account and plays a key role in ensuring that public services are delivered in the way residents need. The agenda and reports are publicly available and the commission sets its own work plan.
Robust Internal Control	The council has robust internal control processes in place, which support the achievement of its objectives while managing risks. The council's approach is set out in detail in the Annual Internal Audit Plan. The council has an Audit and Accounts Committee. The

F. Managing risks and performance through robust internal control and strong public financial management.	
Supporting Principles	How the Council meets these principles
	<p>Committee provides an independent high level resource to support good governance and strong financial management. The Committee's Terms of Reference includes an Anti-Fraud remit specifically: to be the custodian of the council's anti-fraud, corruption and bribery policy and to develop and monitor procedures and protocols on this matter; to consider any significant issues in relation to detected fraud or corruption within the council; to consider the results from the biennial National Fraud Initiative and receive an annual report on counter fraud activity. The council has an Anti-Fraud, Corruption and Bribery Policy which sets out the Council's zero tolerance commitment to tackling fraud, bribery and corruption. The council also has an Anti-Money Laundering Policy and a Whistle-blowing policy.</p> <p>An assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the council's Audit Manager (chief internal auditor) in the opinion section of this Annual Governance Statement.</p>
Managing Data	<p>The processing of personal data is essential to many of the services and functions carried out by local authorities. The council complies with data protection legislation, which includes GDPR (General Data Protection Regulation) and the Data Protection Act 2018 (DPA 2018). This compliance ensures that such processing is carried out fairly, lawfully and transparently. The council reviews and supplements its policies, and also keep its processing activities under review, to ensure they remain consistent with the law, and any compliance advice and codes of practice issued by the Information Commissioner's Office.</p> <p>Each year the council completes an Information Governance and Data Security and Protection Toolkit to meet NHS data security requirements. This toolkit assessment demonstrates a high level of compliance.</p> <p>The council's Information Governance is led and monitored by the Data and Information Group (DIG). This group meets regularly and includes the Senior Information Risk Officer (SIRO) and Data Protection Officer (DPO). The Data and Information Group, under the direction of the SIRO, will ensure the coordination of a council-wide programme of information governance activities to educate, refresh and promote awareness of the organisation's roles and responsibilities; in addition, to identifying the work priorities, including the revision of various information governance policies, procedures and guidance.</p> <p>Serious data breaches that must be reported to the Information Commissioners Office (ICO) remain very low. Information campaigns and reminders are regularly circulated to staff along with the requirement to undertake regular refresher training to continue to be aware of the associated risks.</p> <p>The council complies with the Local Government Transparency Code 2015 by publishing data required by The Code.</p> <p>The council makes information available to the public via the information access regimes provided for by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Data protection legislation, including the Data Protection Act 2018, provides individuals with various rights. The council ensures that all valid requests from individuals to exercise those rights are dealt with quickly and within the specified timescales.</p>
Strong Public Financial Management	<p>The council recognises that finance is intrinsically linked to its strategy and operations and none of these can be considered in isolation. The council's approach to financial management ensures that public money is safeguarded at all times, ensuring value for money. Its approach support both long-term achievement of objectives and shorter term financial and operational performance.</p>

F. Managing risks and performance through robust internal control and strong public financial management.

Supporting Principles	How the Council meets these principles
	<p>The Chief Financial Officer reports to the council on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed financial reserves in line with current guidance. The Chief Financial Officer ensure that appropriate advice is given on all financial matters, proper financial records and accounts are kept, and oversees an effective system of internal financial control. The Financial Services division will ensure that well developed financial management is integrated at all levels of planning including management of financial risks. The financial regulations are in the constitution and underpin the financial arrangements.</p> <p>The Financial Management Code (FM Code) sets out the standards of financial management expected for local authorities and is designed to support good practice and to assist local authorities in demonstrating their financial sustainability. The council has undertaken a self-assessment of compliance with the Financial Management Code. It was launched in 2019 and is fully implemented for 2020/21 financial year. Local Authorities can demonstrate they are working towards full implementation of the code, with the first full year of compliance being 2021/22.</p> <p>Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Financial Officer of the authority must report to the council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Chief Financial Officer has discharged this responsibility in the annual budget report to Full Council.</p>

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Supporting Principles:

