

South Gloucestershire Council

# Annual Financial Report

2022/23

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# Independent auditor's report to the members of South Gloucestershire Council

## Report on the Audit of the Financial Statements

### Opinion on financial statements

We have audited the financial statements of South Gloucestershire Council (the 'Authority') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 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 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

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

### Conclusions relating to going concern

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

In our evaluation of the Service Director - Finance and Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Service Director - Finance and Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Service Director - Finance and Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the Annual Financial Report, other than the financial statements, and our auditor's report thereon. The Service Director - Finance & Chief Financial Officer is responsible for the other information. 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.

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice

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

## Matters on which we are required to report by exception

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

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

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



## Responsibilities of the Authority and the Service Director - Finance and Chief Financial Officer

As explained in the Statement of Responsibilities set out on page 9, 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 Service Director - Finance and Chief Financial Officer. The Service Director - Finance and Chief Financial Officer is responsible for the preparation of the Annual Financial Report, 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Service Director - Finance and Chief Financial Officer 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 Service Director - Finance and Chief Financial Officer 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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

### 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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Audit and Accounts Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit & Accounts Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- journals which significantly influenced the Authority's financial performance for the year;
- potential management bias in determining accounting estimates, especially in relation to the calculation of the valuation of the Authority's land and buildings, investment property and defined benefit pensions liability valuations; and

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,

- journal entry testing, with a focus on significant journals at year-end which had an impact on the Authority's financial performance,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings, investment property and the net defined benefit pension liability, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates relating to the valuation of land and buildings, investment properties and the defined benefit pension liability. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA, LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

### **Report on other legal and regulatory requirements – Audit Certificate**

We certify that we have completed the audit of South Gloucestershire Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 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.



***Laurelin Griffiths***

Laurelin Griffiths, Key Audit Partner

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

Birmingham

1 February 2024

## 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 Service Director - Finance and Chief Financial Officer who is Chief Financial Officer;
- manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets, and
- approve the Statement of Accounts.

### The Chief Financial Officer's responsibilities

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

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

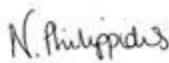
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent, and
- complied with the local authority Code.

The Chief Financial Officer has also:

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

### Certification of the Accounts by the Chief Financial Officer

In accordance with the Accounts and Audit (Amendment) Regulations 2022, and the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts for 2022/23 give a true and fair view of the financial position of South Gloucestershire Council as at 31 March 2023 and its income and expenditure for the financial year ended 31 March 2023.



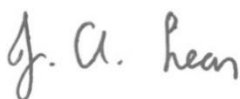
.....  
**Nina Philippidis CPFA**

**Service Director - Finance & Chief Financial Officer**

Date .....31<sup>st</sup> January 2024.....

### Approval of the Statement of Accounts

I certify that the Statement of Accounts for the year ended 31 March 2023 was approved by the Audit and Accounts Committee at its meeting on 30 January 2024.



.....  
**Chair of the Audit and Accounts Committee**

Date ....31<sup>st</sup>.....January.... 2024



**2022/23**

## **Statement of Accounts**

# Narrative Report

This report provides the context for the council's financial statements and demonstrates how the council has delivered the economical, efficient, and effective use of its resources during 2022/23.

## 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 290,400 in 2021 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 its residents and their communities, to ensure that South Gloucestershire will always be 'a great place to live and work'. The Council Plan for 2020-2024 sets out how we will build on and deliver this vision highlighting:

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

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

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

During 2022/23 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:

- Commencing the delivery of £104.9m awarded from the City Region Sustainable Transport Scheme for local transport infrastructure in South Gloucestershire including:
  - Public transport improvements long the A38 and A432
  - A Park & ride on the M32
  - Charfield Station
  - Walking and cycling improvements
- Cost of Living Support through the VCSE with an allocation of £500k to deliver a programme of support co-designed with the Voluntary Sector Leaders Board to develop the most effective solutions for residents informed by sector led intelligence.
- Establishment of four new parish councils following the Community Governance Review with the new councils coming into being from April 2023.

- Ongoing investment in new schools and school maintenance to ensure that we continue to have high quality places for our young people to learn and get the best start in life.
- More than £12 million to be invested in maintenance and improvements to the existing road network, including funding to tackle potholes.
- Secured £10.1m to deliver the infrastructure package for transport improvements to mitigate existing problems in the North Fringe of the district, facilitate growth and ensure the infrastructure is in place ahead of the opening of the Brabazon Arena.
- Awarded £2.2m from the WECA Green Recovery Fund in October 2022 to deliver a new River Reserve on the Frome and support the doubling of tree canopy cover across South Gloucestershire.
- Completed the £11m build of Frenchay Primary School designed to Passivhaus standards of environmental performance.



*Frenchay Primary School*

### 3. FINANCIAL PERFORMANCE

#### Revenue

Total gross expenditure on council services as reported in the outturn position to Cabinet in July 2023 was £696m in 2022/23 (£684m in 2021/22). The net cost of services was £3m overspent compared to budget as shown below:

2022/23 Net Expenditure	Agreed budget £m	Year-end outturn £m	Variance Over/(-) under £m
People	166	174	8
Place	41	43	2
Resources and Business Change	52	45	-7
<b>TOTAL NET SPENDING</b>	<b>259</b>	<b>262</b>	<b>3</b>

The outturn position is presented with the main variances arising from higher than budgeted 2022/23 pay award. The overall outturn position was an overspend of £3.0m.



During 2022/23 the council experienced rising in-year pressures that were broadly outside of its direct control. These arose from the national Cost of Living crisis, the significantly higher than anticipated 2022/23 Local Government Pay Offer and the rising inflationary environment which were material in nature and reported upon throughout the year. The council was swift to act as financial pressures were identified with increased mitigations and enhanced spending controls put in place, reducing the forecast Quarter 3 overspend position. Through prudent planning, funding was set aside in the Financial Risks Reserve following the 2021/22 outturn recognising the inflationary risk anticipated to arise in 2022/23 and this funding, alongside the balance remaining on the COVID reserve, has been used to fund the remaining overspend after in-year mitigations.

### Capital

In addition to Property & Land Investment Fund spend of £4.3m, capital investment in 2022/23 totalled £79.5m against an approved budget of £102.1m. This underspend was mainly a result of slippage on highways maintenance and improvement schemes, delays constructing new primary schools and delays preparing strategic sites for regeneration and housing growth. Major items of capital expenditure included:

- £3.5m on improvements to Marlwood School
- £1.9m on improvements to Castle School Sixth Form
- £4.7m on the replacement of Elm Park Primary School
- £6.0m on the replacement of Frenchay Primary School
- £14.7m investment in highways maintenance & improvements
- £3.8m on the Metrobus Extension at Cribbs Patchway
- £14.2m Flood management and ecology projects
- £4.1m preparing land for future housing developments

Capital investment was primarily funded from government grants totalling £38.5m, CIL and S106 reserves of £12.5m and unsupported borrowing totalling £27.1m, with capital receipts of £2.9m, and revenue.



*Wraxall Road through-about*

The council plans to deliver an ambitious capital programme in the next four years, as shown below:

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	TOTAL £'000
<b>Area of expenditure:</b>					
Children's and Adult Services	47,705	50,218	21,358	7,470	126,751
Environment and Transport	71,023	30,494	17,698	15,682	134,897
Corporate Resources	34,770	9,844	2,845	1,845	49,304
Economic Development Fund & Joint Authority Projects	13,524	10,054	0	2,018	25,596
Property & Land Investment Fund	30,943	0	0	0	30,943
<b>TOTAL</b>	<b>197,965</b>	<b>100,610</b>	<b>41,901</b>	<b>27,015</b>	<b>367,491</b>
<b>Expected funding:</b>					
Capital grants and contributions	90,676	71,300	32,993	16,439	211,408
Prudential borrowing	98,342	25,805	6,690	9,463	140,300
Other funding	8,947	3,505	2,218	1,113	15,783
<b>TOTAL</b>	<b>197,965</b>	<b>100,610</b>	<b>41,901</b>	<b>27,015</b>	<b>367,491</b>

### 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 2023 were £15m, a decrease of £28m compared to 31 March 2022. The 2021/22 was higher than normal due to receipt of one-off COVID related grants.

### Balance Sheet Position

The council continues to maintain a strong balance sheet position:

	at 31 March 2023 £m	at 31 March 2022 (restated) £m
Non-current assets – principally land, buildings and equipment used to deliver council services	1,110	1,078
Long-term investments & long term debtors	36	35
Net current assets / (liabilities) – (excluding borrowing and provisions included below)	30	38
Pension liabilities	(125)	(422)
Provisions	(13)	(19)
External borrowing	(112)	(112)
Other long term liabilities	(48)	(41)
<b>NET ASSETS</b>	<b>878</b>	<b>557</b>
<b>Represented by:</b>		
Usable reserves	236	241
Unusable reserves	642	316
<b>TOTAL</b>	<b>878</b>	<b>557</b>

- The council's largest single liability is for future staff pensions. In 2020/21 the council made a one-off single payment to reduce pension liabilities, achieving a net saving of almost £0.2m over 3 years. In 2022/23 a further discount of c.£0.3m was achieved by the early payment of in-year contributions.
- 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 during 2022/23.
- Other long-term 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 (£9.0m) and for future costs associated with the closed landfill site at Harnhill (£1.2m), insurance (£2.2m) and other amounts.
- The council is also party to a £100m guarantee in respect of Home Group Ltd. (previously North Housing Association) in respect of which it has a first charge over several properties. This potential liability is not included in the Balance Sheet given the unlikelihood of it being called in.
- Usable reserves include £9m held on behalf of schools and £9m working balances to cover short term cash flow fluctuations, budget overspends and other contingencies, which is considered in conjunction with the Financial Risks Reserve. Other usable reserves have been earmarked for capital investment or to support service improvements. The council would like to increase working balances over the medium term, however this is balanced against service priorities and the needs of residents as one-off resources arise and earmarked reserves held to cover financial risks.
- Unusable reserves cannot be used to fund council expenditure and are held to meet statutory or accounting requirements.

### Group Activities

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

## 4. FINANCIAL MANAGEMENT

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

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

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

The budget agreed by Council on 16<sup>th</sup> February 2022 set out the council's Savings Programme which included the proposals from the Resource Allocation process. The savings target was £7,443k across departments with a £606k contingency held corporately. There were a further £3,371k of savings targets brought forward from previous years where permanent solutions continue to be developed. At outturn £5,643k had been achieved permanently and £4,572k short term where permanent solutions are still being developed with £598k still outstanding. The waste target accounts for £2,650k of the short-term savings and a permanent solution is being considered as part of the waste PFI transition project. The remaining balances were due to the continued impact of COVID-19 on income targets, project slippage or where a permanent solution is still in development and will be updated in future revenue reports

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. Feedback from October 2022 to January 2023 for the 2023/24 Budget is summarised below:

- 73% of respondents were satisfied with South Gloucestershire as a place to live.
- 51% of respondents were happy with the way the council runs things, whilst 44% agreed that the council can be relied upon to consistently deliver services.

- Net service satisfaction was highest for libraries (57%), followed by parks and open spaces (52%), then waste and recycling (50%) and the lowest for planning (2%), local bus services (2%) and children's social services (2%).

Overall, 63% of residents were supportive of an increase in council tax in 2022/23 and Full Council took the decision to increase by 2.99% in 2022/23, inclusive of a 1% "ring fenced" precept for adult social care.

## 5. COST OF LIVING IMPACT

The Cost of Living crisis and growing inflationary economic environment has had a significant impact on the council's finances during 2022/23 and into the medium term. A balance had been held from previously received COVID funding to support cost pressures in 2022/23 and this was drawn down to mitigate Cost of Living pressures alongside further use of specific reserves and in-year spending control mitigations. The impact on the medium-term financial plan was forecast across 2023/24 to 2026/27 and action taken at pace to identify savings for public consultation and inclusion in the council's 2023/24 budget. A thorough review of council reserves was undertaken using the updated Reserves Policy ensuring that funding was available over the medium term to smooth the impact and manage risk.

## 6. LOOKING AHEAD

The council has set a balanced budget for the 3-year period 2023/24 to 2025/26 after contributions from the Financial Risk Reserve of £9,731k in 2023/24, £4,724k in 2024/25 and £2,972k in 2024/25 whilst the savings programme is being delivered leaving a shortfall in 2026/27 of £4,899k to be resolved.

### *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.
- Organisation capacity restricted following the pandemic and significant growth in vacancies.
- Cost of Living crisis and rise in inflation impacting on the council's finances as well as residents and businesses.
- The 2023/24 Local Government Pay award exceeding base budget assumptions.
- Sufficiency of capital receipts to fund capital expenditure and future commitments.
- Rising construction costs and materials shortages.
- City Region Deal and the funding of parts of the capital programme are based on future income projections.
- Continuation of grant funding to fund core services.
- Ongoing shortfall between cost of providing new school places and the funding available.

### *Going Concern*

In recent years, because 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 followed by the Cost of Living crisis have emphasised this even more.

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



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

### Devolution

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

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

## 7. STATEMENT OF ACCOUNTS 2022/23

The Statement of Accounts which follow set out the council's income and expenditure for the year, and its financial position at 31<sup>st</sup> March 2023. 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:

<b>Comprehensive Income and Expenditure Statement (CIES)</b>	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 the Expenditure and Income included in the CIES analysed by nature.
<b>Balance Sheet</b>	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".
<b>Movement in Reserves Statement</b>	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.
<b>Cash Flow Statement</b>	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.
<b>Collection Fund</b>	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.
<b>Accounting Policies</b>	Note 1 sets out the accounting policies that have been followed in preparing the accounts and how the Code requirements have been met in practice.

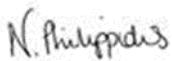


<b>Annual Governance Statement</b>	Reviews the effectiveness of corporate governance processes and systems of internal control. The Statement is signed by the council's Chief Executive and the Leader of the Council.
<b>Disclosure Notes</b>	These notes provide more detail about individual transactions and balances.

Policies and estimations of particular significance are:

<b>Accounting for schools' assets</b>	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.
<b>Fair Value measurements</b>	Surplus assets, investment properties and long-term investments are included in the balance sheet at their current market value.
<b>PFI contract</b>	The council's waste management contract with Suez Recycling and Recovery UK Ltd is accounted for as a service concession.
<b>City Region Deal</b>	The council administers the Business Rates Pool for the City Region Deal and applies IPSAS 23 to this arrangement.
<b>Property, Plant and Equipment (PPE)</b>	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.
<b>Depreciation rates</b>	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.
<b>Rating appeals</b>	Provision is made for the estimated cost of future rating appeals based on the number, value and success rate of appeals made to date.
<b>Pension liabilities</b>	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**

**Service Director – Finance & Chief Financial Officer**

30<sup>th</sup> January 2024

## 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.

2021/22			2022/23			Note
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
420,875	(258,642)	162,233	People.	472,554	(262,060)	210,494
140,503	(52,453)	88,050	Place.	146,183	(52,299)	93,884
120,487	(69,213)	51,274	Resources & Business Change.	122,064	(67,458)	54,606
<b>681,865</b>	<b>(380,308)</b>	<b>301,557</b>	<b>Cost of Services</b>	<b>740,801</b>	<b>(381,817)</b>	<b>358,984</b>
8,274		8,274	Parish Precepts.	8,829		8,829
5,380	(38)	5,342	Levies.	5,506	(38)	5,468
15,213		15,213	(Gains)/losses on disposal of non-current assets.	(1,727)		(1,727)
<b>28,867</b>	<b>(38)</b>	<b>28,829</b>	<b>Other operating expenditure</b>	<b>12,608</b>	<b>(38)</b>	<b>12,570</b>
6,247		6,247	Interest payable and similar charges.	6,356		6,356
9,493		9,493	Net interest on the net defined benefit liability/(asset).	11,290		11,290
	(1,767)	(1,767)	Interest receivable and similar income.		(2,187)	(2,187)
391	(4,336)	(3,945)	Income and expenditure in relation to investment properties and changes in their fair value.	10,864	(5,541)	5,323
(1,009)		(1,009)	Changes in the fair value of financial instruments.	2,789		2,789
<b>15,122</b>	<b>(6,103)</b>	<b>9,019</b>	<b>Financing and investment income and expenditure</b>	<b>31,299</b>	<b>(7,728)</b>	<b>23,571</b>
		(167,559)	Council Tax income.			(174,796)
		(43,677)	Non-domestic rates income and expenditure.			(52,265)
		(50,536)	Non-ringfenced Government grants.			(41,274) 28
		(85,353)	Capital grants and contributions.			(62,673) 28
		(347,125)	<b>Taxation and non-specific grant income</b>			<b>(331,008)</b>
		(7,720)	<b>(Surplus)/Deficit on Provision of Services</b>			<b>64,117</b>
		(54,403)	(Surplus) / Deficit on revaluation of property, plant, and equipment.			(55,203) 19
		180	Impairment losses on non-current assets charged to the Revaluation Reserve.			3,380 19
		(71,679)	Re-measurement of the net defined benefit liability.			(333,352) 19
		(125,902)	<b>Other Comprehensive Income and Expenditure</b>			<b>(385,175)</b>
		(133,622)	<b>Total Comprehensive Income and Expenditure</b>			<b>(321,058)</b>

## Movement in Reserves Statement

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

	General Fund Balance	Earmarked Reserves	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
<b><u>2022/23</u></b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2022</b>	(8,710)	(172,425)	(181,135)	(8,515)	(51,127)	(240,777)	(316,036)	(556,813)
<b><u>Movement in reserves in 2022/23</u></b>								
(Surplus)/Deficit on the provision of services	64,117		64,117			64,117		64,117
Other comprehensive income and expenditure							(385,175)	(385,175)
<b>Total comprehensive income and expenditure</b>	<b>64,117</b>		<b>64,117</b>			<b>64,117</b>	<b>(385,175)</b>	<b>(321,058)</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	(44,309)		(44,309)	(3,280)	(11,679)	(59,268)	59,268	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>19,808</b>		<b>19,808</b>	<b>(3,280)</b>	<b>(11,679)</b>	<b>4,849</b>	<b>(325,907)</b>	<b>(321,058)</b>
Transfers to/from Earmarked Reserves (Note 10)	(19,808)	19,808						
<b>(Increase)/Decrease in the year</b>	<b>0</b>	<b>19,808</b>	<b>19,808</b>	<b>(3,280)</b>	<b>(11,679)</b>	<b>4,849</b>	<b>(325,907)</b>	<b>(321,058)</b>
<b>Balance at 31 March 2023</b>	<b>(8,710)</b>	<b>(152,617)</b>	<b>(161,327)</b>	<b>(11,795)</b>	<b>(62,806)</b>	<b>(235,928)</b>	<b>(641,943)</b>	<b>(877,871)</b>

	General Fund Balance	Earmarked Reserves	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
<b><u>2021/22</u></b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2021</b>	(8,710)	(191,892)	(200,602)	(9,519)	(45,660)	(255,781)	(167,412)	(423,193)
<b><u>Movement in reserves in 2021/22</u></b>								
(Surplus)/Deficit on the provision of services	(7,720)		(7,720)			(7,720)		(7,720)
Other comprehensive income and expenditure							(125,900)	(125,900)
<b>Total comprehensive income and expenditure</b>	<b>(7,720)</b>		<b>(7,720)</b>			<b>(7,720)</b>	<b>(125,900)</b>	<b>(133,620)</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	28,120		28,120	1,004	(6,400)	22,724	(22,724)	
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>20,400</b>		<b>20,400</b>	<b>1,004</b>	<b>(6,400)</b>	<b>15,004</b>	<b>(148,624)</b>	<b>(133,620)</b>
Transfers to/from Earmarked Reserves (Note 10)	(20,400)	19,467	(933)		933			
<b>(Increase)/Decrease in the year</b>	<b>0</b>	<b>19,467</b>	<b>19,467</b>	<b>1,004</b>	<b>(5,467)</b>	<b>15,004</b>	<b>(148,624)</b>	<b>(133,620)</b>
<b>Balance at 31 March 2022</b>	<b>(8,710)</b>	<b>(172,425)</b>	<b>(181,135)</b>	<b>(8,515)</b>	<b>(51,127)</b>	<b>(240,777)</b>	<b>(316,036)</b>	<b>(556,813)</b>

## 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'.

<b>Restated*</b>		<b>31 March</b>	<b>Note</b>
<b>31 March</b>		<b>2023</b>	
<b>2022</b>		<b>2023</b>	
<b>£'000</b>		<b>£'000</b>	
268,561	Infrastructure Assets	298,257	11
732,027*	Property, Plant and Equipment	740,296	11
1,863	Heritage Assets	2,745	
71,643	Investment Property	64,231	12
4,793	Intangible Assets	4,451	
30,069	Long Term Investments	27,281	13
4,786	Long Term Debtors	9,104	16
<b>1,113,742</b>	<b>Long Term Assets</b>	<b>1,146,365</b>	
63,018	Short Term Investments	54,446	13
1,025	Inventories	1,186	
73,414	Short Term Debtors	88,512	16
1,596*	Assets Held for Sale	1,038	11
42,662	Cash and Cash Equivalents	15,415	14
<b>181,715</b>	<b>Current Assets</b>	<b>160,597</b>	
(1,518)	Short Term Borrowing	(1,518)	13
(122,735)	Short Term Creditors	(119,578)	15
(8,457)	Current Provisions	(8,792)	17
(20,692)	Grant Receipts in Advance – Revenue	(10,567)	28
(1,770)	Grant Receipts in Advance – Capital	(1,196)	28
<b>(155,172)</b>	<b>Current Liabilities</b>	<b>(141,651)</b>	
(10,283)	Long Term Provisions	(4,227)	17
(110,446)	Long Term Borrowing	(109,998)	13
(421,747)	Pension Liability	(124,919)	35
(14,693)	Grant Receipts in Advance – Revenue	(19,811)	28
(9,106)	Grant Receipts in Advance – Capital	(13,654)	28
(17,197)	Other Long Term Liabilities	(14,831)	18
<b>(583,472)</b>	<b>Long Term Liabilities</b>	<b>(287,440)</b>	
<b>556,813</b>	<b>Net Assets</b>	<b>877,871</b>	
(240,777)	Usable Reserves	(235,928)	
(316,036)	Unusable Reserves	(641,943)	19
<b>(556,813)</b>	<b>Total Reserves</b>	<b>(877,871)</b>	

\*The prior year balances for Assets Held for Sale and Property, Plant and Equipment have been restated to classify an asset as Surplus from Held for Sale. The adjustment has increased the Property, Plant and Equipment balance and reduced the Assets Held for Sale balance at 31 March 2022 by £12,480k. The opening balances at 1 April 2021 are unchanged.

## 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.

2021/22 £'000		2022/23 £'000	Note
7,720	Net surplus / (deficit) on the provision of services.	(64,117)	
101,961	Adjustments to the net deficit on the provision of services for non-cash movements.	78,440	20
(85,873)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities.	(67,634)	20
<b>23,808</b>	<b>Net cash flows from Operating Activities</b>	<b>(53,311)</b>	
18,209	Investing activities	27,744	21
(11,809)	Financing activities	(1,680)	22
<b>30,208</b>	<b>Net increase /(decrease) in cash and cash equivalents</b>	<b>(27,247)</b>	
12,454	Cash and cash equivalents at the beginning of the reporting period	42,662	
<b>42,662</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>15,415</b>	14



## Notes to the Statement of Accounts

### 1. Accounting policies

#### *i. General principles*

The Statement of Accounts summarises the council's financial transactions for 2022/23 and its position at the year end of 31 March 2023. 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 2022/23, supported by International Financial Reporting Standards (IFRS).

