

South Gloucestershire Council

Annual Financial Report

2019/2020

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) 865715

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of South Gloucestershire Council (the 'Authority') for the year ended 31 March 2020 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 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 2019/20; 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. 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Head of Financial Services and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Financial Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Financial Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and investment properties and the Authority's share of the pension fund's property investments as at 31 March 2020. As, disclosed in note 4 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

Other information

The Head of Financial Services is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Governance Statement 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 of the Authority 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 this 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 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 the '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 gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement 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 more fully in the Statement of Responsibilities set out on page 7, 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 2019/20, 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 Accounts and Audit 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.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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 on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

9 February 2021

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:

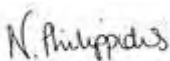
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent, and
- complied with the local authority Code.

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 (Coronavirus) (Amendment) Regulations 2020, and the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts for 2019/20 give a true and fair view of the financial position of South Gloucestershire Council as at 31 March 2020 and its income and expenditure for the financial year ended 31 March 2020.



Nina Philippidis CPFA
Head of Financial Services

Date ...4th February 2021.....

Approval of the Statement of Accounts

I certify that the Statement of Accounts for the year ended 31 March 2020 was approved by the Audit and Accounts Committee at its meeting on 26th January 2021.



Cllr Christopher Wood
Chair of the Audit and Accounts Committee

Date ...4th February 2021.....



2019/20

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'. A 5-year plan focusses on four broad themes as follows:

- enhance our natural and built environment, supporting integrated communities with a strong sense of place connected by well-planned transport networks
- maximise opportunities to access first class education, reduce the attainment gap and prosper through a balanced economy, a well-trained workforce and sustainable jobs for people of all ages
- support communities so they are safe and feel safe and have access to quality services
- promote personal well-being, reduce health inequalities and deliver high quality physical and mental health and social care services which protect our most vulnerable and offer people greater choice and control.

To ensure that this plan becomes a reality, challenging targets and key performance indicators are set for all service areas. Progress is measured quarterly and reported to elected members. A new council plan for 2020-2024 has been consulted on publicly with 4 priorities which build on the progress made in the previous council plan. These draft priorities are:

- creating the best start in life for our children and young people
- helping people to help themselves
- promoting sustainable inclusive communities, infrastructure and growth
- realising the full potential of our people and assets.

During 2019/20 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:

- Educational attainment now exceeds national averages at Key Stage 1 and 2, and matches national averages at Key Stages 4 and 5.
- More older people are successfully accessing reablement services following hospital discharge.
- Over 2000 new homes have been constructed in the area, including over 600 affordable homes.
- Superfast broadband coverage across South Gloucestershire has increased to 97%.
- Local employment rates continue to exceed regional and national averages.

- 74% of eligible residents now receive NHS health checks.



Housing being built at Charlton Hayes

3. FINANCIAL PERFORMANCE

Revenue

Total expenditure on council services was £629m in 2019/20 (£615m in 2018/19). Net cost of services was £3m underspent compared to budget as shown below:

	Agreed budget £m	Year-end outturn £m	Variance Over/(-) under £m
Children, Adults and Health	134	142	8
Environment and Communities	44	42	-2
Corporate and Central services	37	34	-3
Corporate allowance (contingency – see below)	6	0	-6
TOTAL NET SPENDING	221	218	-3

The underspend is mainly due to a change in funding of fixed assets within Streetcare to unsupported borrowing, the release of an insurance provision and additional fees and income within property services. Although Children, Adults and Health shows an over spend in year this is offset by the budget held in Corporate Allowances for demand and price pressures in the service.

The approved revenue budget for 2020/21 includes additional investment in adults and children's social care services.

Capital

Capital investment in 2019/20 totalled £103m against an approved budget of £150m. This underspend was mainly due to slippage on highways maintenance work, property transactions and the Faster Broadband project. Major items of capital expenditure included:

- £12m contribution to the MetroBus regional transport initiative
- £17m improvements to school buildings
- £4m investment in highways maintenance
- £4m Flood management and ecology projects.

Capital investment was primarily funded from government grants totalling £54m and unsupported borrowing totalling £43m.



Avonmouth Wetlands, a major ecology and flood defence project started in 2019/20

The council plans to deliver an ambitious capital programme of over £380m in the next four years, as shown below:

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	TOTAL £m
Area of expenditure:					
Children's and adult services	37,833	20,040	13,055	6,913	77,841
Environment and Transport	48,235	16,516	14,564	12,161	91,476
Corporate Resources	84,777	6,126	4,149	5,476	100,528
Economic Development Fund & forward funded works	31,633	38,243	15,548	25,105	110,529
TOTAL	202,478	80,925	47,316	49,655	380,374
Expected funding:					
Capital grants and contributions	75,713	18,906	26,449	42,623	163,691
Prudential borrowing	122,117	58,133	19,458	6,103	205,811
Other funding	4,648	3,886	1,409	929	10,872
TOTAL	202,478	80,925	47,316	49,655	380,374

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 2020 were £30m, an increase of £16m compared to 31 March 2019. This is due to a combination of:

- the receipt of significant grant income at the end of March, in particular Government financial support in response to the COVID-19 crisis, and
- the need to ensure access to cash at short notice to meet unexpected COVID-19 related expenditure, and therefore to invest it in highly liquid investment types.

Balance Sheet Position

The council continues to maintain a strong balance sheet position:

	At 31 March 2020 £m	Restated At 31 March 2019 £m	Restated At 31 March 2018 £m
Non-current assets – principally land, buildings and equipment used to deliver council services	983	902	852
Long-term investments & long term debtors	36	37	7
Net current assets / (liabilities) – short term investments, debtors and cash, less short term creditors	(5)	29	65
Pension liabilities	(399)	(388)	(325)
Provisions	(24)	(23)	(26)
External borrowing	(123)	(124)	(125)
Other long term liabilities	(22)	(24)	(26)
NET ASSETS	446	408	423
Represented by:			
Usable reserves	133	127	113
Unusable reserves	314	281	310
TOTAL	446	408	423

- The council's largest single liability is for future staff pensions. In 2017/18 the council made a one-off single payment to reduce pension liabilities, achieving a net saving of almost £1.2m.
- 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 2019/20.
- 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 (£19m) 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 North Housing Association, not included in the Balance Sheet as it is not likely to be called in.
- Usable reserves include £5m 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. 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 control of 50% of voting rights 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, 4-year capital programme, and 10-year asset management plan.
- 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.

Like all local authorities, South Gloucestershire has had to make significant financial savings since the 2010 Spending Review. Saving plans totalling £64m between 2014/15 and 2021/22 are currently on track to be delivered. The council continues to look at ways of targeting limited resources more effectively, improving productivity and delivering financial savings.

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. 2019/20 feedback is summarised below:

- 82% of respondents are satisfied with South Gloucestershire as a place to live
- 61% of respondents are happy with the way the council runs things, although only 42% felt that it provided good value for money
- Service satisfaction is highest for parks and open spaces (77%), waste and recycling (73%) and for sports and leisure facilities (72%), lowest for highways and roads (33%), and planning (33%),
- Satisfaction has reduced by 23% in respect of care for older people
- Education was ranked as the highest priority for investment, followed by Health and Wellbeing, safeguarding vulnerable children and adults, and maintaining safe and strong communities.

Residents have consistently shown their support for increases which maintain current levels of service provision. The council has therefore increased council tax by 2.99% in 2019/20 and 3.99% in 2020/21, this increase in 2020/21 includes a 2% “ring fenced” precept for adult social care.

5. COVID-19 IMPACT

Following the approval of the 2020/21 revenue and capital budget in February 2020 the implementation of social distancing measures by government to address the Coronavirus pandemic has resulted in additional cost pressures, a reduction in income and a national slowdown in capital investment as the social distancing requirements forced sites and premises to close. As well as impacting on schemes the council commissions it has also impacted on the resources the council collects to fund its revenue budget and capital programme, specifically council tax, business rates, s106, CIL and capital receipts.

Early modelling of the impact after additional government grant funding could see a range of between £13m and £37m, with a mid-point of £20m after taking account of COVID emergency local government funding. This excludes the use of any reserves to bridge any funding gaps and depends upon the total length of lockdown as well as the economy’s ability to rebound.

As of early July 2020, an additional package of support has been introduced with a third tranche of funding awarded to South Gloucestershire Council totalling £1.947m. The additional support package also allows the phased repayment of collection deficits over a 3-year period, reducing the pressure on budget setting for 2021/22, as well as an income guarantee covering 75% of sales, fees and charges income after the first 5%.

6. LOOKING AHEAD

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
- Business rate income does not increase as expected
- Increasing demand for children's and adults social care services
- Unforeseen costs from litigation, civil emergencies and legislative or Government policy changes
- Changes to the City Region Deal and devolution arrangements

Risks continue to be regularly reviewed and updates provided to Cabinet on issues that may impact the longer term financial sustainability of the council. Looking forward, the council also has some specific financial issues to address:

Population growth – Projections indicate that the population of South Gloucestershire will rise to 354,300 in 2043, a 25.3% increase on 2018. This is much higher than expected growth across the West of England region (18%) and the UK as a whole (9%) and will significantly increase demand for council services.

Schools Funding – Dedicated Schools Grant funding has been below actual levels of expenditure since 2017 and the accumulated deficit on the Balance Sheet currently stands at £16m. A multi-year recovery plan agreed with the Education and Skills Funding Agency (ESFA) is in place to reduce the deficit, taking account of additional funding announced by the Government in August 2019.

COVID-19 – The council's website is used to summarise and signpost all help and advice available, and digital solutions are being used where possible to maintain service delivery and transparent decision making. Social care teams are identifying and protecting vulnerable residents, and the council implemented social distancing and working from home policies to keep staff and the public safe. Council Tax and Business Rate relief schemes are available as well as business support grants.

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 has emphasised this even more.

The Code of Practice under which local authorities operate 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 aims to facilitate inward investment and more strategic solutions to issues such as skills, jobs, infrastructure and affordable homes. Since 2017 the Authority has secured an additional £200m of inward investment and the following priorities have been agreed for 2020/21:

- | | |
|-----------------------|---|
| Infrastructure | <ul style="list-style-type: none">- Improve local, national, and international travel connections- Encourage the use of sustainable transport- Provide sustainable and affordable homes- Support world-class digital infrastructure and technological innovation |
| Business | <ul style="list-style-type: none">- Help businesses to start up, grow and flourish- Drive an innovative and collaborative economy- Protect and promote the region's heritage and culture |
| Skills | <ul style="list-style-type: none">- Integrate employment, skills and education- Encourage all young people to achieve their potential- Address barriers to employment and progression |

7. STATEMENT OF ACCOUNTS 2019/20

The Statement of Accounts which follow set out the council's income and expenditure for the year, and its financial position at 31 March 2020. 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.

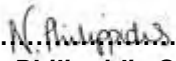
The Statement of Accounts comprises:

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" (see below).
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.
Statement of Accounting Policies	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, including Group activities. 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
4th February 2021

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.

Restated 2018/19				2019/20			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Note
366,989	(208,267)	158,722	Children, Adults and Health	384,352	(208,888)	175,464	
122,667	(56,528)	66,139	Environment and Communities	122,508	(59,798)	62,710	
122,352	(82,581)	39,771	Corporate and Central services	132,920	(85,575)	47,345	
612,008	(347,376)	264,632	Cost of Services	639,780	(354,261)	285,519	
31,279	(3,853)	27,426	Other operating expenditure	16,320	(38)	16,282	11
15,662	(1,938)	13,723	Financing and investment income and expenditure	19,613	(8,744)	10,869	12
75,469	(342,598)	(267,129)	Taxation and non-specific grant income	84,234	(362,843)	(278,609)	13
		38,653	(Surplus)/Deficit on Provision of Services			34,061	
		(63,234)	(Surplus) / Deficit on revaluation of property, plant and equipment.			(56,738)	22
		106	Impairment losses on non-current assets charged to the Revaluation Reserve.			1,199	22
		38,573	Re-measurement of the net defined benefit liability			(16,233)	22
		(24,555)	Other Comprehensive Income and Expenditure			(71,772)	
		14,098	Total Comprehensive Income and Expenditure			(37,711)	

The Restatement in 2018/19 relates to the removal of historic infrastructure assets transferred to the council in 1996, requiring a prior period adjustment, as set out in Note 43.

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.

	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
<u>2019/20</u>	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	(78,502)	(9,397)	(38,538)	(126,437)	(281,993)	(408,430)
<u>Movement in reserves in 2019/20</u>						
(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 2019/20	(6,427)	707	(344)	(6,064)	(31,646)	(37,710)
Balance at 31 March 2020 carried forward	(84,929)	(8,690)	(38,882)	(132,501)	(313,639)	(446,140)

Restated	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance 31 March 2018	(69,219)	(6,727)	(36,746)	(112,692)	(309,861)	(422,553)
Transition to IFRS 9 and IFRS 15	27			27		27
Adjusted balance 1 April 2018	(69,192)	(6,727)	(36,746)	(112,665)	(309,861)	(422,526)
<u>Movement in reserves in 2018/19</u>						
Deficit on the provision of services	38,653			38,653		38,653
Other comprehensive income and expenditure				0	(24,555)	(24,555)
Total comprehensive income and expenditure	38,653	0	0	38,653	(24,555)	14,098
Adjustments between accounting basis and funding basis under regulations (Note 9)	(47,951)	(2,670)	(1,803)	(52,424)	52,424	0
Net increase/decrease before transfers to Earmarked Reserves	(9,298)	(2,670)	(1,803)	(13,771)	27,869	14,098
Transfers to/from Earmarked Reserves (Note 10)	(12)	0	12	0	0	0
(Increase)/Decrease in 2018/19	(9,310)	(2,670)	(1,791)	(13,771)	27,869	14,098
Balance at 31 March 2019 carried forward	(78,502)	(9,397)	(38,538)	(126,437)	(281,993)	(408,430)

The Restatement in 2018/19 relates to the removal of historic infrastructure assets transferred to the council in 1996, requiring a prior period adjustment, as set out in Note 43.

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 2018 £'000	Restated 31 March 2019 £'000		31 March 2020 £'000	Note
837,268	880,072	Property, Plant and Equipment	915,420	14
493	493	Heritage Assets	1,646	
5,351	18,556	Investment Property	60,634	17
1,290	1,702	Intangible Assets	5,001	
7,115	945	Assets Held for Sale	399	17
4,709	34,338	Long term Investments	31,303	15
1,804	2,884	Long Term Debtors	4,576	19
858,030	938,990	Long Term Assets	1,018,979	
77,877	72,463	Short Term Investments	22,961	15
654	660	Inventories	855	
36,588	33,790	Short Term Debtors	48,802	19
37,909	14,094	Cash and Cash Equivalents	30,351	16
153,028	121,007	Current Assets	102,969	
(1,668)	(1,662)	Short Term Borrowing	(1,667)	15
(22,864)	(20,745)	Current Provisions	(4,113)	20
(87,686)	(92,470)	Short Term Creditors	(108,007)	18
(112,218)	(114,877)	Current Liabilities	(113,787)	
(2,531)	(2,425)	Provisions	(19,784)	20
(122,235)	(121,788)	Long Term Borrowing	(121,341)	15
(351,521)	(412,477)	Other Long Term Liabilities	(420,896)	21
(476,287)	(536,690)	Long Term Liabilities	(562,021)	
422,553	408,430	Net Assets	446,140	
(112,692)	(126,437)	Usable Reserves	(132,501)	
(309,861)	(281,993)	Unusable Reserves	(313,639)	22
(422,553)	(408,430)	Total Reserves	(446,140)	

The Restatement in 2018/19 relates to the removal of historic infrastructure assets transferred to the council in 1996, requiring a prior period adjustment, as set out in Note 43. The opening value of Property, Plant and Equipment at 1 April 2018 has been reduced by £17,724k which was the Net Book Value of the relevant assets.

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.

Restated 2018/19 £'000		2019/20 £'000	Note
38,653	Net (surplus) / deficit on the provision of services	34,061	
(86,965)	Adjustments to the net deficit on the provision of services for non-cash movements	(94,695)	23
41,211	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	58,694	23
(7,101)	Net cash flows from Operating Activities	(1,940)	
29,451	Investing activities	(15,521)	24
1,465	Financing activities	1,204	25
23,815	Net (increase) /decrease in cash and cash equivalents	(16,257)	
37,909	Cash and cash equivalents at the beginning of the reporting period	14,094	
14,094	Cash and cash equivalents at the end of the reporting period	30,351	16
(23,815)	Increase/(decrease) in cash and cash equivalents	16,257	

The Restatement in 2018/19 relates to the removal of historic infrastructure assets transferred to the council in 1996, requiring a prior period adjustment, as set out in Note 43.

Notes to the Statement of Accounts

1. Accounting policies

i. General principles

The Statement of Accounts summarises the council's financial transactions for 2019/20 and its position at 31 March 2020. 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 2019/20, supported by International Financial Reporting Standards (IFRS).

Measurement basis used in preparing the Statement of Accounts

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 in which it takes place, which may not be the same year in which cash payments are made or received.

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.

Revenue from the sale of goods and disposal of assets is recognised when the council transfers the risks and rewards of ownership to the purchaser. Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.

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 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 received or consumed. If 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.

Housing and Council Tax benefits are calculated and paid in accordance with relevant regulations and accounted for accordingly.

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. Collection Fund

The Collection Fund shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities, central government and precepting bodies of council tax and non-domestic rates (NDR). There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and council tax belong to the bodies (i.e. major preceptors, the billing authority and the Government).

The Collection Fund is an agency account. Therefore income, expenditure and balance sheet transactions are apportioned between the council, central government and precepting bodies.

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.

vi. Employee benefits

-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure in the relevant service line in the Comprehensive Income and Expenditure Statement.

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.

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: these comprise the return on plan assets excluding amounts included in net interest and actuarial gains and losses. The latter is the changes in the net pension liability which arise 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 appropriations 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.

Prepayment of Local Government Pension Scheme Deficit Contributions

In 2017/18 the council made a prepayment of £17,317,600 to the Avon Pension Fund in respect of its pension deficit contributions which would otherwise not have been due for payment until 2017/18, 2018/19 and 2019/20 respectively. The prepayment made reflects the discount of £1,137k on the amount payable.

The prepayment has been recognised as an asset of the Council and has been released to the General Fund over the three year period to which it relates as part of the employers contributions to the pension fund. The final amount of the prepaid deficit contributions of £5,983,464 has been released to the General Fund from the prepayment balance in 2019/20.

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. 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 both amortised cost and 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 as explained in more detail in Note 17.

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.

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 lease

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 less estimated costs to sell,
- 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 re-valued where there have been material changes in the value and, 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 classed 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

Property assets where a disposal is highly probable within the next 12 months and the asset is available for sale in its present condition are classified as assets held for sale. Management must be committed to the sale within one year from the date of classification. 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.