Implementing Good Practice in Transparency	Implementing good practices in reporting	Assurance and effective accountability
<p><u>Transparency Code 2015:</u></p> <p>The council adheres to the requirements of the Local Government Transparency Code 2015, which includes requirements and recommendations for local authorities to publish certain types of data.</p> <p>This is in addition to the required publication of the Annual Accounts, other Financial Statements and Meeting Minutes and other public interest information which has always been published.</p> <p>The council's website is set out in a clear and easily navigable way, using links, and plain language.</p> <p>Hardcopies may also be sent in the post if requested.</p>	<p><u>Financial Statements and Annual Governance Statement:</u></p> <p>Financial Information and the Annual Governance Statements for each year are all easily available on one page of the council's website.</p> <p>Notices for inspection at Council Offices are given in accordance with the Local Audit and Accountability Act 2014 Sections 26 & 27 and the Accounts and Audit Regulations 2015 Regulation 15.</p> <p>The council demonstrates how it has complied with CIPFA's "Delivering Good Governance in Local Government (2016)" principles by producing the Annual Governance Statement (AGS) and this Appendix, which follows the principles and sub-principles contained in the same CIPFA/SOLACE publication.</p>	<p><u>Reviews:</u></p> <p>The council receives both internal and external reviews.</p> <p>The council welcomes peer challenge, internal and external review and audit. Reviews may take many forms for example Ofsted or HMRC.</p> <p>The council monitors implementation of internal and external audit recommendations.</p> <p>The Public Sector Internal Audit Standards set out the professional standards for Internal Audit.</p> <p>These standards include the requirement of a production of an Audit Plan that is presented to Audit and Accounts Committee for their discussion and agreement.</p>

Assessment of Compliance with the Financial Management Code (FM Code)

- 5.4 Internal Audit have undertaken a review of the council's compliance with the FM Code. This work was undertaken in consultation with Finance Managers and the Chief Financial Officer. A report has been produced including an action plan. Recommendations in the action plan are included in this Annual Governance Statement. They are listed as a separate item in the governance issues to be taken forward for 2021/22.
- 5.5 Internal Audit concluded that the council is mostly compliant with the CIPFA Financial Management Code.

External Auditor's Review of the Effectiveness of Governance Arrangements

- 5.6 The external auditors Annual Audit Letter for 2020 confirmed that the financial statements gave a true and fair view of the council's financial position and concluded that the council has in place proper arrangements to secure economy, efficiency and effectiveness in our use of resources.-The letter has been reviewed by the Audit and Accounts Committee.

Internal Audit Annual Opinion 2020/21

- 5.7 The council receives substantial assurance from the work of internal audit who (through an agreed audit plan) review the adequacy of controls and governance that operates throughout all areas of the council. The internal audit service has been assessed as conforming to the Public Sector Internal Audit Standards (PSIAS).
- 5.8 Whilst internal audit are unable to give absolute assurance, the results of the reviews completed during the year have resulted in a reasonable assurance opinion. This means that individual audit reviews are not significant when considered in aggregate to the system of internal control. 'Improvements required' opinions are isolated to specific systems and processes. No individual assignment achieved a fundamental weakness opinion.
- 5.9 The internal audit plan was significantly adjusted during 2020/21 to reflect the impact of the Coronavirus pandemic. The Audit Manager considers that sufficient work was conducted in the areas of most strategic risk to mean that no limitation has been placed on the audit opinion. Assurance has been considered across more than one year and external factors have been taken into account when forming opinions.

Successes in 2020/21

- 5.10 The financial year 2020/21 was fundamentally impacted by the COVID-19 pandemic. The council can report significant success in the speed, adaptability and commitment of staff to the needs of those who live and work in South Gloucestershire. The following areas are of particular note:
- Exit of staff from corporate buildings, with a large proportion of the work force now working from home and stay at home messages previously reinforced (as measures lift new ways of working are being developed). Roll out of technology and support to deliver this model;
 - Working across West of England on the consistent and collaborative delivery of COVID-19 business support grants;
 - Partnership with supply chain to help the council deliver an ambitious capital programme through lockdown and despite restrictions and furlough of supply chain staff;
 - Improved democratic engagement and transparency with fully remote civic diary;
 - Workforce resilience and implementation of comprehensive wellbeing support for staff, recognition of staff adaptability and commitment to meet the challenges;
 - Agile response to COVID-19, delivering at pace active travel schemes, supporting high streets, managing place in times of lockdown and changing tiers;

- Working in partnership with our schools, delivery of PPE supplies, support to help schools plan their way out of deficit positions, work to accelerate school places and capacity;
- Partnership working with Health to respond quickly to COVID-19 related risks and support the acute sector through tactical and strategic decision making and accessing national funding to enable quicker discharge from hospital.