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

#### *ii. Recognition of income and expenditure*

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Government grants and third-party contributions are recognised when there is reasonable assurance that the council will comply with any conditions attached to the payments, and that the grants or contributions will be receivable. Where conditions attached to grants or contributions have not been satisfied, monies received to date are carried in the Balance Sheet as creditors (Receipts in Advance) and credited to the Comprehensive Income and Expenditure Statement (CIES) when the conditions are satisfied. Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve.
- Supplies and services are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories in the Balance Sheet. Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The authority has elected to charge a community infrastructure levy (CIL). The levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area. The CIL is recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement as a contribution without outstanding conditions. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

**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 determined that the transactions occurring in respect of the City Region Deal arrangement arise from non-exchange transactions (the collection of Non-Domestic Rates) and so IPSAS 23 'Revenue from Non-Exchange transactions (taxes and transfers)' may be applied 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. These transactions are accounted for on an agency basis and are not the council's income and expenditure.

**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. Only the council's share is recognised in the Comprehensive Income and Expenditure Statement.

**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. Only the council's share is recognised in the Comprehensive Income and Expenditure Statement.

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

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

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

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

impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

#### **vi. Employee benefits**

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

#### **Termination benefits**

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

#### **Post-employment benefits**

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE),
- The Local Government Pension Scheme (LGPS), administered by Bath and North East Somerset Council (BANES),
- 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 People line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Scheme and the NHS Pension Scheme in the year.

#### **The Local Government Pension Scheme**

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

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

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

- Service Cost: the increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

Past service costs is a change to the defined benefit obligation resulting from a plan amendment or curtailment. The council's accounts also recognise a gain or loss on settlement when the settlement occurs. The settlement is deemed to occur when the council enters into a transaction which eliminates all further obligations for part or all of the benefits provided under the LGPS defined benefit plan.

- Net interest on the net defined benefit liability: the expected increase in the present value of liabilities during the year as they move one year closer to being paid, offset by the interest on assets, which is the interest on assets held at the start of the year, and cash flows occurring during the period. The result is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Remeasurements of the return on plan assets excluding amounts included in net interest and actuarial gains and losses. These are charged to the Comprehensive Income and Expenditure Statement in Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – relate to changes in the net pension liability which arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions. These are charged to the Comprehensive Income and Expenditure Statement in Other Comprehensive Income and Expenditure.
- Contributions paid to the Avon Pension Fund: cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### Early Payment of Local Government Pension Scheme Deficit Contributions

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

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

The Pension Liability at 31 March 2021 was reduced by the total £4,975,610, and the full amount was reflected in the actuarial valuation at 31 March 2021. The 2020/21 deficit (£1,595,530) was charged to the General Fund in 2020/21, and the 2021/22 deficit (£1,657,689) was charged to the General Fund in 2021/22.

The 2022/23 deficit (£1,722,391) has been charged to the General Fund in 2022/23.

The result of this accounting treatment is that the Pension Liability and the Pension Reserve are now re-aligned at the close of 2022/23, with the total contribution having been charged to the General Fund.

### Discretionary benefits

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

**vii. Financial instruments**

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

**Financial liabilities**

Financial liabilities are initially measured at fair value and are carried at amortised cost. Annual charges to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

For the council's borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest. Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

**Financial assets**

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

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

The council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors). Impairment losses are calculated to reflect an expectation that future cash flows might not take place because the borrower could default. Credit risk plays a part in the assessment and where it has increased significantly losses are assessed on a lifetime basis. Otherwise, losses are assessed based on 12-month expected losses.

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

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

**Fair value measurements of financial assets**

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

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

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

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

**Instruments entered into before 1 April 2006**

The authority entered into a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the statement of accounts to the extent that provisions might be



required, or a contingent liability note is needed under the policies set out in the section on provisions, contingent liabilities, and contingent assets.

#### **viii. Leases**

Leases are classified as finance leases where their terms transfer substantially all the risks and rewards of ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately.

### **Council as lessor**

#### **Operating leases**

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

#### **Finance leases**

Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease.

#### **ix. Overheads and support services**

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

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

### **Recognition**

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

### **Measurement**

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

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

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

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

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. For non-property assets that

have short useful lives, or low values (or both), depreciated historical cost is used as an estimate of current value.

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

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

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

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

### Impairment

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

### Disposals

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

### Depreciation

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

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

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

As a temporary relief from the reporting periods commencing 1 April 2021 through to 31 March 2025 local authorities are not required to report gross book value and accumulated depreciation for infrastructure assets. This temporary relief has been introduced to the Code because historical information deficits resulting from

the reporting requirements mean that this information is unlikely to faithfully represent the asset position to the users of the financial statements.

***xi. Assets Held for Sale***

Where a disposal of an asset is highly probable, and the asset is available for sale in its present condition these are classified as assets held for sale. Management must be committed to the sale. Depreciation is not charged on assets held for sale. They are carried on the balance sheet at the lower of the carrying amount and fair value less costs to sell.

***xii. Investment Properties***

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

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

Rental income receivable from Investment properties is credited to the Financing and Investment Income and Expenditure line, and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. These are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve as appropriate.

***xiii. Provisions***

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

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

***xiv. Usable Reserves***

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

***xv. Revenue Expenditure Funded by Capital under Statute***

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

***xvi. Schools***

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

transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

**xvii. Service Concessions (Private Finance Initiative or PFI)**

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

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

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

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

**xviii. Value Added Tax (VAT)**

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

**xix. Fair Value Measurement of Non-financial Assets**

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

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

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

**xx. Former Avon County Council debt**

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

**xxi. Interests in Limited Companies**

The council has one wholly owned subsidiary company. This is the Bristol and Bath Science Park Estate Management Company Limited, (registered number 07523533) which the council acquired in September

2018. Group accounts have not been prepared as the value of the company's income, expenditure, assets, and liabilities is not material in the context of the council's financial statements overall.

#### **xxii. Events after the Reporting Period**

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

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

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

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

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

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

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

## **2. Accounting standards issued, not yet adopted**

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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:

- a) Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- b) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- d) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

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

IFRS 16 Leases – requiring all leases to be recognised on the Balance Sheet, subject to a de-minimis and exemptions. CIPFA/LASAAC has deferred the requirement to account for leases in accordance with IFRS 16 from 1 April 2022 until 1 April 2024, however local authorities are allowed to adopt the standard before that date. The council chooses not to adopt the standard early and therefore this will not have any impact in 2022/23.

## **3. Critical judgements in applying accounting policies**

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



**(a) Waste PFI contract**

The council is deemed to control the services created under the integrated waste management contract with Suez. The accounting policies for service concession arrangements (formerly known as PFI schemes and similar contracts) have been applied to these contracts and assets (valued at £11,803k) are recognised as Property, Plant and Equipment on the council's Balance Sheet, as shown in Note 11. The council is deemed to control the residual value of the assets, as the contract provides for the return of these assets at the end of the contract period.

**(b) Schools**

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

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

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

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

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

The council is exposed to a degree of estimation uncertainty related to interest rate risk in its financial instruments, principally its borrowing and investments. More information on this can be found at Note 38.

IAS 1 requires the council to disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

- (a) their nature, and
- (b) their carrying amount as at the end of the reporting period.

While there are a number of areas of uncertainty that the council manages, those that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial year are as follows:

- Valuation of certain parts of the Council's Plant, Property and Equipment balances; and
- The net defined benefit pension liability.

These are dealt with separately below.

**Property Plant and Equipment (PPE)****Approach**

The council recognises the value of a significant number of Property Plant and Equipment, with a total Gross Carrying Amount of £1,038m (including Infrastructure assets of £298m) at 31st March 2023. Of this total, £320m of council PPE assets are held at Historic Cost, leaving £719m requiring revaluation at intervals of no more than 5 years, in accordance with the Code.

In order to mitigate the risk of material uncertainty in the valuations, all Community Centres, Leisure Centres, Libraries, Schools and the Secure Unit are revalued annually by the council's valuation team on a Depreciated Replacement Cost (DRC) basis. All Surplus Assets are revalued every year on a Fair Value basis. The remainder of the assets, being Operational assets, Land, and Community Assets are revalued on an Existing Use basis (either a Market approach, an Income approach, or a mix). The revaluations are carried out on the basis of a five year rolling programme.

#### Uncertainties

When carrying out revaluations, assumptions are made using comparable evidence market conditions, build costs, and the remaining life of the assets.

#### Effect

In 2022/23 the Council revalued 173 assets, which resulted in an updated Gross Carrying amount of £673m. A 1% reduction in this value would result in a £6.73m reduction in the value of long-term assets and an equivalent reduction to Unusable Reserves on the Balance Sheet.

As stated above, a number of asset valuations are carried out on the basis of a five year rolling programme. For these assets a separate desktop calculation is carried out, using industry standard indices, to estimate the change in asset valuation from the date of last valuation to 31st March 2023. This estimated change falls below the council's triviality threshold.

Pension Liability (see also Note 35).

#### Approach

The council and its actuary follow an agreed process for valuing the pension fund. With a full valuation every three years and a roll forward every year in accordance with IAS19, with changes in assets and liabilities estimated. The net liability included on the Balance Sheet at 31 March 2023 in respect of defined benefit plans is £124,919m.

#### Uncertainties

The actual valuation results could be significantly different to those in Note 35 were the key assumptions to vary, given the nature of a roll forward approach, where certain key inputs are updated, rather than formally reassessed, there is a larger inherent degree of uncertainty in any year for which a roll forward approach is applied.

Due to the complexity of the calculation, it is impracticable to disclose the full nature and extent of the change in these assumptions in the next twelve months, however a sensitivity analysis is provided in full in Note 35 which indicates the potential scale and impact of certain key assumptions.

#### Effect if actual results differ from Assumptions

However, this note and the sensitivity analysis included deals predominantly with the overall calculation itself, and not the uncertainty that relates specifically to the roll forward approach. While the standard requires the council to disclose this specific uncertainty, given the complexity of the calculation, we have concluded that it is impracticable to quantify it. See Note 35 for further details.

### 5. Material items of income and expense

The council paid Suez Recycling and Recovery UK Ltd £18.1m (£17.9m in 2021/22) for waste collection and disposal services provided by under a service concession contract (see Note 32 for more details).

### 6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 31<sup>st</sup> January 2024. 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 2023, 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 2023 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.

## 7. Expenditure and Funding Analysis

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

2022/23	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
People	174,101	(14,635)	159,466	33,612	13,818	3,598	51,028	210,494
Place	43,556	6,852	50,408	38,217	5,206	53	43,476	93,884
Resources & Business Change	45,227	(4,056)	41,171	7,012	6,350	73	13,435	54,606
<b>Net Cost of Services</b>	<b>262,884</b>	<b>(11,839)</b>	<b>251,045</b>	<b>78,841</b>	<b>25,374</b>	<b>3,724</b>	<b>107,939</b>	<b>358,984</b>
Other Income and Expenditure	(259,882)	28,645	(231,237)	(47,087)	9,428	(17,748)	(63,630)	(294,867)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>3,002</b>	<b>16,806</b>	<b>19,808</b>	<b>31,754</b>	<b>34,802</b>	<b>(14,024)</b>	<b>44,309</b>	<b>64,117</b>
Opening General Fund Balance			<b>(181,135)</b>					
Less/plus surplus or deficit on General Fund			19,808					
<b>Closing General Fund Balance at 31 March 2023</b>			<b>(161,327)</b>					

2021/22	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	155,439	(18,629)	136,810	18,863	10,060	(3,499)	25,424	162,233
Environment & Community	41,435	45,825	87,260	(3,754)	4,525	18	789	88,050
Corporate and Central services	52,220	(54,208)	(1,988)	49,201	4,037	24	53,262	51,274
<b>Net Cost of Services</b>	<b>249,094</b>	<b>(27,012)</b>	<b>222,082</b>	<b>64,310</b>	<b>18,622</b>	<b>(3,457)</b>	<b>79,475</b>	<b>301,557</b>
Other Income and Expenditure	(251,414)	49,732	(201,682)	(65,883)	9,493	(51,205)	(107,595)	(309,277)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(2,320)</b>	<b>22,720</b>	<b>20,400</b>	<b>(1,573)</b>	<b>28,115</b>	<b>(54,662)</b>	<b>(28,120)</b>	<b>(7,720)</b>
Opening General Fund Balance			(200,602)					
Plus reclassified from capital grants unapplied			(933)					
Less/plus surplus or deficit on General Fund			20,400					
<b>Closing General Fund Balance at 31 March 2022</b>			<b>(181,135)</b>					

## 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 and levies. An adjustment is also made for movements in earmarked reserves which are included for the purposes of Outturn reporting but excluded from the Surplus/deficit on provision of services.

### Net Change for Capital Adjustments (2)

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

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

### Net Change for the Pension Adjustments (3)

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

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

#### Other Adjustments (4)

Represents 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

2021/22		2022/23
£'000		£'000
<b>Expenditure</b>		
237,746	Employee benefits and related expenditure	256,045
341,539	Other services expenses	376,147
44,922	Benefit payments and other grants	39,892
47,440	Depreciation and amortisation	72,721
15,830	Interest payments	17,740
23,164	Precepts and levies	24,232
15,213	(Gains) / Losses on the disposal of assets	(1,727)
<b>725,854</b>	<b>Total expenditure</b>	<b>785,050</b>
<b>Income</b>		
(133,101)	Fees, charges, and other service income	(137,985)
(2,213)	Interest and investment income	(4,389)
(211,236)	Income from council tax and non-domestic rates	(227,057)
(301,671)	Government grants and contributions	(288,829)
(85,353)	Capital grants and contributions	(62,673)
<b>(733,574)</b>	<b>Total income</b>	<b>(720,933)</b>
<b>(7,720)</b>	<b>(Surplus) / Deficit on the Provision of Services</b>	<b>64,117</b>



**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.

2021/22				2022/23			
General Fund balance £'000	Capital Receipts reserve £'000	Capital Grants Unapplied £'000	TOTAL Unusable Reserves £'000	General Fund balance £'000	Capital Receipts reserve £'000	Capital Grants Unapplied £'000	TOTAL Unusable Reserves £'000
<b>Adjustments to the revenue resources</b>							
(50,647)			50,647				
22,532			(22,532)				
80			(80)				
1,008			(1,008)				
50,116			(50,116)				
687			(687)				
2,770			(2,770)				
(27,607)			27,607				
<b>(1,061)</b>			<b>1,061</b>	<b>(47,409)</b>	<b>0</b>	<b>0</b>	<b>47,409</b>
<b>Adjustments between revenue and capital resources</b>							
1,739	(1,739)			6,194	(6,194)		0
85,353		(85,353)		62,673		(62,673)	0
575			(575)	552			(552)
3,579			(3,579)	6,290			(6,290)
3,426			(3,426)	2,769			(2,769)
<b>94,672</b>	<b>(1,739)</b>	<b>(85,353)</b>	<b>(7,580)</b>	<b>78,478</b>	<b>(6,194)</b>	<b>(62,673)</b>	<b>(9,611)</b>
<b>Adjustments to capital resources:</b>							
(43,169)			43,169				
(4,722)			4,722				
(84)			84				
894			(894)				
(1,459)			1,459				
(16,952)			16,952				
	2,743		(2,743)		2,914		(2,914)
		78,952	(78,952)			50,994	(50,994)
<b>(65,492)</b>	<b>2,743</b>	<b>78,952</b>	<b>(16,203)</b>	<b>(75,378)</b>	<b>2,914</b>	<b>50,994</b>	<b>21,470</b>
<b>28,119</b>	<b>1,004</b>	<b>(6,401)</b>	<b>(22,722)</b>	<b>(44,309)</b>	<b>(3,280)</b>	<b>(11,679)</b>	<b>59,268</b>

**10. Movements in earmarked reserves**

This note sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure. It should be noted that the Section 31 Grant Reserve holds balances which will be discharged against the Collection Fund deficit in the following year, and do not provide additional future spending power.

Earmarked reserves	Balance at 31 March 2021	Transfer out	Transfer in	Balance at 31 March 2022	Transfer out	Transfer in	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Schools balances</b>	<b>(9,069)</b>	9,093	(10,658)	<b>(10,634)</b>	<b>1,337</b>	<b>(23)</b>	<b>(9,320)</b>
<b>Section 31 Grant Reserve</b>	<b>(66,352)</b>	66,340	(20,682)	<b>(20,694)</b>	<b>20,582</b>	<b>(844)</b>	<b>(956)</b>
<b>Earmarked for revenue purposes</b>							
Childrens, Adults & Health service development	(22)	22	0	0	0	0	0
Dedicated Schools Grant balance	0	0	0	0	1,327	(2,770)	(1,443)
Home choice	(1,155)	0	0	(1,155)	455	0	(700)
Psychology service	(63)	0	(47)	(110)	24	0	(85)
Public Health	(2,291)	0	(2,390)	(4,681)	2,725	(388)	(2,344)
Prevention Fund Reserve	0	0	(1,000)	(1,000)	0	(1,010)	(2,010)
Social Care Smoothing Reserve	0	0	(955)	(955)	3,300	(2,345)	0
Refugee resettlement reserve	(250)	0	(141)	(391)	0	(3,034)	(3,425)
Vinney Green Secure Unit	(372)	165	0	(207)	207	0	0
Troubled families	(626)	182	(285)	(729)	425	0	(304)
<b>Total PEOPLE</b>	<b>(4,779)</b>	<b>369</b>	<b>(4,818)</b>	<b>(9,228)</b>	<b>8,463</b>	<b>(9,547)</b>	<b>(10,312)</b>
Arts funding	(48)	17	0	(31)	14	0	(17)
Building control	(64)	17	0	(47)	47	0	0
Domestic homicide review	(40)	0	0	(40)	40	(10)	(10)
Drainage strategic works	(16)	0	0	(16)	16	0	0
Housing Enabling	(424)	33	0	(391)	28	0	(363)
Integrated Care Reserve	0	0	(6,688)	(6,688)	3576	0	(3,112)
Licensing	(568)	0	(98)	(666)	0	(154)	(820)
Local Plan/Development Framework	(262)	0	(166)	(428)	0	(216)	(644)
Oldbury Nuclear Planning	(450)	0	(38)	(488)	0	0	(488)
Open Spaces improvements	(173)	42	0	(131)	1	0	(130)
Planning Appeals	(281)	0	(871)	(1,152)	0	0	(1,152)
Planning Capacity Funding	(6)	6	0	0	0	0	0
Planning Enforcement	(83)	0	0	(83)	83	0	0
Private Sector Housing - Accommodation Survey	(65)	0	(18)	(83)	77	(4)	(10)
Private sector housing deposits	(24)	0	0	(24)	24	0	0
Prosecution	(22)	19	0	(3)	3	0	0
Remedial works	(118)	0	0	(118)	118	0	0
Smart cards	(48)	0	0	(48)	48	0	0
Strategic Project Development Fund	0	0	(500)	(500)	115	0	(385)
Waste management equalisation	(8,367)	1,251	(1,572)	(8,688)	2,115	(1,500)	(8,073)
<b>Total PLACE</b>	<b>(11,059)</b>	<b>1,385</b>	<b>(9,951)</b>	<b>(19,625)</b>	<b>6,305</b>	<b>(1,884)</b>	<b>(15,204)</b>

	Balance at 31 March 2021	Transfer s out	Transfer s in	Balance at 31 March 2022	Transfer s out	Transfer s in	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget carry forward	(9,073)	8,740	(5,145)	(5,478)	5,478	(2,527)	(2,527)
City Region Deal – Economic Development Fund smoothing	(34,474)	899	(10,026)	(43,601)	1,224	(11,142)	(53,519)
CIL Admin.reserve	0	0	0	0	0	(992)	(992)
Corporate Telephone system	(914)	40	(230)	(1,104)	703	0	(401)
Council elections	(109)	0	(32)	(141)	0	0	(141)
Council Tax and Business Rate Support Reserve		0	(5,599)	(5,599)	4,441	(1,500)	(2,658)
COVID Financial Support Reserve	0	2,281	(6,289)	(4,008)	3,104	(3)	(907)
Economic development	(606)	2,623	(2,157)	(140)	119	0	(21)
Financial Risks Reserve	(35,310)	6,026	(1,818)	(31,102)	6,844	(14,732)	(38,990)
Insurance	(4,000)	0	0	(4,000)	4,000	0	0
Invest to Save	(1,532)	56	(406)	(1,882)	933	(500)	(1,449)
Investment smoothing	(873)	367	(1,435)	(1,941)	298	(1,235)	(2,878)
New Homes Bonus	(1,336)	802	0	(534)	336	0	(198)
Print and multi-functional device renewal	(460)	93	(70)	(437)	295	0	(142)
Property Maintenance Reserve	(100)	0	(100)	(200)	0	0	(200)
Residual HRA	(13)	13	0	0	0	0	0
Music Hub Arts Council Reserve	0	0	(256)	(256)	0	(8)	(264)
Severance	(730)	0	0	(730)	0	0	(730)
Service Investment and Opportunities	(2,213)	0	(1,538)	(3,751)	921	0	(2,830)
Traded services	(912)	297	(16)	(631)	332	(14)	(313)
Universal credit implementation	(107)	0	0	(107)	107	0	0
<b>Total RESOURCES &amp; BUSINESS CHANGE</b>	<b>(92,762)</b>	<b>22,237</b>	<b>(35,117)</b>	<b>(105,642)</b>	<b>29,135</b>	<b>(32,653)</b>	<b>(109,160)</b>
<b>Total earmarked for revenue purposes</b>	<b>(108,600)</b>	<b>23,991</b>	<b>(49,886)</b>	<b>(134,495)</b>	<b>43,903</b>	<b>(44,084)</b>	<b>(134,676)</b>
<b>Earmarked for capital purposes</b>							
BAC Aviation Trust	(944)	50	(2)	(896)	107	0	(790)
Capital Fund	(1,123)	40	(983)	(2,066)	1,240	(2,000)	(2,826)
Page Park Maintenance	(42)	0	(16)	(58)	0	(16)	(74)
Revenue Contributions to Capital funding	(151)	34	(290)	(407)	142	(210)	(475)
Major schemes	(1,115)	1,095	(30)	(50)	0	(235)	(285)
Street Care Fixed Assets Replacement	(4,496)	3,509	(2,138)	(3,125)	1,537	(1,628)	(3,216)
Total earmarked for capital purposes	(7,871)	4,728	(3,459)	(6,602)	3,026	(4,089)	(7,665)
<b>Total Earmarked Reserves</b>	<b>(191,892)</b>	<b>104,152</b>	<b>(84,685)</b>	<b>(172,425)</b>	<b>68,848</b>	<b>(49,040)</b>	<b>(152,617)</b>

The purpose of each reserve is:

<b>Reserves for revenue purposes</b>	
<b>Name</b>	<b>Purpose</b>
Arts funding	To fund art development projects and officer resource.
Budget carry forward	To hold carry forwards at year end for transfer to relevant service areas in the new financial year.
Building control	To hold any surpluses/deficits arising from the separate rolling trading account as required under legislative requirements.
Childrens, Adults & Health service development	To support future one-off service requirements and smooth demographic pressures.
City Region Deal - Economic Development Fund Smoothing	To hold council's share of unallocated funds in City Region Deal Business Rates Pool.
CIL Admin reserve	To hold accrued CIL admin income.
Council elections	To fund the cost of full council elections and any by-elections
Council Tax and Business Rate Support Reserve	This is a reserve to support collection fund deficits.
COVID Financial Support Reserve	This is a reserve to support COVID-19 support services.
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
Dedicated Schools grant balance	This reserve is retained to hold any annual surpluses which are to be held as ring-fenced reserves.
Domestic homicide review	To fund domestic homicide reviews
Drainage strategic works	To meet the cost of Strategic Drainage Developments
Economic Development	To partly offset the revenue cost of carry borne by the council when initially funding City Region Deal infrastructure schemes, together with the costs of the Devolution Agreement and any subsequent underwriting of the West of England Combined Authority in its formative years
Financial Risks	To give cover for possible adverse impacts arising from the economy, business rate appeals, and welfare responsibilities, and to help offset projected in year deficits in future years to ensure a broadly balanced budget in the medium term.
Home Choice	To deliver Homelessness Reduction Act grant via early intervention and engagement with homeless clients.
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.
Integrated Care Reserve	To support the activities of the BNSSG Healthier Together Single System Plan, improving the health and wellbeing of our population and reducing health inequalities.
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 Plan/Development Framework	To support the costs of the Local Plan through its 6 year rolling cycle of development

<b>Reserves for revenue purposes Name</b>	<b>Purpose</b>
Music Hub – Arts Council Reserve	To provide a restricted reserve for Music education hub purposes to comply with the grant conditions for Arts Council for England.
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 DLUHC 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.
Prevention Fund Reserve	To support 'invest to save' Public Health prevention initiatives to improve the health of the population and reduce inequalities.
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.
Property Maintenance Reserve	To hold maintenance costs for Property Services, including the Science Park.
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 Large Scale Voluntary Transfer of housing in 2007, delegated to members to fund projects in former council housing areas.
Schools balances	To hold ring-fenced grants related to individual schools balances.
Section 31 Grant reserve	To hold the s.31 grants receivable that are earmarked against future years' collection fund deficits.
Service Investment and Opportunities	To support current and forthcoming new service investments and opportunities.
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
Social care Smoothing Reserve	This is a reserve to support changes to demographic and price pressures
Strategic Project Development Fund	This is a reserve to assist in the development of strategic regeneration, housing and infrastructure projects.
Refugee resettlement reserve	To support resettled refugee families across multiple years.
Traded services	To meet in-year trading deficits.
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

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

## 11. Infrastructure Assets and other Property, Plant and Equipment

### Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

<b>Infrastructure Assets</b>		
<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
260,360	Net Book Value (modified historical cost) at 1 April	268,561
23,196	Additions	23,337
(17,991)	Depreciation	(19,371)
2,996	Other movements in cost	25,730*
<b>268,561</b>	<b>Net Book Value at 31 March</b>	<b>298,257</b>

\* Other movements in cost in 2022/23 relate to 3 assets previously classified as under construction, brought into use in the year.