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 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 council oversees a range of maintained schools: Community schools, Voluntary Aided and Voluntary Controlled schools. Rather than produce group accounts, the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the council's single entity accounts (also see Note 3 (b)).

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 interest payable 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 fixed 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 in the accounts, whether of a revenue or capital nature, only to the extent that it is irrecoverable.

xix. Fair Value measurement

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 or liability.

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

When measuring the fair value of a non-financial asset, the 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.

2. Accounting standards issued, not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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:

- Implementation of IFRS 16 (leases and lease-type arrangements);
- Amendments to IAS 28 (Investments in Associates and Joint Ventures);
- Annual Improvements to IFRS Standards 2015–2017 in respect of IFRS 3 and IFRS 11 (joint arrangements and business combinations);
- Annual improvements to IFRS Standards 2015-2017 in respect of IAS 23 (capitalisation of borrowing costs), and
- Amendments to IAS 19 (retirement benefits, particularly plan amendments, settlements and curtailments).

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.

The amendments to IAS19 will require the Council to obtain a revised IAS19 valuation when there is a settlement or curtailment. This typically occurs where there is a transfer of staff to another employer, such as when a school becomes an academy. Three primary schools became academies in 2019/20. The impact of the change to IAS19 would have brought the calculation of the settlement forward from 31 March 2020 to the transfer dates but would have had marginal impact on the pension liability at 31 March 2020, because of the small number of staff involved.

As the Council currently is not involved in any joint ventures or joint business arrangements, and does not currently capitalise borrowing costs, the other changes referred to above are not relevant.

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 Authority 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 £10,804k) are recognised as Property, Plant and Equipment on the council's Balance Sheet, as shown in Note 14. 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.

The council undertook a comprehensive review of its policy for school 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.

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).

(c) City Region Deal

The council has determined that transactions occurring in respect of the City Region Deal arrangement arise from non-exchange transactions (the collection of Non-Domestic Rates by the Authority) and so IPSAS 23 may be applied in accounting for them. The council acts as an agent of the Business Rates Pool (BRP) for the City Region Deal, and so accounts for cash held on behalf of the pool on its Balance Sheet, with associated creditor balances (see also Note 42).

(d) Better Care Fund

The council is a party to a Better Care Fund partnership agreement with NHS Bristol, North Somerset and South Gloucestershire Clinical Commissioning Group (CCG) which supports the integration of Health and Social Care. Section 75 of the National Health Service Act 2006 gives powers for authorities and CCG groups to establish and maintain pooled funds.

A review of the working arrangements has concluded that this agreement largely constitutes joint working where one party has control over each service. Hence the accounts include the income and spending for services where the council has control.

The Integrated Community Equipment Service and the joint funded Individual Care Packages are jointly controlled and each body records its share of the relevant costs. Further information is given in Note 26.

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

The items on the Balance Sheet at 31 March 2020 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 depreciation (see also Note 14).	<p>Asset depreciation charges are determined by their useful lives, and the level of repairs and maintenance expenditure.</p> <p>Operational assets are revalued on a rolling program designed to ensure that all asset are revalued at least once every 5 years.</p> <p>The outbreak of COVID-19 has impacted the processes and assumptions underpinning 2019/20 asset revaluations which have been reported on the basis of “material valuation uncertainty” in line with RICS “Red Book” Global requirements. Consequently, less certainty and a higher degree of caution should be attached to the valuations provided.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated the annual depreciation charge for Property, Plant and Equipment assets would increase by £1.9m for every year's reduction in the average useful lives.</p> <p>At the time of preparing the accounts, it is not possible to predict the long-term impact of COVID-19. Balance sheet values of assets revalued during 2019/20 are therefore based on the position prior to lockdown in March 2020.</p>
Pension Liability (see also Note 38).	<p>Estimating the net liability for future pensions depends on a range of judgements, notably the discount rate, rate of salary increases, mortality rates and the expected return on pension fund assets. Actuarial estimates of pension liabilities are based on long term forecasts covering the next 20 years.</p> <p>As a result of the ongoing impact of Covid-19 on the global financial markets, the valuation of the Pension Fund's property investments is reported on the basis of material valuation uncertainty. At 31 March 2020, the council's share of property fund assets was £69m, and the council's share of total assets was £701m.</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 £17.6m in the pension liability. Whereas a 0.1% increase in the inflation assumption would result in a £17.9m increase in the pension liability and an addition to the life expectancy assumption by one year leads to a £28.7m increase in the pension liability.</p>
Business ratepayer appeals provision (see also Note 20)	<p>Business ratepayers may lodge appeals against the rateable value given to their properties on the current and previous ratings list. The council makes a provision for this, estimated as the expenditure required to settle outstanding appeals based on the likely outcome of those appeals.</p>	<p>The provision required to settle any obligation arising from Business Ratepayer appeals is sensitive to any movement in our assumption of the risk attendant on those appeals. If appeals are settled with a success rate better than the 4.7% of net rates payable assumed for the 2017 rating list, then the cost of settling the resulting liability would be greater than that for which we have made provision. For example, a success rate of 4.9% of net rates payable would require an additional £1m in settlement of the resulting liability.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
Fair Value measurement of Investment Property (see also Note 17)	<p>The council's internal valuers use income-based valuation techniques, taking into account market conditions, to determine the fair value of investment property. If market conditions change significantly, there is likely to be a corresponding increase or reduction in investment property values.</p> <p>The outbreak of COVID-19 has impacted the processes and assumptions underpinning 2019/20 asset revaluations which have been reported on the basis of "material valuation uncertainty" in line with RICS "Red Book" Global requirements. Consequently, less certainty and a higher degree of caution should be attached to the valuations provided.</p>	<p>Estimated fair values may vary from the actual prices that could be achieved in an arm's length transaction at the reporting date. If the value of the council's Investment Property was to reduce by 10%, this would result in a £6.8m reduction to the value of long term assets and an equivalent reduction to Unusable Reserves in the Balance Sheet.</p> <p>At the time of preparing the accounts, it is not possible to predict the long-term impact of COVID-19. Balance sheet values of investment property at 31 March 2020 have therefore been based on the position prior to lockdown in March 2020.</p>
Britain's Departure from the European Union (Brexit): asset values and pension liability	<p>There is still uncertainty about the implications of Britain's departure from the European Union. At the current time it is not possible to predict the agreement that will be reached at the end of the transition period. The assumption has been made that this will not significantly impair the value of the council's assets or change the discount rate. However, this assumption will need to be revisited and reviewed regularly during the transition period to 31 December 2020.</p>	<p>Higher impairment allowances may need to be charged if asset values fall as a result of Brexit.</p> <p>If the discount rate changes or the value of pension fund assets is affected, the size of the net pension liability will also vary.</p>

5. Material items of income and expense

The council paid Suez Recycling and Recovery UK Ltd £19.5m (£18.5m in 2018/19) for waste collection and disposal services provided by under a service concession contract (see Note 35 for more details).

6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 4th February 2021. 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 2020, 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 2020 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. The key issue identified is the global Coronavirus pandemic (COVID-19) which resulted in "lockdown" measures throughout the UK in March 2020.

The councils' business response to COVID-19 has been summarised in the Narrative Report and the Annual Governance Statement sets out how the associated risks are being identified and managed. The financial impact of lockdown will be reflected in the 2020/21 financial statements and is expected to be most significant in terms of:

- increased demand for public services
- increased cost of business continuity and disaster planning activities
- collectability of trade debtors and local taxation
- carrying values of non-current assets and investments
- the impact of reductions to LGPS investment portfolios on pension liabilities in the Balance Sheet.

Best estimates of the impact of COVID-19 have been reflected in the council's financial planning and budget setting processes for 2020/21.

7. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers 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.

	2019/20						Total Adj's between the Funding and Accountin g Basis	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)		
	£'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)					
Plus movements on earmarked reserves			(6,427)					
Closing General Fund Balance at 31 March 2020			(84,929)					

RESTATED

2018/19

	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	Net Expend. in the CIES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Children, Adults & Health	130,331	(6,289)	124,042	27,155	5,865	1,660	34,680	158,722
Environment & Community	43,845	(1,823)	42,022	20,911	3,199	7	24,117	66,139
Corporate and Central services	37,078	(24,287)	12,791	25,935	1,040	5	26,980	39,771
Net Cost of Services	211,254	(32,399)	178,855	74,001	10,104	1,672	85,777	264,632
Other Income and Expenditure	(215,037)	26,884	(188,153)	(44,067)	8,610	(2,369)	(37,826)	(225,979)
Surplus or Deficit on Provision of Services	(3,783)	(5,515)	(9,298)	29,934	18,714	(697)	47,951	38,653
Opening General Fund Balance			(69,219)					
Transition to IFRS 9			27					
Reclassification of capital reserve			(12)					
Less/Plus movements on earmarked reserves			(9,298)					
Closing General Fund Balance at 31 March 2019			(78,502)					

The Restatement in 2018/19 relates to the removal of historic infrastructure assets transferred to the council in 1996, requiring a prior period adjustment, as set out in Note 43.

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 Differences (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

Restated 2018/19 £'000		2019/20 £'000
	Expenditure	
199,608	Employee benefits and related expenditure	216,440
305,350	Other services expenses	276,023
56,257	Transfer payments	48,303
62,704	Depreciation, impairment and Revenue expenditure funded by Capital under Statute	77,535
14,667	Interest payments	15,654
75,469	Precepts and levies	27,403
20,363	Loss on the disposal of assets	4,662
734,418	Total expenditure	666,020
	Income	
(133,538)	Fees, charges and other service income	(127,744)
(1,559)	Interest and investment income	(5,874)
(278,903)	Income from council tax and non-domestic rates	(201,067)
(237,698)	Government grants and contributions	(243,057)
(44,067)	Capital grants and contributions	(54,217)
(695,765)	Total income	(631,959)
38,653	Deficit on the Provision of Services	34,061

The Restatement in 2018/19 relates to the removal of historic infrastructure assets transferred to the council in 1996, requiring a prior period adjustment, as set out in Note 43.

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.

Restated					2019/20			
General Fund	2018/19 Capital Receipts	Capital Grants and Contributions	TOTAL Unusable Reserves		General Fund	Capital Receipts	Capital Grants and Contributions	TOTAL Unusable Reserves
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Adjustments to Revenue Resources								
(41,177)			41,177	Reversal Pensions costs debited to CIES	(44,571)			44,571
22,463			(22,463)	Employers Pensions contributions Payable	23,382			(23,382)
119			(119)	Finance costs charged to CIES differ from those chargeable by statute	114			(114)
(372)			372	Pooled Fund Adjustment Account	(3,034)			3,034
2,251			(2,251)	Council tax and non-domestic rates (transfers to or from Collection Fund Adjustment Account)	(2,700)			2,700
(1,300)			1,300	Reversal of effect of holiday pay accrual	(140)			140
(16,540)			16,540	Revenue expenditure funded from capital under statute (REFCUS)	(12,907)			12,907
(34,556)	0	0	34,556	Total adjustments to revenue resources	(39,856)	0	0	39,856
Adjustments between capital and revenue resources								
3,815	(3,815)		0	Sale proceeds credited as part of gain/loss on disposal	1,776	(1,776)		0
24	(24)		0	Other capital receipts	0	0		0
650			(650)	Repayment of Avon CC Debt Principal	624			(624)
1,100			(1,100)	Statutory provision for the financing of capital investment	1,518			(1,518)
3,430			(3,430)	Capital expenditure funded from revenue	5,485			(5,485)
9,019	(3,839)	0	(5,180)	Total adjustments between revenue and capital resources	9,403	(1,776)	0	(7,627)
Adjustments to capital resources:								
(41,306)			41,306	Charges for depreciation of non-current assets	(40,423)			40,423
(3,924)			3,924	Revaluation (Decrease)/Increase of PPE	(20,416)			20,416
(13)			13	Impairment of PPE charged to Capital Adjustment Account	(126)			126
				Movements in the value of Investment Properties	3,903			(3,903)
(851)			851	Amortisation of intangible assets	(753)			753
(20,387)			20,387	Non-Current assets written off on disposal	(6,438)			6,438
	1,169		(1,169)	Funding capital expenditure from Capital Receipts reserve		2,483		(2,483)
		42,264	(42,264)	Funding Capital Expenditure from Capital Grants reserve			53,873	(53,873)
44,067		(44,067)	0	Capital grants and contributions credited to CIES	54,217		(54,217)	0
(22,414)	1,169	(1,803)	23,048	Total adjustments to capital resources	(10,036)	2,483	(344)	7,897
(47,951)	(2,670)	(1,803)	54,424	Total adjustments	(40,489)	707	(344)	40,126

The Restatement in 2018/19 relates to the removal of historic infrastructure assets transferred to the council in 1996, requiring a prior period adjustment, as set out in Note 43.

10. Movements in earmarked reserves

Usable reserves are comprised of earmarked reserves for capital investment, earmarked reserves allocated to support revenue, reserves held on behalf of schools and a general fund working balance to cover short term cash flow fluctuations, budget overspends and other unforeseen contingencies. This general fund balance of 8.7m currently represents c.4% of total net revenue spending, the council aims to retain them at 5% (around £10.9m).

The total general fund reserves include a Dedicated Schools Grant debit balance of £16.3m. A multi-year recovery plan is in place to recover the debit balance on the DSG reserve arising from multi-year overspends, but in the meantime this debit reserve effectively nets down the overall general fund reserves position.

Earmarked reserves	Balance at 31 March 2018	Transfers out 2018/19	Transfers in 2018/19	Balance at 31 March 2019	Transfers out 2019/20	Transfers in 2019/20	Balance at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Schools balances	(4,877)	0	(310)	(5,187)	715	(664)	(5,136)
Earmarked for revenue purposes							
Childrens, Adults & Health service development	(1,165)	723	(50)	(492)	375	(0)	(117)
Dedicated Schools Grant balance	9,434	2,212	0	11,646	4,701	(0)	16,347
Drug action	(362)	0	(79)	(441)	74	(0)	(367)
Home choice	0	0	(402)	(402)	0	(404)	(806)
Psychology service	(79)	7	0	(72)	8	(0)	(64)
Public Health	(844)	131	(325)	(1,038)	169	(88)	(957)
Syrian refugees	0	0	(195)	(195)	0	(32)	(227)
Vinney Green Secure Unit	0	0	0	0	0	(213)	(213)
Troubled families	(233)	22	0	(211)	0	(63)	(274)
Total Childrens, Adults & Health	6,751	3,095	(1,051)	8,795	5,327	(800)	13,322
Arts funding	(81)	9	0	(72)	18	(0)	(54)
Building control	(132)	39	0	(93)	63	(0)	(30)
Domestic homicide review	(40)	0	0	(40)	0	(0)	(40)
Drainage strategic works	(114)	54	0	(60)	34	(0)	(26)
ECS IT equipment	(85)	85	0	0	0	(0)	0
Housing Enabling	(510)	23	0	(487)	63	(0)	(424)
Licensing	(303)	31	0	(272)	0	(78)	(350)
Local Infrastructure Fund	(263)	125	0	(138)	138	(0)	(0)
Local Plan/Development Framework	(408)	123	(85)	(370)	42	(0)	(328)
Oldbury Nuclear Planning	(385)	0	(24)	(409)	0	(18)	(427)
Open Spaces improvements	(181)	0	0	(181)	8	(0)	(173)
Planning Appeals	(89)	90	0	1	0	(1)	0
Planning Capacity Funding	(224)	80	0	(144)	5	(0)	(139)
Planning Enforcement	(83)	0	0	(83)	0	(0)	(83)
Private Sector Housing - Accommodation Survey	(41)	0	(8)	(49)	0	(8)	(57)
Private sector housing deposits	(24)	0	0	(24)	0	0	(24)
Proceeds of Crime Act	(46)	34	0	(12)	12	(0)	(0)
Prosecution	(59)	23	0	(36)	18	(0)	(18)
Remedial works	(179)	96	(35)	(118)	0	0	(118)
Smart cards	(110)	62	0	(48)	0	(0)	(48)
Waste management equalisation	(9,165)	686	(1,375)	(9,854)	1,001	(1,066)	(9,919)
Total Environment and Communities Service	(12,522)	1,560	(1,527)	(12,489)	1,402	(1,171)	(12,258)

	Balance at 31 March 2018	Transfers out 2018/19	Transfers in 2018/19	Balance at 31 March 2019	Transfers out 2019/20	Transfers in 2019/20	Balance at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget carry forward	(1,434)	1,434	(999)	(999)	999	(7,196)	(7,196)
City Region Deal – Economic Development Fund smoothing	(10,321)	0	(5,962)	(16,283)	0	(8,238)	(24,521)
Corporate Telephone system	(230)	0	(230)	(460)	0	(230)	(690)
Council elections	(365)	51	(20)	(334)	257	(0)	(77)
Economic development	(624)	0	(382)	(1,006)	0	(0)	(1,006)
Financial Risks Reserve	(20,496)	9,375	(13,066)	(24,187)	5,902	(4,662)	(22,947)
Insurance	(4,000)	0	0	(4,000)	0	(0)	(4,000)
Invest to Save	(1,255)	211	(150)	(1,194)	852	(376)	(718)
Investment smoothing	0	0	(652)	(652)	29	(0)	(623)
New Homes Bonus	(1,684)	57	0	(1,627)	53	(0)	(1,574)
Print and multi-functional device renewal	(446)	0	0	(446)	0	(0)	(446)
Residual HRA	(13)	0	0	(13)	0	(0)	(13)
Severance	(730)	0	0	(730)	0	(0)	(730)
Service Investment and Opportunities	0	0	0	0	103	(1,000)	(897)
Traded services	(1,087)	0	(320)	(1,407)	461	(25)	(971)
Universal credit implementation	(330)	0	0	(330)	165	(0)	(165)
Total Corporate Resource & Central Services	(43,015)	11,128	(21,781)	(53,668)	8,821	(21,727)	(66,574)
Total earmarked for revenue purposes	(48,786)	15,783	(24,359)	(57,362)	15,550	(23,698)	(65,510)
Earmarked for capital purposes							
BAC Aviation Trust	(2,000)	1,011	0	(989)	0	(11)	(1,000)
Capital Fund	(956)	334	(1,000)	(1,622)	499	(0)	(1,123)
Page Park Maintenance	0	0	(20)	(20)	0	(14)	(34)
Revenue Contributions to Capital funding	0	0	(50)	(50)	50	(39)	(39)
Major schemes	(1,097)	0	(184)	(1,281)	0	(0)	(1,281)
Street Care Fixed Assets Replacement	(2,765)	1,487	(2,002)	(3,280)	1,937	(752)	(2,095)
Total earmarked for capital purposes	(6,818)	2,832	(3,256)	(7,242)	2,486	(816)	(5,572)
Total Earmarked Reserves	(60,481)	18,615	(27,925)	(69,791)	18,751	(25,178)	(76,218)

The purpose of each reserve is:

Reserves for revenue purposes

Name

Arts funding

Purpose

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.