5.11 During the past year the Youth Offending Team, Vinney Green Secure Unit and the Special Educational Needs team have all reported positive results from external inspections. The council has made positive steps towards developing a pooled budget with Health and Local Authority partners for children with complex care needs.

Evaluation of Effectiveness of Partnerships Governance (for Council's Significant Partnerships)

- 5.12 The council has a standardised approach to managing its partnerships as detailed in the Partnership Governance Framework. This supports officers and stakeholders in ensuring that good governance is understood and embedded from the outset and throughout the lifetime of all partnerships. The governance arrangements of the council's partnerships, which are on the Register of Significant Partnerships, are self-assessed regularly to provide assurance that effective arrangements are in place, and to highlight any governance challenges which need to be addressed.
- 5.13 Partnership working has become even more vital during the COVID-19 pandemic. Effective working relationships have led to positive outcomes across many areas of the council. During 2020/21 the council has seen their relationship with some of their key partners change, to enable prompt response to emergency planning. This includes the Police and Health as key partners in the response to the pandemic.
- 5.14 In the area of Adult Social Care close working with the Clinical Commissioning Group (CCG) on a radically different discharge to assess model partly funded by the CCG allowed for a significantly increased discharge rate from hospital. In children's Social Care a new pooled budget for children with complex needs is now in the final stages of development involving the CCG, Bristol and North Somerset Councils.

External Inspection Agencies

- 5.15 The Office for Standards in Education, Children's Services and Skills (OFSTED) inspects and regulates services which care for children and young people and those providing education and skills for learners. It publishes all school inspection reports on its website. In addition there are inspection reports for the services for children and families which the council provides.

6. Progress in addressing the Council's governance issues

- 6.1 This section provides an update on progress made addressing the council's governance issues during the 2020/21 financial year. These issues were identified in the action plan in last year's Annual Governance Statement (2019/20).

Governance Area - Financial and Demand Pressures Resulting from Statutory Duties	
Impact of Coronavirus:	What we did:
Required Action: Regularly report to MHCLG on impact and continue to undertake detailed forecasting to understand position,	Regular reporting to Strategic Leadership Team, Cabinet and Budget Scrutiny Task Group to reflect COVID-19 and Non COVID-19 financial impact. Regular returns submitted to MHCLG, ongoing work to maximise COVID-19 grants whilst ensuring compliance with grant conditions.

identify potential savings and where value for money can be achieved to reduce costs.	Regular monitoring meetings in place for many of the larger COVID-19 related funding streams, e.g. shielding, emergency assistance, winter grants and hospital discharge service funding.
<p>The Schools Budget (which is 100% grant funded) is overspent by £16.347M</p> <p>Required Action:</p> <p>Continue work with Schools Forum to develop whole system approach to managing the schools deficit. This area will continue to be considered in the light of the coronavirus pandemic and the potential impact this may have on reducing the deficit.</p>	<p>What we did:</p> <p>Met with the DfE's deficit monitoring team and received positive feedback on our recovery plan response.</p> <p>The revised deficit recovery plan has been delayed until 2021/22.</p> <ul style="list-style-type: none"> Obtained approval from the Schools Forum and the Secretary of State to increase High Needs budget by £2.2m in 2020/21. We have had support on a similar transfer for 2021/22 from the Forum and 81% of all schools. Currently awaiting the Secretary of State's decision. Established Cluster funds across the whole of SG to invest £1m in early intervention and reduce the drive/need for EHCPs. In process of developing a Recovery Plan utilising the DfE's template. Improved the Ready Reckoner Top-Up system to improve VFM. Initiated a project to move to a comprehensive banding system. <p>However, the deficit is now £23.902m (cumulative) and further measures will be needed to bring this under control.</p>