The following useful lives have been used in the calculation of depreciation (which is applied on a straight-line basis) for Infrastructure Assets (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.



## 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.

<b>Movements in 2022/23</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Property, Plant and Equipment</b>	<b>Service concessions assets included within Property, Plant &amp; Eq</b>
<b>Cost or Valuation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2022	570,909	129,341	1,030	23,240	31,996	756,516	19,200
Additions	14,810	3,028	17	4,919	6,565	29,339	1,220
Accumulated depreciation and impairment written off to Gross carrying amount (GCA) *	(18,063)	(6,043)	(51)	0	0	(24,157)	(194)
Revaluation increases/ (decreases) recognised in the Revaluation Reserve.	37,090	17,978	(9)	(651)	0	54,408	(382)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services.	(10,161)	0	0	(2,823)	0	(12,984)	(280)
Derecognition – Disposals	(676)	(4,669)	0	0	0	(5,345)	0
Assets reclassified	4,936	(3,339)	0	(913)	(30,506)	(29,821)	3,350
<b>At 31 March 2023</b>	<b>598,845</b>	<b>136,296</b>	<b>987</b>	<b>23,772</b>	<b>8,055</b>	<b>767,955</b>	<b>22,914</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2022</b>	<b>(2,162)</b>	<b>(22,276)</b>	<b>(51)</b>	<b>0</b>	<b>0</b>	<b>(24,489)</b>	<b>(10,226)</b>
Depreciation charge.	(17,887)	(9,756)	(15)	0	0	(27,658)	(1,078)
Accumulated Depreciation and Impairment written off to GCA *	18,063	6,043	51	0	0	24,157	194
Depreciation written off to the Revaluation Reserve.	0	0	0	0	0	0	0
Depreciation written off to the Surplus/Deficit on Provision of Services.	0	0	0	0	0	0	0
Impairment (losses)/reversals recognised in the Revaluation Reserve.	(3,380)	0	0	0	0	(3,380)	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services.	(979)	0	0	0	0	(979)	0
Derecognition – disposals.	37	4,570	0	0	0	4,607	0
Assets reclassified.	25	58	0	0	0	83	0
<b>At 31 March 2023</b>	<b>(6,283)</b>	<b>(21,361)</b>	<b>(15)</b>	<b>0</b>	<b>0</b>	<b>(27,659)</b>	<b>(11,110)</b>
<b>Net Book Value</b>							
<b>At 31 March 2023</b>	<b>592,562</b>	<b>114,935</b>	<b>972</b>	<b>23,772</b>	<b>8,055</b>	<b>740,296</b>	<b>11,803</b>
At 31 March 2022	568,747	107,065	979	23,240	31,996	732,027	8,974

\* Adjustments for elimination of accumulated depreciation and impairment written off to GCA.

<b>Movements in 2021/22 (Restated*)</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Property, Plant and Equipment</b>	<b>Service concessions assets included within Property, Plant and Equipment</b>
<b>Cost or Valuation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2021	514,959	149,508	1,161	21,610	24,426	711,664	20,912
Additions	23,318	4,391	5	4,385	10,395	42,494	40
Revaluation increases/ (decreases) recognised in the Revaluation Reserve.	25,684	7,056	264	483	0	33,487	(1,452)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services.	(6,483)	18	(378)	(1,991)	0	(8,834)	(300)
Derecognition – Disposals	(13,559)	(4,472)	(2)	(50)	0	(18,083)	0
Assets reclassified	26,990	(27,160)	0	(1,197)	(2,825)	(4,192)	0
<b>At 31 March 2022</b>	<b>570,909</b>	<b>129,341</b>	<b>1,030</b>	<b>23,240</b>	<b>31,996</b>	<b>756,516</b>	<b>19,200</b>
<b><u>Accumulated Depreciation and Impairment</u></b>							
At 1 April 2021	(5,023)	(20,136)	(64)	0	0	(25,223)	(10,960)
Depreciation charge.	(15,944)	(9,227)	(7)	0	0	(25,178)	(1,070)
Depreciation written off to the Revaluation Reserve.	14,460	5,542	0	0	0	20,002	0
Depreciation written off to the Surplus/Deficit on Provision of Services.	3,521	46	20	0	0	3,587	0
Impairment (losses)/reversals recognised in the Revaluation Reserve.	733	0	0	0	0	733	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services.	460	0	0	0	0	460	1,452
Derecognition – disposals.	310	820	0	0	0	1,130	352
Assets reclassified.	(679)	679	0	0	0	0	0
<b>At 31 March 2022</b>	<b>(2,162)</b>	<b>(22,276)</b>	<b>(51)</b>	<b>0</b>	<b>0</b>	<b>(24,489)</b>	<b>(10,226)</b>
<b><u>Net Book Value</u></b>							
<b>At 31 March 2022</b>	<b>568,747</b>	<b>107,065</b>	<b>979</b>	<b>23,240</b>	<b>31,996</b>	<b>732,027</b>	<b>8,974</b>
At 31 March 2021	509,936	129,372	1,097	21,610	24,426	686,441	9,952

\*Surplus assets have been restated at 31 March 2022 to classify an asset as Surplus from Assets Held for Sale. The adjustment has increased the Surplus assets and the total Property, Plant and Equipment balance and reduced the Assets Held for Sale balance at 31 March 2022 by £12,480k. The opening balances at 1 April 2021 are unchanged.

## Surplus assets

Surplus Assets		2022/23
Restated*		
2021/22		
£'000		£'000
21,610	Balance at 1 April	23,240
	Assets newly classified as Surplus:	
399	From Assets Held for Sale	0
4,385	Additions	4,919
(2,927)	Revaluation losses	(3,863)
1,419	Revaluation gains	389
	Assets declassified as Surplus:	
(1,596)	To Property Plant and Equipment	0
0	To Assets held for Sale	(1,038)
(50)	Assets sold	125
<b>23,240</b>	<b>Balance at 31 March</b>	<b>23,772</b>

\*Surplus assets have been restated at 31 March 2022 to classify an asset as Surplus from Assets Held for Sale. The adjustment has increased the Surplus assets and the total Property, Plant and Equipment balance and reduced the Assets Held for Sale balance at 31 March 2022 by £12,480k. The opening balances at 1 April 2021 are unchanged.

## Fair value hierarchy

Details of the council's surplus assets and information about the fair value hierarchy as at 31 March 2023 and at 31 March 2022 are as follows:

Fair Value 31 March 2022 £000	Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities	Fair Value 31 March 2023 £000
10,759	Surplus assets	Level 3	Valued using a market approach, adjusted to reflect planning uncertainty.	Observable: development land values (comparables), site constraints and planning guidance. Unobservable: variables in market evidence, build & site clearance costs, unforeseen ground conditions and planning permissions/requirements.	Planning permissions	23,771

The council's surplus assets have been assessed as Level 3 of the fair value hierarchy for valuation purposes. The fair value of surplus assets has been measured using a market approach, adjusted to reflect planning uncertainty. This takes into account quoted prices for comparable assets, any site constraints and current planning guidance.

There has been no change in the valuation techniques used during the year. In estimating their fair value, the council's surplus assets have been valued to their highest and best use.

## Capital Commitments

As at 31 March 2023, the Council had contractual commitments for capital schemes in 2023/24 and future years. These commitments totalled £25,541k as shown in the table below. Similar commitments as at 31 March 2022 were £34,048k.

	<b>Commitment at 31 March 2023 £'000</b>
Avonmouth & Severnside flood Mitigation & Ecology (BMM)	19,987
Elm Park Primary	1,644
The Grange	1,383
The Castle School Education Trust (CSET)	1,360
Atkins A432 Multi Modal	635
Thornbury High Street Improvements	532
<b>Total</b>	<b>25,541</b>

## 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 2022/23 the rolling programme of revaluations was undertaken at 31 December 2022; all infant, junior and primary schools, libraries, youth centres, community centres, and the elderly persons home were valued at 31 January 2023; Assets Held for Sale, Surplus Assets, Regeneration Assets and Investment Properties at 28 February 2023; and leisure centres, the secondary school, the secure unit, and corporate offices were valued at 31 March 2022. Valuers are satisfied that the Balance Sheet value of assets is not materially different from if a full valuation had been carried out on 31 March 2023.

	<b>Land &amp; Buildings £'000</b>	<b>Vehicles, Plant &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total £'000</b>
<b>Valued at Current Value in year</b>							
2022/23	547,093	101,721		91	23,771		<b>672,676</b>
2021/22	16,570			501			<b>17,071</b>
2020/21	9,819						<b>9,819</b>
2019/20	17,945						<b>17,945</b>
2018/19	1,159						<b>1,159</b>
Held at historic cost	13	13,216	298,257	381		8,054	<b>319,921</b>
<b>Total</b>	<b>592,599</b>	<b>114,937</b>	<b>298,257</b>	<b>973</b>	<b>23,771</b>	<b>8,054</b>	<b>1,038,591</b>

## Assets Held for Sale

	Non-current		Current	
	2022/23	2021/22	2022/23	Restated*
	£'000	£'000	£'000	2021/22 £'000
Balance at 1 April	0	399	1,596	0
Assets newly classified as held for sale:				
Property, Plant and Equipment			1,038	1,596
Assets declassified as held for sale:				
Property, Plant and Equipment		(399)		
Assets sold			(1,596)	
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>	<b>1,038</b>	<b>1,596</b>

\*Assets newly classified as held for sale have been restated at 31 March 2022 to classify an asset as Surplus rather than Assets Held for Sale. The adjustment has reduced the Assets Held for Sale balance at 31 March 2022 and has increased the Surplus assets within Property, Plant and Equipment balance by £12,480k. The opening balances at 1 April 2021 are unchanged.

## Fair value hierarchy

Details of the council's assets held for sale and information about the fair value hierarchy as at 31 March 2023 and at 31 March 2022 are as follows:

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities	Fair Value 31 March 2022 Restated* £000	Fair Value 31 March 2023 £000
Current assets held for sale	Level 3	Consisting of development land, being either a cleared site or subject to proposed demolition, which has been valued by staff in the Council's Property Services division, who are RICS qualified valuers, on an annual basis. Where relevant this based on offers received, with adjustments made for any conditions e.g. planning/demolition.	Observable: development land values (comparables), site constraints and planning guidance (in some cases permissions). Unobservable: variables in market evidence, build & site clearance costs, unforeseen ground conditions, planning permissions/requirements and costs of sale.	Planning permissions	1,596	1,038

The council's assets held for sale have been assessed as Level 3 of the fair value hierarchy for valuation purposes. The fair value of surplus assets has been measured using a market approach, based on offers received with adjustments made for conditions attached. This takes into account quoted prices for comparable assets, any site constraints and current planning guidance and/or planning permission.

There has been no change in the valuation techniques used during the year. In estimating their fair value the council's assets held for sale have been valued to their highest and best use.

**12. Investment Property**

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement:

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
(4,336)	Rental income from investment property	(5,541)
1,285	Direct operating expenses arising from investment property	10,864
<b>(3,051)</b>	<b>Net (gain)/loss</b>	<b>5,323</b>

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

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
62,681	Balance at the start of the year	71,643
8,068	Additions – Purchases	0
0	Disposals	(2,131)
894	Net gains/(losses) from fair value adjustments	(8,252)
0	Transfers from Property, plant and equipment	2,971
<b>71,643</b>	<b>Balance at the end of the year</b>	<b>64,231</b>

**Fair value hierarchy**

Details of the council's investment properties and information about the fair value hierarchy as at 31 March 2023 and at 31 March 2022 are as follows:

<b>31 March 2023</b>	<b>Other significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Fair value as at 31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Recurring fair value measurements using:</i>			
Retail	1,460	0	1,460
Industrial	22,835	3,260	26,095
Office units	25,815	0	25,815
Commercial units	6,050	4,811	10,861
<b>Total</b>	<b>56,160</b>	<b>8,071</b>	<b>64,231</b>

<b>31 March 2022</b>	<b>Other significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Fair value as at 31 March 2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Recurring fair value measurements using:</i>			
Retail	1,720	0	1,720
Industrial	26,505	3,093	29,598
Office units	28,650	0	28,650
Commercial units	7,100	4,575	11,675
<b>Total</b>	<b>63,975</b>	<b>7,668</b>	<b>71,643</b>



### Transfers between levels of the fair value hierarchy

There were no transfers between levels of the fair value hierarchy in 2022/23.

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

#### Significant observable inputs – Level 2

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

#### Significant unobservable inputs – Level 3

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

### Highest and best use of investment properties

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

### Valuation techniques

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

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

31 March 2022 £'000		31 March 2023 £'000
5,715	Opening balances	7,668
0	Transfers into Level 3	0
0	Transfers out of Level 3	0
1,953	Total gains/losses for the period included in the surplus or deficit on the provision of services resulting from changes in the fair value	403
<b>7,668</b>	<b>Closing balance</b>	<b>8,071</b>

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

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

	As at 31 March 2023 (£'000)	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
<b>Industrial units</b>	3,260	Capitalisation of actual or estimated net rental income at market yield	Future market conditions Future rent reviews Future assignees Void periods	Yield 5% - 7%	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets
<b>Commercial units</b>	4,811	Capitalisation of actual or estimated net rental income at market yield	Future market conditions Future rent reviews Future assignees Void periods	Yield 5% - 7%	

### Valuation process for investment properties

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

**13. Financial instruments**

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

	Long-term		Current	
	31	31	31	31
	March	March	March	March
	2022	2023	2022	2023
	£'000	£'000	£'000	£'000
<b><u>Financial Liabilities</u></b>				
<b>Financial liabilities at amortised cost</b>				
Principal borrowed	(110,446)	(109,998)	(447)	(447)
Accrued interest	0	0	(1,071)	(1,071)
<b>Total borrowing *</b>	(110,446)	(109,998)	(1,518)	(1,518)
Financial liabilities at contract cost included in creditors****	0	0	(45,551)	(48,570)
PFI Liabilities	(2,860)	(1,599)	(1,233)	(1,261)
<b>Total Financial Liabilities</b>	(113,306)	(111,597)	(48,302)	(51,349)
<b><u>Financial Assets</u></b>				
<b>Investments held at amortised cost</b>				
Principal	0	0	63,001	54,000
Accrued interest	0	0	24	453
Loss allowance	0	0	(7)	(7)
<b>Total investments held at amortised cost**</b>	0	0	63,018	54,446
Investments held at fair value through profit and loss***	30,069	27,281	0	0
<b>Total investments</b>	30,069	27,281	63,018	54,446
<b>Cash and Cash equivalents</b>				
Held at amortised cost	0	0	(707)	1,896
Held at fair value through profit and loss	0	0	43,369	13,519
<b>Total cash and cash equivalents</b>	0	0	42,662	15,415
<b>Debtors</b>				
Long- and short-term debtors*****	5,228	6,821	33,700	43,146
Loss allowances	(442)	(802)	(2,842)	(3,414)
<b>Financial instruments included in Debtors</b>	4,786	6,019	30,858	39,732
<b>Total Financial Assets</b>	34,855	33,300	136,538	109,593

\* Borrowing comprises approximately £94m 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.

\*\*\*\* The creditors lines on the Balance Sheet include £70.2m creditors (£77.2m in 2021/22) that do not meet the definition of a financial liability as they relate to non-exchange transactions such as tax-based creditors, or receipts in advance.

\*\*\*\*\*The debtors lines on the Balance Sheet include £40.7m debtors (£42.6m in 2021/22) that do not meet the definition of a financial asset as they relate to non-exchange transactions such as tax-based debtors or payments in advance.

**Fair Values of Financial Assets and Financial Liabilities**

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

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

Financial instruments classified at amortised cost are carried on the Balance Sheet at amortised cost. The following table provides a comparison of these carrying values to the fair value of the instruments. Their fair values have been estimated by calculating the present value of remaining contractual cash flows at 31<sup>st</sup> March 2023, using the methods and assumptions below.

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

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

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

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

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

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

	Fair value level	Carrying amount 31 March 2022 £'000	Carrying amount 31 March 2023 £'000	Fair Value 31 March 2022 £'000	Fair Value 31 March 2023 £'000
<b><u>Financial Liabilities held at amortised cost</u></b>					
External Borrowing - Public Works Loan Board	2	(95,527)	<b>(95,080)</b>	(121,878)	<b>(85,255)</b>
External Borrowing - Market	2	(16,436)	<b>(16,436)</b>	(21,076)	<b>(13,845)</b>
Creditors - financial liabilities at contract cost	*	(45,551)	<b>(48,570)</b>	(45,551)	<b>(48,570)</b>
PFI liability	2	(4,093)	<b>(2,860)</b>	(3,965)	<b>(4,963)</b>
<b>Total Financial Liabilities</b>		(161,607)	<b>(162,946)</b>	(192,470)	<b>(152,633)</b>
<b><u>Financial Assets held at amortised cost</u></b>					
Long and short term investments	2	63,018	<b>54,446</b>	63,006	<b>54,243</b>
Long and short term debtors	*	35,644	<b>45,751</b>	35,644	<b>45,751</b>
Cash and cash equivalents	*	(707)	<b>1,896</b>	(707)	<b>1,896</b>
<b>Total Financial Assets at amortised cost</b>		97,955	<b>102,093</b>	97,943	<b>101,890</b>
<b><u>Financial Assets where carrying value is fair value</u></b>					
Money market funds	1	43,369	13,519		
Bond. equity and multi asset funds	1	22,589	21,034		
Property fund	2	7,480	6,247		
<b>Total Financial Assets held at fair value</b>		73,438	<b>40,800</b>		
<b>Total Financial Assets</b>		171,393	<b>142,893</b>		

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

The fair value of borrowings is lower 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 lower than the carrying amount because the interest rate on similar investments is now higher 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:

2021/22				2022/23			
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
6,254			6,254	6,356			6,356
			0			2,788	2,788
			0		1		1
<b>6,254</b>	<b>0</b>	<b>0</b>	<b>6,254</b>	<b>6,356</b>	<b>1</b>	<b>2,788</b>	<b>9,145</b>
	(66)	(39)	(105)		(282)	(709)	(991)
		(1,067)	(1,067)			(1,195)	(1,195)
		(1,009)	(1,009)				0
	(8)		(8)				0
<b>0</b>	<b>(74)</b>	<b>(2,115)</b>	<b>(2,189)</b>	<b>0</b>	<b>(282)</b>	<b>(1,904)</b>	<b>(2,186)</b>
<b>6,254</b>	<b>(74)</b>	<b>(2,115)</b>	<b>4,065</b>	<b>6,356</b>	<b>(281)</b>	<b>884</b>	<b>6,959</b>

## 14. Cash and cash equivalents

31 March 2022		31 March 2023
£'000		£'000
94	Cash held by the council	94
(801)	Bank current accounts	1,802
43,369	Other short-term deposits	13,519
<b>42,662</b>	<b>Total Cash and Cash Equivalents</b>	<b>15,415</b>

The negative balance on bank current accounts at 31 March 2022 related to payments recognised in the accounts but not yet processed by the bank (unpresented cheques and unprocessed BACS payments). The council manages calls on cash at the bank by drawing down on its deposits in money market funds ("Other short-term deposits"). Therefore, these balances are considered together as a net asset.

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



**15. Creditors**

31 March 2022		31 March 2023
£'000	Creditors	£'000
(10,878)	Central Government Bodies	(12,070)
(21,676)	Other local authorities	(27,261)
(149)	NHS bodies	(1,329)
(76,752)	Other Trade Payables	(67,075)
(2,831)	Council Tax	(3,101)
(4,240)	Business Rates	(3,591)
(6,209)	Receipts in advance	(5,151)
<b>(122,735)</b>		<b>(119,578)</b>

**16. Debtors**

31 March 2022		31 March 2023
£'000		£'000
<b>4,786</b>	<b>Non-current debtors</b>	<b>9,104</b>
	<b>Current debtors</b>	
12,654	Council tax payers	15,457
13,559	Business rates	5,050
6,897	Related party receivables	4,028
29,507	Trade receivables	55,209
8,080	Other local authorities	6,740
10,154	Prepayments	9,706
(7,437)	Impairment Allowance for doubtful debts	(7,678)
<b>73,414</b>	<b>Total Current debtors</b>	<b>88,512</b>

**17. Provisions**

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

	31 March 2022	Additional provisions	Amounts used/released	31 March 2023
	£'000	£'000	£'000	£'000
Business rates appeals provision	(12,908)	(11,279)	15,143	(9,044)
Harnhill restoration	(2,450)	(178)	1,382	(1,246)
Insurance provision	(2,259)	(1,795)	1,813	(2,241)
Infrastructure provision	(610)	0	610	0
Other provisions	(513)	0	25	(488)
<b>Total</b>	<b>(18,740)</b>	<b>(13,252)</b>	<b>18,973</b>	<b>(13,019)</b>

Provisions are shown on the Balance Sheet as below:

	31 March 2022	Additional provisions	Amounts used/released*	31 March 2023
	£'000	£'000	£'000	£'000
Current (< 1 year)	(8,457)	(7,918)	7,583	(8,792)
Non-current (> 1 year)	(10,283)	(5,334)	11,390	(4,227)
	<b>(18,740)</b>	<b>(13,252)</b>	<b>18,973</b>	<b>(13,019)</b>

\*Includes amounts reclassified between long term and short term

- Business Rates Appeals provision - Following the introduction of the new retained Business Rate system in April 2013, the council is responsible for meeting the cost of successful business rate appeals. This provision has been made on the basis of known appeals lodged with the Valuation Office Agency and outstanding at the end of March 2023, 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 infrastructure provision was released following settlement of contractor claims on a major scheme.

## 18. Other long-term liabilities

This balance is made up of:

31 March 2022		31 March 2023
£'000		£'000
(2,860)	Waste Private Finance Initiative lease	(1,599)
(13,244)	Residual Avon County Council debt (see below)	(12,714)
(881)	Revolving Infrastructure Fund liability	(343)
(174)	Deferred income	(135)
(38)	Repayable deposits	(40)
<b>(17,197)</b>	<b>Total</b>	<b>(14,831)</b>

## 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 2022		31 March 2023
£'000		£'000
(13,796)	Opening balance	(13,244)
552	Reclassified and included in short term creditors	530
<b>(13,244)</b>	<b>Closing balance</b>	<b>(12,714)</b>

Repayment of debt amounting to £552k was made in 2022/23. This is part of the movement on the balance due within one year, which is included in short term creditors (Note 15).