City Region Deal - Economic Development Fund Smoothing

To hold Council's share of unallocated funds in City Region Deal Business Rates Pool.

Reserves for revenue purposes	
<u>Name</u>	<u>Purpose</u>
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
DSG high needs reserve	To support DSG high needs overspend. A multi-year recovery plan is in place to recover the debit balance on this reserve
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
ECS IT Equipment	To purchase IT Equipment within ECS
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

Reserves for revenue purposes

Name	Purpose
Prosecution	To cover the costs of prosecution on issues of licensing, envirocrime, planning enforcement and trading standards
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 LSVT housing transfer in 2007 and 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)
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

***Dedicated Schools Grant (DSG) Balance**

At 31st March 2020 the Dedicated Schools Grant reserve has a debit balance to the value of £16.347m, an increase of £4.700m since 31st March 2019.

South Gloucestershire's Dedicated Schools Grant budget first went into an overspend position in 2016/17 due to inescapable Special Educational Needs and Disabilities (SEND) pressures. The reasons for pressures can be summarised as follows:

- Increasing numbers of SEND pupils and increasing complexity of need
- Core school budget pressures (8% national average cost pressure for schools over the past five years) reducing capacity for schools to be inclusive
- Legislative changes passing responsibility for 19-25 age range to Local Authorities without a transfer of sufficient funding (for SGC our calculations showed an instant £2m shortfall in funding)

- Introduction of the Children and Families Act 2014 resulting in a 35% increase nationally in the number of Education and Health Care Plans, while the eligible child population over the same period has only increased by 1%

Since the emergence of these pressures, the Council has been working collaboratively with the Schools Forum on a sustainability plan which initially made significant strides towards improving the financial position regarding the DSG balance and thus safeguarding the Council's financial position. Despite many signs of positive impact achieved to date it became apparent during the work to set the 2019/20 Schools Budget that the original four year plan could not be met due to growing numbers of pupils with SEND and increasing complexity of need.

An updated DSG Sustainability Plan has been developed in partnership with the Schools Forum High Needs Working Group and has been presented to the ESFA. Representatives from the ESFA visited the Council on 11/02/20 to discuss and review the Council's DSG plans and the feedback from the ESFA at that meeting was positive regarding the measures and plans developed by the Council.

The Council believes this partnership approach with schools is the best approach and offers the greatest chance of success in moving the DSG back into financial balance.

11. Other operating expenditure

2018/19		2019/20
£'000		£'000
7,052	Parish Precepts	7,346
3,390	Levies (including Coroners Court)	3,728
436	Pensions administration expense	546
16,548	(Gains)/losses on disposal of non-current assets	4,662
27,426	Total	16,282

12. Financing and investment income and expenditure

2018/19		2019/20
£'000		£'000
6,494	Interest payable and similar charges	6,477
8,173	Net interest on the net defined benefit liability/(asset)	9,104
(1,559)	Interest receivable and investment income	(1,969)
244	Income and expenditure in relation to investment properties and changes in their fair value	(5,777)
372	Changes in the fair value of financial instruments	3,034
13,724	Total	10,869

13. Taxation and non-specific grant income and expenditure

2018/19		2019/20
£'000		£'000
(142,576)	Council Tax income	(148,858)
(60,858)	Non-domestic rates income and expenditure	(52,209)
(19,628)	Non-ringfenced Government grants	(23,325)
(44,067)	Capital grants and contributions	(54,217)
(267,129)	Total	(278,609)

Non-domestic rates income and expenditure (£52,209k) represents gross NNDR income of £136,443k, reduced by £84,234k of NNDR tariff expenditure.

14. 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 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
<u>Cost or Valuation</u>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2019	522,606	149,446	318,607	716	10,400	97	1,001,872	21,732
Additions	12,455	2,468	18,491	290	736	12,226	46,666	26
Revaluation increases recognised in the Revaluation Reserve	56,748	(1,653)	200		1,442		56,738	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)		6,590		546	(84)
At 31 March 2020	562,400	147,366	336,716	1,006	19,011	12,323	1,078,823	20,684
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2019	(24,100)	(25,350)	(72,347)	(3)	0	0	(121,800)	(8,580)
Depreciation charge	(18,650)	(10,645)	(10,949)	(3)	(176)		(40,423)	(1,300)
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	(43,958)	(35,933)	(83,296)	(6)	(210)	0	(163,403)	(9,880)
<u>Net Book Value</u>								
At 31 March 2020	518,443	111,433	253,420	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

RESTATED**Movements in 2018/19**

	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
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Cost or Valuation</u>								
At 1 April 2018	487,343	132,761	207,717	597	3,308	87,591	919,317	21,309
Additions	11,479	1,661	20,320	18	289	4,745	38,512	423
Revaluation increases recognised in the Revaluation Reserve	42,696	19,975			563		63,234	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(2,070)	268		(1,568)			(3,370)	
Derecognition – Disposals	(16,842)	(5,219)					(22,061)	
Assets reclassified			90,570	1,669	6,240	(92,239)	6,240	
At 31 March 2019	522,606	149,446	318,607	716	10,400	97	1,001,872	21,732
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2018	(5,519)	(14,752)	(61,777)	(1)	0	0	(82,049)	(7,339)
Depreciation charge	(18,979)	(11,755)	(10,570)	(2)			(41,306)	(1,241)
Impairment (losses)/reversals recognised in the Revaluation Reserve	(106)						(106)	
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(13)						(13)	
Derecognition – disposals	517	1,157					1,674	
Assets reclassified							0	
At 31 March 2019	(24,100)	(25,350)	(72,347)	(2)	0	0	(121,800)	(8,580)
<u>Net Book Value</u>								
At 31 March 2019	498,506	124,096	246,260	713	10,400	97	880,072	13,152
At 31 March 2018	481,824	118,009	145,940	596	3,308	87,591	837,268	13,970

The Restatement in 2018/19 relates to the removal of historic infrastructure assets transferred to the council in 1996, requiring a prior period adjustment, as set out in Note 43.

Capital Commitments

As at 31 March 2020, the Council had contractual commitments for capital schemes in 2020/21 and future years. These commitments totalled £67,837k as shown in the table below. Similar commitments as at 31 March 2019 were £11,468k.

	Commitment at 31 March 2020 £'000
Avonmouth & Severnside flood Mitigation & Ecology (BMM)	45,447
Cribbs Patchway Metrobus Extension (Network Rail)	14,898
Umbrella (Digital Infrastructure)	2,283
Bristol and Bath Science Park (Modular Building)	1,871
Avonmouth & Severnside flood Mitigation & Ecology (EA)	1,806
Vinney Green Secure Unit (En-suites)	1,000
Cribbs Patchway Metrobus Extension (Lease)	532
Total	67,837

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 2019/20 the rolling programme and Investment Property revaluations were undertaken at 31 December 2019; all schools, leisure centres, libraries and youth centres were valued at 31 January 2020, and Assets Held for Sale and Surplus Assets at 28 February 2020. Valuers are satisfied that the value of assets in the Balance Sheet is not materially different from a full valuation carried out on 31 March 2020.

	Land & Buildings	Infrastructure Assets	Community Assets	Vehicles, Plant & Equipment	Assets Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at Current Value in year							
2019/20	465,114			95,559	12,323	18,435	591,431
2018/19	32,889		448	6,101		0	39,438
2017/18	14,610			7,268		0	21,878
2016/17	1,650		261	1,310		365	3,587
2015/16	3,198		291	464			3,952
Held at historic cost	982	253,421		731			255,134
Total	518,443	253,421	1,000	111,433	12,323	18,800	915,420

15. Financial instruments

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

	Long term		Current	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000
<u>Financial Liabilities</u>				
Financial liabilities at amortised cost				
Principal borrowed	(121,788)	(121,341)	(447)	(447)
Accrued interest	0	0	(1,215)	(1,220)
Total borrowing *	(121,788)	(121,341)	(1,662)	(1,667)
Financial liabilities at contract cost included in creditors	0	0	(30,213)	(33,645)
PFI Liabilities	(6,516)	(5,312)	(1,000)	(1,204)
Total Financial Liabilities	(128,304)	(126,653)	(32,875)	(36,516)
<u>Financial Assets</u>				
Investments held at amortised cost				
Principal	5,000	5,000	72,000	22,500
Accrued interest	0	0	470	469
Loss allowance	0	0	(7)	(8)
Total investments held at amortised cost**	5,000	5,000	72,463	22,961
Investments held at fair value through profit and loss***	29,338	26,303	0	0
Total investments	34,338	31,303	72,463	22,961
Cash and Cash equivalents				
Held at amortised cost	0	0	678	(2,239)
Held at fair value through profit and loss	0	0	13,416	32,590
Total cash and cash equivalents	0	0	14,094	30,351
Debtors				
Long and short term debtors	3,269	5,070	18,613	21,514
Loss allowances	(385)	(494)	(2,878)	(3,289)
Financial instruments included in Debtors	2,884	4,576	15,735	18,225
Total Financial Assets	37,222	35,879	102,292	71,537

* Borrowing comprises approximately £106m 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 that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for financial assets carried at fair value (described in Note 17), all other financial liabilities and financial assets represented by investments, borrowing, cash and debtors and creditors are carried on the Balance Sheet at amortised cost. The following note provides a comparison of these carrying values to the fair value of the instruments. The fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the assumptions below. This is input level 2 in the fair value hierarchy described in Note 17.

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 2020.

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

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.

Set out below is a comparison of the fair value of financial instruments with their carrying value as at 31 March 2020.

	Carrying amount 31 March 2019 £'000	Carrying amount 31 March 2020 £'000	Fair Value 31 March 2019 £'000	Fair Value 31 March 2020 £'000
<u>Financial Liabilities held at amortised cost</u>				
External Borrowing - Public Works Loan Board	(107,016)	(106,568)	(147,834)	(151,010)
External Borrowing - Market	(16,435)	(16,439)	(23,527)	(24,549)
Creditors - financial liabilities at contract cost	(30,213)	(33,645)	(30,213)	(33,645)
PFI liability	(7,516)	(6,516)	(7,329)	(6,199)
Total Financial Liabilities	(161,180)	(163,168)	(208,903)	(215,403)
<u>Financial Assets</u>				
Long and short term investments	77,463	27,961	77,477	27,981
Long and short term debtors	18,619	22,801	18,619	22,801
Cash and cash equivalents	678	(2,239)	678	(2,239)
Total Financial Assets	96,760	48,523	96,774	48,543

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:

2018/19					2019/20			
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
6,493	0	0	6,493	Interest expense	6,476	0	0	6,476
		438	438	Losses from change in fair value	0	0	3,034	3,034
0	0	0	0	Impairment losses	0	1	0	1
6,493	0	438	6,931	Interest payable and similar charges	6,476	1	3,034	9,511
0	(598)	0	(598)	Interest income	0	(743)	0	(743)
		(876)	(876)	Dividend income	0	0	(1,215)	(1,215)
		(75)	(75)	Gains on de-recognition	0	0	0	0
0	0	(66)	(66)	Gains from changes in Fair Value	0	0	0	0
0	(10)	0	(10)	Impairment loss reversals	0	(11)	0	(11)
0	(608)	(1,017)	(1,625)	Interest and Investment income	0	(754)	(1,215)	(1,969)
6,493	(608)	(579)	5,306	Net impact on surplus/deficit on provision of services	6,476	(753)	1,819	7,542

16. Cash and cash equivalents

31 March 2019		31 March 2020
£'000		£'000
104	Cash held by the council	103
574	Bank current accounts	(2,342)
13,416	Other short term deposits	32,590
14,094	Total Cash and Cash Equivalents	30,351

The negative balance on bank current accounts at 31 March 2020 relates to unrepresented cheques. 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 where funds can be liquidated with less than three days' notice.

17. Fair value

Some of the council's financial assets are carried on the Balance Sheet at fair value in accordance with the requirements of the Code and IFRS13. These assets are described in the table below, together with an explanation of:

- The valuation techniques used to measure them;
- Categorisation levels in the fair value hierarchy;

- Where valuations are not based on a published bid/offer price, the key data and information used; and
- Where valuations are based on significant degrees of estimation or judgement, the key sensitivities affecting the judgements made.

The council's valuer is satisfied that the carrying value of the authority's non-current assets held for sale at the Balance Sheet date is not significantly different from their fair value.

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities	Fair Value 31 March 2019 £000	Fair Value 31 March 2020 £000
Short term investment	Level 1	Pooled investment funds managed externally by fund managers valued by reference to published unit bid price	N/a	N/a	13,416	32,590
Long term investment	Level 1	Pooled bond, equity and multi-asset investment funds managed externally by fund managers valued by reference to published unit price	N/a	N/a	22,691	19,895
Long term investment	Level 2	Units held in the Local Authorities Property Fund valued at bid price	Unit prices are published monthly and calculated by reference to a monthly valuation of the fund assets divided by the number of units in issue	N/a	6,647	6,409
Investment properties	Level 2	Mainly ground leases, these are valued annually by RICS registered valuers in the Council's Property Services division. Assets are valued as investments using the income approach in accordance with the RICS Red Book	Observable: existing lease terms, current rent yields, covenant strengths and other comparables. Unobservable: future market conditions, future rent reviews, future assignees and void periods	Yield (applied to reversion)	15,509	59,046
Investment properties	Level 3	Mainly ground leases, (with the exception of Bristol and Bath Science Park) these are valued annually by RICS registered valuers in the Council's Property Services division. Assets are valued as investments using the investments approach set out in the RICS Red Book	Observable: existing lease terms, current rent yields, covenant strengths and other comparables. Unobservable: future market conditions, future rent reviews, future assignees and void periods	Yield (applied to reversion)	3,047	1,588

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities	Fair Value 31 March 2019 £000	Fair Value 31 March 2020 £000
Surplus Assets	Level 3	Valued using a market approach, adjusted to reflect planning uncertainty	Observable: development land values (where comparable), site constraints and planning guidance. Unobservable: variables in market evidence, build and site clearance costs, unforeseen ground conditions and planning permissions/requirements	Planning	10,400	18,801
Non-current assets held for sale	Level 3	Mostly development land, either a cleared site or proposed demolition, which has been valued annually by RICS registered valuers in the Council's Property Services division. Where relevant this is based on offers received, with any adjustments made for local conditions e.g. planning requirements or demolition costs	Observable: comparable development land values, site constraints and planning guidance/permissions. Unobservable: variables in market evidence, build and site clearance costs, unforeseen ground conditions, planning permission/requirements and costs of sale	Planning	945	399
Total					72,655	146,328

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, the council's valuers have determined that the valuation methods described above are likely to be accurate to within the following ranges, and have set out in the following table the consequent potential impact on the closing value of investments held at 31 March 2020.

	Fair Value at 31 March 2020 £'000	Assessed valuation range		Value on increase £'000	Value on decrease £'000
		+	-		
Investment property	1,588	27%	20%	2,017	1,270
Assets Held for Sale	399	20%	20%	479	319
Surplus assets	18,801	50%	10%	28,201	16,920
Total	20,788			30,696	18,510

Investment property is predominantly valued through capitalisation of actual or estimated net rental income at a market yield. The above 'assessed valuation range' reflects the potential percentage difference to the capitalised value when applying yields between 5.0% and 7.0% through a sensitivity analysis.

Yields relate to the prospects and risk of a particular investment. Many factors can affect this including for example future market conditions, the unexpired lease term, covenant strength, let-ability of the asset, passing rent, lease terms, etc.

The key sensitivity to both the council's Assets Held for Sale (AHFS) and Surplus Assets is the effect planning permissions/ requirements may have on a particular property's market value. Planning permissions directly affect value as this dictates use and development type/density. Unexpected constraints, the need for Affordable Housing allocation and Community Infrastructure Levy (CIL) payments, for example, can reduce value. Reasonable assumptions are made when valuing these types of assets with more caution given to Surplus Assets before planning guidance is obtained. Planning permissions or further guidance has often been sought before assets are brought to the market thus the potential impact on the valuations is lessened for AHFS.

The variation applied to the AHFS relates more to the impact that detailed planning conditions may have.

Fair value hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial and non-financial assets and liabilities of the authority grouped into levels 1 to 3, based on the level at which the fair value is observable.

2019/20	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Financial assets at fair value	52,485	6,409	0	58,894
Non-financial assets at fair value	0	59,046	20,788	79,834
Net investment assets	52,485	65,455	20,788	138,728

2018/19	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Financial assets at fair value	36,107	6,647	0	42,754
Non-financial assets at fair value	0	15,509	14,392	29,901
Net investment assets	36,107	22,156	14,392	72,655

Transfers between level 1 and 2

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

Reconciliation of assets within Level 3

	Fair Value at 1 April 2019	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	Fair Value at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment property	3,047		(1,457)			(2)		1,588
Assets held for sale	945		(546)			(0)		399
Surplus assets	10,400		546	6,779		1,076		18,801
Total	14,392	0	(1,457)	6,779	0	1,074	0	20,788

Whilst comparable evidence is used to support these valuations, where an outstanding rent review has caused a degree of uncertainty these may be recorded as a Level 3 in the hierarchy. Likewise where a rent review has been recently completed these have been moved to a Level 2 in the 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. Transfers out of Assets Held for Sale and into Surplus Assets shows the reclassification of an asset that is no longer being actively marketed.

Gains or losses arising from changes in the fair value of Investment Properties are recognised in the Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure line. Gains or losses arising from changes in the fair value of Assets Held for Sale are recognised in the Surplus or Deficit on the Provision of Services, within the relevant departmental cost of services line and gains or losses arising from changes in the fair value of Surplus Assets are recognised in Other Comprehensive Income and Expenditure.

Investment Property rentals receivable

The council's Investment Properties are largely ground leases on industrial units, with lease terms ranging from 78 to 125 years and rent reviews typically take place every 14 years. The exception to this is the recently acquired Bristol and Bath Science Park (BBSP), consisting of an 'Innovation Centre' and 'Grow on Centres' providing flexible office, meeting and work space. There is a mix of virtual tenancies, licences and leases granted. Generally, leases are granted for a period of up to 6 years and contain an option to break in the third year. The virtual tenancies and licences are open ended (rolling), subject to 4 weeks termination notice. 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').