Governance Area - Financial and Demand Pressures Resulting from Statutory Duties

<p>Services absorbing increasing demand, challenging sustainability</p> <p>Required Action:</p> <p>Continue efforts in all Departments including, Adults and Children's social care to monitor and manage demand. This work will need to be understood in the light of the pandemic which will have had a unique impact on demand.</p>	<p>What we did:</p> <p>Regular dashboards are now provided for adults' performance and monitoring of demand. Performance metrics are fed into the BNSSG dashboard. Adult Social Care Senior Leadership Team met weekly as a minimum during pandemic, reviewing demand and capacity.</p> <p>Whilst focus has been on COVID-19 during 2020/21 and less focus has been possible on managing the market as would have been desired, this work has recommenced looking at the Community Based Support market and considering options for reducing cost. The impact of COVID-19 on demographics and demand is regularly reported to Cabinet and has been reflected in the 2021/22 Medium Term Financial Plan whilst recognising that available Office for National Statistics data does not yet take account of the pandemic's impact on the population. Considering this alongside any permanent changes in resident's behaviour and support requirements will be a priority for 2021/22 onwards.</p> <ul style="list-style-type: none"> Formal review of Care Act Easements led by the Principal Social Worker. BNSSG Commissioning Meetings (3 LAs plus CCG) leading to surge planning.
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	<ul style="list-style-type: none"> • Met all of main Adult Social Care and Children's CTSP savings targets in 2020/21. • Monitored increased demand in some areas and reported impact through Director Assurance meetings and through monthly meetings with DCS and CE. • Ensured that through REACT meetings with Department for Education and Ofsted we reported impact on the service of Covid - 19 related demands and pressures within the service and ensured regular returns were made to the Department for Education as required on visiting performance across Integrated Children Services. • The Environment and Community Services department have been monitoring the impact of the pandemic on services such as: fly tipping, anti-social behaviour, graffiti, complaints, domestic abuse, environmental health and planning enforcement. There is an expectation that there will have been a significant increase in demand. Additional short-term funding has been allocated to address backlogs.
Governance Area – Our Response to Climate Change and Ways to Work More Innovatively	
Required Action: Review of Climate Change plans to confirm which projects can move forward to deliver the council's ambitions and which will need to be revised in the light of future funding and impact of the pandemic.	What we did: A report on progress was taken to Cabinet in December 2020. This progress report provided a comprehensive overview of progress. Climate Emergency Annual Progress Report for Cabinet
Governance Area – Ability to have access to Timely and Relevant Management Information for Children, Adults and Health	
Required Action: Introduction of new systems in Children, Adults and Health and monitor the effectiveness of their delivery of improved management information during 20/21.	What we did: A dashboard of Adults' monthly data is circulated internally. Integrated Children's Services, Education Learning and Skills and Adult Social Care have worked with finance to specify their requirement for revised management information against a delivery plan which was devised for approval at CAH Information Management Board on 11 th February 2021. Established an agreed set of priorities for Integrated Children's Services with Information Management colleagues with agreed implementation and roll out plans.
Governance Area – Ability to Deliver Planned Savings	
Required Action: Further work and detailed forecasting is needed to fully understand the impact of the coronavirus on the council's ability to achieve savings. As point 1 above, potential savings areas will need to be revisited and areas for	What we did: During the 2021/22 budget process, specific savings targets have been re-phased. Savings Programme Board will continue to monitor delivery and there are some contingency arrangements in place if further delays arise. The limited progress in achieving savings/income targets has been report to Cabinet as part of quarterly revenue budget monitoring. The identification of alternative savings has been limited in 2020/21.

potential value for money opportunities brought forward.	<p>Integrated Children's Services have established a recruitment taskforce to proactively seek ways to reduce agency staff spending and deliver savings that positively impact the service.</p> <p>The council has commenced a programme of resource allocation work to align available resource to council plan priorities and explore future budget savings. This will include considering where services will be stopped.</p>
Governance Area - Management of Data Governance	
<p>Required Action: Continue to critically monitor and regularly review the effectiveness of the council's data governance arrangements. Make results of these reviews available to members and other stakeholders.</p>	<p>What we did: The council's Data and Information Group have responsibility for overseeing the council's information governance arrangements and will ensure policy and process is aligned to manage risks effectively. Community reset plans include work on Data and Information management including approaches to governance. Information Governance Data Breaches analysis is reported to Heads of Service monthly and quarterly to Departmental Management Teams.</p> <p>Managers from Integrated Children's Services team attend Senior Leadership Team to discuss performance and seek to find ways to reduce the number of breaches.</p>
Governance Area - Management of Data Security to minimise Risks	
<p>Required Action: Continue to ensure that all staff receive regular training on data security risks. To ensure that data security forms part of everything we do and continues to be embedded in policy and process.</p>	<p>What we did: All staff who are issued an IT username must complete the 'ICT Security & Information Sharing' e-module when they join the council.</p> <p>In place of management assurance checks, internal audit are requested to undertake second line assurance checks to verify that staff have read the IT security policy and know not to divulge password information. This work did not take place during 2020/21 due to the COVID-19 pandemic, a reduced internal audit plan was delivered. A request has been made for these checks to resume in 2021/22.</p> <p>Where staff 'click the link' in phishing attempts ITD disabled their account, scan their device as well as their individual work and shared drives. The council has improved this process to include a check with the Information Asset Owners to ensure those staff are still authorised to access that data.</p>
Governance Area – Vinney Green Secure Unit	
<p>Required Action: Ensure that any improvements identified in practice or process are promptly implemented and progress is overseen by Senior Management.</p>	<p>What we did: The Vinney Green Improvement Board continues to meet regularly with a clear action plan focused on Ofsted recommendations and good practice guidance. The Head of Integrated Children's Services continues to review restraints on a monthly basis which was a key area of concern for Ofsted in inspections during 2019 and early 2020. The assurance visit from Ofsted in late 2020 was positive.</p>
Governance Area – Delivery of Significant Infrastructure Projects – CPME, Avonmouth to Severnside Flood Resilience Scheme	
Required Action:	What we did:

Implement major infrastructure projects on time and within budget. To offer best practice in project delivery.	<p>The Avonmouth and Severnside Flood Defence and Ecology project is forecast to complete by April 2024, four months later than originally planned. There has been some Covid 19 impact which has led to small delays and increased costs estimated to be circa £1.4m. Most of the additional Covid 19 costs have been recovered through an additional Flood Defence Grant that has been applied for. The key project risk remains securing access to carry out project works from the Bristol Port Company. This could delay the project another 6 months.</p> <p>Progress has continued to be made on delivering key capital infrastructure schemes. Cribbs Patchway Metrobus Extension project, Gypsy Lane Bridge: whilst issues were faced during the positioning of the bridge resulting in the possession being retained for longer than originally planned, this was resolved and it is not currently anticipated to present a financial risk to the council due to contractual arrangements held by Network Rail with the supplier.</p>
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Governance Area – Emergency Arrangements (COVID-19) related actions

<p>Required Action:</p> <ul style="list-style-type: none"> Restoring/resuming services safely after pandemic lockdown and making changes to improve efficiency Taking opportunities to work differently learning from changes that happened as part of the emergency arrangements Reviewing and revisiting controls to ensure they are robust and identifying where post event checks need to be undertaken to safeguard the public purse. Democracy Arrangements – Keeping the democratic process running. 	<p>What we did:</p> <p>The council has a programme of work underway to review the council estate with a view to making best use of buildings to improve efficiency and effectiveness. This includes development of facilities for hybrid meetings and use of technologies to innovate and produce longer term viable and creative solutions to enable staff to work efficiently and collaboratively. Appropriate checks and balances implemented to allow for Care Act Easements in the event that this was needed. In practice, it has not been needed.</p> <p>Regular meetings held to ensure that statutory responsibilities with regard to safeguarding children and young people have been met.</p> <p>Participation in regular incident planning meetings with Health and risk assessments undertaken for all staff who need to undertake face to face visits. Comprehensive advice available to all Managers on the completion of risk assessment with support available from the Corporate Health and Safety team.</p> <p>Centralised the core technology staff from across the organisation and adopted agile ways of work to improve efficiency.</p> <p>Internal audit have undertaken a comprehensive review of all COVID-19 grants to ensure that robust arrangements are in place to maximise the use of the grants whilst meeting the conditions. Internal audit have provided advice on counter-fraud measures and controls to safeguard the allocation of funding to businesses and residents in need.</p> <p>Rolled out new software to facilitate remote, virtual meetings that have been streamed whilst in progress and have provided them online for viewing at a time suitable for residents.</p> <p>A full civic diary has been operational during the pandemic making use of virtual technologies. This approach has enabled external engagement with the meetings.</p>
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Governance Area – Partnership Working Together – Strengthening Partnerships and Leveraging their Value

<p>Required Action:</p> <p>Continue to explore whether key partnerships offer best value and opportunities in delivering core services.</p>	<p>What we did:</p> <p>We have continued to work with Circadian Trust during the course of the pandemic to provide them with support and engagement as a key partner given the impact on the leisure sector.</p> <p>Many responses to COVID-19 have been in partnership with Health and the Voluntary sector/mutual aid colleagues. This has promoted and improved partnership working and services for residents.</p> <p>The 'Keep it Local' Community reset work stream looks to build and develop these partnerships for the longer term.</p>
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Opinion on the Governance Framework