**19. Unusable reserves**

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£'000</b>		<b>£'000</b>
(424,362)	Revaluation Reserve	(456,310)
(358,040)	Capital Adjustment Account	(339,425)
289	Financial Instruments Adjustment Account	214
423,469	Pensions Reserve	124,919
17,520	Collection Fund Adjustment Account	(2,940)
4,215	Accumulated Absences Account	5,168
(259)	Pooled Fund Adjustment Account	2,529
21,132	Dedicated Schools Grant Adjustment Account	23,902
<b>(316,036)</b>	<b>Total Unusable Reserves</b>	<b>(641,943)</b>

**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 or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

<b>31 March 2022</b>		<b>31 March 2023</b>	
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
<b>(398,838)</b>	<b>Opening Balance at 1 April</b>		<b>(424,362)</b>
(60,858)	Upward revaluation of assets	(68,833)	
6,635	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	17,010	
<b>(54,223)</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>(51,823)</b>
16,363	Difference between fair value depreciation and historical cost depreciation	18,157	
12,336	Accumulated gains on assets sold or scrapped	1,718	
<b>28,699</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>19,875</b>
<b>(424,362)</b>	<b>Closing Balance at 31 March</b>		<b>(456,310)</b>

## Capital Adjustment Account

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

31 March 2022 £'000 (333,167)		31 March 2023 £'000 (358,040)
	<b>Opening Balance at 1 April</b>	
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>	
43,254	Charges for depreciation and impairment of non-current assets.	48,008
4,722	Revaluation losses and gains reversing past losses on non-current assets.	12,897
1,459	Amortisation of intangible assets.	1,755
27,607	Revenue expenditure funded from capital under statute.	26,631
16,952	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.	4,466
<b>93,994</b> (28,699)		<b>93,757</b> (19,875)
<b>65,295</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>73,882</b>
	<b>Capital financing applied in the year:</b>	
(670)	Use of capital receipts to finance new capital expenditure	(2,914)
(78,952)	Capital grants and contributions applied	(50,994)
(3,426)	Capital expenditure charged against General Fund balances	(2,769)
(1,786)	PFI and Finance Lease repayments	(1,900)
(1,793)	Statutory provision for the financing of capital investment charged against the General Fund balance	(4,390)
(2,073)	Debt repayment funded by capital receipts	0
(575)	Repayment of ex-Avon debt	(552)
<b>(89,275)</b>		<b>(63,519)</b>
<b>(893)</b>	Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement	<b>8,252</b>
<b>(358,040)</b>	<b>Closing Balance at 31 March</b>	<b>(339,425)</b>

## 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 2022		31 March 2023	
£'000		£'000	£'000
369	Opening Balance at 1 April		289
(84)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements.	(77)	
4	Proportion of discounts received in previous financial years to be credited against the General Fund Balance in accordance with statutory requirements.	2	
(80)	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.		(75)
<b>289</b>	<b>Closing Balance at 31 March</b>		<b>214</b>

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory accounting arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

31 March 2022		31 March 2023	
£'000		£'000	£'000
467,033	Opening Balance at 1st April		423,469
(71,679)	Remeasurement of the net Defined Benefit Liability	(333,352)	
50,647	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		59,355
(22,532)	Employer's pensions contributions and direct payments to pensioners payable in the year		(24,553)
<b>423,469</b>	<b>Closing Balance at 31 March</b>		<b>124,919</b>

## 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 2022 £'000		31 March 2023 £'000
67,637	Opening Balance at 1st April	17,520
(50,117)	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.	(20,460)
<b>17,520</b>	<b>Closing Balance at 31 March</b>	<b>(2,940)</b>

## 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 2022 £'000		31 March 2023 £'000
4,902	Opening Balance at 1st April	4,215
(4,902)	Settlement of previous year accrual	(4,215)
4,215	Amounts accrued at end of the current year	5,168
<b>4,215</b>	<b>Closing Balance at 31 March</b>	<b>5,168</b>

## 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 2022 £'000		31 March 2023 £'000
750	Opening Balance at 1st April	(259)
(1,009)	Amounts by which the changes in the value of pooled investment funds charged to the Comprehensive Income and Expenditure Statement is different from that calculated in accordance with statutory requirements	2,788
<b>(259)</b>	<b>Closing Balance at 31 March</b>	<b>2,529</b>



## Dedicated Schools Grant Adjustment Account

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

<b>31 March 2022 £'000</b>		<b>31 March 2023 £'000</b>
23,902	Opening Balance at 1st April	21,132
(2,770)	School budget deficit transferred from General Fund in accordance with statutory requirements	2,770
<b>21,132</b>	<b>Closing Balance at 31 March</b>	<b>23,902</b>

## 20. Cash Flow Statement – operating activities

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

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
43,169	Depreciation	47,028
1,459	Amortisation of intangible assets	1,755
4,806	Impairments and downward valuations	13,877
17,133	Increase / (decrease) in creditors	(8,165)
(4,296)	(Increase) / decrease in debtors	(19,415)
(437)	(Increase) / decrease in inventories	(161)
29,773	Movement in pensions liability	36,524
16,952	Carrying amount of non-current assets sold/de-recognised	4,466
(894)	Movement in investment property values	8,252
(5,704)	Other non-cash items charged to the net surplus or deficit on the provision of services	(5,721)
<b>101,961</b>		<b>78,440</b>

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

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
(85,353)	Capital Grants credited to provision of services	(62,673)
1,219	Payments reducing finance lease and PFI liabilities	1,233
(1,739)	Proceeds from sale of property, plant and equipment	(6,194)
<b>(85,873)</b>		<b>(67,634)</b>

The cash flows for operating activities include the following items:

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
1,767	Interest received	992
(6,247)	Interest paid	(6,356)
	Dividends received	1,195

**21. Cash Flow Statement – investing activities**

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
(76,027)	Purchase of property, plant and equipment, investment property and intangible assets	(54,090)
(185,235)	Purchase of short term and long-term investments	(105,129)
(2,357)	Other payments for investing activities	(2,366)
1,739	Proceeds from the sale of property, plant and equipment	6,194
194,736	Proceeds from short-term and long-term investments	116,489
85,353	Other receipts from investing activities – Capital grants and contributions received	66,646
<b>18,209</b>	<b>Net Cash Flows from Investing Activities</b>	<b>27,744</b>

**22. Cash Flow Statement – financing activities**

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
(10,590)	Repayments of short and long term borrowing	(447)
(1,219)	Cash payments reducing finance lease and PFI liabilities	(1,233)
<b>(11,809)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(1,680)</b>

**23. Partnership Scheme - Better Care Fund**

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

The council has reviewed the Section 75 agreements to determine which party has control over the services being delivered, in accordance with IFRS 11. As control of each of the elements of the Section 75 agreements resides with either the council or the ICB, it is considered that there is not a joint arrangement as defined in IFRS 11. Management has made a judgement that the appropriate accounting arrangement is sole control for all elements of the Section 75 agreements. Therefore, the Better Care Fund is treated as a non-pooled fund; each of the parties have chosen to contract with individual providers without reference to each other using their own sources of funding alone and it is for this reason that neither party considers they are operating a pooled budget. The Council's funding however includes the mandatory level of income required from the ICB to support Adult Social Care Services and income from the ICB to enable a single payment to be made to providers, for the purposes of reducing complexity for providers.

The aim is to meet the needs of people living in the area of South Gloucestershire Council. Expenditure funded from this budget includes the provision of care in residential settings, community services enabling people to remain in their own homes and a community independence service which supports the re-ablement of residents.

The funding and expenditure is set out in the table below. Income from the CCG/ICB of £11,167k is included in the council's statement of accounts alongside expenditure of £19,074k.

2021/22			2022/23		
BNSSG ICB	S.Glos. Council	Total	BNSSG CCG/ICB	S. Glos. Council	Total
£000	£000	£000	£000	£000	£000
(16,962)	(6,835)	(23,797)	(21,202)	(7,907)	(29,109)
10,368	(10,368)	0	11,167	(11,167)	0
(6,594)	(17,203)	(23,797)	(10,035)	(19,074)	(29,109)
6,594	17,047	23,641	10,035	19,074	29,109
0	(156)	(156)	0	0	0
<b>Funding provided to the partnership budget</b>			<b>Funding provided to the partnership budget</b>		
<b>CCG/ICB funding to South Gloucestershire Council</b>			<b>CCG/ICB funding to South Gloucestershire Council</b>		
<b>Expenditure met from the partnership budget</b>			<b>Expenditure met from the partnership budget</b>		
<b>Net (surplus)/deficit arising from the partnership in the year</b>			<b>Net (surplus)/deficit arising from the partnership in the year</b>		

## 24. Members' allowances

2021/22		2022/23	
£'000		£'000	
756	Basic Allowance	801	
241	Special Responsibility Allowance	259	
6	Expenses	8	
<b>1,003</b>	<b>Total</b>	<b>1,068</b>	

## 25. Officers' remuneration

The remuneration paid to the council's senior employees is set out in the table below.

The Chief Executive is the Head of Paid Services.

The Service Director Finance holds statutory s.151 responsibilities.

The Service Director Legal & Governance is the Council's Monitoring Officer and received additional remuneration in respect of his role as the Returning Officer for the elections in 2022/23, which is included in the figures below.

2022/23	Salaries, fees and allowances £	Pension Contribution £	Total remuneration £
D Perry - Chief Executive Officer	174,325	34,865	209,190
Director of Resources and Business Change	130,265	26,053	156,318
Director of Adults, Housing & Community Development	105,979	21,196	127,175
Executive Director – People	140,272	28,054	168,326
Executive Director – Place	140,272	28,054	168,326
Service Director – Legal & Governance	96,773	19,355	116,128
Director of Public Health (1/4/22 – 4/9/22)	46,175	9,549	55,724
Director of Public Health (5/9/22 – 31/3/23)	54,103	11,189	65,292
Service Director – Finance & Chief Financial Officer	92,539	18,508	111,047

2021/22	Salaries, fees and allowances £	Pension Contribution £	Total remuneration £
D Perry - Chief Executive Officer	172,400	34,480	<b>206,880</b>
Director of Resources and Business Change	138,347	27,669	<b>166,016</b>
Director of Adult Social Services and Housing	100,794	20,159	<b>120,953</b>
Director for Children, Adults and Health	138,347	27,669	<b>166,016</b>
Director of Environmental & Community Services	138,347	27,669	<b>166,016</b>
Head of Legal, Governance and Democratic Services	97,154	19,431	<b>116,585</b>
Director of Public Health	110,447	22,840	<b>133,287</b>
Head of Financial Services	94,848	18,970	<b>113,818</b>

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 2022	No. at 31 March 2023	No. at 31 March 2022	No. at 31 March 2023
£50,000 - £54,999	53	<b>84</b>	34	<b>53</b>
£55,000 - £59,999	39	<b>30</b>	35	<b>24</b>
£60,000 - £64,999	25	<b>38</b>	19	<b>32</b>
£65,000 - £69,999	9	<b>19</b>	11	<b>12</b>
£70,000 - £74,999	11	<b>5</b>	11	<b>10</b>
£75,000 - £79,999	3	<b>8</b>	1	<b>6</b>
£80,000 - £84,999	8	<b>4</b>	3	<b>1</b>
£85,000 - £89,999	2	<b>7</b>	3	<b>3</b>
£90,000 - £94,999	6	<b>2</b>	1	<b>2</b>
£95,000 - £99,999	1	<b>2</b>	4	<b>1</b>
£100,000 - £104,999	0	<b>0</b>	0	<b>3</b>
z				
£130,000 -£134,999	0	<b>1</b>	0	<b>0</b>
z				
£150,000+	0	<b>0</b>	0	<b>1</b>

In 2022/23 one non-teaching staff appears in the table above by virtue of having received redundancy or compensation payments. In 2021/22, four non-teaching staff and two teaching staff appear in this table by virtue of having received redundancy or compensation payments.

## 26. External audit costs

2021/22 £'000		2022/23 £'000
163	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year.*	171
45	Fees Payable to Grant Thornton UK LLP for other services provided for the year. **	49
<b>208</b>	<b>Total</b>	<b>220</b>

\* The fees payable for external audit services in 2022/23 include £11k additional fees for the audit for 2021/22.

\*\* The fees payable for other services relate to audit-related services for Housing Benefits and Teachers' pensions and included additional fees for Teachers' pensions relating to 2020/21 in 2021/22.

## 27. Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). The DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2022. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2022/23 are as follows:

2021/22		2022/23		
Total		Central Expenditure	Individual Schools Budget	Total
£'000		£'000	£'000	£'000
239,684	Final DSG before Academy and High Needs recoupment			252,345
(92,603)	Less Academy and High Needs figure recouped for 2022/23			(98,170)
<b>147,081</b>	<b>Total DSG after Academy and High needs recoupment</b>			<b>154,175</b>
0	Plus: Brought forward from previous year			2,769
0	Less: Carry forward to 2023/24 agreed in advance			0
<b>147,081</b>	<b>Agreed Initial Budget Distribution</b>	<b>55,147</b>	<b>101,797</b>	<b>156,944</b>
10,749	In-year adjustments	4,778		4,778
<b>157,830</b>	<b>Final Budget Distribution for 2022/23</b>	<b>59,925</b>	<b>101,797</b>	<b>161,722</b>
(56,377)	Less: Actual Central Expenditure	(58,817)		(58,817)
(98,684)	Less: Actual ISB deployed to schools		(101,797)	(101,797)
0	Plus: Local Authority contribution for 2022/23	334		334
<b>2,769</b>	<b>In year Carry-Forward to 2023/24</b>	<b>1,442</b>	<b>0</b>	<b>1,442</b>
0	Plus: Carry-forward to 2023/24 agreed in advance			0
<b>2,769</b>	<b>Carry-forward to 2023/24</b>			<b>0</b>
(23,901)	DSG unusable reserve at the end of 2021/22			<b>(23,901)</b>
0	Addition to DSG unusable reserve at the end of 2022/23			<b>(1)</b>
<b>(23,901)</b>	<b>Total DSG unusable reserve at the end of 2022/23</b>			<b>(23,902)</b>
<b>(21,132)</b>	<b>Net DSG position at the end of 2022/23</b>			<b>(22,459)</b>

South Gloucestershire Council entered into a Safety Valve Agreement with the Department for Education during 2021/22. The agreement is based on a multi-year recovery plan aimed at reducing the debit balance within the DSG unusable reserves. Regulations require that deficits arising on the schools budget are held separately in an unusable reserve and do not impact on the general fund balance.

**28. Grant Income**

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

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
	<b><u>Credited to taxation and non-specific grants</u></b>	
(27,466)	S31 Grant	(14,155)
(9,639)	Social Care Support Grant & Improved Better Care	(11,943)
(5,093)	New Homes Bonus	(4,698)
0	Services grant	(2,597)
(1,833)	Other grants	(919)
<b>(44,031)</b>		<b>(34,312)</b>
	<b>COVID-19</b>	
(6,110)	Local Authority Support	0
(433)	Compensation for Loss of Fees & Charges	0
38	Local Tax Income Guarantee Scheme - NNDR	0
0	Covid Additional Relief Fund	(6,962)
<b>(50,536)</b>	<b>Total non-ring-fenced government grants</b>	<b>(41,274)</b>
	<b><u>Credited to services</u></b>	
(157,582)	Dedicated Schools Grant	(157,035)
(9,556)	Public Health	(9,825)
0	Ukrainian Refugees	(4,644)
(3,543)	Pupil Premium / School grants Primary	(3,757)
0	CSC - Asylum Seekers - Unaccompanied	(3,338)
(2,784)	Free School Meals	(2,814)
0	Primary Schools Other Grants	(2,674)
(1,455)	PE & Sports Premium	(1,448)
(14,012)	COVID-19 Grants <i>(listed below)</i>	(1,026)
(541)	6th Form Funding	0
(17)	Teachers Pay Grant	0
(8,229)	Other Grants	(10,798)
<b>(197,719)</b>	<b>Total People</b>	<b>(197,359)</b>
(3,052)	Private Finance Initiative (PFI)	(3,052)
(2,016)	Other Grants	(2,943)
<b>(5,068)</b>	<b>Total Place</b>	<b>(5,995)</b>
(40,396)	Housing Benefit Subsidy	(41,004)
(5,075)	COVID-19 Grants <i>(listed below)</i>	(451)
(1,000)	Western Gateway Secretariat	(1,000)
(1,839)	Other Grants	(1,370)
<b>(48,310)</b>	<b>Total Resources &amp; Business Change</b>	<b>(43,825)</b>
<b>(251,097)</b>	<b>Total Grants credited to Services in the Comprehensive Income and Expenditure Statement</b>	<b>(247,179)</b>
(38)	Devon & Severn Inshore Fisheries & Conservation Authority	(38)
<b>(38)</b>	<b>Total Devon &amp; Severn Inshore Fisheries &amp; Conservation Authority</b>	<b>(38)</b>
<b>(301,671)</b>	<b>Total Revenue Grants credited to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(288,491)</b>



2021/22		2022/23
£'000	<b>COVID-19 Grants credited to services</b>	£'000
	<b>People</b>	
(3,604)	Test and Trace	0
(2,836)	Infection Control Fund	0
(1,967)	Workforce Capacity Fund	0
(1,577)	Contain Outbreak Management Fund	0
(1,163)	Schools COVID Grant	(751)
(988)	COVID Winter Grant	0
(447)	Clinically Extremely Vulnerable (CEV)	0
(1,430)	COVID Other Grants	(275)
<b>(14,012)</b>		<b>(1,026)</b>
	<b>Resources &amp; Business Change</b>	
(2,586)	Business Support	(448)
(1,410)	Household Support Fund	0
(640)	Test and Trace	(3)
(439)	Omicron Additional Restrictions Grant	0
<b>(5,075)</b>		<b>(451)</b>

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

2021/22		Source	2022/23
£'000			£'000
(11,848)	Developers' contributions	Various	(18,358)
(2,501)	Integrated Transport Block	DfT	(9,231)
0	High Needs provision	DLUHC	(8,378)
(15,768)	Avonmouth & Severnside (ASEA)	WECA	(4,877)
(7,316)	MetroWest CPME	WECA	(4,760)
(1,271)	The Grange Homes England	WECA	(2,859)
(2,339)	Disabled Facilities Grant	DLUHC	(2,339)
(2,515)	Standards Fund	DfE	(2,111)
(4,134)	BASIC Need	DfE	(1,791)
0	Devolved Formula capital	DfE	(1,684)
0	LA Housing Fund	DLUHC	(1,173)
(12,556)	Future High Streets Fund	DLUHC	0
(3,668)	Yate Park and Ride	Env. Ag'y	0
(3,628)	Thornbury Hospital	WECA	0
(3,626)	Wraxall Road Roundabout	WECA	0
(2,828)	Pot Hole Action Fund Grant	DfT	0
(2,020)	The Grange (Brownfield land release)	WECA	0
(1,908)	Healthy Pupil Capital Fund	DLUHC	0
(1,848)	Integrated Transport (Maintenance)	DfT	0
(1,446)	LGF EMG Composite Bridge	WECA	0
(4,133)	Other grants (below £1,000k)	Various	(5,112)
<b>(85,353)</b>	<b>Total</b>		<b>(62,673)</b>

## Grant Receipts in Advance – Current

31 March 2022 £'000		31 March 2023 £'000
	<b><u>Grant Receipts in Advance - Revenue</u></b>	
(10,132)	ASEA Whole Life costs	(10,132)
(6,962)	COVID-19 Additional Relief Fund	0
(3,598)	Developers' contributions	(435)
<b>(20,692)</b>	<b>Total</b>	<b>(10,567)</b>
	<b><u>Grant Receipts in Advance - Capital</u></b>	
(1,616)	Developers' contributions	(1,030)
(154)	Schools energy savings	(166)
<b>(1,770)</b>	<b>Total</b>	<b>(1,196)</b>

## Grant Receipts in Advance – non-current

31 March 2022 £'000		31 March 2023 £'000
	<b><u>Grant Receipts in Advance - Revenue</u></b>	
(14,693)	Developers' contributions	(19,811)
<b>(14,693)</b>	<b>Total</b>	<b>(19,811)</b>
	<b><u>Grant Receipts in Advance - Capital</u></b>	
(9,106)	Developers' contributions	(13,654)
<b>(9,106)</b>	<b>Total</b>	<b>(13,654)</b>

## 29. Transactions with related parties

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

*Members of the Council*

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in Note 24. Some Members or members of their close families, have an interest in voluntary organisations and community groups awarded grants by the council. Members can award funding in accordance with the Member Awarded Funding Procedures, and in accordance with the requirements of the Member Code of Conduct. Members are advised to seek advice from Legal Services in respect of any matters in which they consider they may have an interest prior to making any decision. Some Members or members of their close families have interests in planning applications to the council. These are declared in the Member's Register of Interests which can be found on the South Gloucestershire Council website under "Your Councillors". There were no material related party transactions in 2022/23.

*Chief Officers and Second Tier Officers*

South Gloucestershire Council nominates a Trustee to the Bristol Aero Collection Trust. In 2022/23, for the period up to 27<sup>th</sup> March 2023, this role was fulfilled by the Service Director Finance and Chief Financial Officer (S.151 Officer). In 2017/18 a fixed term loan of £1m was made by the council to the Trust in accordance with a loan facility agreement approved by members in 2016/17. The loan is at a commercial rate of interest. The balance due to the council of £0.735m including interest is included in debtors at 31 March 2023.

*Other Officers*

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

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

#### *Entities controlled or significantly influenced by the Council*

South Gloucestershire Council owns 100% of the £200 issued share capital of the Bristol and Bath Science Park Estate Management Company Ltd. (the company). One of the three directors of the company is a council officer. The principal activity of the company is the provision of estate management services at Bristol and Bath Science Park. The company accumulates the costs of managing the estate, including utilities and staff costs recharged by the council, and recovers these through service charges to the tenants. Recharges to the company by the council amounted to £291,607 in 2022/23 and at 31 March 2023 the company owed £251,071 to the council which is included in debtors. The council's interest in the company has not been included in the financial instruments disclosures at Note 13, because the net worth of the company is less than the council's minimum reporting level of £1,000. The net worth of the company is deemed to be the fair value, because the company's business model is to break-even annually.

#### *Government Departments*

The UK Central Government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates, provides a significant amount of its funding in the form of grants, and prescribes the terms of many of the transactions that the council has with other parties (e.g. Council Tax bills, Business Rates and Housing Benefits). Grant funding received by the council in 2022/23 is shown in Note 28.

### **30. Analysis of Capital Expenditure and Financing**

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

2021/22		2022/23
£'000		£'000
<b>283,718</b>	<b>Opening Capital Financing Requirement</b>	<b>298,077</b>
	<b>Capital Investment:</b>	
19,542	Infrastructure Assets	23,338
46,147	Property, Plant & Equipment	29,339
31	Heritage Assets	0
8,068	Investment Property	0
2,239	Intangible Assets	1,413
0	Long-term loans	3,085
27,607	Revenue Expenditure Funded from Capital under Statute	26,631
<b>103,634</b>		<b>83,806</b>
	<b>Sources of Finance:</b>	
(78,952)	Government grants & other contributions	(50,994)
(2,743)	Capital receipts	(2,914)
	<b>Sums set aside from revenue:</b>	
(3,426)	Direct revenue contributions	(2,769)
(1,793)	Minimum Revenue Provision	(4,390)
(1,786)	PFI and Finance Lease Repayment	(1,900)
(575)	Ex-Avon debt principal repayment	(552)
<b>(89,275)</b>		<b>(63,519)</b>
<b>298,077</b>	<b>Closing Capital Financing Requirement</b>	<b>318,364</b>
	<b>Explanation of movements in year:</b>	
<b>14,359</b>	Increase /(decrease) in underlying need to borrow (unsupported by government financial assistance)	<b>20,287</b>
<b>14,359</b>	<b>Increase/ (decrease) in Capital Financing Requirement</b>	<b>20,287</b>

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

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

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

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

<b>31 March 2022 £'000</b>		<b>31 March 2023 £'000</b>
1,825	Not later than one year	1,575
4,194	Later than one year and not later than five years	3,044
2,588	Later than five years	1,896
<b>8,607</b>	<b>Total</b>	<b>6,515</b>

The minimum lease payments receivable at 31 March 2023 do not include those from Investment Properties, which are shown separately below. The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into. No contingent rents were received in 2022/23.