31 March 2019 £'000		31 March 2020 £'000
760	within one year	2,803
1,581	within two to five years	11,819
22,881	later than five years	52,890
25,222		67,512

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

2018/19 £'000		2019/20 £'000
1,189	Rental income from investment property	2,869
(417)	Direct operating expenses arising from investment property	(999)
772	Net gain/(loss)	1,870

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

2018/19 £'000		2019/20 £'000
5,351	Balance at 1 April	18,556
13,829	Additions	38,173
(624)	Net gains/losses from fair value adjustments	3,905
18,556	Balance at 31 March	60,634

18. Creditors

31 March 2019 £'000		31 March 2020 £'000
(3,486)	Central Government bodies	(1,157)
(20,204)	Other local authorities	(24,406)
(273)	NHS bodies	(484)
(33,219)	Trade payables	(44,558)
(2,299)	Council Tax	(2,214)
(5,045)	Business Rates	(2,336)
(27,944)	Receipts in advance	(32,852)
(92,470)	Total	(108,007)

19. Debtors

31 March 2019 £'000	Non-current debtors	31 March 2020 £'000
2,884	Total	4,576

31 March 2019 £'000	Current debtors	31 March 2020 £'000
6,344	Central Government bodies	7,532
2,894	Other local authorities	7,590
35	NHS bodies	0
4,491	Council tax payers	5,390
1,040	Business rates	2,747
22,800	Other entities & individuals	29,240
3,524	Prepayments	4,311
(7,338)	Allowance for bad debts	(8,008)
33,790	Total	48,802

20. 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 2019	Additional provisions	Amounts used	Unused amounts reversed	31 March 2020
	£'000	£'000	£'000	£'000	£'000
Business rates appeals provision	(18,262)	(7,413)	6,726	0	(18,949)
Harnhill restoration	(2,566)	(54)	101	0	(2,519)
Insurance provision	(1,468)	(1,783)	758	650	(1,843)
Severance provision	(849)	(9)	297	0	(561)
Other provisions	(25)	0	0	0	(25)
Total	(23,170)	(9,259)	7,882	650	(23,897)

Provisions are shown on the Balance Sheet as below:

	31 March 2019	Additional provisions*	Amounts used	Unused amounts reversed	31 March 2020
	£'000	£'000	£'000	£'000	£'000
Current (< 1 year)	(20,745)	8,202	7,780	650	(4,113)
Non-current (> 1 year)	(2,425)	(17,461)	102	0	(19,784)
	(23,170)	(9,259)	7,882	650	(23,897)

* Includes an adjustment of £17,407k relating to Business Rates appeals provisions that have been classified as non-current at 31 March 2020 (previously classified as current).

- 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 2020, 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.

21. Other long term liabilities

This balance is made up of:

31 March 2019 £'000		31 March 2020 £'000
(388,002)	Pensions liability	(398,942)
(6,516)	Waste Private Finance Initiative lease	(5,312)
(14,970)	Residual Avon County Council debt (see below)	(14,371)
(2,494)	Revolving Infrastructure Fund liability	(2,016)
(410)	Deferred income	(253)
(85)	Repayable deposits	(2)
(412,477)	Total	(420,896)

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 2019 £'000		31 March 2020 £'000
(15,593)	Opening balance	(14,970)
623	Reclassified and included in short term creditors	599
(14,970)	Closing balance	(14,371)

Repayment of debt amounting to £623k was made in 2019/20. This is part of the movement on the balance due within one year, which is included in short term creditors (Note 18).

22. Unusable reserves

Restated		
31 March		31 March
2019		2020
£'000		£'000
(372,912)	Revaluation Reserve	(405,281)
(304,227)	Capital Adjustment Account	(314,220)
581	Financial Instruments Adjustment Account	467
393,986	Pensions Reserve	398,942
(3,900)	Collection Fund Adjustment Account	(1,200)
473	Pooled Fund Adjustment Account	3,507
4,006	Accumulated Absences Account	4,146
(281,993)	Total Unusable Reserves	(313,639)

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		31 March
2019		2020
£'000		£'000
(343,322)	Opening Balance	(372,912)
(69,254)	Upward revaluation of assets	(97,556)
6,020	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	40,818
(63,234)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(56,738)
106	Impairment losses on non-current assets charged to the revaluation reserve	1,199
20,584	Difference between fair value depreciation and historical cost depreciation	19,552
12,954	Accumulated gains on assets sold or scrapped	3,618
33,538	Amount written off to the Capital Adjustment Account	23,170
(372,912)	Closing Balance at 31 March	(405,281)

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.

Restated 31 March 2019 £'000 (305,097)		31 March 2020 £'000 (304,227)
	Opening Balance at 1 April	
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
41,306	Charges for depreciation and impairment of non-current assets	40,423
3,924	Revaluation losses and gains reversing past losses on non-current assets	20,416
851	Amortisation of intangible assets	753
16,540	Revenue expenditure funded from capital under statute	12,907
13	Impairments	126
20,387	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	6,438
83,021 (33,538)		81,063 (23,170)
49,483	Net written out amount of the cost of non-current assets consumed in the year	57,893
	Capital financing applied in the year:	
(669)	Use of capital receipts to finance new capital expenditure	(1,861)
(42,264)	Capital grants and contributions applied	(53,873)
(2,030)	Capital expenditure charged against General Fund balances	(4,008)
(1,400)	PFI and Finance Lease repayments	(1,477)
(1,100)	Statutory provision for the financing of capital investment charged against the General Fund balance	(1,518)
(500)	Debt repayment funded by capital receipts	(622)
(650)	Repayment of ex-Avon debt	(624)
(48,613)		(63,983)
	Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement	(3,903)
(304,227)	Closing Balance at 31 March	(314,220)

The Restatement in 2018/19 relates to the removal of historic infrastructure assets transferred to the council in 1996, requiring a prior period adjustment, as set out in Note 43.

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 2019 £'000		31 March 2020 £'000
700	Opening Balance at 1 April	581
(144)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements.	(121)
25	Proportion of discounts received in previous financial years to be credited against the General Fund Balance in accordance with statutory requirements.	7
(119)	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.	(114)
581	Closing Balance at 31 March	467

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and the funding of such benefits in accordance with statutory provisions.

31 March 2019 £'000		31 March 2020 £'000
336,699	Opening Balance at 1st April	393,986
38,573	Remeasurement of the net Defined Benefit Liability	(16,233)
41,177	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	44,571
(22,463)	Employer's pensions contributions and direct payments to pensioners payable in the year	(23,382)
393,986	Closing Balance at 31 March	398,942

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 2019		31 March 2020
£'000		£'000
(1,649)	Opening Balance at 1st April	(3,900)
(2,251)	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.	2,700
(3,900)	Closing Balance at 31 March	(1,200)

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 2019		31 March 2020
£'000		£'000
2,707	Opening Balance at 1st April	4,006
(2,707)	Settlement of previous year accrual	(4,006)
4,006	Amounts accrued at end of the current year	4,146
4,006	Closing Balance at 31 March	4,146

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 2019		31 March 2020
£'000		£'000
0	Opening Balance at 1st April	473
101	Transfer of balances on Available for Sale Reserve	0
372	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	3,034
473	Closing Balance at 31 March	3,507

23. Cash Flow Statement – operating activities

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

Restated 2018/19 £'000		2019/20 £'000
(41,306)	Depreciation, amortisation and impairments	(40,423)
(851)	Amortisation of intangible assets	(753)
2,857	Impairments and write offs of Property, Plant & Equipment	(20,542)
(3,307)	(Increase) / decrease in creditors	(15,537)
(1,718)	Increase / (decrease) in debtors	16,704
6	Increase in inventories	195
(24,484)	Movement in pensions liability	(27,173)
(20,387)	Carrying amount of non-current assets sold/de-recognised	(6,438)
2,225	Other non-cash items charged to the provision of services	(729)
(86,965)		(94,695)
Adjust for Items included that are Investing or Financing activities		
44,067	Capital Grants credited to cost of provision of services	54,217
(1,013)	Payments reducing finance lease and PFI liabilities	(1,204)
3,815	Proceeds from sale of property, plant and equipment	1,776
(5,414)	Net proceeds from sale of Investments	0
(244)	Net gains or losses from investment property	3,905
41,211	Total	58,694

The Restatement in 2018/19 relates to the removal of historic infrastructure assets transferred to the council in 1996, requiring a prior period adjustment, as set out in Note 43.

The cash flows for operating activities include the following items:

2018/19 £'000		2019/20 £'000
(608)	Interest Received	(1,969)
6,493	Interest Paid	6,477
5,885	Total	4,508

24. Cash Flow Statement – investing activities

2018/19 £'000		2019/20 £'000
46,810	Purchase of property, plant and equipment and intangible assets	90,045
29,629	Purchase of short term and long term investments	0
650	Other payments for investing activities	2,964
(3,815)	Proceeds from the sale of property, plant and equipment	(1,776)
244	Proceeds from short term and long term investments	(52,537)
(44,067)	Other investment receipts	(54,217)
29,451	Net Cash Flows from Investing Activities	(15,521)

25. Cash Flow Statement – financing activities

2018/19		2019/20
£'000		£'000
452	New short and long term borrowing	0
1,013	Cash payments reducing finance lease and PFI liabilities	1,204
1,465	Net Cash Flows from Financing Activities	1,204

26. Partnership Scheme - Better Care Fund

The council is part of a non-pooled 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.

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.

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. The two partner authorities are responsible for managing the individual schemes for which they have lead responsibility.

2018/19		2019/20
£'000		£'000
Funding provided to the partnership budget		
(6,036)	South Gloucestershire Council	(6,557)
(17,950)	South Gloucestershire Clinical Commissioning Group	(15,232)
(23,986)		(21,789)
Expenditure met from the partnership budget		
16,774	South Gloucestershire Council	18,074
7,221	South Gloucestershire Clinical Commissioning Group	4,146
23,995		22,220
9	Net deficit arising from the partnership in the year	431
9	South Gloucestershire Council's share of the net deficit	431

27. Members' allowances

2018/19		2019/20
£'000		£'000
809	Basic Allowance	735
206	Special Responsibility Allowance	224
12	Expenses	16
1,027	Total	975

28. Officers' remuneration

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

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

2018/19	Salaries, fees and allowances	Pension Contribution	Total remuneration
	£	£	£
A. Deeks – Chief Executive	162,032	36,295	198,327
Director of Corporate Resources and Deputy Chief Executive	130,052	29,132	159,184
Director of Children, Adults & Health	29,158	0	29,158
Director of Children, Adults & Health	85,916	19,245	105,161
Director of Environmental & Community Services	43,814	2,380	46,194
Director of Environmental & Community Services	58,468	0	58,468
Director of Environmental & Community Services	55,163	12,357	67,520
Head of Legal, Governance and Democratic Services	100,934	22,609	123,543
Director of Public Health	29,680	0	29,680
Director of Public Health	65,636	9,438	75,074

A. Deeks left post on 30 September 2019. D. Perry was the Director of Corporate Resources and Deputy Chief Executive until 30 April 2019 and took up the post of Chief Executive from 1 May 2019. The Chief Executive is the Head of Paid Services.

The Director of Adult Social Services and Housing is a new role from 1 April 2019.

The Director of Resources and Business Change commenced in the role on 4 November 2019. The intervening period was filled by an interim agency Director of Resources and Business Change.

The Director of Corporate Resources and Deputy Chief Executive held statutory s.151 responsibilities until April 2019. The Head of Financial Services holds statutory s.151 responsibilities with effect from 1 May 2019.

The Head of Legal and Democratic Services is the Council's Monitoring Officer and received additional remuneration in respect of his role as the Returning Officer for the 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 2019	No. at 31 March 2020	No. at 31 March 2019	No. at 31 March 2020
£50,000 - £54,999	36	42	36	42
£55,000 - £59,999	25	14	28	27
£60,000 - £64,999	8	16	15	18
£65,000 - £69,999	4	4	6	8
£70,000 - £74,999	4	5	6	4
£75,000 - £79,999	7	2	5	6
£80,000 - £84,999	1	6	5	6
£85,000 - £89,999	6	2	4	1
£90,000 - £94,999	2	4	1	1
£95,000 - £99,999	1	2	2	1

In 2019/20, 2 non-teaching staff and no teaching staff appear in this table by virtue of having received redundancy or compensation payments. In 2018/19, 3 non-teaching staff and 1 teaching staff appear in this table by virtue of having received redundancy or compensation payments.

29. External audit costs

2018/19 £'000		2019/20 £'000
100	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year.	120**
32*	Fees Payable to Grant Thornton UK LLP for other services provided in the year.	36***
132	Total	156

* Additional Housing benefit fees for 2018/19 of £20k were paid in 2019/20.

** Any additional fees arising from the audit of 2019/20 will be accounted for in 2020/21.

*** The fees payable for other services in 2019/20 related to audit work on Housing Benefits and Teachers' pensions.

30. Dedicated Schools Grant (DSG)

This grant is ring fenced and can only be used for schools. Deployment of grant receivable for 2019/20 was as follows:

2018/19		Central Expenditure £'000	2019/20 Individual Schools Budget £'000	Total £'000
Total				
£'000				
(203,515)	Final DSG before Academy recoupment			(207,817)
67,218	Academy recoupment			69,499
4,428	Direct funding of high needs places by the Education Funding Agency			5,196
(131,869)	Total DSG after Academy recoupment			(133,122)
9,434	Plus: Brought forward from previous year			9,434
(9,434)	Less: Carry forward agreed in advance			(11,646)
(131,869)	Agreed Initial Budget Distribution	(45,000)	(90,334)	(135,334)
51	In-year adjustments	(772)	0	(772)
(131,818)	Final Budget Distribution	(45,772)	(90,334)	(136,106)
45,788	Less: Actual Central Expenditure	50,472		50,472
88,242	Less: Actual Individual Schools Budget deployed to schools		90,334	90,334
2,212	Carry Forward to next year	4,700	0	4,700
2018/19	Total Carry Forward to 2020/21			2019/20
Total				Total
9,434	Prior years brought forward			11,646
2,212	Current year carry forward			4,700
11,646	Total carry forward agreed			16,346

A multi-year recovery plan is in place to recover the debit balance on the DSG reserve arising from multi-year overspends, but in the meantime this debit reserve effectively nets down the overall general fund reserves position.

31. Grant Income

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

2018/19 £'000		2019/20 £'000
<u>Credited to taxation and non-specific grant income and expenditure</u>		
(7,971)	s31 grant	(10,674)
(6,228)	New Homes Bonus	(6,431)
(3,341)	Better Care Fund	(3,561)
(584)	Social Care Support Grant	(2,533)
(1,504)	Other grants	(126)
(19,628)	Total non-ringfenced government grants	(23,325)
<u>Credited to services</u>		
Children, Adults and Health		
(131,818)	Dedicated Schools Grant (DSG)	(133,894)
(9,379)	Public Health Grant	(9,131)
(4,627)	Pupil Premium Funding	(6,305)
(3,011)	Free School Meals	(2,985)
(1,541)	Primary PE and Sport premium	(1,515)
	Teachers Pay grant	(1,003)
(1,258)	6th Form Funding	(986)
(4,266)	Other grants	(4,746)
(155,900)	Total	(160,565)
Environment and Communities		
(3,052)	The Private Finance Initiative (PFI)	(3,052)
(1,792)	Other grants	(2,014)
(4,844)	Total	(5,066)
Corporate and Central Services		
(55,020)	Housing Benefit Subsidy	(48,180)
	COVID-19 first tranche	(6,079)
(2,268)	Other grants	(1,264)
(57,288)	Total	(55,523)
(218,032)	Total grants credited to services	(221,154)
<u>Included in Other operating expenditure</u>		
(38)	Devon & Severn IFCA	(38)
(237,698)	Total Revenue grants credited to the Comprehensive Income & Expenditure Statement	(244,517)

Significant capital grants included in the Comprehensive Income and Expenditure Statement were:

2018/19 £'000		Source	2019/20 £'000
(11,135)	Developers' contributions	Various	(10,430)
(6,340)	Integrated Transport (Maintenance)	DfT	(4,088)
(4,791)	Low Emissions Bus	DfT	0
(1,277)	Integrated Transport Block	DfT	(1,277)
(1,428)	MetroWest LGF	DfT	0
0	MetroWest CPME	WECA	(17,334)
0	Broadband (BDUK)	DGCMS	(1,327)
0	Avonmouth & Severnside (ASEA)	WECA	(1,929)
(838)	Secure Unit Refurbishment	DfE	(2,681)
(398)	Special Needs Provision	DfE	(1,232)
(333)	Basic Needs	DfE	0
(2,623)	Standards Fund	DfE	(2,515)
(1,484)	Devolved Formula Capital	DfE	0
(2,198)	Disabled Facilities Grant	CLG	(2,061)
(4,909)	EDF/LGF Science Park	WECA	0
(2,800)	Bromley Heath Viaduct	WECA	0
(3,513)	Other grants	Various	(9,343)
(44,067)	Total		(54,217)

32. 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 2019/20 is shown in Note 27.

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.

Two Members are Trustees, and one Member is an employee of Circadian Trust (see below).

Chief Officers and Second Tier Officers

South Gloucestershire Council nominates a Trustee to the Bristol Aero Collection Trust. In 2019/20 this role was fulfilled by the Chief Executive for the early part of the year, replaced by the Head of Finance (S.151 Officer) for the later part of the year. 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 £1.046m including interest is included in debtors at 31 March 2020.

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

Circadian Trust (formerly South Gloucestershire Leisure Trust) commenced trading on 1 November 2005. It is a separate not-for-profit organisation that manages leisure centres and other sports facilities for the council. The Trust is subject to a lease and a funding and services agreement, requiring it to operate to agreed performance standards. The council investment in the leisure facilities has led to an increase in income which is shared with the council by reducing the management fee charged. At the same time the council receives an annual rental for the leisure centres. The council paid a net management fee of £75,000 in 2019/20 (£175,000 in 2018/19) and receives rental of £370k p.a. At 31 March 2020 £1.1m due from the Trust was included in long term debtors.

Community Transport groups received funding totalling £310,600 (£309,400 in 2018/19). Funding is conditional upon them achieving agreed service levels and quality standards under Service Level Agreements.

South Gloucestershire Council owns 100% of the £200 issued share capital of the Bristol and Bath Science Park Estate Management Company Ltd. (the company). The two directors of the company are council officers. The principal activity of the company is the provision of estate management service 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. At 31 March 2020 the company owed £236,800 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 15, 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.

Bristol and South Gloucestershire Carers Trust, a registered charity and company limited by guarantee, received funding from the council totalling £392,100 in 2019/20 (2018/19 £343,000) in grants including grants under service level agreements.

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 2019/20 is shown in Notes 13 and 31.