- 6.2 **The review of the effectiveness of the governance framework identifies that the arrangements continue to be fit for purpose and reasonable assurance can be given that the framework is operating adequately in practice. This opinion takes into account the progress made on governance issues raised in the last AGS.**
- 6.3 The council's governance arrangements were affected by the pandemic but have proven to be resilient to the demands placed upon it. Although the arrangements are adequate, there are some areas which will require further consideration and monitoring during 2021/22 and these are covered in the action plan in section 7.
- 6.4 No review can provide absolute assurance; this statement is intended to provide reasonable assurance that there is an ongoing process for reviewing the governance framework and its operation in practice.
- 6.5 The Audit and Accounts Committee will have responsibility for ensuring the delivery of the actions needed to improve the council's governance framework.
7. **Action Plan: Governance Areas for 2021/22**
- 7.1 To identify significant governance areas for the council which will need to be addressed in the next financial year (2021/22), the council considers a number of evidence sources, which include:
- 7.2
- Analysis of responses from Heads of Service to a short questionnaire which provides a self-assessment of compliance with the Code of Corporate Governance;
 - Attendance of all Senior Managers at a network meeting to collate information on key areas for the AGS;
 - Identification of key governance areas for the council's significant partnerships;
 - A meeting of key officers charged with co-ordinating governance of the council to discuss emerging governance areas (Corporate Governance Working Group);
 - Consideration of risks identified in the Strategic Risk Register;
 - Issues identified through the work of internal audit in 2020/21;
 - Overview and consideration of governance areas by the Senior Leadership Team;
 - Where appropriate, carrying forward elements of action points from 2020/21 if substantial actions still needing to be addressed and further monitoring is required.
- 7.3 The governance areas selected for 2021/22 have been informed by the outcome of the review of the effectiveness of governance for 2020/21.

Issue	What issue is to be addressed during 2021/22	Required Action	Service Area Responsible
1.	Demand Pressures	Continue to monitor and take action where appropriate Project to review budgets and align with demand and statutory need, will be fed into 22/23 budget proposals. Children's services, increase in-house foster carers, continue engagement on 3 conversations model.	Council Wide
2.	Financial Pressures – resilience and ability to deliver planned savings	As above, significant council wide project underway to review allocation of available resources and align to council plan priorities. Outcome will	Council Wide

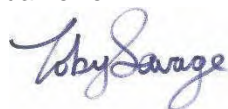
		be presented through the 2022/23 budget process. Ensure efficient deployment of COVID-19 grants to support the council whilst in greatest need.	
3.	Ability to have access to timely and relevant management information for Children Adults and Health	Ongoing work to produce effective data dashboards to enable Managers to make informed decisions. This work will continue through 21/22 and for Adult Services is expected to improve with the implementation of Mosaic.	Children, Adults and Health Department
4.	Our response to Climate Change and ways to work more innovatively	Review of Climate Change plans to confirm which projects can move forward to deliver the council's ambitions and which will need to be revised in the light of future funding and impact of the pandemic. To be monitored through updates to Cabinet.	Council Wide
Issue	What issue is to be addressed during 2021/22	Required Action	Service Area Responsible
5.	Strengthening Partnerships and Leveraging their Value	Continue to develop the quality of information around partnerships with Health, Community/Voluntary Sector and others. Review how improved relationships (as a result of the pandemic) can continue to be developed and nurtured for mutual benefit. The council to consider more ways to engage with partners to deliver benefit. Potential to learn lessons from open book accounting approaches and improved supplier relationships as a result of the recent emergency arrangements during the pandemic. (Recommendation from FM Code).	Council Wide
6.	Delivery of Major Infrastructure Projects including managing risks associated with capital projects.	Undertake lessons learned exercises for major capital projects and schemes. Internal audit work to examine capital project arrangements.	Council Wide
7.	Management of emergency arrangements	<ul style="list-style-type: none"> Restoring/resuming services safely after pandemic lockdown and making changes to improve efficiency Taking opportunities to work differently learning from changes that happened as part of the emergency arrangements Reviewing and revisiting controls to ensure they are robust and identifying where post event checks need to be 	Council Wide