*Operating Leases: Investment Properties*

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

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

<b>31 March 2022 £'000</b>		<b>31 March 2023 £'000</b>
3,467	Not later than one year	3,646
12,351	Later than one year and not later than five years	12,490
32,168	Later than five years	34,448
<b>47,986</b>	<b>Total</b>	<b>50,584</b>

The minimum lease payments receivable for investment properties do not include rents that are contingent on events taking place after the lease was entered into. No contingent rents were received in 2022/23.

*Finance Leases*

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

<b>31 March 2022 £'000</b>		<b>31 March 2023 £'000</b>
110,020	Unguaranteed residual value of property	110,020
<b>110,020</b>	<b>Total value of transfers</b>	<b>110,020</b>

**32. Service concession contract**

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

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

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

*Value of Assets under PFI contract*

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

*Payments*

The council makes an agreed payment (or unitary charge) each year which comprises both fixed and variable elements. Variable costs include: disposal, treatment and haulage costs for landfill, thermal treatment, composting and food waste treatment. Fixed costs include staffing, maintenance and fuel etc. together with asset acquisition and replacement throughout the contract. The unitary charge is increased each year by inflation and allowance is made for additional households in the area. The unitary charge can be reduced if the contractor fails to meet availability and performance standards in any year but can also be increased to reflect over-performance. Payments remaining to be made under the service concession contract at 31 March 2023 (excluding any estimation of inflation and availability/performance deductions) are as follows:

2021/22					2022/23			
Service cost	Reimbur- -sement of capital	Interest	Total		Service cost	Reimbur- -sement of capital	Interest	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
16,507	1,233	1,083	18,823	within 1 year	16,962	1,261	1,112	19,335
40,547	2,860	2,547	45,954	within 2-5 years	23,585	1,599	1,435	26,619
57,055	4,093	3,629	64,777		40,547	2,860	2,547	45,954

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:

2021/22		2022/23
£'000		£'000
(5,312)	Opening balance	(4,093)
1,219	Repayment	1,233
<b>(4,093)</b>	Closing balance	<b>(2,860)</b>

### 33. Termination benefits

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

2022/23	No. of Compulsory Redundancies	Number of Other Departures	Total Number of Exit Packages	Total cost of exit packages in band £'000
£0 – £20,000	3	9	12	56
£20,001 - £40,000	1		1	28
<b>Total</b>	<b>4</b>	<b>9</b>	<b>13</b>	<b>84</b>

2021/22	No. of Compulsory Redundancies	Number of Other Departures	Total Number of Exit Packages	Total cost of exit packages in band £'000
£0 – £20,000	3	14	17	91
£20,001 - £40,000	1	1	2	68
£40,001 - £60,000	3		3	150
<b>Total</b>	<b>7</b>	<b>15</b>	<b>22</b>	<b>309</b>

Of the 2022/23 exit packages, one was schools staff with exit costs of £7,000 (in 2021/22, seven were schools with costs of £85,733).



## Pension Schemes

### Participation in pension schemes

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

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

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

### 34. Pension schemes accounted for as defined contribution pension schemes

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

The Teachers' Pension Scheme is administered by the Teachers' Pension Agency (TPA) on behalf of the Department for Education (DfE). The scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by participating employer organisations. Valuations of the notional fund are undertaken every four years. The council is one employer out of 12,209 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 2022/23, the Council paid £10.5 million representing 23.56% of pensionable pay to the Teachers' Pension Scheme in respect of teachers' retirement benefits (£10.2 million and 23.68% in 2021/22). Expected contributions for the Teacher Pensions Scheme in the year to 31 March 2024 are £11.34m. 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 7,955 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 2022/23, the Council paid £0.1m to the NHS Pension Scheme (£0.13m in 2021/22). The employers' contribution rate was 20.6% of pensionable pay in 2022/23 (20.6% in 2021/22). Expected contributions to the NHS Pension Scheme in the year to 31 March 2024 are £0.09m.

### 35. Defined Benefit Pension Schemes

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

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

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

Avon Pension Fund operates under the regulatory framework for the Public Service Pensions Act 2013 and the LGPS Regulations laid thereunder. Governance of the scheme locally is the responsibility of the Pension Fund Committee of Bath and North East Somerset Council. Investment policy is determined in accordance with the LGPS Regulations as is the administration and governance of the scheme. Investment management of the fund is outsourced under the framework provided by the investment policy.

The LGPS is subject to a triennial actuarial valuation which determines the contribution rates for the next three years. The Fund's actuary is Mercer Limited. At the last valuation in 2022, the council's funding was valued at 99.3% meaning that there was a shortfall of £6.1m against its liabilities. This is an improvement since the 2019 valuation when council's funding level was 98.1% meaning that the shortfall was £14.6m. The Fund's Funding Strategy Statement sets out a deficit recovery plan designed to improve solvency to 100% over 12 years.

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

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

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

### Discretionary post-retirement benefits

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

### Transactions relating to post - employment benefits

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

Post-Employment Benefits	Local Government Pension Scheme		Teachers' Pension	Total	Local Government Pension Scheme		Teachers' Pensions	Total
	Funded	Unfunded	Unfunded	2021/22	Funded	Unfunded	Unfunded	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>								
<b>Cost of Services:</b>								
Current Service Cost	41,844			<b>41,844</b>	47,382			<b>47,382</b>
Past Service cost	0			<b>0</b>	0			<b>0</b>
Settlements & Curtailments	(1,303)			<b>(1,303)</b>	3			<b>3</b>
Administration Expenses	613			<b>613</b>	681			<b>681</b>
<b>Financing and Investment Income and Expenditure</b>								
Net Interest Cost	8,777	211	505	<b>9,493</b>	10,389	264	637	<b>11,290</b>
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>49,931</b>	<b>211</b>	<b>505</b>	<b>50,647</b>	<b>58,455</b>	<b>264</b>	<b>637</b>	<b>59,356</b>
<b>Other Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>								
Remeasurement of the net defined benefit liability comprising:								
Return on plan assets (excluding net interest expense)	(64,456)			<b>(64,456)</b>	92,522			<b>92,522</b>
Actuarial (gains) and losses arising on changes in demographic assumptions	(9,730)	(73)	(237)	<b>(10,040)</b>	(28,314)	(208)	(905)	<b>(29,427)</b>
Actuarial (gains) and losses arising on changes in financial assumptions	(957)		219	<b>(738)</b>	(526,881)	(2,406)	(5,224)	<b>(534,511)</b>
Experience (gain)/loss	3,457	29	69	<b>3,555</b>	134,558	764	2,742	<b>138,064</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(21,755)</b>	<b>167</b>	<b>556</b>	<b>(21,032)</b>	<b>(269,660)</b>	<b>(1,586)</b>	<b>(2,750)</b>	<b>(273,996)</b>
<b>Movement in Reserves Statement</b>								
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(49,931)	(211)	(505)	<b>(50,647)</b>	(58,455)	(264)	(637)	<b>(59,356)</b>
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>								
Employers' contributions payable to scheme	19,855			<b>19,855</b>	21,939			<b>21,939</b>
Retirement benefits payable to pensioners		821	1,856	<b>2,677</b>		778	1,837	<b>2,615</b>

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	LGPS Funded	LGPS Unfund ed	Teacher s Unfund ed	Total 2021/22	LGPS Funded	LGPS Unfund ed	Teacher s Unfund ed	Total 2022/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(1,286,458)	(9,850)	(23,679)	<b>(1,319,987)</b>	(926,514)	(7,486)	(19,092)	<b>(953,092)</b>
Fair value of plan assets	900,801	0	0	<b>900,801</b>	827,868	0	0	<b>827,868</b>
Other movements					305			<b>305</b>
<b>Net liability arising from defined benefit obligation</b>	<b>(385,657)</b>	<b>(9,850)</b>	<b>(23,679)</b>	<b>(419,186)</b>	<b>(98,341)</b>	<b>(7,486)</b>	<b>(19,092)</b>	<b>(124,919)</b>

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

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

	LGPS Funded £'000	LGPS Unfunded £'000	Teachers Unfunded £'000	Total 2021/22 £'000	LGPS Funded £'000	LGPS Unfunded £'000	Teachers Unfunded £'000	Total 2022/23 £'000
Opening fair value of scheme assets	822,846	0	0	<b>822,846</b>	900,801	0	0	<b>900,801</b>
Interest income	17,226	0	0	<b>17,226</b>	25,358	0	0	<b>25,358</b>
Remeasurement gains/(loss)	64,456	0	0	<b>64,456</b>	(92,522)	0	0	<b>(92,522)</b>
Employer contributions	18,197	821	1,856	<b>20,874</b>	20,191	778	1,837	<b>22,806</b>
Contributions from scheme participants	6,529	0	0	<b>6,529</b>	7,243	0	0	<b>7,243</b>
Benefits paid	(28,837)	(821)	(1,856)	<b>(31,514)</b>	(32,522)	(778)	(1,837)	<b>(35,137)</b>
Administration expenses	(613)	0	0	<b>(613)</b>	(681)	0	0	<b>(681)</b>
Business Combinations	2,840	0	0	<b>2,840</b>	0	0	0	<b>0</b>
Settlements	(1,843)	0	0	<b>(1,843)</b>	0	0	0	<b>0</b>
<b>Closing balance at 31 March</b>	<b>900,801</b>	<b>0</b>	<b>0</b>	<b>900,801</b>	<b>827,868</b>	<b>0</b>	<b>0</b>	<b>827,868</b>

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

	LGPS Funded	LGPS Unfunded	Teachers Unfunded	Total 2021/22	LGPS Funded	LGPS Unfunded	Teachers Unfunded	Total 2022/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	(1,251,051)	(10,469)	(24,979)	(1,286,499)	(1,289,298)	(9,850)	(23,679)	(1,322,827)
Current service cost	(41,844)	0	0	(41,844)	(47,382)	0	0	(47,382)
Interest cost	(26,003)	(211)	(505)	(26,719)	(35,747)	(264)	(637)	(36,648)
Contributions from scheme participants	(6,529)	0	0	(6,529)	(7,243)	0	0	(7,243)
Business combinations	(3,119)			(3,119)				
<b>Remeasurement (gains) and losses:</b>								
Actuarial gains/losses arising from changes in demographic assumptions	9,730	73	237	10,040	28,314	208	905	29,427
Actuarial gains/losses arising from changes in financial assumptions	957	0	(219)	738	526,881	2,406	5,224	534,511
Experience gain/loss	(3,457)	(29)	(69)	(3,555)	(134,558)	(764)	(2,742)	(138,064)
Benefits paid	28,872	786	1,856	31,514	32,522	778	1,837	35,137
(Gains)/losses on curtailment	(4)	0	0	(4)	(3)	0	0	(3)
Liabilities extinguished on settlements	3,150			3,150				
<b>Closing balance at 31 March</b>	<b>(1,289,298)</b>	<b>(9,850)</b>	<b>(23,679)</b>	<b>(1,322,827)</b>	<b>(926,514)</b>	<b>(7,486)</b>	<b>(19,092)</b>	<b>(953,092)</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in 2022/23 was £66.582 million (loss of £81.683 million in 2021/22).

## Local Government Pension Scheme assets comprised:

		31 March 2022	31 March 2023
		£'000	£'000
Equity instruments:	Global quoted	366,109	289,039
	<b>Sub-total equity</b>	<b>366,109</b>	<b>289,039</b>
Bonds:	UK Government	111,647	158,988
	Corporate	67,276	73,756
	<b>Sub-total bonds</b>	<b>178,923</b>	<b>232,744</b>
Property:	UK Property Funds	59,927	53,134
	<b>Sub-total property</b>	<b>59,927</b>	<b>53,134</b>
Alternatives:	Hedge Funds	25,981	5,005
	Diversified Growth Funds	82,731	52,193
	Infrastructure	78,844	73,003
	Secured Income	71,780	67,133
	Exchange Traded Funds	16,072	19,906
	Private debt	6,163	19,944
	<b>Sub-total alternatives</b>	<b>281,571</b>	<b>237,184</b>
Cash:	Cash accounts	14,271	15,767
	<b>Sub-total cash</b>	<b>14,271</b>	<b>15,767</b>
<b>Total Assets</b>		<b>900,801</b>	<b>827,868</b>

## Fair Value Hierarchy of assets

The estimated fair value hierarchy for the pension scheme assets is set out below.

	31 March 2022		31 March 2023	
	£'000	%	£'000	%
Quoted prices in active markets (Level 1)	575,375	70%	557,456	67%
Other significant observable inputs (Level 2)	214,438	26%	172,460	21%
Significant unobservable inputs (Level 3)	110,988	13%	97,952	12%
Total	900,801		827,868	

## 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 Limited, an independent firm of actuaries, estimates for the council's Fund being based on the latest full valuation of the scheme as at 31 March 2022. The principal assumptions used by the actuary have been:

	<u>Local Government Pension Scheme</u>		<u>Unfunded Teachers Pensions</u>	
	2021/22	2022/23	2021/22	2022/23
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners:				
Men	23.1	22.4	23.1	22.4
Women	25.3	24.4	25.3	24.4
Longevity at 65 for future pensioners:				
Men	24.6	23.7	n/a	n/a
Women	27.3	26.4	n/a	n/a
Rate of inflation - CPI	3.4%	2.7%	3.5%	2.7%
Rate of increase in salaries	4.9%	4.2%	n/a	
Rate of increase in pensions	3.5%	2.8%	3.6%	2.8%
Rate for discounting scheme liabilities	2.8%	4.8%	2.8%	4.9%

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

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

Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption	Decrease in Assumption
	£'000	£'000
Longevity (increase or decrease by 1 year)	(144,865)	(105,583)
Rate of inflation (increase or decrease by 0.25%)	(164,370)	(86,078)
Rate of increase in salaries (increase or decrease by 0.25%)	(110,832)	(101,432)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(52,669)	(197,779)



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## Risk Management Strategy

The funding strategy for the Local Government Pension Scheme has been developed alongside the Fund's investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund to meet the objective for all employers over different periods. The funding strategy includes appropriate margins to allow for the possibility of adverse events (e.g. material reduction in investment returns, economic downturn and higher inflation outlook) leading to a worsening of the funding position which would result in greater volatility of contribution rates at future valuations if these margins were not included.

In the context of managing various aspects of the Fund's financial risks, the Administering Authority has implemented a number of investment risk management techniques. These include:

- Equity Protection - The Fund has implemented protection against potential falls in the equity markets via the use of derivatives. The aim of the protection is to provide further stability in employer deficit contributions in the event of a significant equity market fall.
- Liability Driven Investments (LDI) - The Fund has implemented an LDI strategy in order to hedge part of the Fund's assets against changes in liabilities for one or more employers.
- Lower risk investment strategy - This strategy predominately uses corporate bond investment assets and is expected to reduce funding volatility for employers within it. In these circumstances, the discount rate is directly linked to the yields on the corporate bonds within the strategy. In addition, the strategy has exposure to the Liability Driven Investment ("LDI") portfolio to provide protection against changes in market inflation expectations.

The principal aim of these risk management techniques is to provide more certainty of real investment returns versus CPI inflation and/or protect against volatility in the termination position. In other words, they are designed to reduce risk and provide more stability/certainty of outcome for funding and ultimately employer contribution rates.

Two employment tribunals (the McCloud and Sargeant judgements) and the Appeal Court have found that transitional provisions contravened age discrimination legislation, and therefore the changes introduced by the 2013 Act would need to be remedied. The Government confirmed that a remedy is required for the LGPS in relation to the McCloud judgement. The Regulations have not been finalised at this stage and so, in line with guidance, a reasonable estimate for the potential cost of McCloud has been included within the liabilities calculated.

## 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 agreed strategy with the scheme actuary is to achieve a funding level of 100% over the next 12 years. Funding levels are monitored on an annual basis. The last triennial valuation was completed on 31 March 2022.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2023 are £23.796m. In addition, the Council made a pension deficit contribution of £4.976m in April 2020, relating to the years 2020/21, 2021/22 and 2022/23.

## 36. Contingent liabilities

In 1992 Northavon District Council, along with a number of other local authorities, became party to guarantee of £100m 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 in, the council would receive the benefit of these.

South Gloucestershire Council is the subject of compensation claims under Part 1 of the Land Compensation Act 1973, in relation to the Cribbs Patchway Metrobus extension, North Fringe to Hengrove and Wraxall Road Throughabout schemes. The outcome of these claims is uncertain and therefore no provision has been made in the accounts at 31 March 2023

## 37. Contingent assets

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

distributions, as the Pool cannot anticipate future income. Consequently, cash is retained in the Pool as "Committed Cash not yet allocated". As at 31 March 2023, the council has a contingent asset of £31m, representing the committed cash not yet allocated to the council from the Fund.

In 2007 the council transferred its housing stock, related assets and staff to Merlin Housing Society (now known as Bromford following the finalisation of a partnership arrangement with Bromford Housing Association). The stock transfer agreement covered a range of matters and made provision for the council to receive a share of 'Right to Buy' income receipts from disposals to tenants with preserved Right to Buy conditions, after deductions allowing for loss of income and administration costs. The Right to Buy receipts are contingent as they are dependent on Right to Buy sales to tenants with preserved rights. The council has a contingent asset for these receipts in 2023/24 estimated at around £2m.

### 38. Nature and extent of risk arising from financial instruments

#### Key Risks

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

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

#### Overall Procedures for Managing Risk

The council complies with CIPFA's Code of Practice on Treasury Managements and Prudential Code for Capital Finance in Local Authorities. In line with the Treasury Management Code it 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, which complies with the DLUHC guidance on Local Government Investments. This emphasises that priority is to be given to security and liquidity rather than yield. This requires that deposits are only made with organisations of high credit quality as set out in the strategy.

For 2022/23 these credit criteria were

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

The Investment Strategy also imposes maximum amounts and time limits for investments. Depending on credit ratings, these limits in 2022/23 were:

- up to £15m with any single institution (other than the UK Government), with time limits according to sector
- money market fund deposits to be no more than £20m per fund
- investments in non-UK banks not to exceed £75m in total.

The Annual Investment Strategy for 2022/23 was approved by Council on 16<sup>th</sup> February 2022 as part of the Treasury Management, Borrowing and Investment Strategy report, and is available on the council's website.

The Authority's maximum exposure to credit risk in relation to its investments in banks, building, societies and money market funds cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. The council has no past experience of default on its investments and does not expect any losses from default by any of its counterparties.

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

Credit Rating	31 March 2022		31 March 2023	
	Long term £000s	Short term £000s	Long term £000s	Short term £000s
AAA	0	0	0	0
AA	0	15,008	0	20,218
A	0	25,005	0	15,043
Unrated local authorities	0	23,011	0	19,192
<b>Total</b>	<b>0</b>	<b>63,024</b>	<b>0</b>	<b>54,453</b>
Credit risk not applicable*	30,069	43,370	27,281	13,519
<b>Total investments</b>	<b>30,069</b>	<b>106,394</b>	<b>27,281</b>	<b>67,972</b>

\* 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 112% (2021/22: 67%) 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 2023, £7,331 (2021/22: £6,674) 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 £29,302k (£21,936k at 31 March 2022) is past its due date for payment. This past due amount can be analysed as follows:

	31 March 2022	31 March 2023
	£'000	£'000
Less than one month	4,470	9,009
One to two months	5,398	6,213
Two to three months	324	424
Three to six months	1,953	3,029
Six months to one year	2,515	2,814
More than one year	7,276	7,813
<b>Total</b>	<b>21,936</b>	<b>29,302</b>

In addition to the trade debtors detailed above, the council has £3.6m of social care debtors at 31 March 2023, which arise when clients are allowed to defer payment for services if they cannot afford to pay immediately. The council initiates a legal charge on their property under S.22 of the Health and Social Services and Social Security Adjudications Act 1983. Provision has also been made to cover circumstance where the value of the property sold may not meet the value of the amount due to the council for care fees.

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

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

Debtor by Service Area	Range of allowances set aside	31 March 2022		31 March 2023	
		Gross receivable	Loss allowance	Gross receivable	Loss allowance
		£'000	£'000	£'000	£'000
Children, Adults and Health - Adults	1% - 100%	6,303	(2,269)	10,533	(2,879)
Children, Adults and Health - Children	1% - 100%	1,204	(62)	1,073	(51)
Environment and Community	1% - 32%	5,773	(132)	7,290	(128)
Corporate and Central services	1% - 100%	8,445	(262)	9,914	(213)
Integra - Traded services	1% - 100%	332	(63)	463	(90)
		<b>22,057</b>	<b>(2,788)</b>	<b>29,273</b>	<b>(3,361)</b>

A bad debt allowance is established when invoices are more than one month 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 2023 is £404,631 (2022: £288,922) and is not subject to further enforcement action.

### Credit Risk: Loans, Financial Guarantees and Loan Commitments

At 31 March 2023, 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 2022 £'000	Risk exposure 31 March 2022 £'000	Balance Sheet 31 March 2023 £'000	Risk exposure 31 March 2023 £'000
Local charity	Loans at market rates	985	985	735	735
<b>TOTAL</b>		<b>985</b>	<b>985</b>	<b>735</b>	<b>735</b>

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 2023 is net of an allowance of £53,852 which represents the twelve month expected credit loss (31 March 2022: £53,852).

### Liquidity Risk

The council is required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. It also has ready access to borrowing at favourable rates from the Public Works Loans Board and other Local Authorities, and at higher rates from banks and building societies. The council also manages its daily liquidity position through day to day cash flow management, which seeks to ensure that cash is readily available when needed. There is no perceived risk that the council will be unable to raise finance to meet its commitments.

### Refinancing Risk

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

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

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

The maturity analysis of financial liabilities is shown in the tables below, shown both as discounted (principal plus accrued interest to date) and undiscounted (principal plus future interest payments) figures.

DISCOUNTED	31 March 2022		31 March 2023	
	Financial liabilities	Liquid financial assets	Financial liabilities	Liquid financial assets
	£'000	£'000	£'000	£'000
<b>Principal due in:</b>				
Less than one year	(2,751)	106,394	(2,779)	67,972
Between one and two years	(1,709)		(1,708)	
Between two and five years	(2,941)		(1,680)	
Between five and ten years	(2,234)		(2,234)	
Between ten and twenty years	(2,903)		(10,456)	
Between twenty and thirty years	(23,000)		(23,669)	
Between thirty and forty years	(71,819)		(63,150)	
Between forty and fifty years	(8,700)		(8,700)	
	<b>(116,057)</b>	<b>106,394</b>	<b>(114,376)</b>	<b>67,972</b>

UNDISCOUNTED	31 March 2022		31 March 2023	
	Financial liabilities	Liquid financial assets	Financial liabilities	Liquid financial assets
	£'000	£'000	£'000	£'000
<b>Principal due in:</b>				
Less than one year	(7,353)	106,451	(7,402)	68,324
Between one and two years	(7,402)		(7,398)	
Between two and five years	(18,068)		(15,665)	
Between five and ten years	(24,889)		(24,847)	
Between ten and twenty years	(47,626)		(55,014)	
Between twenty and thirty years	(60,503)		(60,149)	
Between thirty and forty years	(85,637)		(73,994)	
Between forty and fifty years	(10,244)		(9,901)	
	<b>(261,722)</b>	<b>106,451</b>	<b>(254,370)</b>	<b>68,324</b>

Note: The financial liabilities above include the Waste PFI liability, see also Note 32. Trade payables are not included in the tables above, but all are due to be settled within one year.