33. 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:

2018/19 £'000		2019/20 £'000
203,096	Opening Capital Financing Requirement	224,628
	Capital Investment:	
17,903	Property, Plant & Equipment	27,439
20,320	Infrastructure Assets	18,491
0	Heritage assets	1,153
13,829	Investment property	38,172
1,264	Intangible Assets	4,053
289	Surplus assets	736
16,540	Revenue Expenditure Funded from Capital under Statute	12,907
70,145		102,951
	Sources of Finance:	
(42,264)	Government grants & other contributions	(53,873)
(669)	Capital receipts	(1,861)
(2,030)	Direct revenue contributions	(4,008)
(1,100)	Minimum Revenue Provision	(1,518)
(500)	Debt repayment funded by capital receipts	(622)
(650)	Ex-Avon debt principal repayment	(624)
(1,400)	PFI and Finance Lease Repayment	(1,477)
(48,613)		(63,983)
224,628	Closing Capital Financing Requirement	263,596
	Explanation of movements in year:	
21,532	Increase /(decrease) in underlying need to borrow (unsupported by government financial assistance)	38,968
21,532	Increase/ (decrease) in Capital Financing Requirement	38,968

34. 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 2019 £'000		31 March 2020 £'000
515	Not later than one year	522
1,651	Later than one year and not later than five years	1,480
1,190	Later than five years	908
3,356	Total	2,910

The minimum lease payments receivable at 31 March 2020 do not include those from Investment Properties, which are shown in Note 17. 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 2019/20.

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. The council's gross investment in these leases, is made up as follows:

31 March 2019 £'000		31 March 2020 £'000
0	Finance lease debtor (net present value of minimum lease payments)	0
0	Unearned finance income	0
105,347	Unguaranteed residual value of property	110,020
105,347	Gross investment in the lease	110,020

The gross investment in the leases is receivable in more than one hundred years.

35. 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 31).

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 14.

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 2020 (excluding any estimation of inflation and availability/performance deductions) are as follows.

2018/19					2019/20			
Service cost	Reimbursement of capital	Interest	Total		Service cost	Reimbursement of capital	Interest	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
19,889	1,000	679	21,568	within 1 year	24,574	1,204	844	26,622
102,060	4,917	3,706	110,683	within 2-5 yrs	104,606	4,973	3,925	113,504
36,488	1,599	1,375	39,462	within 6-10 yrs	9,368	339	312	10,019
158,437	7,516	5,760	171,713		138,548	6,516	5,081	150,145

The above figures have been calculated using the current financial model. 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:

2018/19		2019/20
£'000		£'000
(8,529)	Opening balance	(7,516)
1,013	Repayment	1,000
(7,516)	Closing balance	(6,516)

36. Termination benefits

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

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

2018/19	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	14	33	260
£20,001 - £40,000	5	1	6	210
£40,001 - £60,000	1	0	1	49
£60,001 - £80,000	2	0	2	214
-				-
£150,001 - £200,000	3	0	3	515
Total	30	15	45	1,248

Of the 2019/20 exit packages, 6 were schools staff with exit costs of £36,400 (in 2018/19, 10 were schools with costs of £78,000).

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 and therefore they need to be disclosed at the time the employee earns 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.

37. 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 11,128 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 2019/20, the council paid £8.8 million representing 20.97% of pensionable pay to the Teachers' Pension Scheme in respect of teachers' retirement benefits (£6.9 million in 2018/19). The employer's contribution rate increased to 23.68% of pensionable pay in September 2019 (16.48% in 2018/19). Expected contributions for the Teacher Pensions Scheme in the year to 31 March 2021 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 8,486 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 2019/20, the council paid £0.09m to the NHS Pension Scheme (£0.07m in 2018/19). The employer's contribution rate was 20.6% of pensionable pay in 2019/20 (14.1% in 2018/19). Expected contributions to the NHS Pension Scheme in the year to 31 March 2021 are £0.10m.

38. 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.

For the period covered by the triennial valuation the council was scheduled to pay normal contributions at 15.0% of pensionable pay in 2017/18 raising in steps of 0.5% to 16.0% in 2019/20 plus contributions of £18.5m towards recovering the deficit. In April 2017, the council made a prepayment of pension fund contributions of £17.3m to the pension fund for the deficit contributions for the three years 2017/18 to 2019/20. This generated a cash saving of £1.2m 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 42% 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. The Government proposes to extend the transitional protections. With the exception of some minor changes being proposed that would not have a material impact on the accounts, the expected effect of the proposed McCloud remedy has been taken into account in the pension fund calculations.

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 Unfunded	Total	Local Government Pension Scheme		Teachers Pensions	Total
	Funded	Unfunded			Funded	Unfunded		
	£'000	£'000	£'000	2018/19 £'000	£'000	£'000	£'000	2019/20 £'000
Comprehensive Income and Expenditure statement								
Cost of Services:								
Current Service Cost	28,760			28,760	31,934			31,934
Past Service cost	5,524			5,524	2,987			2,987
Settlements & Curtailments	(1,717)			(1,717)				0
Financing and Investment Income and Expenditure								
Net Interest Cost	7,150	324	700	8,174	8,162	298	644	9,104
Administration Expenses	436			436	546			546
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	40,153	324	700	41,177	43,629	298	644	44,571
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)	(18,281)			(18,281)	49,325			49,325
Actuarial (gains) and losses arising on changes in demographic assumptions	0			0	(47,069)	(381)	(1,257)	(48,707)
Actuarial (gains) and losses arising on changes in financial assumptions	55,270	429	1,155	56,854	(26,323)	(134)	(516)	(26,973)
Experience (gain)/loss	0			0	11,618	(1,520)	24	10,122
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	77,142	753	1,855	79,750	31,180	(1,737)	(1,105)	28,338
Movement in Reserves Statement								
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits	(40,153)	(324)	(700)	(41,177)	(43,629)	(298)	(644)	(44,571)
Actual amount charged against the General Fund Balance								
Employers' contributions payable to scheme	19,672			19,672	20,601			20,601
Retirement benefits payable to pensioners		829	1,962	2,791		831	1,950	2,781

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:

	2018/19				2019/20			
	LGPS Funded	LGPS Unfunded	Teachers Unfunded	Total	LGPS Funded	LGPS Unfunded	Teachers Unfunded	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(1,085,848)	(12,823)	(27,795)	(1,126,466)	(1,064,529)	(10,255)	(24,740)	(1,099,524)
Fair value of plan assets	738,464	0	0	738,464	700,582	0	0	700,582
Net liability arising from defined benefit obligation	(347,384)	(12,823)	(27,795)	(388,002)	(363,947)	(10,255)	(24,740)	(398,942)

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

	2018/19				2019/20			
	LGPS Funded £'000	LGPS Unfunded £'000	Teachers Unfunded £'000	Total £'000	LGPS Funded £'000	LGPS Unfunded £'000	Teachers Unfunded £'000	Total £'000
Opening fair value of scheme assets	710,354	0	0	710,354	738,464	0	0	738,464
Interest income	18,350	0	0	18,350	17,655	0	0	17,655
Remeasurement gains/(loss)	18,281	0	0	18,281	(49,325)	0	0	(49,325)
Employer contributions	13,902	829	1,962	16,693	14,617	831	1,950	17,398
Contributions by scheme participants	5,565	0	0	5,565	5,782	0	0	5,782
Benefits paid	(25,957)	(829)	(1,962)	(28,748)	(26,065)	(831)	(1,950)	(28,846)
Administration expenses	(436)	0	0	(436)	(546)	0	0	(546)
Settlements	(1,595)	0	0	(1,595)	0	0	0	0
Closing balance at 31 March	738,464	0	0	738,464	700,582	0	0	700,582

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

	2018/19				2019/20			
	LGPS Funded £'000	LGPS Unfunded £'000	Teachers Unfunded £'000	Total £'000	LGPS Funded £'000	LGPS Unfunded £'000	Teachers Unfunded £'000	Total £'000
Opening balance at 1 April	(994,498)	(12,899)	(27,902)	(1,035,299)	(1,085,848)	(12,823)	(27,795)	(1,126,466)
Current service cost	(28,760)	0	0	(28,760)	(31,934)	0	0	(31,934)
Interest cost	(25,500)	(324)	(700)	(26,524)	(25,817)	(298)	(644)	(26,759)
Contributions from scheme participants	(5,565)	0	0	(5,565)	(5,782)	0	0	(5,782)
Remeasurement (gains) and losses:				0				0
Actuarial gains/losses arising from changes in demographic assumptions	0	0	0	0	47,069	381	1,257	48,707
Actuarial gains/losses arising from changes in financial assumptions	(55,270)	(429)	(1,155)	(56,854)	26,323	134	516	26,973
Experience gain/loss	0	0	0	0	(11,618)	1,520	(24)	(10,122)
Past service costs	(5,524)	0	0	(5,524)	(2,824)	0	0	(2,824)
Benefits paid	25,957	829	1,962	28,748	26,065	831	1,950	28,846
(Gains)/losses on curtailment	(927)	0	0	(927)	(163)	0	0	(163)
Liabilities extinguished on settlements	4,239	0	0	4,239	0	0	0	0
Closing balance at 31 March	(1,085,848)	(12,823)	(27,795)	(1,126,466)	(1,064,529)	(10,255)	(24,740)	(1,099,524)

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 2019/20 was a gain of £46.746 million (gain of £44.640 million in 2018/19).

Local Government Pension Scheme assets comprised:

		31 March 2019	31 March 2020
		£'000	£'000
Equity instruments:	UK quoted	55,386	48,868
	Global quoted	208,985	225,868
	Emerging Markets	33,969	30,405
	Sub-total equity	298,340	305,141
Bonds:	UK Government	89,354	39,233
	Corporate	86,400	63,405
	Sub-total bonds	175,754	102,638
Property:	UK Property Funds	37,662	36,430
	Overseas Property Funds	33,969	32,927
	Sub-total property	71,631	69,357
Alternatives:	Hedge Funds	36,185	40,283
	Diversified Growth Funds	92,308	94,438
	Infrastructure	51,692	56,140
	Secured Income	0	10,567
	EFTs	0	6,605
	Sub-total alternatives	180,185	208,033
Cash:	Cash accounts	12,554	15,413
	Sub-total cash	12,554	15,413
Total Assets		738,464	700,582
All of the scheme assets at March 2020 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 2016. The principal assumptions used by the actuary have been:

	<u>Local Government Pension Scheme</u>		<u>Unfunded Teachers Pensions</u>	
	2018/19	2019/20	2018/19	2019/20
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	23.7	23.2	23.7	23.2
Women	26.2	25.3	26.2	25.3
Longevity at 65 for future pensioners:				
Men	26.3	24.7	n/a	n/a
Women	29.0	27.3	n/a	n/a
Rate of inflation - CPI	2.2%	2.1%	2.3%	2.1%
Rate of increase in salaries	3.7%	3.6%	n/a	n/a
Rate of increase in pensions	2.3%	2.2%	2.4%	2.2%
Rate for discounting scheme liabilities	2.4%	2.4%	2.4%	2.4%

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; they assume 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 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)	(428,566)	(369,318)
Rate of inflation (increase or decrease by 0.1%)	(417,107)	(380,777)
Rate of increase in salaries (increase or decrease by 0.1%)	(376,175)	(372,229)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(381,074)	(416,810)

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 2019/20 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 2021 are £22.357m. 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.

39. Contingent liabilities

In 1992 Northavon District Council, along with a number of other local authorities, became party to guarantee of £100m 8¾ % 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.

The council is defending a claim through the Employment Tribunal, raised against it during the year. The Tribunal is expected to hear the case later in 2020.

40. 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 2020, the council has a contingent asset of £860k, 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. Provision is also made for the council gaining a share of Merlin's recoverable VAT. The Right to Buy and VAT share receipts are both contingent as the former is dependent on Right to Buy sales to tenants with preserved rights, and the VAT share is dependent on the nature and extent of repairs work undertaken by Merlin. The council has a contingent asset for these receipts in 2020/21 estimated at around £1.5m.

41. 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 2019/20 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 are:

- up to £20m 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 2019/20 was approved by full Council was approved by full Council in February 2019 as part of the Treasury Management, Borrowing and Investment Strategy report, and is available on the council's web-site.

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	31.3.2019		31.3.2020	
	Long-term £000s	Short-term £000s	Long-term £000s	Short-term £000s
AAA	0	0	0	0
AA	5,000	32,887	0	5,023
A	0	7,532	0	7,846
Unrated local authorities	0	32,052	5,000	10,099
Total	5,000	72,471	5,000	22,968
Credit risk not applicable*	29,338	13,416	26,303	32,590
Total investments	34,338	85,887	31,303	55,558

* 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 365% (2018/19: 122%) 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 2020, £8,054 (2018/19: £7,200) 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 £13,100k (£9,719k at 31 March 2019) is past its due date for payment. This past due amount can be analysed as follows:

	31 March 2019	31 March 2020
	£'000	£'000
Less than one month	2,892	3,173
One to two months	823	1,144
Two to three months	186	1,300
Three to six months	1,108	2,054
Six months to one year	665	918
More than one year	4,045	4,511
Total	9,719	13,100

In addition to the trade debtors detailed above, the council has £2.6m of social care debtors at 31 March 2020, 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	31/03/2019		31/03/2020	
		Gross receivable	Loss allowance	Gross receivable	Loss allowance
		£'000	£'000	£'000	£'000
Children, Adults and Health - Adults	0% - 90%	5,037	(2,066)	5,259	(2,490)
Children, Adults and Health - Children	0% - 50%	266	(34)	316	(29)
Environment and Community	0% - 25%	2,768	(55)	5,266	(76)
Corporate and central services	0% - 100%	1,216	(161)	2,000	(140)
Integra - Traded services	0% - 100%	432	(33)	320	(35)
		9,719	(2,349)	13,161	(2,770)

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 2020 is £251,192 (2019: £50,589) and is not subject to further enforcement action.

Credit Risk: Loans, Financial Guarantees and Loan Commitments

At 31 March 2020, 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 2019 £'000	Risk exposure 31 March 2019 £'000	Balance Sheet 31 March 2020 £'000	Risk exposure 31 March 2020 £'000
Local charity	Loans at market rates	990	1,000	1,047	1,047
TOTAL		990	1,000	1,047	1,047

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 2019 was net of an allowance which represented the twelve month expected credit loss. The expected twelve month credit loss at 31 March 2020 was 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;
- imposing a limit of 15% on the overall percentage of debt due to mature in any given year; and
- 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 2019 £'000	31 March 2020 £'000
Principal due in:		
Less than one year	(1,447)	(1,651)
Between one year to two years	(1,652)	(11,667)
Between two and five years	(15,055)	(5,096)
Between five and ten years	(3,834)	(2,574)
Between ten and twenty years	(4,243)	(3,796)
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)
	(129,750)	(128,303)

Note: The financial liabilities above include the Waste PFI liability, see also Note 35. 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

In this council the impact is limited because its borrowings and investments are usually made at fixed rates. The annual Treasury Management Strategy includes expectations of interest rate movements, and aims to mitigate risks by setting upper limits for fixed and variable interest rate exposure.

The Treasury Management team monitors market and forecast interest rates within the year to adjust exposure appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns; and the drawdown of longer term fixed rate borrowing would 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 2019 with all other variables held constant, the financial effect would be:

	2019/20
	£'000
Decrease in fair value of investments held at fair value through profit and loss	(368)
Impact on Surplus or Deficit on the Provision of Services	(368)
Decrease in fair value of fixed rate borrowing (no impact on Surplus or Deficit on Provision of Services or Other Comprehensive Income and Expenditure)	29,026
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)	(129)

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 2020 would result in a £333k 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 2020 would result in a £307k 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.

42. 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 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.

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. Any remaining cash is recognised by each council as a debtor. The council's share of the unallocated cash balance held by the Pool is recognised in the accounts 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 BRP has made the following payments on behalf of the EDF in 2019/20:

- £1,813k to Bristol City Council
- £146k to North Somerset Council
- £215k to Bath and North East Somerset Council
- £188k to South Gloucestershire Council

The council itself has recognised revenue income of £6,359k from the BRP and expenditure of £8,462k to the Pool for the year.

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 £8,238k.

	Cash Transactions		Revenue & Expenditure	
	Business Rates Pool Total £'000	Of which SGC Share £'000	Council Expenditure £'000	Council Income £'000
Funds held by Business Rates Pool (BRP) at 1 April 2019	(29,086)	(16,319)		
Analysed between:				
Uncommitted cash (Tier 2 incl. contingency)	(24,048)	(13,427)		
Uncommitted cash - contingency	(1,486)	(909)		
Committed Cash (Tier 2 commitments)	(3,552)	(1,983)		
	(29,086)	(16,319)		
Receipts into Pool in year:				
Growth sums payable by councils into BRP (including interest)	(26,671)	(16,700)	8,462	
Distributions out of the Pool in year				
Tier 1 – no worse off	9,548	4,813		(4,813)
BRP Management fee	37	9		(36)
EDF Management Fee	69	17		(0)
Tier 2 EDF Funding	2,362	1,766		(188)
Tier 3 Demographic and Service pressures	2,710	1,857		(1,322)
Funds Held by BRP at 31 March 2020	(41,031)	(24,557)		
Analysed between:				
Uncommitted cash (Tier 2)	(36,233)	(21,547)	6,971	
Uncommitted cash (contingency)	(1,950)	(1,316)	407	
Committed cash (Tier 2 commitments)	(2,848)	(1,694)	860	
Total CRD Business Rates Pool	(41,031)	(24,557)		
Expenditure/ Revenue Recognised			16,700	(6,359)
Increase in funds held		(8,238)		

43. Prior Period Adjustments

The audit of the accounts for 2019/20 identified an historic infrastructure asset balance with a net book value of £12.6m relating to the Council's formation in 1996 for which the Council was unable to confirm what it related to. Therefore it was impossible to prove its continuing existence or ownership or whether the asset was correctly depreciated or needed to be impaired. This asset has been removed from the accounts and a prior period adjustment made.

Effect on Opening Balance Sheet at 1st April 2018

	Opening Balances at 1 April 2018 £'000	Restatement £'000	Correction to opening balances £'000
Property, Plant and Equipment	854,992	837,268	-17,724
Long Term Assets	875,754	858,030	-17,724
Net Assets	440,277	422,553	-17,724
Usable Reserves	(112,692)	(112,692)	0
Unusable Reserves	(327,585)	(309,861)	17,724
Total Reserves	(440,277)	(422,553)	17,724

The adjustment to the opening Balance Sheet represents the net book value of the various assets being written out of the accounts as a Prior Period Adjustment. This reflects the original closing net book value at 31 March 2020 of £12,660k plus the annual depreciation charges in 2018/19 and 2019/20 of £2,532k per annum which have also been adjusted for.

Effect on Balance Sheet at 31st March 2019

	Balance at 31 March 2019		
	As Previously Stated £'000	As Restated £'000	Correction £'000
Property, Plant and Equipment	895,264	880,072	-15,192
Long Term Assets	954,182	938,990	-15,192
Net Assets	423,622	408,430	-15,192
Usable Reserves	(126,437)	(126,437)	0
Unusable Reserves	(297,185)	(281,993)	15,192
Total Reserves	(423,622)	(408,430)	15,192

The adjustment to the Balance Sheet at 31st March 2019 represents the net book value of the various assets being written out of the accounts. The value of Property, Plant and Equipment at 31 March 2019 has been reduced by £15,192k which was the Net Book Value of the relevant assets at that date (being the net book value at 31 March 2020 of £12,660k plus the annual depreciation charges in 2019/20 of £2,532k).