		<p>undertaken to safeguard the public purse.</p> <ul style="list-style-type: none"> • Democracy Arrangements – Keeping the democratic process running. 	
8.	Ensuring we look after our data	Examine and critically review how the council uses, shares and manages data within the organisation and with our partners to improve services and help the council to predict and manage demand.	Council Wide
Issue	What issue is to be addressed during 2021/22	Required Action	Service Area Responsible
9.	Preventing security risks and fraud	<p>Continue to ensure that all staff receive regular training on data security risks. To ensure that data security forms part of everything we do and continues to be embedded in policy and process.</p> <p>Strengthen cyber-security arrangements.</p>	Council Wide
10.	Workforce wellbeing as a critical business risk	<p>To be measured by surveying staff and capturing feedback.</p> <p>Regular review and oversight of sickness monitoring data.</p>	Council Wide
11.	Compliance with Financial Management Code	<p>Consider further work to review the quality of long term financial planning in comparison with best practice and potential benchmarking of the content of the MTFP with other councils. This is with a view to assessing best practice.</p> <p>Conduct a review of business cases to ascertain if there are any measures which could be applied to further improve their quality. This could include demonstration that the council's project appraisal methodology is robust and consistently applied.</p>	Council Wide

Conclusion and Certification

The governance arrangements as described above have been applied throughout the year, and up to the date of the approval of the annual accounts, providing an effective framework for identifying governance issues and taking mitigating action. Over the coming year the council will continue the operation of its governance framework and plans to address any improvements will be monitored and progress will be reported as part of the next annual review.

Signed:



Leader of the Council



Chief Executive on behalf of the Council

Glossary

ACCOUNTING PERIOD - The period covered by the accounts. For the Council this lasts 12 months from 1st April to 31st March of the following calendar year.

ACCRUALS - Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

ACTUARIAL GAINS AND LOSSES - These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains or losses) or the actuarial assumptions have been changed.

ASSET - Assets are classified as either Current or Non-Current. A current asset benefits the council for up to one year (e.g. stock, debtors) whereas a non-current asset benefits the council for more than one year (e.g. property, plant or vehicles).

AUDIT OF THE ACCOUNTS - The annual examination of the council's accounts by an independent external auditor who will issue a formal opinion on them at the end of the audit.

BALANCES (OR RESERVES) - These represent accumulated funds available to the council. Some balances may be earmarked for specific purposes for funding future defined initiative or meeting identified risks or liabilities. There are a number of unusable reserves that are set out for technical purposes. It is not possible to utilise these to provide services.

BUSINESS RATES (NATIONAL NON-DOMESTIC RATE (NNDR)) - A levy on businesses, based on a national rate in the pound (set by the Government) multiplied by the rateable value of their premises. Since the council joined the West of England Business Rates Retention Pilot, the NNDR income collected by the council is shared 5% with the West of England Combined Authority (WECA) and 1% with the Fire authority, with 94% retained by the council. WECA and the Fire authority also share deficit on the NNDR collection fund, the appeals provision and other NNDR related balances.

BORROWING - The council is able to borrow in order to fund capital expenditure from either Government (PWLB) or banking sector sources.

CAPITAL EXPENDITURE - Expenditure incurred by the council on the acquisition or enhancement of a fixed asset or on the provision of certain capital grants to 3rd parties.

CAPITAL FINANCING - The setting aside of the council's financial resources to fund capital expenditure. Capital expenditure can be funded from external sources, such as borrowing, Government's capital grants and by contributions from internal sources, such as capital receipts and reserves.

CAPITAL RECEIPTS - The proceeds from the disposal of a fixed asset. Capital receipts can only be used in ways specified by the Government. However, individual proceeds of less than £10,000 are treated as revenue income.

COMMUNITY ASSETS - Assets that the council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal e.g. parks, playing fields and open spaces.

CONTINGENT LIABILITY - A possible financial obligation on the council, arising from past events, which will only crystallise if certain events take place in the future.

CURRENT SERVICE COSTS OF PENSIONS - The increase in the "present value" of a pension scheme's liabilities arising from employee service in the current period.

CREDITOR - Amounts owed by the council for goods and services received in the accounting period for which payment has not yet been made.

CURTAILMENT - An event that reduces:

- the expected years of future service of present employees, or
- the accrual of defined benefits for a number of employees for all or some of their future service.

DEBTOR - Amounts due to the council for goods and services rendered in the accounting period for which payment has not yet been received.

DEPRECIATION - The cost of using a fixed asset to provide services in the accounting period.

EMOLUMENTS - Salaries and expenses allowances paid to employees, together with the money value of benefits received other than cash. Employer's and employees' pension contributions are excluded.