### Market Risk

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

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

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

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

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



If all interest rates had been 1% higher at 31 March 2023 with all other variables held constant, the financial effect would be:

	31 March 2022 £'000	31 March 2023 £'000
Increase in interest receivable on variable rate investments (includes all investments for less than 1 year)	(537)	(454)
Decrease in fair value of investments held at fair value through profit and loss	450	456
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(87)</b>	<b>2</b>
Decrease in fair value of fixed rate borrowing (no impact on Surplus or Deficit on Provision of Services or Other Comprehensive Income and Expenditure )	(23,282)	(13,469)
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)	93	84

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 2023 would result in a £301k 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 2023 would result in a £348k charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Fund Adjustment Account.

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

### 39. City Region Deal

#### Background

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

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

## Transactions

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

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

Cash receivable and disbursements payable by the BRP and the council's share of these transactions are shown in the table below under "Cash Transactions". The expenditure and revenue recognised in the council's CIES is also displayed and shows the increase in funds held of £9,426k.

Growth paid over to the BRP is recognised as expenditure by each council to the extent that the use of the funds by the BRP has been incurred. The council's share of the unallocated cash balance held by the Pool (£51,840k) is recognised as income and held in an earmarked reserve to smooth the impact of City Region Deal transactions and match the release of revenue support and charges for projects.

The differences between the cash sums paid by the council of £20,704k and the expenditure recognised of £11,278k is equivalent to the £9,426k increase in uncommitted and unallocated funds transferred to the earmarked reserve. The BRP has made the following payments on behalf of the EDF in 2022/23:

<b>To:</b>	<b>£'000</b>
Bristol City Council	929
North Somerset Council	1,228
Bath and North East Somerset Council	319
South Gloucestershire Council	1,573
<b>Total</b>	<b>4,049</b>

	<b>Cash Transactions</b>		<b>Revenue &amp; Expenditure</b>	
	<b>Business Rates Pool Total</b>	<b>of which SGC Share</b>	<b>Council Expenditure</b>	<b>Council Income</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Funds held by Business Rates Pool (BRP) at 1 April 2022</b>	<b>(66,354)</b>	<b>(42,414)</b>		
<b>Analysed between:</b>				
Uncommitted cash (Tier 2 incl. contingency)	(1,430)			
Uncommitted cash - contingency	(2,625)	(1,844)		
Committed Cash (Tier 2 commitments)	(62,299)	(40,570)		
	<b>(66,354)</b>	<b>(42,414)</b>		
<b>Receipts into Pool in year:</b>				
Growth sums payable by councils into BRP (including interest)	<b>(31,948)</b>	<b>(20,704)</b>	11,278	
<b>Distributions out of the Pool in year</b>				
Tier 1 – no worse off	11,011	5,703		(5,703)
BRP Management fee	62	16		(62)
EDF Management Fee	75	19		
Tier 2 EDF Funding	4,049	3,278		(1,573)
Tier 3 Demographic and Service pressures	3,232	2,262		(1,641)
<b>Total distributions out of the Pool in year</b>	<b>18,429</b>	<b>11,278</b>		

<b>Funds Held by BRP at 31 March 2023</b>	<b>(79,873)</b>	<b>(51,840)</b>		
<b>Analysed between:</b>				
Uncommitted cash (Tier 2)	(1,840)			
Uncommitted cash (contingency)	(2,767)	(1,951)		
Committed cash (Tier 2 commitments)	(75,266)	(49,889)		
<b>Total CRD Business Rates Pool</b>	<b>(79,873)</b>	<b>(51,840)</b>		
<b>Expenditure/ (Revenue) recognised</b>			<b>11,278</b>	<b>(8,979)</b>
<b>Increase in funds held</b>		<b>(9,426)</b>		

Under the terms of the EDF agreement, annual EDF payments from the business rates pool will only be made subject to there being sufficient cash held in the Fund in the relevant year and will be pro-rated in the event of a shortfall. Until the EDF payments become physically due each year, the cash is retained in the business rates pool and held as "Committed Cash not yet allocated". These allocations will fluctuate significantly as overall levels of cash in the Fund change and as additional EDF-funded projects are approved. EDF income to the council in respect of future year payments from the EDF is not considered sufficiently certain in terms of timing or amount to recognise a debtor at year end, and therefore is a contingent asset. Based on the current cash held and status of approved schemes, the contingent future allocation of the committed cash to the Council is £31,458k, of the total £75,266k committed pool balance.

The council itself has recognised revenue income of £8,979k from the BRP and expenditure of £11,278k to the Pool for the year.

## Collection Fund

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

2021/22				2022/23			
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total	Not e
£'000	£'000	£'000		£'000	£'000	£'000	
	(199,657)	(199,657)	Council Tax receivable		(208,559)	(208,559)	C2
(122,025)		(122,025)	Business Rates receivable	(140,802)		(140,802)	C3
(122,025)	(199,657)	(321,682)	Income in year	(140,802)	(208,559)	(349,361)	
(60,824)	(705)	(61,529)	South Gloucestershire Council	(16,279)	112	(16,167)	
(3,235)		(3,235)	West of England Combined Authority	(866)		(866)	
(647)	(32)	(679)	Avon Fire Authority	(173)	5	(168)	
	(99)	(99)	Avon & Somerset Police & Crime Commissioner		16	16	
(64,706)	(836)	(65,542)	Apportioned Prior Year Surplus (Deficit)	(17,318)	133	(17,185)	
(186,731)	(200,493)	(387,224)	Total Income	(158,120)	(208,426)	(366,547)	
Expenditure							
Precepts, demands and shares							
119,981	167,143	287,124	South Gloucestershire Council	111,820	175,951	287,771	
6,382		6,382	West of England Combined Authority	5,948	0	5,948	
1,276	7,494	8,770	Avon Fire Authority	1,190	7,806	8,996	
	23,648	23,648	Avon & Somerset Police & Crime Commissioner	0	25,156	25,156	
127,639	198,285	325,924		118,958	208,913	327,871	
Charges to the Collection Fund							
(8,220)	244	(7,976)	Increase/(decrease) in bad debt impairment allowances	661	326	987	
60	434	494	Write-offs of uncollectable amounts	129	466	595	
(6,815)		(6,815)	Increase/(decrease) in provision for Business Rate appeals	(4,111)	0	(4,111)	
354		354	Cost of collection allowance	352	0	352	
16,588		16,588	City Region growth disregard	19,264	0	19,264	
513		513	Renewable Energy cost	570	0	570	
3,234		3,234	Transition Protection Payment	1,530		1,530	
5,714	678	6,392		18,395	792	19,187	
133,353	198,963	332,316	Total Expenditure	137,353	209,705	347,058	
(53,378)	(1,530)	(54,908)	(Surplus)/ Deficit for the Year	(20,767)	1,279	(19,488)	
69,718	1,667	71,385	(Surplus)/ Deficit Brought Forward	16,340	137	16,477	
16,340	137	16,477	(Surplus)/ Deficit Carried Forward	(4,427)	1,416	(3,011)	C1

## Notes to the Collection Fund

## C1 Apportionment of Fund Balance

2021/22			Apportionment of Fund Balance	2022/23		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
15,360	116	15,476	South Gloucestershire Council	(4,162)	1,175	(2,987)
817	0	817	West of England Combined Authority	(221)	0	(221)
163	6	169	Avon Fire Authority	(44)	58	14
0	15	15	Avon & Somerset Police & Crime Commissioner	0	183	183
<b>16,340</b>	<b>137</b>	<b>16,477</b>	<b>Total</b>	<b>(4,427)</b>	<b>1,416</b>	<b>(3,011)</b>

## C2 Calculation of the Council Tax Base

The council derives income from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the council in the forthcoming year and dividing this by the council tax base (i.e. the equivalent numbers of Band D dwellings). The tax base for 2021/22 was calculated as follows:

Band	No. of Properties adjusted for growth & disabled relief	Discounts & Exemptions incl. LCTR Discounts	Discounted Equivalent Properties	Ratio to Band D	Band D Equivalent Properties
A-	36	19	17	5/9	10
A	13,878	5,009	8,869	6/9	5,913
B	36,161	6,383	29,778	7/9	23,161
C	30,709	3,806	26,903	8/9	23,914
D	24,008	2,368	21,640	1	21,640
E	13,103	880	12,223	11/9	14,939
F	6,219	486	5,733	13/9	8,281
G	2,077	159	1,918	15/9	3,197
H	164	7	157	2	314
<b>Total</b>	<b>126,355</b>	<b>19,117</b>	<b>107,238</b>		<b>101,369</b>
Adjustment to allow for new discounts & single persons allowances					(1,525)
<b>Council Tax Base for 2022/23</b>					<b>99,844</b>

## C3 Non-Domestic Rateable Value and multiplier

2021/22		2022/23
<b>£348,364,192</b>	Total Non-Domestic Rateable Value at 31 March 2022	
	Total Non-Domestic Rateable Value at 31 March 2023	<b>£350,683,073</b>
0.512	National Non-Domestic Rate multiplier for the year (standard)	0.512
0.499	National Non-Domestic Rate multiplier for the year (small business)	0.499



# Annual Governance Statement

July 2023, updated January 2024

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

# Annual Governance Statement

## 1. Introduction

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

In this document the council:

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

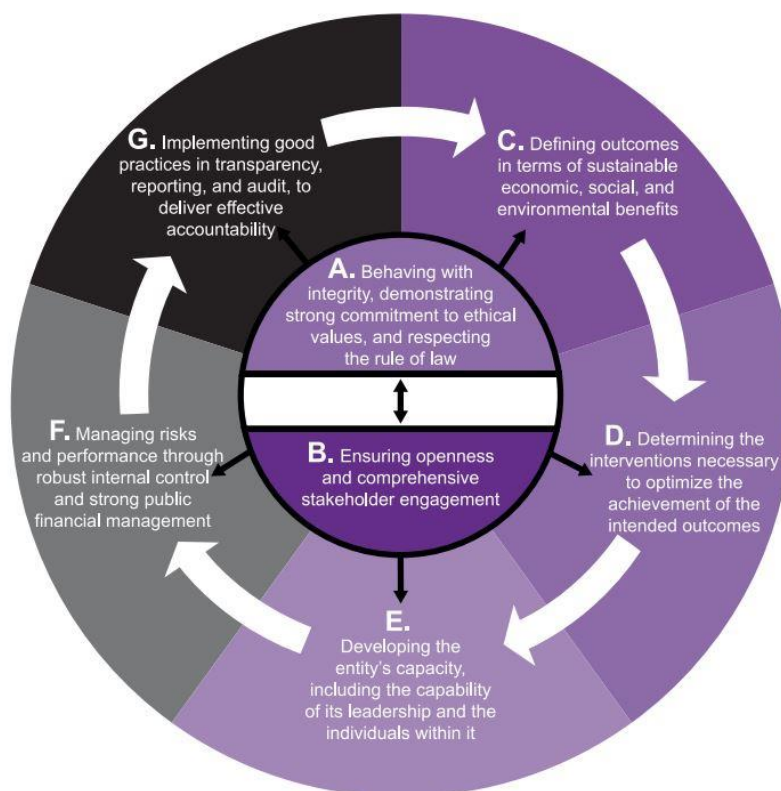
- 1.2 The Annual Governance Statement (AGS) reports on the governance framework that has been in place for South Gloucestershire Council for the year ended 31<sup>st</sup> March 2023 and up to the date of the approval of the statements of accounts.

## 2. Scope of Responsibility

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



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



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

### 3. What is Governance?

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

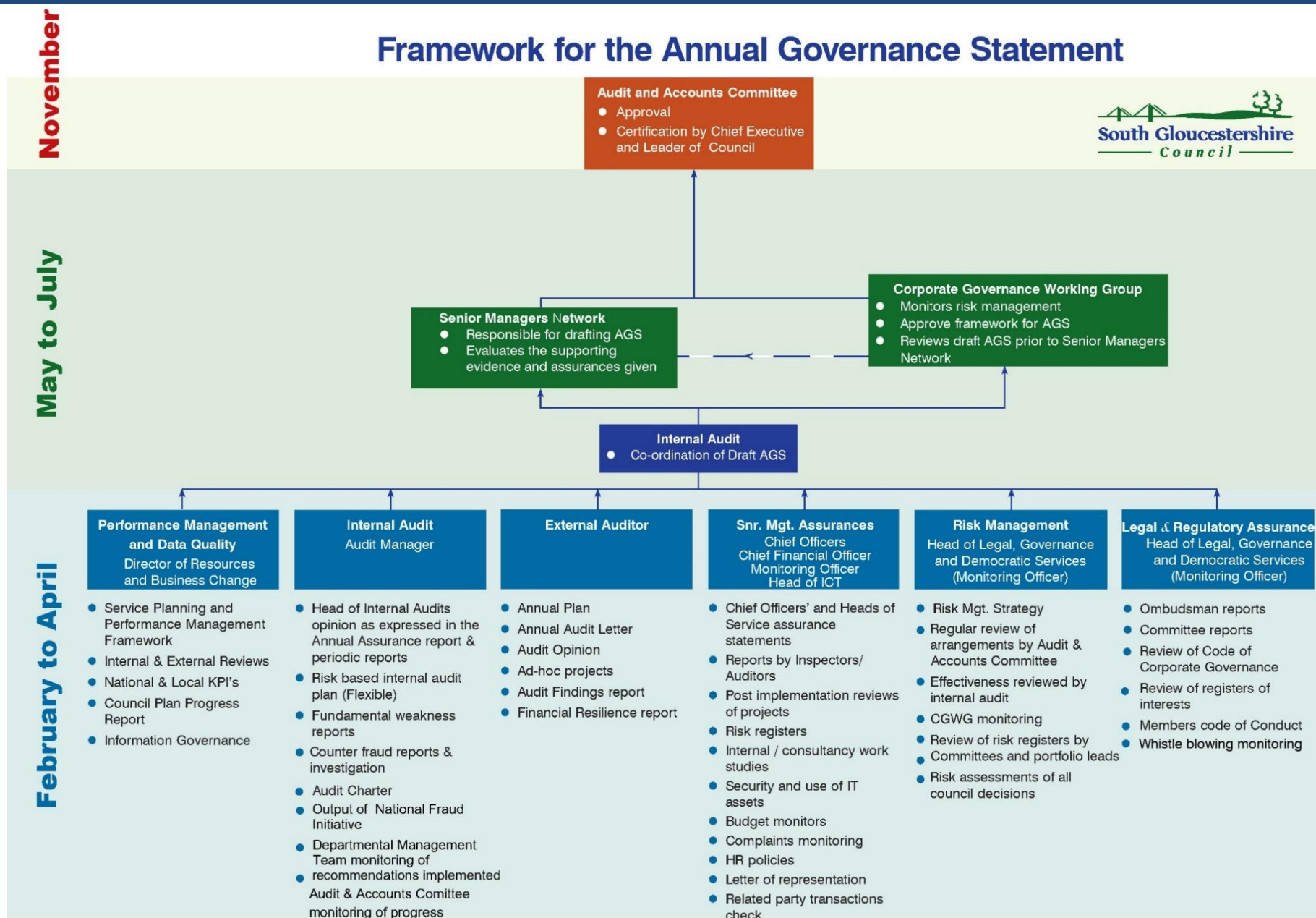
- Leadership and management;
- Performance and risk management;
- Stewardship of public money; and
- Public engagement and outcomes for those who work, live and visit our area.

### 4. How we know our governance arrangements are working

4.1 We know our governance arrangements are working when:

- The council can demonstrate how it meets each of the core principles in delivering good governance (see Section 5).
- The council has an assurance map to identify the main sources and types of assurance available to manage key risks (see diagram of the council's assurance map).
- The Council has a governance framework which comprises the culture, values, systems, and processes, by which the council is directed and controlled in its activities (refer to diagram overleaf).

## Framework for the Annual Governance Statement



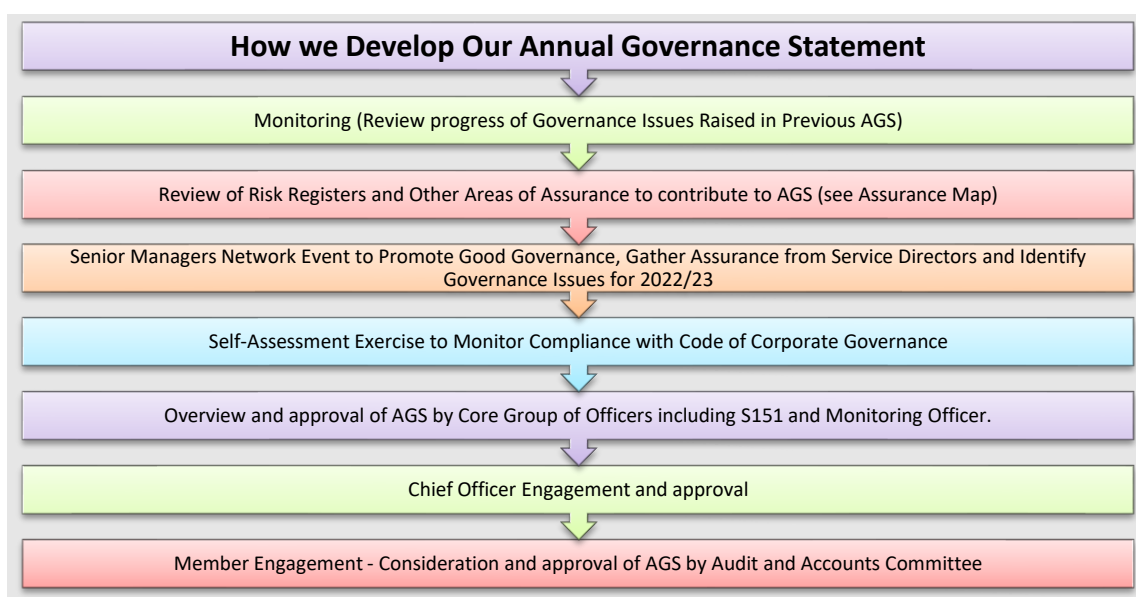
4.2 The system of internal control is a significant contributor to the overall framework and is designed to manage risk to a reasonable level. It ensures that in conducting its business, the council:

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

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

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

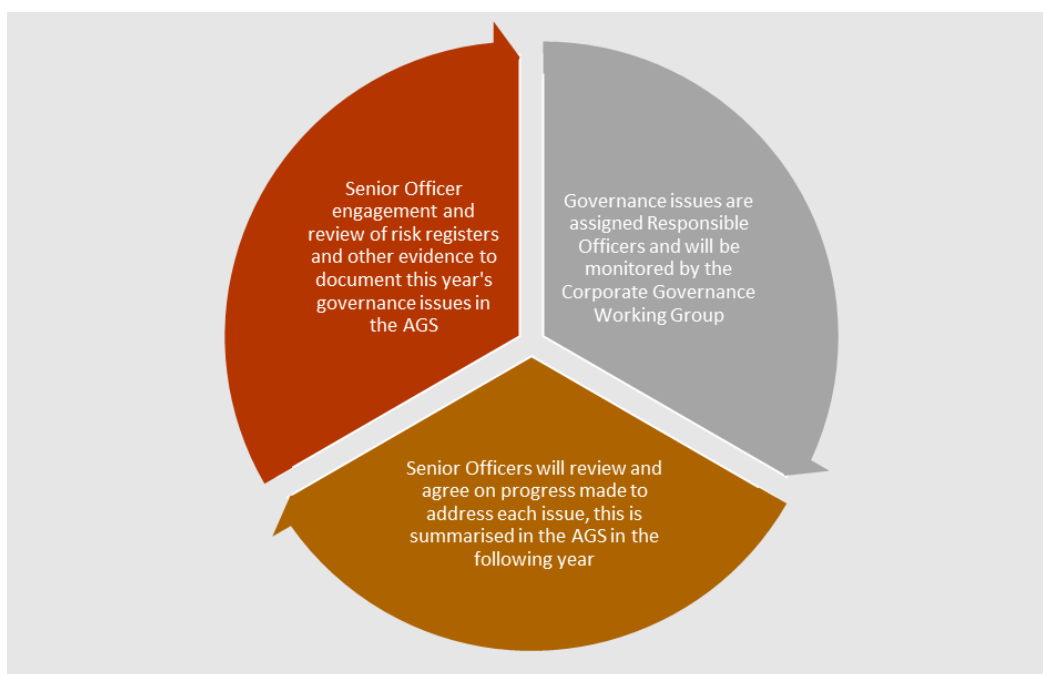
4.4 There is a comprehensive review and engagement process for the development of the Annual Governance Statement. The diagram below provides an overview:



- 4.5 However, any system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.
- 4.6 The diagrams on pages 7, 8, 9 and 10 provide information on key governance roles and responsibilities, the constitutional structure, and the assurance map at South Gloucestershire Council. The council had district elections in May 2023. The constitution pre and post-election is provided (see pages 8 and 9).
- 4.7 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.