Effect on Comprehensive Income and Expenditure Statement 2018/19

	As previously stated £'000	As Restated £'000	Correction £'000
Environment and Communities	68,671	66,139	-2,532
Cost of Services	267,164	264,632	-2,532
(Surplus)/Deficit on Provision of Services	41,185	38,653	-2,532
Total Comprehensive Income and Expenditure	16,630	14,098	-2,532

The correction relates to the exclusion of the depreciation charged in the year for the respective assets written off as a Prior Period Adjustment.

Effect on Movement in Reserves Statement 2018/19

	As previously stated £'000	Unusable Reserves As Restated £'000	Correctio n £'000
Balance 31 March 2018	(327,585)	(309,861)	17,724
Adjustments between accounting basis and funding basis under regulations (Note 9)	54,956	52,424	-2,532
(Increase)/Decrease in 2018/19	30,401	27,869	-2,532
Balance at 31 March 2019 carried forward	(297,185)	(281,993)	15,192

The changes to the MIRS relate to the movements the Capital Adjustment Account in unusable reserves in respect of depreciation charges, for the assets now written off in the prior period.

Effect on the Cash Flow Statement 2018/19

	2018/19 As previously stated £'000	As Restated £'000	Correction £'000
Net (surplus) / deficit on the provision of services	41,185	38,653	(2,532)
Adjustments to the net deficit on the provision of services for non-cash movements	(89,497)	(86,965)	2,532

The changes to the Cash Flow Statement relate to the removal of depreciation charges in 2018/19, for the assets now written off in a prior period.

Effect on Notes

Various notes have been affected by the changes above: Notes 7,8,9,14,22 and 23. These have been restated in line with the above changes.

Collection Fund Account

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	2018/19 Council Tax	Total		Business Rates	2019/20 Council Tax	Total	Note
£'000	£'000	£'000	Income	£'000	£'000	£'000	
	(168,394)	(168,394)	Council Tax receivable		(178,252)	(178,252)	C2
(147,925)		(147,925)	Business Rates receivable	(148,036)		(148,036)	C3
(147,925)	(168,394)	(316,319)	Total	(148,036)	(178,252)	(326,288)	
Expenditure							
Apportioned Prior Year Surplus (Deficit):							
(5,006)	2,929	(2,077)	South Gloucestershire Council	963	1,866	2,829	
(308)	0	(308)	Central Government	0	0	0	
(250)	0	(250)	West of England Combined Authority	51	0	51	
(56)	142	86	Avon Fire Authority	10	238	249	
0	371	371	Avon & Somerset Police & Crime Commissioner	0	88	88	
(5,620)	3,442	(2,178)		1,024	2,192	3,216	
Precepts and demands							
122,562	140,578	263,140	South Gloucestershire Council	122,178	147,762	269,940	
0	0	0	Central Government	0	0	0	
6,519	0	6,519	West of England Combined Authority	6,499	0	6,499	
0	17,953	17,953	Avon Fire Authority	1,300	6,952	8,252	
1,304	6,609	7,913	Avon & Somerset Police & Crime Commissioner	0	20,607	20,607	
130,385	165,140	295,525		129,977	175,321	305,298	
Charges							
317	449	766	Increase/(decrease) in bad debt allowances	310	872	1,182	
617	459	1,076	Write off of uncollectable amounts	350	652	1,002	
(1,499)		(1,499)	Increase/(decrease) in provision for business rate appeals	731		731	
336		336	Cost of collection	347		347	
11,800		11,800	City Region growth disregard	16,339		16,339	
576		576	Renewable Energy cost	514		514	
3,916		3,916	Transition Relief repaid	2,222		2,222	
16,063	908	16,971		20,813	1,524	22,337	
140,828	169,490	310,318	Total Expenditure	151,814	179,037	330,851	
(7,097)	1,096	(6,001)	(Surplus)/ Deficit for the Year	3,778	785	4,563	
5,972	(3,213)	2,759	(Surplus)/ Deficit Brought Forward	(1,125)	(2,117)	(3,242)	
(1,125)	(2,117)	(3,242)	(Surplus)/ Deficit Carried Forward	2,653	(1,332)	1,321	C1

Notes to the Collection Fund

C1 Apportionment of Fund Balance

2018/19			Apportionment of Fund Balance	2019/20		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
(1,058)	(1,802)	(2,860)	South Gloucestershire Council	2,494	(1,123)	1,371
(56)	0	(56)	West of England Combined Authority	133	0	133
(11)	(85)	(96)	Avon Fire Authority	26	(53)	(27)
0	(230)	(230)	Avon & Somerset Police & Crime Commissioner	0	(156)	(156)
(1,125)	(2,117)	(3,242)	Total	2,653	(1,332)	1,321

C2 Calculation of the Council Tax Base

The Council Tax Base is used to calculate the Band D average Council Tax.

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-	37	5	32	5/9	18
A	12,941	5,149	7,792	6/9	5,195
B	34,882	6,296	28,586	7/9	22,234
C	28,367	3,307	25,060	8/9	22,275
D	22,548	1,636	20,912	1	20,912
E	11,995	623	11,372	11/9	13,899
F	5,777	214	5,563	13/9	8,035
G	1,991	79	1,912	15/9	3,186
H	156	7	149	2	298
Total	118,694	17,317	101,377		96,051
Adjustment to allow for new discounts & single persons allowances					(1,440)
Council Tax Base for 2019/20					94,611

C3 Non-Domestic Rateable Value and multiplier

2018/19 £		2019/20 £
352,342,698	Total Non-Domestic Rateable Value at 31 March 2019	
	Total Non-Domestic Rateable Value at 31 March 2020	355,440,264
0.493	National Non-Domestic Rate multiplier for the year (standard)	0.504
0.480	National Non-Domestic Rate multiplier for the year (small business)	0.491

ANNUAL GOVERNANCE STATEMENT

AS AT JULY 2020

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

Foreword

South Gloucestershire – A Great Place to Live and Work

All of our stakeholders, whether they are visitors, suppliers or residents of South Gloucestershire should be able to have confidence that our governance arrangement and ways of working enable us to provide the right services effectively and efficiently and that any decisions we make are informed, transparent and in accordance with the law. Our leadership presents a stable and strong management structure for now and the future. During this year we have witnessed historic change in more recent months with the global coronavirus pandemic.

The messages around the importance of effective governance remain the same during periods of significant change. Effective corporate governance is essential to support the council in meeting the needs of South Gloucestershire businesses and our residents. Our governance structures have been tested to the limit and proven resilient in the face of a fast changing and complex global challenge.

Our response to the COVID-19 pandemic has demonstrated the strength of our emergency planning and governance structures. Moving from early response plans to rapid development of emergency governance arrangements to ensure that critical service decisions could be made quickly and effectively to safeguard the safety of our residents, staff and partners. Local government has been playing a key role in the effort to protect the NHS and save lives, including rapidly setting up of mechanisms to issue grant payments and aid parcels to the most vulnerable people and businesses in our communities.

The council will also continue to keep in close contact with our residents and businesses as we start to move to a period of easing the lockdown measures. Our focus continues to be on sustainability, value for money, clear accountability and sound and inclusive decision making. Recent challenges have focussed on ensuring we have the correct governance in place to deliver key messages quickly and effectively and to ensure that the most vulnerable in our communities are protected from harm while continuing to deliver essential services to the best of our ability. The importance of our annual governance statement and the declarations we make about the effectiveness of our arrangements is now more important than ever. The statement does highlight some governance areas that we need to consider for the future. As we have developed new ways of working, we will be learning from the changes to our practices over the last few months to ensure we are even more adaptable and efficient in the future whilst ensuring our core principles and controls over public money remain firmly in place.

The council continues to work closely with our local council colleagues at the West of England Combined Authority to ensure that regional priorities are effectively delivered for the benefit of the wider community. These areas include transport infrastructure and adult education.

This statement demonstrates that we have effective arrangements in place.



Dave Perry
Chief Executive



Councillor Toby Savage
Leader of the Council

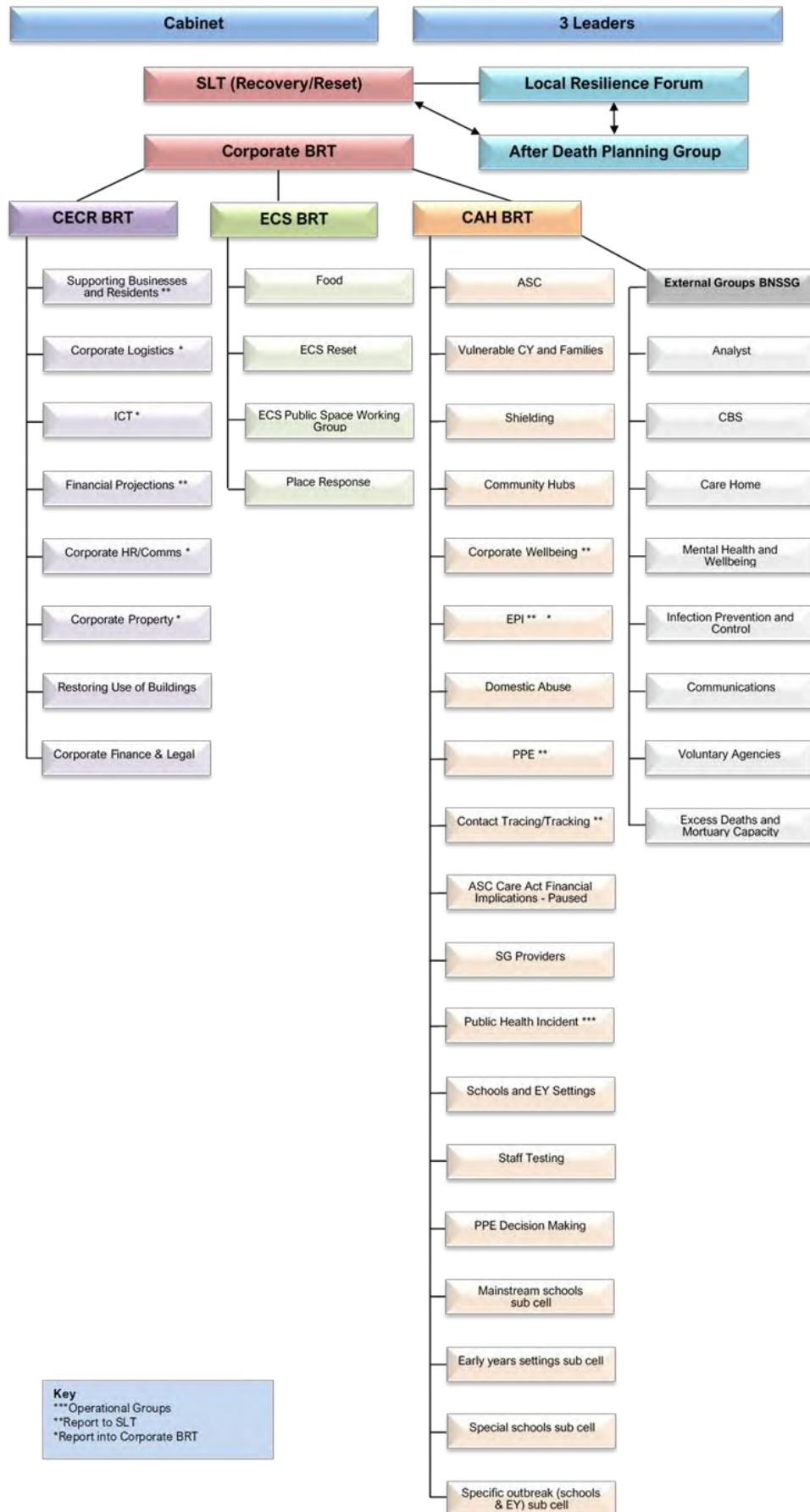
1. What is Corporate Governance and who is responsible?

- 1.1 Corporate governance generally refers to the processes by which organisations are directed, controlled, led and held to account.
- 1.2 South Gloucestershire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and 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, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging this overall responsibility, South Gloucestershire Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions. This includes responsibility for establishing and maintaining appropriate systems of internal control, and arrangements for the management of risk.
- 1.4 The council has approved and adopted a code of corporate governance, which is published on our website and forms part of the council's [Constitution](#). This statement explains how the council has complied with the code and also how it meets the requirements of the Accounts and Audit Regulations 2015 to publish an annual governance statement. The code reflects the CIPFA/SOLACE document *Delivering Good Governance in Local Government Framework (2016)*. We annually confirm our compliance with the code through a self-assessment process. The council's self-assessment review work was conducted prior to the commencement of the lockdown arrangements in March 2020 and confirmed that during the most part of the 2019/20 governance arrangements were operating in compliance with the council's constitution and core policies and procedures. From March 2020, the council rapidly developed an emergency governance structure to enable efficient and time critical decision making. More information will be provided on this later in this statement.

2 How we know our governance arrangements are working

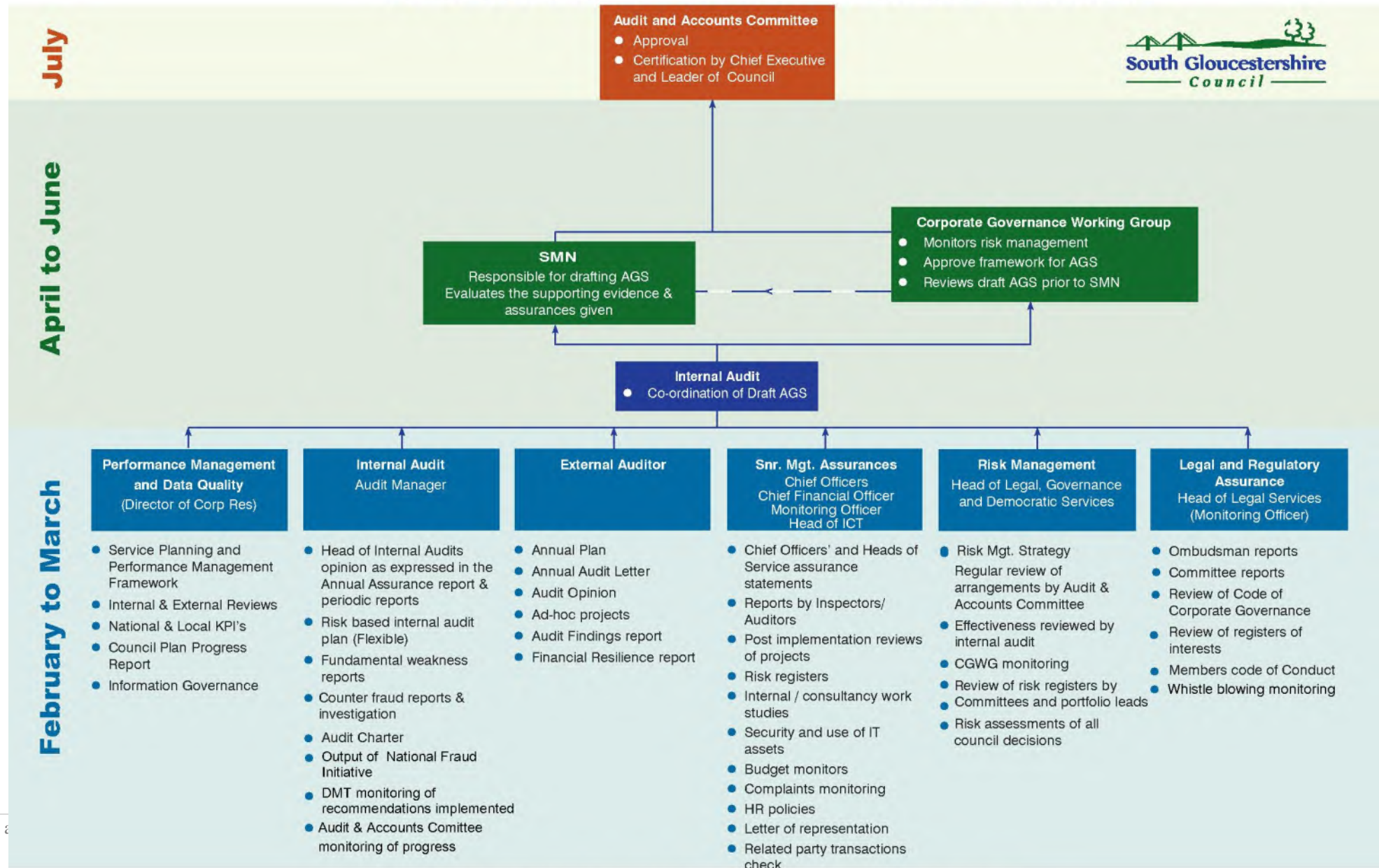
- 2.1 To monitor the effectiveness of the council's corporate governance systems, a governance framework has been developed (see diagram overleaf). This framework is monitored by the Audit and Accounts Committee.
- 2.2 The governance framework comprises the systems and processes, and culture and values, 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.
- 2.3 Each year the council reviews the corporate governance processes, systems and assurances on the governance framework to create the Annual Governance Statement by undertaking a review of the council's compliance with its Code of Corporate Governance, consulting with Chief Officers and the Corporate Governance Working Group as well as reflecting on the work of internal and external audit and other inspection bodies completed during the year.
- 2.4 The bulk of the corporate governance review work for 2019/20 was conducted during January and February 2020 and assurances were received from Heads of Services and Chief Officers around compliance with core processes. Since March 2020, the council has needed to critically amend their governance structure to enable the organisation to operate in a different way to respond to the pandemic challenge. In practice, this meant that for a short period, key emergency decisions were being taken by the Chief Executive of the Council in consultation with the Leader of the Council. Like all other councils, the civic calendar was suspended for a period of the lockdown. The Coronavirus Bill introduced the legal capability for meetings to be held using virtual technologies and the council set to work to ensure this could happen swiftly. Key meetings are now being delivered using virtual software which enables participation. The Chief Executive implemented an emergency governance structure to enable operational decisions to be effectively managed and key issues and risks to be escalated swiftly to Chief Officers for decision.