EXPECTED RATE OF RETURN ON PENSIONS ASSETS - The average rate of return expected over the remaining life of the related obligation on the actual assets held by the pension scheme.

FINANCE LEASE - A lease under which the lessee (i.e. the person or the organisation taking on the lease) acquires the risks and rewards of ownership of a fixed asset for the period of the lease. Finance leases, PFI schemes and service concessions taken up by local authorities are treated by the Government as credit arrangements and are subject to the same controls as borrowing.

GENERAL FUND - The account to which the cost of providing council services is charged that are paid for from Council Tax and Government grants.

HERITAGE ASSETS - Heritage assets are those that are intended to be held in trust because of their cultural, environmental or historical associations. They are held by the authority in pursuit of its overall objectives in relation to the maintenance of local and national heritage.

IMPAIRMENT - A reduction in the carrying value of a fixed asset caused by market fluctuations, physical damage, obsolescence or adverse legislative change.

INFRASTRUCTURE ASSETS - A class of assets whose life is of indefinite length and which are not usually capable of being sold such as highways, sewage works and sea defences. The valuation of infrastructure assets is based on historical cost.

INTEREST COST (PENSIONS) - The expected increase in the "present value" of the pension scheme's liabilities due to the fact that benefits are one year closer to settlement.

LIABILITY - A liability represents money owed by the council to other organisations or persons. Current liabilities are amounts which become payable within the next accounting period (such as creditors or bank overdrafts). Non-current liabilities are amounts which will become payable beyond the next accounting period (such as long term borrowing).

MINIMUM REVENUE PROVISION - The minimum amount that must be charged to the council's revenue accounts every year as a provision for the repayment of debt.

NON-OPERATIONAL ASSETS - Fixed assets held by the council, which are not used in the delivery of services (e.g. investment properties).

OPERATING LEASE - A type of lease under which the ownership of the asset remains with the lessor. This type of lease does not create a capital asset on the council's balance sheet.

OPERATIONAL ASSETS - Fixed assets held by the council and employed in the delivery of services.

PAST SERVICE COSTS - The increase in the "present value" of the pension scheme's liabilities related to employee service in prior years and arising in the current year because of the introduction of, or an improvement to, retirement benefits

PRESENT VALUE - The discounted value of a payment or stream of payments to be received in the future, taking into consideration a specified interest or discount rate.

PRIVATE FINANCE INITIATIVE (PFI) - A central government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The net book value of PFI assets is included in the council's Balance Sheet, and the council receives PFI grant to support the costs of the scheme.

PROPERTY, PLANT AND EQUIPMENT - Assets that have physical substance and are held for use in the provision of services or for administrative purposes and are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

PROVISIONS - A liability that is of uncertain timing or amount which is to be settled by the transfer of economic benefits.

PUBLIC WORKS LOAN BOARD (PWLb) - A Government agency, which provides long and medium term loans to local authorities at favourable rates slightly higher than those paid by the Government on its own borrowing.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS) - Government regulations allow some expenditure to be funded from capital sources, although it does not result in a fixed asset on the council's own Balance Sheet. Examples include schemes funded by Disabled Facilities Grant, which result in capital investment in properties where the council is not the owner.

RESIDUAL VALUE OF AN ASSET - The net realisable value of an asset at the end of its useful life.

RELATED PARTIES - Two or more parties where one party has direct or indirect control or influence over the others, or where all parties are subject to common control from the same source. Examples of related parties to the council are Central Government, other councils, the Members, the Chief Officers and the Pension Fund. In the case of individuals identified as related parties, the following are also presumed to be related parties:

- Members of the close family or the same household.
- Partnerships, companies or trusts in which the individual (or member of the close family/ household) has a controlling interest.

RELATED PARTIES TRANSACTIONS - The transfer of assets and liabilities or the provision of services by, to or for a related party, whether or not a charge is made. Material transactions between the council and its related parties have to be disclosed in the Statement of Accounts. In this case, materiality is judged by the significance to the related party as well as to the council.

REVENUE RESERVES - An amount set aside for a specific purpose in one year and carried forward to meet future obligations. These include earmarked reserves set aside to cover specific eventualities and general reserves or balances, maintained by the council as a matter of prudence.

REVENUE SUPPORT GRANT (RSG) - A grant paid by the Government to aid the delivery of council services in general, as opposed to a grant used only for a specific purpose.

Main sources: Code of Practice on Local Authority Accounting in the UK and Councillor's Guide to Local Government Finance by the Chartered Institute of Public Finance and Accountancy