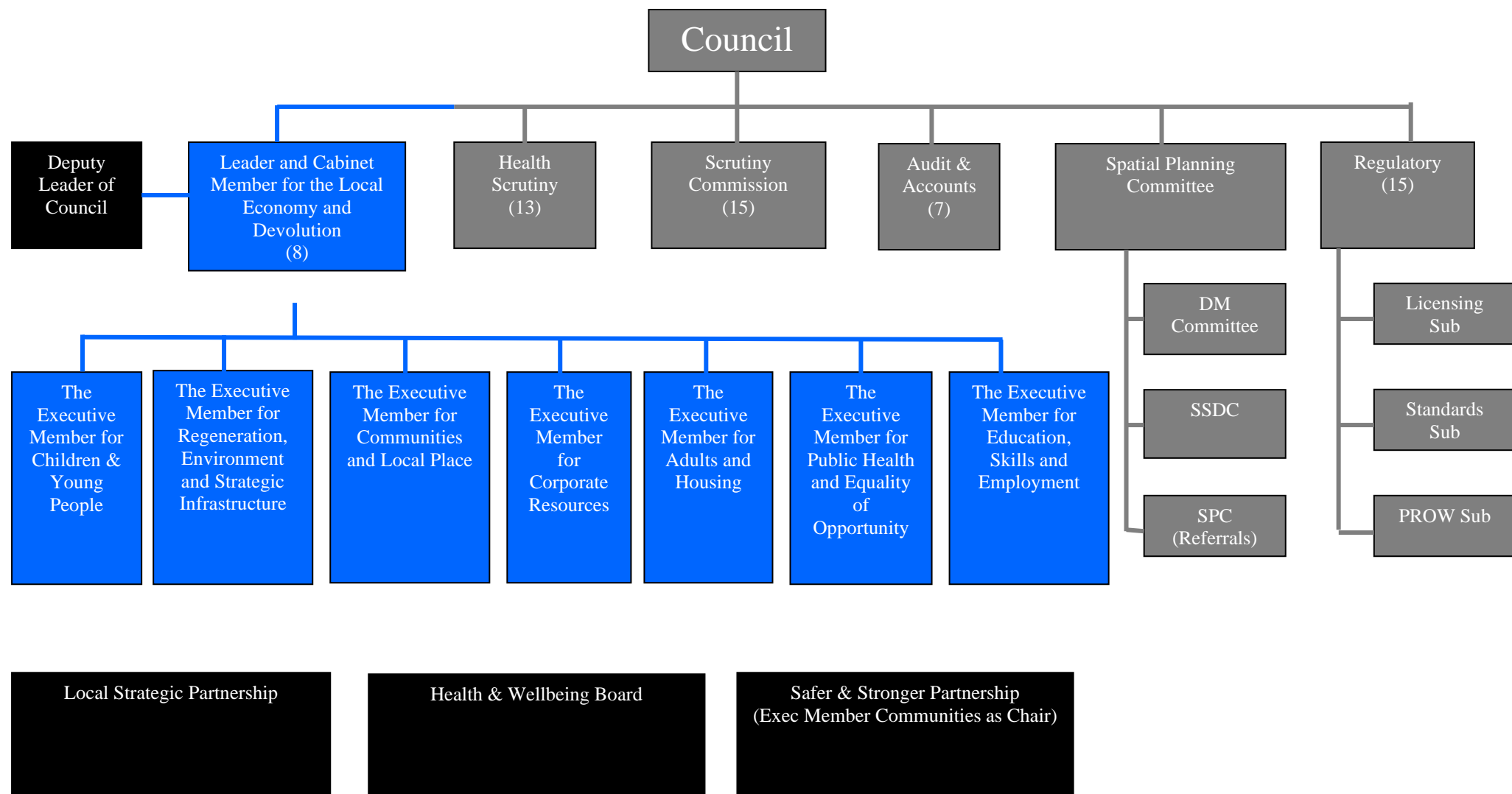
## **5. Annual evaluation of the effectiveness of the governance framework**

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



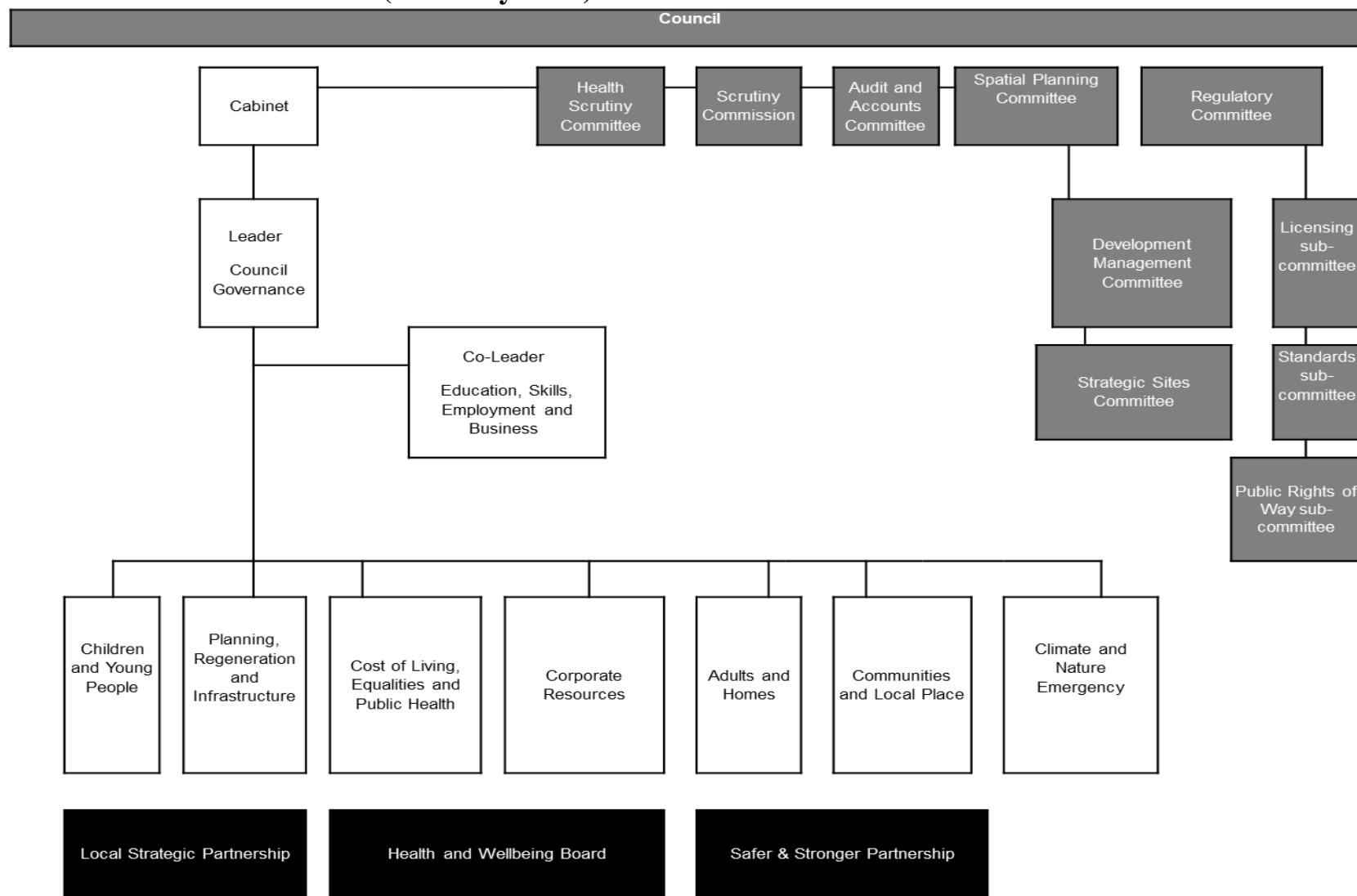
The Council	<ul style="list-style-type: none"> <li>• There are 61 Councillors who approve the Council Plan and the Constitution (including standing orders and Financial Regulations).</li> <li>• Approves key policies and the budgetary framework.</li> </ul>
Cabinet	<ul style="list-style-type: none"> <li>•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

**The constitutional structure (Until May 2023)**



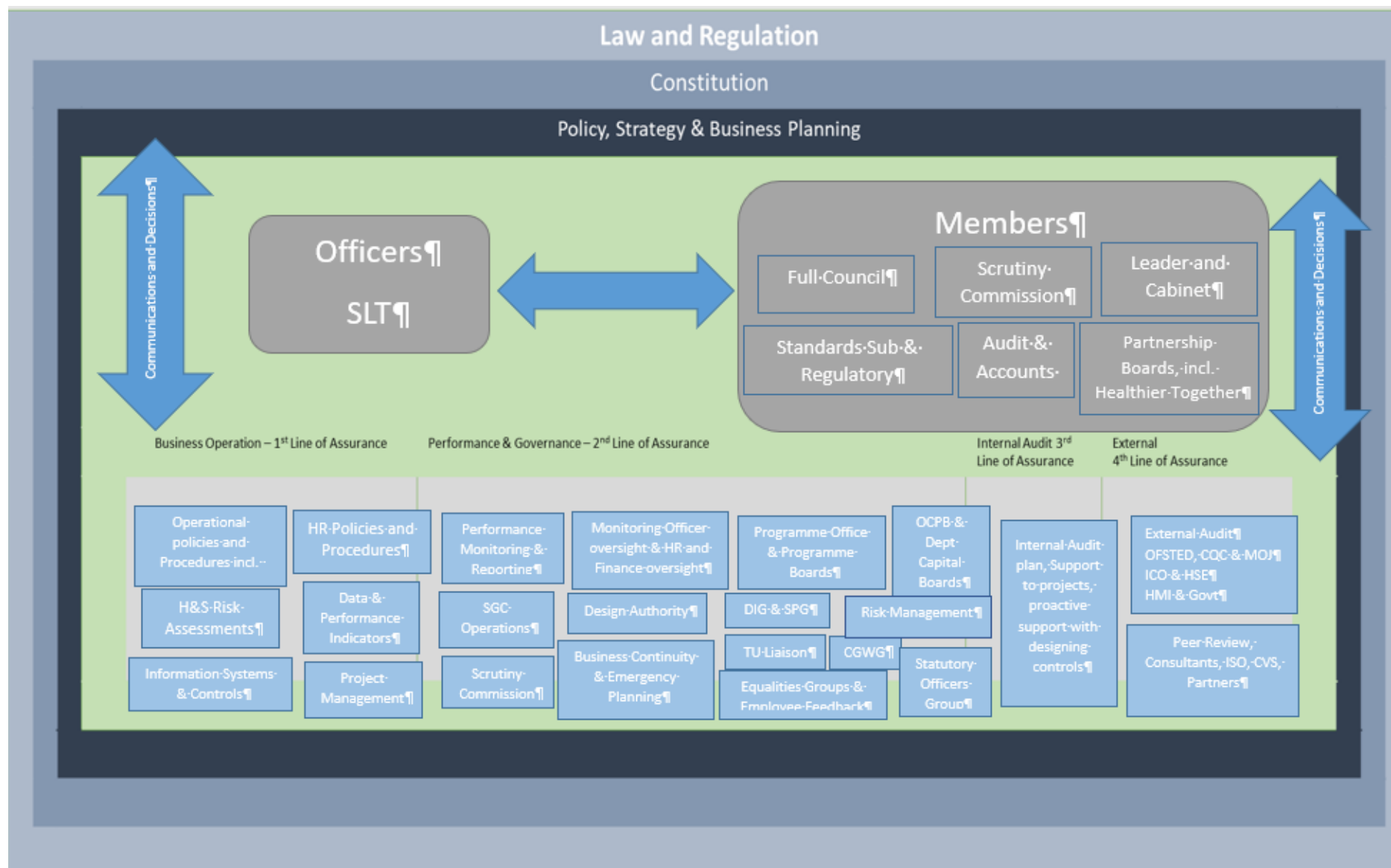


# The constitutional structure (Post May 2023)



The Council's assurance map – the four lines of assurance





## Compliance with the good governance core principles

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

#### Supporting Principles:

Behaving with integrity	Demonstrating strong commitment to ethical values	Respecting the rule of law
<p>WE CARE – The Council's Values:</p> <p>The Chief Executive and his Strategic Leadership Team meet regularly to steer the organisation's activity. The council's values provide guiding principles which define how the council works with each other and the community. The values define what the council stands for and sets aspirations central to achieving the vision for residents and communities, ensuring South Gloucestershire will always be a great place to live and work. The values are as follows:</p> <ul style="list-style-type: none"> <li>➤ Working Together.</li> <li>➤ Equality Focused.</li> <li>➤ Committed to our Communities.</li> <li>➤ Ambitious and Adaptable.</li> <li>➤ Resourceful.</li> <li>➤ Encouraging Responsible Growth.</li> </ul> <p>There is a behaviours framework to support the Values.</p> <p>Arrangements are in place to ensure that members and officers are not influenced in anyway when dealing with decisions and stakeholders. These arrangements include:</p> <p>Registers of interests</p> <p>Registers of gifts and hospitality.</p> <p>Requirement to make specific declarations of interests at formal meetings.</p>	<p>The Council has a Code of Conduct for elected and co-opted members, it forms part of the Constitution of the council and is a requirement of the Localism Act 2011. Allegations of breaches of the code are heard by the Standards Sub Committee.</p> <p><b>Constitution Containing Member Code of Conduct &amp; Member Officer Protocol</b></p> <p>The Standards Sub-Committee is a champion of high standards of ethical governance from elected councillors. It receives complaints made by any persons about elected and co-opted councillors of South Gloucestershire Council and all parish and town councils within the district. It will assess the complaints and determine if they require investigation. A summary of its work is included in its Annual Report to the Regulatory Committee.</p> <p>The council has a Members Planning Code of Good Practice and a Member and Officer Protocol, these documents are contained in the council's constitution.</p> <p>The council has a Code of Conduct for Employees which sets out the professional standards required of all employees, including the ethical values of equality, political neutrality in the workplace, disclosure of information and ethical and sensible use of resources.</p> <p>The council has a Partnership Governance Framework, which sets out how the council will work with partners to form effective relationships.</p>	<p>South Gloucestershire Council has agreed a constitution which sets out how the council operates and how decisions are made and the procedures which are followed.</p> <p>The council uses its legal powers, including the general power of competence, to promote its values and priorities to the full benefit of all those who live and work in South Gloucestershire.</p> <p>Roles and responsibilities are defined in the diagram on page 7.</p> <p>The council appoints Statutory Officers who have the skills, resources, and support necessary to ensure the council's statutory and regulatory requirements are complied with.</p> <p>The council has the Scrutiny Commission and Joint Health Overview and Scrutiny Committee to oversee the operations of the council and in the case of the latter, advocate for the best possible services for the residents of South Gloucestershire, through holding the NHS and other providers of health services to account.</p>

## B. Ensuring openness and comprehensive stakeholder engagement.

### Supporting Principles:

Ensuring openness	Engaging comprehensively with institutional stakeholders	Engaging stakeholders effectively, including individual citizens and service users
<p><u>How we do this:</u></p> <p>The council's website is set out in a clear and easily accessible way, using plain language and by having links to commonly accessed areas.</p> <p>Members of the public may usually attend all formal meetings, have access to the Agenda and Reports before the meeting and access to the Minutes after the meeting.</p> <p>Cabinet Member decisions and significant officer decisions are reported on the council website.</p> <p>With the ending of the arrangements to enable virtual meetings, the council has continued to webcast meetings. This is additional to holding physical meetings to ensure as much engagement from the public as possible in the democratic process. Minutes and webcasts of all formal member meetings are available on the council's web pages.</p> <p>The council publishes data in accordance with the Local Government Transparency Code, which encourages an increase in democratic accountability and makes it easier for individuals to contribute to local decision making.</p>	<p><u>How we do this:</u></p> <p>The council is a key partner to the West of England Combined Authority (WECA). The Combined Authority has sub-regional responsibilities around transport, infrastructure, and adult education. A positive relationship between stakeholders will unlock funding and enable collective and joined up planning of the region.</p> <p>The South Gloucestershire Local Strategic Partnership (LSP) brings together organisations to work with the community to identify and tackle key issues in a more co-ordinated way, which enables both strategic decisions and local action. Members of the partnership are made up from voluntary and community groups, local businesses, the council and other public sector agencies. The activities of the LSP are reviewed each year by the LSP Board.</p> <p>The council commits to community engagement through a range of community forums and is building a network of contacts across the area who can provide feedback on ideas and offer a route into communities from different backgrounds to ensure all voices are heard. There is a South Gloucestershire Compact in place, revised in 2023, which provides a set of working principles to guide the relationship between the council and the voluntary sector. The council is taking an Asset Based Community Development approach, seeking to identify and support community assets across the area.</p> <p>On 1<sup>st</sup> July 2022 the new Integrated Care System was formed for the region of South Gloucestershire, Bristol, and North Somerset. These arrangements came into</p>	<p><u>Council Website, Facebook and Other Social Media Platforms:</u></p> <p>The council makes use of its website, social media, traditional media, and offline methods to engage with citizens and service users.</p> <p>The Council Plan priority 'Identifying and supporting those most in need and helping people to help themselves' includes a commitment to enable communities to work together to help improve their lives and address the problems that are important to them. The council aims to give the best possible information, advice, and guidance to support themselves and their families. The findings of the recent Community Conversations research project are being used to redesign services and improve our processes to help communities better understand how they can connect with each other, and with us, to get better outcomes locally.</p> <p>The council actively encourages residents to 'Have Your Say' on current issues by taking part in engagement and consultation exercises. There is an increasing focus on offering as wide a range of response methods as possible to help residents from all different backgrounds to share their views and influence change. Residents and partners give feedback by filling in surveys, participating in face-to-face events, talking to our staff at the point of service use, participating in online engagement conversations, taking part in focus groups, and joining our Viewpoint citizen's panel. Residents can look at current and past consultation and engagement activities online and see the results of these.</p> <p>The council is introducing an online engagement portal which will offer even more opportunity to give views on our work and proposed changes. Residents are encouraged to</p>

## B. Ensuring openness and comprehensive stakeholder engagement.

## Supporting Principles:

Ensuring openness	Engaging comprehensively with institutional stakeholders	Engaging stakeholders effectively, including individual citizens and service users
	place due to the Health and Care Act 2022, and include a statutory committee jointly formed between the NHS integrated care board and local authorities. Their objective is to improve the care, health, and wellbeing of the population, with membership determined locally. This form of partnership working will improve outcomes for the population, tackle inequalities in access and experience and enhance productivity and value for money and support broader social and economic development.	take part in the budget consultation each year. The Annual financial statements provide a summary of council performance. Residents can sign up for email e-bulletins, register for viewpoint and use social media to interact with the council. The council has a published Complaints Procedure to ensure residents and service users can complain if they are dissatisfied with a service or if they have failed to receive a service. People can complain using a variety of methods.

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

## Supporting Principles:

Defining outcomes	Sustainable economic, social, and environmental benefits
<p>The Sustainable Community Strategy sets out the shared vision and key priorities for the future of the area. The South Gloucestershire Local Strategic Partnership uses this strategy to identify and be responsive to local needs, supporting efforts to work more efficiently together for the benefit of the people of South Gloucestershire.</p> <p>Recognising the contribution to sustainable economic, social, and environmental benefits that stem from the spectrum of council services and activities, in April 2023 the council introduced a version of the Cornwall decision making wheel which seeks to identify and quantify a range of sustainability metrics. The purpose of the Climate Change Decision Wheel is:</p> <ul style="list-style-type: none"> <li>To influence project planning and delivery at the start of the project and programme process.</li> <li>To minimise negative impacts on climate and nature and provide benefits which align with council objectives.</li> </ul>	<p>South Gloucestershire Council works for all parts of every community. The council's aim is to: encourage mutual respect for all residents; recognise and work with every diverse group; give high quality inclusive services and facilities; make sure our employment policies and practices are fair; challenge harassment and discrimination.</p> <p>The council has a comprehensive Equality Framework in place which sets out governance arrangements from the most senior levels as well as responsibilities across all levels of the workforce. The Council is currently reviewing its approach to tackling inequality with a refreshed strategy focussing on delivering outcomes for our communities and staff. This is being developed in partnership with representative organisations and other sectors. Whilst this is being developed detailed monitoring of compliance with the existing framework continues with provision of strategic direction, guidance and performance management to Members, Senior Leadership Team, departments and partners on equality and diversity issues continuing. Equality Impact Assessment and Analysis (EqIAA) is required for all reports (whether they be decision or information reports); performance</p>

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

#### Supporting Principles:

#### Defining outcomes

- To provide greater visibility and transparency to decision makers and the public.
- To Reduce the impact on climate and nature; projects that align with council values.
- To increased staff knowledge of how to consider and apply thinking on climate and nature to projects.
- To identify that projects with long term negative impacts on climate and nature that cannot be sufficiently mitigated are flagged at an early stage to project managers.

The council operates in a complex and constantly evolving financial, policy and legislative environment. The role, responsibilities and funding models of local government continue to be in a period of rapid transition.

The Council Plan builds on and delivers the council's vision to make South Gloucestershire a great place to live and work. The core priorities are:

1. Creating the best start in life for our children and young people.
2. Identifying and supporting those in need and helping people to help themselves.
3. Promoting sustainable inclusive communities, infrastructure, and growth.
4. Realising the full potential of our people and delivering value for money.

Underpinned by: Closing the Inequality Gap, Addressing the Climate and Nature Emergency, and Value for Money.

The council previously recognised that an effective Medium Term Financial Strategy (MTFS) requires the organisation to be aware of its overall financial position by being more inclusive and widening the ownership of the MTFS to ensure its success. In April 2022, the council further extended its programme to align available resources with Council Plan priorities. This has been referred to as the Resource Allocation project and has focussed on prioritising resources and maximising capacity whilst ensuring the council can meet the medium-term

#### Sustainable economic, social, and environmental benefits

reporting against this requirement is delivered six-monthly to Senior Leadership Team. Additionally, the council has a 'Business As Usual' Equality Impact Assessment and Analysis Dashboard which allows for progress against the three key aims of the Public Sector Equality Duty to be assessed and performance managed.

In July 2019, the council declared a climate emergency recognising that urgent action needs to be taken to reduce the area's carbon emissions and mitigate the negative impacts of a changing climate. Following the declaration, a new climate emergency strategy was produced along with annual action plans which are revised, and both intently and externally scrutinised each year. The action plans bring together corporate activity addressing both mitigation and climate resilience. The year 4 Climate Emergency Action Plan has been updated with SMART targets that consider capacity and funding constraints, whilst still being ambitious.

While the Council's direct and indirect emissions (scope 1,2,3) only contribute to 6.5% of area wide emissions, it is estimated that it has influence over 40% through planning, transport, and waste.

Reductions in scope 1 and 2 Co2e emissions from Council operations are targeted at 10% per year which has not been met since the return to post covid operations, however, further investment in renewable generation is due to take place along with maximising contributions from the Public Sector Decarbonisation Fund.

We have produced a Plan to 2030 research report which looks at the likely remaining carbon emissions in our area by 2030 (500k tonnes Co2 from 1.1 million tonnes in 2022) when both the maximum possible national and local interventions have been applied. It makes recommendations about what we should focus on delivering for maximum impact between now and 2030 and nudges towards more 'disruptive' interventions required to stay on track.

This report was produced by the South Gloucestershire Climate Emergency University Advisory Group and has been used to inform the development of our Year 4 Climate Emergency Action Plan 2023/24.

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

## Supporting Principles:

**Defining outcomes**

financial challenges it faces. Due to previous years' robust financial management, the pressures on the council have not been immediate however this has not detracted from the need to focus on planning ahead to maintain this position and consider all available options, including more innovative and transformative measures that may take longer to implement. The outcome of the process was a four-year balanced budget with a savings programme of £20m for delivery by 2025/26. Recognising that the council will face continual cost pressures, a resource planning approach will be taken annually with an ongoing refresh of the savings programme allowing continual iterations of savings and efficiencies to be brought forward. During 2022/23, the war in Ukraine and Cost of Living crisis impacted severely on the council's financial position. To manage the in-year position, spending controls were rapidly mobilised by SLT with Cabinet support and the position was monitored closely with corrective action agreed and implemented throughout the year as the position developed. The impact on the recently agreed MTFP from 2023/24 onwards was also recognised and the Resource Planning process used to identify further efficiencies and service level options to manage the new funding gap. These options were consulted on in December 2022, to inform the proposed budget for 2023/24 in February 2023 where an updated MTFP with a 3-year balanced budget was approved by Council. The savings programme is now at £40m for delivery over the next 4 years to 2026/27.

An agreement with the Department for Education (DfE) under the Safety Valve negotiations for Dedicated Schools Grant deficits was reached in 2021/22 resulting in £25m of funding from the DfE over 4 years with £10.5m received in March 2022. The council continues to perform against the milestones for this funding and DfE made an early payment in March 2023 bringing forward the funding agreed.

**Sustainable economic, social, and environmental benefits**

2020/21, latest year for which published data is available, was a year like no other. The Covid-19 pandemic heavily impacted our society. Changing behaviours, more time spent at home through restrictions on movement and more home working led to an increase in collected tonnages. Overall household waste went up by 9% and residual waste (black bin) increased by 11%.

58.5% percent of waste was recycled in 2020/21. Although this was a slight drop in performance from the previous year (2019/20, 59.1%) South Gloucestershire is still one of the best performing, top 5, Unitary authorities in England. The council is now rising to the challenges ahead, by working with residents, to bring waste down and recycle more of the waste disposed of by households. The council has ambitious targets to recycle 65% of our waste by 2025, 68% by 2027 and 70% by 2030 and to achieve zero waste to landfill by 2030.

The West of England Combined Authority (WECA), as well as being empowered to make more decisions locally on areas such as transport, housing, and skills, also works with partners including the West of England Local Enterprise Partnership, North Somerset Council, and others, to deliver economic growth for the wider region.

South Gloucestershire Council is committed to making our spending decisions in a way that delivers both value for money on a whole life cycle basis, and achieves wider economic, social, and environmental benefits.