2.5 Emergency Governance Arrangements



- 2.6 The system of internal control is a significant part of any governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. Both the framework provided overleaf and the emergency structure introduced above contain key features to ensure risks are identified promptly, issues escalated and a system of control maintained. The structure is slightly different, but the end result is unchanged. These governance frameworks build upon those of previous years and have supported South Gloucestershire Council for the most part of the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

Framework for the Annual Governance Statement



The above list is not exhaustive but are the key areas that could provide assurance on the adequacy & effectiveness of controls over our key risks

3 How we embed the principles of good governance

Decision Making

Legal & Constitutional Governance

- 3.1 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.
- 3.2 Full Council has responsibility for setting the policy and budget framework. This is a collection of plans, strategies and policies (including the council's budget) which describe how services are to be provided.
- 3.3 Where there are still Committees in the governance structure, each Committee agenda contains an item requiring members to declare any relevant interest. The agendas and minutes of all of the public meetings of the Council and its Committees are available on the Council's website and all follow the requirements as set out by the Constitution.
- 3.4 Formal delegation of authority is recorded and a schedule of decisions taken under delegated powers is maintained. During the period of suspension of the civic diary and formal delegation of urgency decision making to the Chief Executive, checks and balances were introduced to ensure that records were maintained to support these key decisions. The emergency governance arrangements—were managed using electronic recording systems and emergency planning protocols to facilitate the most life critical decisions to be taken promptly. A robust risk management framework has ensured that the key risks facing the local authority have been captured and, where possible, mitigated. The council has had a key role to play in delivering services and support to the national government effort to shield and protect vulnerable residents as well as ensure that core services continue to be delivered for social care, waste collection and distribution of government grants.
- 3.5 Services demonstrate their understanding of economic, social and environmental outcomes by ensuring that all decision reports contain a risk assessment considering these areas. Most decisions are taken after wider consultation. These factors have never been more critical than during the emergency period when many of the decisions taken have had a direct impact on our economy, social fabric and environment. In the background, work still continues at pace to deliver the council's commitment to Net zero carbon as part of a climate emergency declaration.

Council Structure & Leadership

- 3.6 The council has a cabinet structure with 61 councillors. More details regarding the scrutiny functions associated with the council's decision making is provided below. This structure was suspended for a period of time during 2020 to respond to the global pandemic. The alternative emergency structure is provided at paragraph 2.5. The civic calendar is being reinstated using virtual technologies to enable the reinstatement of local democracy, challenge and participation of locally elected members.
- 3.7 The council contributes to the delivery of the Sustainable Community Strategy through the Council Plan 2016-2020 and performance is monitored by members half yearly. This is supported by the council savings programme. The Council plan is currently being revised and this has been slightly delayed by the council's response to Coronavirus. Learning and opportunities from the changes to ways of working adopted during the pandemic will be considered in the context of the council plan.

The Scrutiny Commission and Health Scrutiny Board

- 3.8 The council has appointed a Scrutiny Commission to be responsible for overview and scrutiny, and for being the principal means of holding the Executive to account. It allows a greater say in council matters by holding inquiries into matters of local concern. These lead to reports and recommendations which advise the Executive and the council as a whole on its policies, budget and service delivery. The Commission is responsible for setting their own work programme. Most of the recommendations from their work programme have been accepted by Cabinet.
- 3.9 Any five members of the council can 'call in' a decision which has been made by the Cabinet or by an executive councillor but not yet implemented. Decisions "called in" are reviewed by the Scrutiny Commission, which may recommend that the decision-taker reconsider the decision. There were no decisions called in during 2019/20, prior to the coronavirus pandemic emergency arrangements. The Scrutiny Commission may also be consulted by the Executive or the council on forthcoming decisions and the development of policy.

- 3.10 The Health Scrutiny Board has a responsibility to advocate for the best possible health services for the residents of South Gloucestershire. The Health and Wellbeing board (which is constituted pursuant to S.194 of the Health and Social Care Act 2012 and operates as a formal Committee of the council) has a responsibility to report their work to the Health Scrutiny Board.
- 3.11 The Health Scrutiny Board has a responsibility to hold the NHS and other providers of health services to account through robust overview and scrutiny. The Health Scrutiny Board will respond, as appropriate, on behalf of the council to government consultation in respect of policy and/or legislation affecting Health Scrutiny. It has the ability to establish Advisory Groups to consider matters and report to committee.

The Audit and Accounts Committee

- 3.12 The Audit and Accounts Committee fulfils the role of the Audit Committee as defined by CIPFA. It has terms of reference approved by council and is a fully constituted committee of the council. Governance arrangements continue to be strengthened this year by the work of the Audit and Accounts Committee. Throughout the year the Audit and Accounts Committee receives reports regarding internal control compliance as reported by the council's internal audit service and the External Auditors and reviews the effectiveness of the system of internal audit throughout the year.

The Full Council receives an annual report from the Chair of the Audit and Accounts Committee.

The Standards Sub Committee

- 3.13 The Standards Sub-Committee has met regularly to consider any complaints received and has received training to enable it to discharge its functions. The majority of complaints dealt with by the Standards Sub-Committee related to Parish and Town Councils.

Chief Officers

- 3.14 Chief Officers are responsible for monitoring and reviewing internal controls as an integral part of the risk management process.

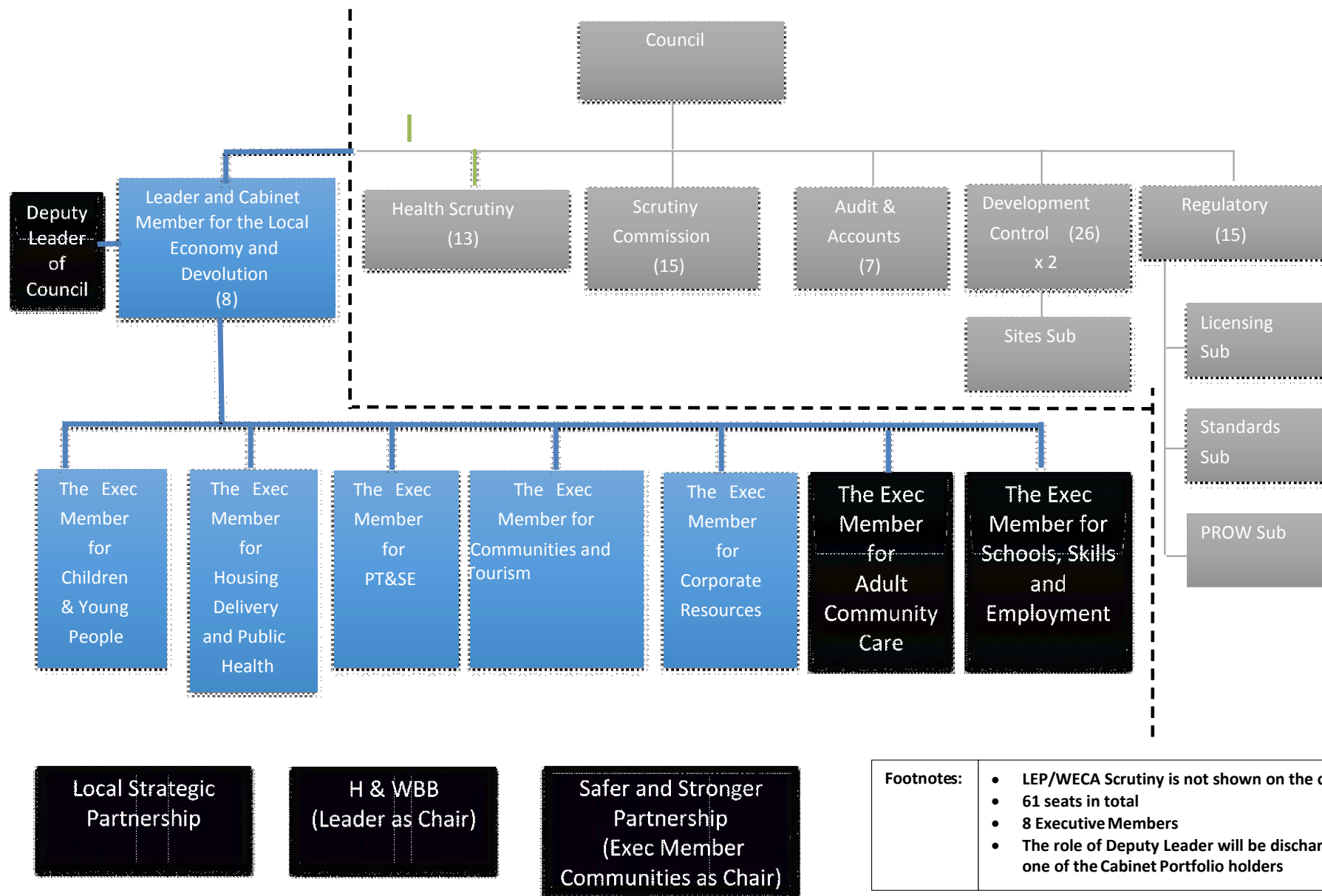
Chief Financial Officer

- 3.15 The Head of Financial Services is the Chief Financial Officer. The Chief Financial Officer has been involved in reviewing corporate governance arrangements and in preparing this governance statement. She is satisfied with the arrangements currently in place for managing finance and procurement processes.
- 3.16 The council is expected to disclose its compliance or otherwise with the CIPFA statement on the role of the Chief Financial Officer regarding involvement of the Chief Financial Officer in high level decision making. The council has undertaken an assessment of its current arrangements against the five principles of the statement and confirms that we fully comply.

External Audit and Inspection

- 3.17 The external auditors Annual Audit Letter for 2019 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.
- 3.18 Following inspection in March 2019, Ofsted noted significant improvements have been made within Children's Services. Ofsted found Children's services to be "requires improvement to be good", which means that the council is no longer in intervention. The improvement journey continues, building on the learning from the journey so far. In May 2020, the council received the results of the published OFSTED report on joint arrangements for pupils with special educational needs and disabilities. In the main, this reported presented an improving position with sufficient progress having been made in six out of eight priority areas for improvement. There are no further revisits by OFSTED planned.

The Constitutional Structure



Integrity Ethics and Transparency

- 3.19 The council's monitoring officer has responsibility for ensuring the proper and lawful conduct of the council's affairs. Chief Officers promote adherence to the council's code of conduct at all times. Staff are required to declare any pecuniary or business interests and these are maintained on a central register.
- 3.20 The council's values provide guiding principles which define how we work with each other and our community. They define what we stand for and set out our aspirations about the sort of organisation we want to be both now and in the future. Our values are central to achieving our vision to be the best for our residents and their communities, ensuring South Gloucestershire will always be a great place to live and work. Our values are:
- Working Together
 - Embracing Diversity
 - Customer and Community Focused
 - Ambitious and Adaptable
 - Resourceful
 - Encouraging responsible growth
- 3.21 The council has a Whistle-Blowing Policy which is reviewed regularly and its application is subject to internal audit. Where the whistle-blowing policy has been used, appropriate action has been taken. Our Corporate Complaints Procedure is aligned with the statutory complaints procedures for Children, Adults and Health and with the timescales for Freedom of Information requests. Annual reports on complaints processed are produced for Members.
- 3.22 Employees are made aware of core policies, these include the Anti-Fraud, Corruption and Bribery Strategy, the council's financial regulations and contracting rules, The IT Security Policy and policies related to management of data security incidents.
- 3.23 Section 33 of the Protection of Freedoms Act 2012 requires SGC to pay due regard to the Surveillance Camera Code of Practice, which is published by the Surveillance Camera Commissioner and in order for SGC to comply, the council appointed the Head of Safe Strong Communities as Senior Responsible Owner (SRO).
- 3.24 The council was last inspected by the Office of Surveillance Commissioners (OSC) in May 2016 (this inspection includes the council's use of RIPA and the use of the Regulation of investigatory Powers Act 2000 (RIPA), including the use of CCTV for directed surveillance). The OSC was replaced by the Investigatory Powers Commissioner's Office (IPCO) in September 2017 and, to date, there has been no request for an inspection.
- 3.25 Within the last year, the council has had not used its RIPA powers and this is reported to the IPCO annually for inclusion in their report to parliament. A report is presented to the council's Regulatory Committee annually.

Managing Risks

- 3.26 All Councillors and Officers are responsible for ensuring that risks are considered in the decisions they take. The Council has a policy statement for their risk management practices it is called the risk and opportunity strategy. The risk and opportunity strategy was reviewed and approved during 2017/18, a revised strategy is due to be approved, and this has been slightly delayed by the coronavirus pandemic. The Council has a proactive approach to the management of all risks that impact on its strategies, operations and achievement of objectives. There is a strategic risk register which is regularly reviewed at the Senior Leadership Team. The Strategic Risk Register is considered by Cabinet, at least annually.
- 3.27 Each Department has their own risk register to consider and treat, terminate, transfer or tolerate risks. Each Department has developed their own methodology for reviewing their risk registers but all broadly follow the principle of regular review by management teams and at least annual review by Portfolio Cabinet Members. Departmental Registers will go to Portfolio holders as appropriate. The emergency governance arrangements have introduced a specific risk management framework to enable key risks associated with service delivery and threats to staff, residents and partners to be swiftly identified and escalated. Lessons learnt from this approach will be applied to our ongoing risk management approach and will inform the council's new risk strategy.

- 3.28 All decision reports must include a section relating to risk so that decision makers are able to fully consider any risk implications. Large scale projects and multi-agency partnerships will have their own risk management arrangements including risk registers for regular review at board meetings. Any significant risk issues will be escalated to Chief Officers, as needed
- 3.29 A dedicated risk management resource resides in the Governance, Legal and Democratic Services division. The council's corporate governance working group will receive regular updates on operational risk management and effort within Departments to effectively mitigate risk where possible.
- 3.30 The council has emergency and business continuity plans in place. They are periodically tested.

Service Planning and Delivery

- 3.31 The sustainable community strategy and council plan provide the overarching framework that underpins what we do and how we do it. This golden thread runs through all plans. Departments develop individual service plans and key performance indicators have been set for all services and are regularly monitored.
- 3.32 All staff are subject to an annual Personal Development and Performance Review and follow up.
- 3.33 There was a decrease in the number of complaints received across all stages of the procedure. The council has maintained high performance in responding to formal enquiries. There was a 26% increase in the number of concerns received. By definition, these are matters arising which are not yet at the stage of being a complaint, the council has been successful in resolving these.
- 3.34 A total of 32 complaints against South Gloucestershire Council were received by the Local Government and Social Care Ombudsman (LGSCO), there were two cases where fault was found. The overall number of complaints referred to the LGSCO has decreased when compared with the previous year.
- 3.35 Where services are delivered in partnership there are good governance principles in place with service level agreements and terms of reference in place, as needed.

Internal Audit and Fraud

- 3.36 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.
- 3.37 The internal audit service have been assessed as conforming to the Public Sector Internal Audit Standards (PSIAS).
- 3.38 An Audit Charter has been approved by Audit and Accounts Committee. The council's internal audit plan, which is risk based, is agreed with Chief Officers and approved by Audit and Accounts Committee annually. This provides the basis for the review of internal control within the council. Achievement of the plan is monitored by the Audit and Accounts Committee.
- 3.39 In July each year, internal audit provides an annual assurance report to the Audit and Accounts Committee and Chief Officers, which contains an assurance about the system of internal control throughout the council.
- 3.40 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 one individual assignment achieved a fundamental weakness opinion.
- 3.41 The council's corporate anti-fraud strategy responsibilities are co-ordinated through the internal audit service. The council maintains a pro-active programme of counter fraud and corruption work which is risk based and proportionate.
- 3.42 The council remain vigilant to the risks associated with malware such as ransomware, phishing emails and emails purporting to be from Chief Officers requesting large payments. Regular fraud updates and bulletins are circulated to officers and audit work has focussed on reviewing the robustness of password controls with the annual mystery shopper exercise.
- 3.43 A report is presented annually to the Audit and Accounts Committee, outlining all measures in place for the prevention and detection of fraud and how the council is addressing national guidance such as the

CIPFA guidance Fighting Fraud Locally. The [Anti-Fraud, Bribery and Corruption Strategy](#) was last reviewed and approved in January 2019.

- 3.44 The internal audit plan was substantially completed for financial year 2019/20 providing a good insight and contribution to reasonable assurance. There is an expectation of disruption to the 2020/21 internal audit plan caused by the coronavirus pandemic. Internal audit services were reduced to support colleagues in implementing urgent measures. The audit plan priorities will be reviewed with Chief Officers to identify the most critical areas to be reviewed and ensure that the audit service is able to deliver an assurance opinion, either through their own work or assurance mapping activity to draw on work from other bodies and regulators.

Managing Finances

- 3.45 The council has budget monitoring processes in place and quarterly revenue and capital monitoring reports are received by Cabinet. The council has a strong track record for delivering savings. The council has an approved Council Transformation and Savings Programme (CTSP) and there were rigorous measures in place to oversee its delivery. The global pandemic has resulted in an unprecedented call on resources which has diverted attentions to the emergency response. The council has mobilised swiftly to adapt service delivery and meet government requirements. This has created financial costs, income losses and shortfalls against the delivery of savings targets. Like all other local authorities in the country, South Gloucestershire engages and liaises with MHCLG and the LGA on funding requirements and the likely impact on the council, and Cabinet have received an initial report on the potential financial pressure. Around £14m of emergency funding has been received so far to date across two tranches which addresses the majority of the forecast 2020/21 pressure. However a significant proportion of South Gloucestershire's pressure stems from the potential loss of council tax and business rates income which will need to be carefully monitored over the coming weeks and month. The cost of this will impact in 2021/22 through a collection fund deficit and the council will continue to engage as a sector on how this pressure can be addressed. Each Directorate has a management team led board and business support group to provide additional oversight and challenge. The council prepares a detailed 4 year revenue budget, which sits within a 10 year medium term financial plan.
- 3.46 The council's capital programme contains a significant programme of works which will be funded from many different sources such as: Section 106 contributions, Local Enterprise Partnership funding streams such as the Economic Development Fund, Revolving Infrastructure Fund and West of England Combined Authority (WECA). The council developed new Investment and Capital Strategies during 2018/19 and in 2019/20 elements of these strategies were taken forward with the purchases of assets. Further progress on the investment strategies is anticipated to be significantly affected by the pandemic. The council now has significant responsibilities to support the wider West of England Combined Authority to deliver major capital infrastructure schemes in an effective and efficient way while ensuring they remain on time and within budget. Most of these projects are still continuing at pace while still trying to safeguard essential supply chains and ensure workers are operating at safe distances. Updates on progress have been received by Cabinet and will continue during 2020/21.
- 3.47 Changes to the local government finance system poses potential risks for future council priorities. The medium term financial plan made assumptions about these changes coming into effect from 2021/22, since the pandemic Government has confirmed these changes will be delayed until 2022/23 and as such the medium term financial plan will require updating as information is made available through the next budget and spending review. South Gloucestershire local authority area was acknowledged during 2018/19 to be the lowest funded area per pupil in the country. The dedicated schools grant and special educational needs funding budgets are currently in deficit and the council is working with the Schools Forum to address any issues this presents. Significant work has been undertaken to understand the forecast position for the authority. The range of financial impact and modelling is being considered and we have engagement from Members and senior leaders. A strategic financial response plan has been drafted as part of reset respond. There are regular reports to MHCLG to identify the financial impact. These reports impact funding being provided to the council. In particular, how far central government will provide funding to meet some of the additional burdens placed on the council. Further work will be needed during 20/21 to understand the ongoing position.