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

## Supporting Principles:

Determining interventions	Planning interventions	Optimising achievement of intended outcomes
<p>We inform key decision makers in various ways, including: Reports to Councillors; Statutory Reporting to external bodies and other agencies; Management and Financial Reports direct from the council's accounting system; performance management system data, and risk and assurance-based work undertaken by Internal Audit and their resultant reports. All of this ensures council decision makers receive accurate, relevant, and timely evidenced-based information on which to make decisions.</p> <p>The delegation of some defined day to day decision making (defined in the constitution) to Officers, and the referral to Cabinet or Executive Member for those matters requiring Members' Decisions that can be made without requiring approval at Full Council, enables more prompt decision making.</p> <p>South Gloucestershire Council's Performance Management System enables the council and its committees to receive timely and accurate performance information about service delivery. This enables prompt intervention to take place to address any barriers to good performance.</p>	<p>The council plans its activity at a strategic level through its budget and business planning cycle and it does so in consultation with internal and external stakeholders.</p> <p>Occasionally staff are asked to complete internal questionnaires to help gain feedback on an existing situation and help shape plans.</p> <p>Neighbourhood planning gives communities the power to develop a vision of their neighbourhood. It enables them to contribute to the development and growth of their area. It also ensures that the desire of the neighbourhood is aligned with the overall needs and priorities of the wider local area.</p> <p>The council's Statement of Community Involvement (SCI) explains how everyone can be involved in the preparation of new planning policy documents and in consultation on planning applications.</p> <p>South Gloucestershire Council has a commitment to protect and enhance the environment for the benefit of all residents and businesses in the area. The council has an officer and member protocol for planning decisions.</p>	<p>The council integrates and balances service priorities, affordability, and other resource constraints, supporting it to take into account the full cost of operations over the medium and longer term. This includes both revenue and capital expenditure budgets. A medium-term financial plan is developed.</p> <p>The financial plans demonstrate how the council's financial resources will be deployed over the next four years to deliver aims and priorities.</p> <p>The council takes into consideration social value when procuring essential goods and services with a Target Operating Model for Social Value agreed and implemented during 2021/22 and a specific KPI in the Council Plan. This work is closely linked with the Council's Keep it Local program and the overriding aim of the Council plan to reduce the inequality gap. The Inequalities Strategy is currently being refreshed and will include social value.</p>

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

## Supporting Principles:

Developing the organisation's capacity	Developing the capability of the council's leadership and other individuals
<p>The council participates in relevant benchmarking exercises and peer reviews to help inform how resources should be allocated.</p>	<p>The council's constitution clearly defines the statutory and distinctive leadership roles of the Leader of the Council, the Chief Executive, and other Statutory Posts.</p>



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

#### Supporting Principles:

Developing the organisation's capacity	Developing the capability of the council's leadership and other individuals
<p>The benchmarking activities and analysis and collaborative working will assist in the seeking of better outcomes from the use of resources.</p> <p>The council undertook significant work to review capacity as part the resource allocation work in 2021/22 and 2022/23. This included a line-by-line budget review to prioritise expenditure. Further consideration was given in settling the 2023/24 budget to invest in ITD capacity recognising the growing risks associated with this area of the council's business and service reliance.</p> <p>Collaborative working and alternative service delivery models are fully considered as part of option appraisals.</p> <p>The council has an Occupational Health Service that offers health assessments, health screening, and advice. The council also has a confidential counselling service available to all employees.</p> <p>The council recently promoted a programme of support for Women in Leadership. The council has a comprehensive workforce development and training offering for all staff and other key partner organisations.</p>	<p>Both elected Members and Senior Officers have their own respective Codes of Conduct to adhere to.</p> <p>Members undergo an induction process post-election. Members have their own section of the Intranet specific to their own roles and responsibilities.</p> <p>The Members pages includes a section on Learning &amp; Development which includes links to the Councillor Development Group, Personal Development Interviews, Skills Framework, Learning Resources, E-learning, Self-Study Courses, and a link to the Local Government Association website.</p> <p>The Council recognises that inequality gaps exist throughout employment and is committed to improving diversity and reducing inequalities for all. It has developed a workforce equalities action plan to address issues and deliver an inclusive and supportive workplace that enables us to deliver better services.</p> <p>The council has a comprehensive development and supervision offering for staff. This commences from appointment, with a corporate induction and access to e-modules and other training courses. Staff must have regular supervision, and an annual PDPR (Personal Development Performance Review) plus follow up. Staff receive regular updates on new initiatives by email on the intranet.</p> <p>There is a whole section of the council's intranet dedicated to HR (My HR). These pages explain all of the above processes plus provide more information such as essential staff policies and helpful links to coaching, mentoring, and other services. The pages also provide a link to the online Learning and Development Portal.</p> <p>The council places a high priority on the wellbeing of its staff. There are pages on the council intranet devoted to wellbeing alongside the appointment of a Wellbeing Co-ordinator and associated internal communications. There is a package of support available for staff to access and the council promotes this offering via Mental Health Champions and regular communications.</p>

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

Supporting Principles	How the Council meets these principles
<b>Managing risks</b>	<p>The Corporate Governance Working Group oversee the council's risk management arrangements.</p> <p>During 2022/23, a new approach to risk management was introduced. This included moving risk register scoring to 5x5 and including risk descriptions to improve consistency of scoring. The risk registers include information on inherent risks and the associated mitigating controls to treat, terminate, tolerate, or transfer any residual risk. Each risk will have an assigned owner and a date to review progress of the mitigation. Internal Audit Services currently co-ordinate the completion and submission of the Council's Risk Registers. Risk management is an integral component of business continuity planning and emergency management. The Health &amp; Safety Team provide Corporate Health and Safety guidance, including corporate oversight of schools.</p> <p>The main principles of the council's Health &amp; Safety policy are that: the people responsible for managing and carrying out the work are also responsible for making sure it is safe; Senior management has ultimate responsibility for safety, but everyone has a part to play. Standards are high and control measures are proportionate to the level of risk.</p>
<b>Managing performance</b>	<p>The council has implemented key performance indicators in many areas of service. The council makes use of a performance management system to capture the indicators corporately and enable review and consideration to take place at Departmental level.</p> <p>Some council services are subject to statutory national Key Performance Indicators (KPIs). Data dashboards are being developed to improve the quality of performance data to enable informed decision making. This data can then be used to support effective resource allocation if changes in resources are identified as needed to assist in improvement of performance. Each service has its own Service Plan which is updated annually. These plans detail specific service priorities, which are aligned to overall council service delivery and community needs and priorities.</p> <p>The council has a Contract Management Framework which sets out a centrally led and consistent framework for Contract Management activities across South Gloucestershire Council, which draws upon existing good practice and national guidance. Contractual documentation will contain key performance measures expected of them to deliver services and monitoring will take place to ensure this happens in practice. A contract management training programme has been rolled out across the organisation.</p>
<b>Effective overview and scrutiny</b>	<p>The Scrutiny Commission holds decision makers to account and plays a key role in ensuring that public services are delivered in the way residents need. The agenda and reports are publicly available, and the commission sets its own work plan.</p>
<b>Robust internal control</b>	<p>The council has robust internal control processes in place, which support the achievement of its objectives while managing risks. The council's approach is set out in detail in the Internal Audit Plan. The council has an Audit and Accounts Committee. The Committee provides an independent high-level resource to support good governance and strong financial management. The Committee's Terms of Reference includes an Anti-Fraud remit specifically: to be the custodian of the council's anti-fraud, corruption, and bribery policy and to develop and monitor procedures and protocols on this matter; to consider any significant issues in relation to detected fraud or corruption within the council; to consider the results from the biennial National Fraud Initiative and receive an annual report on counter fraud activity. The council has an Anti-Fraud, Corruption and Bribery Policy which sets out the Council's zero tolerance commitment to tackling fraud, bribery, and corruption. The council also has an Anti-Money Laundering Policy and a Whistle-blowing policy.</p>

F. Managing risks and performance through robust internal control and strong public financial management.	
Supporting Principles	How the Council meets these principles
	An assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the council's Head of Internal Audit in the opinion section of this Annual Governance Statement.
<b>Managing data</b>	<p>The processing of personal data is essential to many of the services and functions carried out by local authorities. The council complies with data protection legislation, which includes GDPR (General Data Protection Regulation) and the Data Protection Act 2018 (DPA 2018). This compliance ensures that such processing is carried out fairly, lawfully, and transparently. The council reviews and supplements its policies, and keeps its processing activities under review, to ensure they remain consistent with the law, and any compliance advice and codes of practice issued by the Information Commissioner's Office.</p> <p>Each year the council completes an Information Governance and Data Security and Protection Toolkit to meet NHS data security requirements. This toolkit assessment demonstrates a high level of compliance.</p> <p>The council's Information Governance is led and monitored by the Data and Information Group (DIG). This group meets regularly and includes the Senior Information Risk Officer (SIRO) and Data Protection Officer (DPO). The Data and Information Group, under the direction of the SIRO, will ensure the coordination of a council-wide programme of information governance activities to educate, refresh and promote awareness of the organisation's roles and responsibilities; in addition, to identifying the work priorities, including the revision of various information governance policies, procedures, and guidance.</p> <p>Serious data breaches that must be reported to the Information Commissioners Office (ICO) remain very low. Information campaigns and reminders are regularly circulated to staff along with the requirement to undertake regular refresher training to continue to be aware of the associated risks.</p> <p>The council complies with the Local Government Transparency Code 2015 by publishing data required by The Code.</p> <p>The council makes information available to the public via the information access regimes provided for by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Data protection legislation, including the Data Protection Act 2018, provides individuals with various rights. The council ensures that all valid requests from individuals to exercise those rights are dealt with quickly and within the specified timescales.</p>
<b>Strong public financial management</b>	<p>The council recognises that finance is intrinsically linked to its strategy and operations and none of these can be considered in isolation. The council's approach to financial management ensures that public money is always safeguarded, ensuring value for money. Its approach supports both long-term achievement of objectives and shorter term financial and operational performance.</p> <p>The Chief Financial Officer reports to the council on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed financial reserves in line with current guidance. The Chief Financial Officer ensures that appropriate advice is given on all financial matters, proper financial records and accounts are kept, and oversees an effective system of internal financial control. The Financial Services division ensures that well developed financial management is integrated at all levels of planning including management of financial risks. The financial regulations are in the constitution and underpin the financial arrangements.</p> <p>The Financial Management Code (FM Code) sets out the standards of financial management expected for local authorities and is designed to support good practice and to assist local authorities in demonstrating their financial sustainability. The council has undertaken a self-</p>

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

Supporting Principles	How the Council meets these principles
	assessment of compliance with the Financial Management Code. Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Financial Officer of the authority must report to the council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Chief Financial Officer has discharged this responsibility in the annual budget report to Full Council.

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

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

**Assessment of compliance with the financial management code (FM Code)**

- 5.4 Internal Audit have undertaken a review of the council's compliance with the FM Code. This work was undertaken in consultation with Finance Managers and the Chief Financial Officer.
- 5.5 Internal audit concluded that the council is mostly compliant with the CIPFA Financial Management Code.

**External auditor's review of the effectiveness of governance arrangements**

- 5.6 The external auditors Annual Audit Letter for 2022 confirmed that the financial statements gave a true and fair view of the council's financial position. The 2021/22 value for money assessment has been concluded and was reported to Audit and Accounts Committee in January 2023.

**Internal audit annual opinion 2022/23**

- 5.7 The council receives substantial assurance from the work of internal audit who, through an agreed audit plan, review the adequacy of controls and governance that operates throughout all areas of the council. The internal audit service has been independently assessed by CIPFA as fully conforming to the Public Sector Internal Audit Standards (PSIAS).
- 5.8 Whilst internal audit are unable to give absolute assurance, the results of the reviews completed during the year have resulted in a reasonable assurance opinion. This means that individual audit reviews are not significant when considered in aggregate to the system of internal control. 'Significant Improvements required' opinions are isolated to specific systems and processes. There was one fundamental weakness opinion given during 2022/23.
- 5.9 The internal audit plan is now assembled as a six-month plan. It was presented to committee in June 2022 and November 2022. It enabled the refocus of risks and priorities for the internal audit team. The Head of Internal Audit considers that sufficient work was conducted in the areas of most strategic risk to mean that no limitation has been placed on the audit opinion. Assurance has been considered across more than one year and external factors have been considered when forming opinions.

**Successes in 2022/23**

- 5.10 During the financial year 2022/23 the council can report significant success in the speed, adaptability, and commitment of staff to the needs of those who live and work in South Gloucestershire. The following areas are of note:
- A loan arrangement with The Wave, inland surfing destination, as match funding to a Department for Levelling Up, Housing and Communities (DLUHC) grant to deliver Solar Energy into the district.
  - Support to the inception of the Integrated Care System in July 2022.
  - Keep it Local approach agreed by Cabinet and external partners will help improve capacity to help with health/care pressures.
  - The opening of the new Frenchay Primary School and the inception of a new portfolio board to govern and lead on the delivery of capital projects and programmes.
  - Workforce resilience and implementation of comprehensive wellbeing support for staff, recognition of staff adaptability and commitment to meet the challenges.
  - Successful completion of major capital works at Gypsy Patch Lane, including new railway bridge and associated works.

- 5.11 The council has continued to support the government with the Homes for Ukraine scheme, working to develop mechanisms to welcome Ukrainian guests into South Gloucestershire sponsors' homes in a safe and supported way.

**Evaluation of effectiveness of partnerships governance (for Council's significant partnerships)**

- 5.12 The council has a standardised approach to managing its partnerships as detailed in the Partnership Governance Framework. This supports officers and stakeholders in ensuring that good governance is understood and embedded from the outset and throughout the lifetime of all partnerships.
- 5.13 Effective working relationships have led to positive outcomes across many areas of the council. This includes the Police, Health and some Voluntary and Community Social Enterprise (VCSE) agencies as key partners.
- 5.14 The council is a key partner to the West of England Combined Authority (WECA). The Combined Authority has sub-regional responsibilities around transport, infrastructure, and adult education. A positive relationship between stakeholders will unlock funding and enable collective and joined up planning of the region. The West of England Combined Authority received statutory recommendations to improve partnership working. The council is taking an active role in supporting WECA to make improvements.
- 5.15 The Council is a participant in the pan-regional partnership for South Wales and Western England, The Western Gateway. While the partnership is in its formative stages, its focus is to bring additionality to the area's existing strategies and structures. Their intention is to collaborate and lead where their collective size will amplify the work of others.
- 5.16 On 1<sup>st</sup> July 2022 the new Integrated Care System was formed for the region of South Gloucestershire, Bristol, and North Somerset. These arrangements came into place due to the Health and Care Act 2022, and include a statutory committee jointly formed between the NHS integrated care board and local authorities. Their objective is to improve the care, health, and wellbeing of the population, with membership determined locally. This form of partnership working will improve outcomes for the population, tackle inequalities in access and experience, enhance productivity and value for money and support broader social and economic development.

**External inspection agencies**

- 5.15 The Office for Standards in Education, Children's Services and Skills (Ofsted) inspects and regulates services which care for children and young people and those providing education and skills for learners. It publishes all school inspection reports on its website. In addition, there are inspection reports for the services for children and families which the council provides. An external Ofsted focused visit took place during 2021/22, and an adverse opinion was given. An improvement board was implemented to drive improvement in the service. An enhanced performance board oversees the service's journey. Monitoring visits have taken place during 2022/23, and the results have recognised an improving picture. and was centred on our front door arrangements for children's services. The full report can be found on the Ofsted website. There were several areas identified where improvements were needed to ensure young people were fully safeguarded. As a result, there is a full-service improvement plan which is overseen through the enhanced performance board and Cabinet. A recent review by the Department for Education has lifted the Children's service improvement notice.
- 5.16 Vinney Green Secure Unit was inspected by Ofsted in April 2022 and though Education was judged to be good and Health arrangements required improvement, the overall result of the inspection was an inadequate opinion. There is an improvement plan, monitored through



our improvement board, and additional management capacity has been secured to ensure improvements are made working closed with Ofsted and the Youth Custody Service. The improvement board has continued to meet throughout 2022/23 and assurance visits during the year have recognised improvements in areas that were previously criticised. In April 2023, Vinney Green was inspected and received a good opinion. There were no issues arising from their most recent monitoring visit.

## 6. Progress in addressing the Council's governance issues

- 6.1 This section provides an update on progress made addressing the council's governance issues during the 2022/23 financial year. These issues were identified in the action plan in last year's Annual Governance Statement (2021/22).

### Governance area - Response to children's services and Vinney Green Secure Unit OFSTED

#### Required action:

A full service improvement plan is being overseen by the enhanced performance board and Cabinet.

#### What we did:

An interim Registered Manager is in place and an update Ofsted inspection visit last year found that progress was being made against all objectives and there were no concerns similar compared with those in the 2021 failed inspection. The Improvement Board continues to meet, chaired by the Executive Director for People, and there is a fortnightly Operational Board chaired by the Service Director which reviews operational issues including our readiness for future inspections.

The financial position for Vinney Green Secure Unit remains under review, given the changes to funding enacted by the Youth Custody Service (YCS) following the inadequate inspection. YCS have now confirmed they will continue to fund Vinney Green Secure Unit for twenty four beds.

Wider Childrens Services continue to work hard to secure improved performance. The Enhanced Performance Board oversees our journey and there is an internal inspection readiness group chaired by the Executive Director for People which supports service improvement where needed.

Staff recruitment and retention remains a challenge and is impacting on our improvement journey as is an increase in demand for children's services. We are working hard to understand the reasons for this and taking positive action where necessary. We are seeing some improvements, and our challenge is to ensure this is sustained across all areas of the service. We are monitoring performance closely using data, challenge, and support. A recent Department for Education review noted positive improvements in our performance. The Focused Visit in September 2022 on looked after children noted some positive work with some key areas for improvement; there were no priority actions arising from this visit. In January 2024, it was confirmed that the Department for Education have lifted the Children's service improvement notice.

The Vinney Green Secure Unit Improvement Board continues to meet and is led by the Executive Director for People with representation from the service, HR, Legal and the Youth Custody Service. An Operational Board led by the Service Director meets every two weeks to address practice issues, staffing and Ofsted preparedness as well as any other key issues. Two assurance visits



	from Ofsted since the inadequate inspection have noted improvements in the areas previously criticised by Ofsted and have reported that they can see the direction of travel is a positive one. In April 2023 an inspection confirmed a good opinion and the most recent monitoring visit in August confirmed no issues arising.
<b>Governance area - Ensuring robust capital governance</b>	
<b>Required action:</b> <p>The council is reviewing its approach to capital governance with a view to improving spend profiling, managing risks, improving performance reporting, and providing greater transparency. Some projects are underway to support this work and schools' capital governance is being carefully reviewed to ensure schemes are affordable and can be delivered timely alongside an appropriate pipeline of activity to meet need.</p>	<b>What we did:</b> <p>New capital programme governance for the schools' capital programme has been agreed and implemented during 2022/23. Council wide capital programme governance has also been agreed and will be implemented during 2023/24. WECA has introduced a Regional Programme Review Board with Directors of Infrastructure and S151 officers to monitor and challenge regional infrastructure programme delivery and cost. Regular internal monitoring on the capital programme is provided to Strategic Leadership Team, Informal Cabinet and Budget Scrutiny Task Group, in addition to the public capital monitors. New arrangements for decision making on an appropriate pipeline of projects to meet need forms part of the revised approach to governance.</p> <p>Changes introduced around specific school capital building projects and an increase in capital funding for schools have brought significant improvement and the council no longer consider this to be a governance issue.</p>
<b>Governance area - Working to support Acute Hospital Trusts through prompt hospital discharge</b>	
<b>Required action:</b> <p>Working to support Acute Hospital Trusts through prompt hospital discharge.</p>	<b>What we did:</b> <p>SGC, BCC and NS participated in an LGA led Peer Review of discharge arrangements in BNSSG. The LGA subsequently funded a project which enabled detailed consideration of discharge pathways and outcomes achieved. SGC officers were active in the project and represented on the Steering Group. The findings of the project were presented to the Systems Executive in December 2022 and the recommendations were accepted. A proposed change programme was presented to Healthier Together Executive in February 2023.</p> <p>Council Officers have been fully engaged in the plans for the use of additional discharge funding and provides data for the DHSC to demonstrate additionality achieved in timely discharges from acute care.</p> <p>Changes introduced have brought significant improvement and the council no longer consider this to be a governance issue.</p>
<b>Governance area – Dedicated schools grant deficit</b>	
<b>Required action:</b> <p>The Council will continue to progress the Safety Valve Agreement with the DfE to return the DSG to financial balance by 2024/25. This will include the next phase of</p>	<b>What we did:</b> <p>Delivery against agreed targets is subject to regular monitoring by DfE, alongside monitoring of performance of SEND services. Details of changes are shared with the Best Start in Life Partnership (Complex Needs and SEND).</p>

<p>rolling out a new banding and top up funding system; increasing local places for SEND pupils, improved commissioning of independent places, increased support for inclusion within mainstream settings and investment in early intervention. Governance arrangements involve Cabinet, the Schools Forum, Senior Officers and parents and carers.</p>	<p>For 2022/23 the DfE confirmed that our performance against the safety valve agreement was good and approved an acceleration of funding to South Gloucestershire Council.</p> <p>Locally our safety valve plan is jointly monitored with the School's Forum and includes regular engagement with the Parent Carers Forum.</p>
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### Opinion on the governance framework

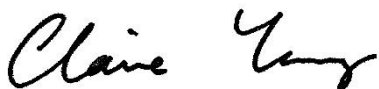
- 6.2 **The review of the effectiveness of the governance framework identifies that the arrangements continue to be fit for purpose and reasonable assurance can be given that the framework is operating adequately in practice. This opinion considers the progress made on governance issues raised in the last AGS.**
- 6.3 The council's governance arrangements are adequate, there are some areas which will require further consideration and monitoring during 2023/24 and these are covered in the action plan in section 7.
- 6.4 No review can provide absolute assurance; this statement is intended to provide reasonable assurance that there is an ongoing process for reviewing the governance framework and its operation in practice.
- 6.5 The Audit and Accounts Committee will have responsibility for ensuring the delivery of the actions needed to improve the council's governance framework.
7. **Action plan: governance areas for 2023/24**
- 7.1 To identify significant governance areas for the council which will need to be addressed in the next financial year (2023/24), the council considers a number of evidence sources, which include:
- 7.2
- Analysis of responses from Service Directors to a short questionnaire which provides a self-assessment of compliance with the Code of Corporate Governance.
  - Attendance of all Senior Managers at a network meeting to collate information on key areas for the Annual Governance Statement.
  - Identification of key governance areas for the council's significant partnerships.
  - A meeting of key officers charged with co-ordinating governance of the council to discuss emerging governance areas (Corporate Governance Working Group).
  - Consideration of risks identified in the Organisation Risk Register.
  - Issues identified through the work of internal audit in 2022/23.
  - Overview and consideration of governance areas by the Strategic Leadership Team.
  - Where appropriate, carrying forward elements of action points from 2022/23 if substantial actions are still needing to be addressed and further monitoring is required.

- 7.3 The governance areas selected for 2023/24 have been informed by the outcome of the review of the effectiveness of governance for 2022/23.

Issue	What issue is to be addressed during 2023/24?	Required action	Service area responsible
1.	Continued improvement in Children's Services and SEND.	To ensure continued improvement of services which will deliver improved outcomes for children and young people and ensure positive outcome from any engagement with OFSTED. To develop effective methods to recruit and retain sufficient staff to ensure continued improvement and delivery of services. This work is supported by the recent Department for Education visit which has lifted the Children's Service Improvement Notice.	People
2.	Partnership governance including ICS, WECA, VCSE etc.	To ensure the council works with strategic partners to deliver key objectives and leverage the benefits of these arrangements for the residents of South Gloucestershire.	All Departments
3.	Dedicated schools grant deficit	The Council will continue to progress the Safety Valve Agreement with the DfE to return the DSG to financial balance by 2024/25. This will include monitoring of the new banding and top up funding system; increasing local places for SEND pupils, improved commissioning of independent places, increased support for inclusion within mainstream settings and investment in early intervention. Governance arrangements involve Cabinet, the Schools Forum, Senior Officers and parents and carers.	People
4.	Strategy on school places	Ensuring sufficient school places across the council area, considering rapidly increasing population in some areas and an excess of school places in other areas. To meet these challenges funding received by the council is limited. Therefore, the council will be developing a long-term strategy to meet these challenges working with our schools to create expanded provision where needed. This strategy will also identify the funding sources needed to meet the expansion plan.	People

**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



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 3<sup>rd</sup> 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.

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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