Partnership Governance

- 3.48 The council is involved in many partnerships and our involvement is guided by the Corporate Partnership Framework which sets out our strategy for the way we work together and best practice in relation to setting up, entering and continuing to participate in partnerships based on a sound understanding of the risks, challenges and anticipated benefits involved. The council supports its focus on partnerships by ensuring councillors are nominated to relevant partnerships as part of the annual

municipal process. A 'Duty to Co-Operate' register has been established at West of England level to identify strategic planning matters and enable regular review.

3.49 Listed below are some of the council's most significant partnerships:

- The West of England Combined Authority (WECA) was established in statute on 9 February 2017. The election of the first Regional Mayor took place in May 2017. South Gloucestershire Council is a Statutory Member of the Combined Authority (as are Bristol City Council and Bath & North East Somerset Council). The Leader of the council sits on the WECA Committee.
- The West of England Joint Committee was created as a voluntary arrangement following the establishment of the WECA, to enable the three WECA Councils and the WECA Mayor to continue a strategic partnership with North Somerset Council. South Gloucestershire Council is a Member of the Joint Committee and the Leader of the council sits on the committee.
- The WECA and the WoE Joint Committee are supported by three Advisory Boards and by the Local Enterprise Partnership (LEP). South Gloucestershire Council has one Member sitting on the Business Advisory Board, one Member on the Skills Advisory Board and two Members on the Infrastructure Advisory Board. The Leader of the council sits on the LEP and the Chief Executive attends in an advisory capacity. The Infrastructure Advisory Board has notably pulled together the former Joint Transport Executive Committee and Planning, Homes & Communities Board, taking over responsibility for the preparation of the Joint Spatial Plan (decision-making at the WoE Joint Committee).
- The West of England Public Health Partnership reports to local authority Chief Executives.
- South Gloucestershire Council has a role to contribute to the WECA Overview and Scrutiny Committee. The function of this committee is to review and/or scrutinise decisions made or other actions taken, in connection with the discharges of functions which are the responsibility of the WECA or Joint Committee. The Committee is responsible for setting its own work programme.
- Safer and Stronger Communities Strategic Partnership – performance results are provided by the partnership every six months and the risk register is reviewed annually.
- Local Strategic Partnership, membership, terms of reference and risk register are reviewed annually. The Leader of the council chairs the LSP; membership includes the Executive Member for Schools, Skills and Employment.
- The council is in the process of working with key partners to re-establish a Multi-Agency Safeguarding Hub, this will be located at the council offices and will sit alongside arrangements for the Multi-Agency Risk Assessment Conference process for working with cases of high risk domestic abuse.
- The Adults Safeguarding Board and Children's safeguarding board have terms of reference and work plans which are regularly reviewed, there is a requirement for a number of key agencies to be involved with the work of these partnerships. Following changes to legislation, there is a statutory requirement to review and develop new partnership arrangements for Children's Safeguarding and plans are in place to progress these within the defined timescale. New arrangements will be in place by end of September 2019.
- The council continues to work closely with health partners associated with 'Healthier Together' (BNSSG Sustainability and Transformation Partnership), the Better Care Fund (the integration of health and social care through the Better Care Fund partnership and pooled budget arrangements established under section 75 of the National Health Service Act) and the Health and Wellbeing Board. The Local Authority also has representation on the CCG Governing Body and Commissioning Executive via the Director of Public Health.

3.50 The council has also established mutually beneficial partnership arrangements to deliver services effectively, such as arrangements with Wiltshire Council over broadband delivery and neighbouring councils for business rates pooling as a growth incentive to deliver mutually beneficial projects. The West of England Waste partnership work together to dispose of residual and bulky household waste. South Gloucestershire manages the contracts worth £400m over next 20 years on behalf of the four authorities, by working together able to secure economies of scale and capacity for all partners in the region. The partnership agreed a new Inter Authority Agreement in 2019 and is committed to working together for the next 20 years.

4 Review of Effectiveness

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is informed by the work of managers within South Gloucestershire Council who have responsibility for the development and maintenance of the governance environment, the internal auditors work and the Audit Manager's annual assurance report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.1 Sources of management assurance:

- The Deputy Chief Executive was the Senior Information Risk Owner (SIRO) during 2019/20 and attended the council wide Data and Information Group (DIG to manage data and governance issues). This responsibility has been allocated to the new Director of Corporate Resources and Business Change from his arrival in November 2019.
- The Monitoring Officer is the Data Protection Officer and has responsibility for ensuring the council's compliance with data protection regulations. Work to challenge, critically review and monitor the effectiveness of data governance arrangements has continued throughout 2019/20 with regular Data and Information Group meetings. These meetings are well attended by officers from across the authority.
- The Monitoring Officer annually reports on Data Governance Compliance to Members.
- A review of compliance with the Code of Corporate Governance and the CIPFA framework 'Delivering Good Governance' has taken place and the results of this are separately available, the council was found to be compliant.
- A review of compliance with the CIPFA financial management code has been undertaken and the results of the council's compliance is separately available.
- Meetings of the Corporate Governance Working Group have taken place throughout the year to consider governance issues and oversee risk management arrangements.
- The Corporate Governance Working Group have received information on the council's risk management arrangements and it is acknowledged that the council may need to review arrangements in light of the pandemic to update and further improve the risk management framework.
- Internal audit monitor the implementation of audit recommendations and provide regular information to Departmental Management teams. There has been good progress in implementing recommendations during 2019/20 but it is acknowledged, that the Coronavirus pandemic could impact progress for 20/21.
- Internal audit will monitor risks and issues as part of the annual audit planning cycle, meetings with Chief Officers and Heads of Service, this forms the basis of the annual internal audit plan. Strategic and Departmental Risk Registers are regularly reviewed and signed off by members.
- Chief Officers have completed Assurance Statements on the review of governance and internal control arrangements in their departments. Any results from these assurance reviews have been incorporated into section 5 which provides an update on last year's governance issues.
- The council carries out an annual assessment of the extent to which it is meeting its equalities duties and objectives, and publishes this in the form of an Annual Equalities Report.
- The council had a relatively stable workforce during 2018/19 there was an overall turnover of 12%, a reduction of 3% on 2017/18 figures. Overall sickness levels across the whole council (including Schools) decreased by 3% in 2018/19 and has trended downwards over the past 3 years.
- In 2019/20 there was one whistle blowing case recorded on the register. In 2018/19 there were four cases. Currently, the council does not report on whistle blowing at Member level.

4.2 Other Sources of Assurance

- There are Public Health Assurance Groups that oversee arrangements for Clinical Governance and Health Protection. Officers for responsibilities in these areas have not escalated any governance issues in these areas.
- The council has been subject to some external inspections during 2019/20 and the results of these are recorded in Section 5 (progress on governance issues raised last year).
- The council has a key role on the WECA Overview and Scrutiny Committee

Opinion on the Governance Framework

- 4.3 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
- 4.4 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 20/21 and these are covered in the action plan in section 6.
- 4.5 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.
- 4.6 The Audit and Accounts Committee will have responsibility for ensuring the delivery of the actions needed to improve the council's governance framework.

Successes in 2019/20

- 4.7 Outstanding audit recommendations continue to be worked upon, but as a mark of the effectiveness of our governance arrangements, the council continues to deliver exceptional levels of support and service to our residents, which has been recognised through a number of awards and accreditations from independent bodies. This has included ISO and Public Services Network (PSN) accreditation, improvements in Ofsted ratings and shortlisting or winning awards with the LGC, Keep It Local, Social Worker of the Year, Community Transport Association, Police and Crime Commissioner, Fields in Trust, Contact Excellence in Parent Participation Award, Institution of Civil Engineers 2019 South West, Association of Directors of Environment, Economy, Planning & Transport Annual, Bristol and Bath Apprenticeship, Excellence in Recycling and Waste Management, Historic England Angel, APSE and Engage in their Future.
- 4.8 The council's ability to provide service to staff working from outside council buildings has been recognised during business continuity events. In particular, the Coronavirus pandemic, has resulted in a significant proportion of the workforce and councillors working effectively from home for a prolonged period of time.

5 Progress in addressing the Council's governance issues

This section provides an update on progress made addressing the council's governance issues during the 2019/20 financial year. These issues were identified in the action plan in last year's Annual Governance Statement (2018/19).

Governance Area - Financial and Demand pressure resulting from Statutory Duties

This governance area relates both to services delivered by Children, Adults and Health as well as by Safe and Strong in Environment and Community Services Department.

Issue 1) The Medium Term financial plan is not balanced from year four.

Work is underway to identify more savings to manage the council's MTFP. Benchmarking costs and performance with other councils has been used as well as modelling to inform budget planning, workforce planning and other approaches.

Significant work has been undertaken to understand the forecast position for the authority. The range of financial impact and modelling is being considered and we have engagement from Members and Senior leaders. A strategic financial response plan has been drafted as part of reset and respond. There are regular reports to MHCLG to identify the financial impact. These reports impact funding being provided to the council. In particular, how far central government will provide funding to meet some of the additional burdens placed on the council. Further work will be needed during 20/21 to understand the ongoing position.

Issue 2) The Schools Budget which is 100% grant funded was overspent by around £11.6M at the end of 2018/19. This has to be recovered and brought back into balance.

A deficit recovery plan has been agreed with the Schools Forum and is now in place. The council continues to face school funding challenges associated with the national funding formula, small schools and schools in deficit. A deficit recovery plan has been revised following consultation and a new partnership to manage a whole system approach to change for managing special needs budgets has been developed.

A mechanism has been put in place to capture COVID related costs that schools are incurring. The impact of COVID 19 on the dedicated schools grant recovery plan will be significant. The council has been unable to continue developing planned work.

Issue 3) Services absorbing increasing demand, challenging sustainability

The Environment and Community Services Department is working with the digital programme to develop innovative approaches to support residents and reduce demand. Financial risks associated with climate and ecological change should be identified.

Consideration is also being given to a risk based approach to intervention in statutory services and a solutions panel to manage demand and finance in children's services.

Benchmarking has been undertaken and end to end process reviews conducted to understand issues.

Data quality is closely linked to the service's ability to accurately predict, track and monitor costs associated with service delivery.

Resources have been diverted by support grants and usual communications have been affected. The council has received significant increases in welfare grants and individuals claiming universal credit. Social Care staff and Child Care Solicitors have increased workloads due to the emergency arrangements, this could have an impact on ongoing work.

Governance Area - Risk of Non-achievement of planned savings

The council has developed a council savings plan across all service areas. There is robust governance in place to monitor the achievement of savings with regular reporting and tracking of activities. However, the COVID-19 emergency has impacted the delivery of savings to a significant extent. The table below provides a high level summary of COVID-19 funding received from central government against the cost of decisions made to date and potential future pressures including:

£8,660k from the impact of Director and Chief Executive decisions.

£20,550k for the potential impact on income targets and service pressures over the next 6 months, including pressures from council tax and business rates.

£4,750k for non-achievement of the CTSP targets based on the assumption that the majority of projects will not commence within the next 6-9 months and targets will slip into 2021/22.

The figures are currently high level and present a medium case scenario. The financial impact range could vary.

Department	Total Funding	Decisions and Forthcoming Decisions to date	Funding remaining for CAH Covid-19 Pressures Contingency	Potential Income and Expenditure Pressures	Potential CTSP Pressures	Identified Savings & Contingencies	Total Forecast Pressures	Variance Against Funding - Favourable (-) / Shortfall (+)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CAH	5,420	5,460	0	150	4,420	-140	9,890	4,470
DECS	0	2,590		1,730	330	-30	4,620	4,620
CECR	660	430		490	0	0	920	260
Central Items	0	180		50	0	-550	-320	-320
Resources	0	0		18,130	0	0	18,130	18,130
New Funding Announcement	7,930	0	0	0	0	0	0	-7,930
Total Covid-19 Pressures	14,010	8,660	0	20,550	4,750	-720	33,240	19,230
Pay award pressures				800		-450	350	350
Total SLT Report Pressures								19,580

Numbers rounded to nearest £10k

Governance Area - Managing Data Governance Risks

The council's processes and procedures have been aligned with GDPR requirements. All staff and members are required to participate in mandatory data governance training on an annual basis. During 2019/20 this was offered as a series of presentation slides to be delivered at team meetings. The Senior Managers Network were all provided with training on this area.

An annual report has been presented to the Regulatory Committee during 2019/20 on Regulation of Investigatory Powers (RIPA). A report on information governance matters including performance to improve arrangements has been presented to Cabinet during 2019/20.

Work to challenge, critically review and monitor the effectiveness of data governance arrangements has continued throughout 2019/20 with regular Data and Information Group meetings. These meetings are well attended by officers from across the authority.

The annual Data, Security and Protection toolkit review is supported by internal audit and the results have been positive.

Governance Area - Managing Data Security Risks

All staff have received mandatory annual training during 2019/2020, which ensure they are up to date with the relevant data protection legislation and, for example, what is required should any data breaches occur. Internal audit services undertook their annual review of passwords, to ensure that staff and councillors do not divulge their information and are in compliance with council policy. The best results in 6 years were reported in 2019/20 which is indicative that intranet messages on password safety are successful.

All information security incidents are recorded on the Respond database and are investigated. Where data security issues arise our business processes and levels of training are reviewed. Often resulting in the mandatory training being retaken or further bespoke training/guidance being given.

Departmental Information Governance reports, including details of all information security incidents, are provided to DMTs and are reviewed by the Data and Information Group quarterly.

The Information Governance Lead takes combined quarterly reports to SLT covering data governance, training and details of data security incidents that have taken place across all three departments. A summary report is also taken to Cabinet annually.

We also ensure that our partners, who help us deliver services, are also compliant with information governance standards and the data protection legislation. For example where necessary we ensure suitable contracts, data protection impact risk assessments and data sharing protocols are in place.

Governance Area - OFSTED Inspection of Children's Social care Services

An improvement action plan for Children's Social Care was produced and approved by the DfE. Progress is monitored by an improvement board which is led by an independent chairperson.

Following inspection in March 2019, Ofsted noted significant improvements have been made within Children's Services. Ofsted found Children's services to be "requires improvement to be good", which means that the council is no longer in intervention. The improvement journey continues, building on the learning from the journey so far.

The council and NHS partners at the CCG have developed a plan to address the key findings of the report on SEND. Work is ongoing to implement the improvements needed as a matter of priority.

In May 2020, the council received the results of the published OFSTED report on joint arrangements for pupils with special educational needs and disabilities. In the main, this reported presented an improving position with sufficient progress having been made in six out of eight priority areas for improvement. There are no further revisits by OFSTED planned.

The budget has continued to invest in the OFSTED improvement journey.

Ofsted undertake regular inspections of Vinney Green Secure Unit, three inspections have been undertaken in 2019/20, and the Full and Interim Inspection identified areas where improvement was required to be good. Considerable work was undertaken to develop and implement an improvement plan in respect of areas where Ofsted had judged that effectiveness had declined, along with the introduction of an Improvement Board providing regular oversight of actions to improve. A re-inspection was undertaken in March 2020, OFSTED concluded the steps taken to date to address the compliance notice provide a strong basis on which to sustain improvement.

Governance Area - The West of England Combined Authority As a Key Partner

The Leader of the council has a key decision making role within the WECA governance structure and is the Vice-Chair. There are regular meetings between the Chief Officers of the respective councils.

The council is actively supporting WECA in the delivery of key programmes and will adapt its governance to accommodate the role of WECA as it develops.

Engage with WECA as S151 officers to understand and manage financial risks.

During the COVID-19 emergency we have collaborative arrangements between the authorities to work together, this has worked really well.

6 Action Plan: Governance Areas for 2020/21 onwards

The review of governance arrangements has identified the main areas where the council will need to focus its efforts during 2020/21, to address changing circumstances and challenges identified. These are set out in the action plan below. The responsibility for monitoring and tracking these priorities will be assigned by the Senior Leadership Team and will be monitored throughout 20/21 as part of the council's governance arrangements. The Audit and Accounts Committee will have responsibility for overseeing their progress:

Issue	What issue is to be addressed during 2020/21	Required Action	Service Area Responsible
1	<p>Financial and Demand Pressures resulting from Statutory Duties:</p> <ol style="list-style-type: none"> 1. Impact of Coronavirus pandemic 2. The Schools Budget (which is 100% grant funded) is overspent by £16.347M 3. Services absorbing increasing demand, challenging sustainability 	<p>Regularly report to MHCLG on impact and continue to undertake detailed forecasting to understand position, identify potential savings and where value for money can be achieved to reduce costs.</p> <p>Continue work with Schools Forum to develop whole system approach to managing the schools deficit. This area will need to be considered in the light of coronavirus and the potential impact this may have on reducing the deficit.</p> <p>Continue efforts in 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>	All Departments
2.	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.	All Departments
3.	Ability to have access to timely and relevant management information for Children, Adults and Health	Introduction of new systems in Children, Adults and Health and monitor the effectiveness of their	Children, Adults and Health

Issue	What issue is to be addressed during 2020/21	Required Action	Service Area Responsible
		delivery of improved management information during 20/21.	
4.	Ability to Deliver Planned Savings	Further work and detailed forecasting is needed to fully understand the impact of coronavirus on the council's ability to achieve savings. As point 1 above, potential savings areas will need to be revisited and areas for potential value for money opportunities brought forward.	All Departments
5.	Management of Data Governance	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.	All Departments
6.	Management of Data Security to minimise Risks	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.	All Departments
7.	Vinney Green Secure Unit	Ensure that any improvements identified in practice or process are promptly implemented and progress is overseen by Senior Management.	Children, Adults and Health
8.	Delivery of Significant Infrastructure projects - CPME, Avonmouth to Severnside Flood Resilience Scheme	Implement major infrastructure projects on time and within budget. To offer best practice in project delivery.	Environment and Community Services
9.	Emergency Arrangements (COVID -19) related actions:	<ol style="list-style-type: none"> 1. Restoring/resuming services safely after pandemic lockdown and making changes to improve efficiency 2. Taking opportunities to work differently learning from changes that happened as part of the emergency arrangements 	All Departments

Issue	What issue is to be addressed during 2020/21	Required Action	Service Area Responsible
		3. Reviewing and revisiting controls to ensure they are robust and identifying where post event checks need to be undertaken to safeguard the public purse. 4. Democracy Arrangements – Keeping the democratic process running.	
10.	Partnership working together – Strengthening partnerships and leveraging their value.	Continue to explore whether key partnerships offer best value and opportunities in delivering core services.	All Departments

7 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