South Gloucestershire Council

Annual Financial Report

2018/2019

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South Gloucestershire Council

You can obtain additional copies of this report by writing to the Corporate Finance Manager at South Gloucestershire Council, PO Box 1953, Bristol BS37 0DB or by telephoning (01454) 865715

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Audit Certificate

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of South Gloucestershire Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Account and notes to the accounting 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Head of Financial Services is responsible for the other information. The other information comprises the information included in the

Annual Financial Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the statement of accounts in the Annual Financial Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

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

As explained more fully in the Statement of Responsibilities set out on pages 9 to 11, the

Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Financial Services. The Head of Financial Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Head of Financial Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the South Gloucestershire Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alex Walling

Alex Walling, Key Audit Partner for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

9 October 2019

Statement of Responsibilities

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, for the 2018/19 financial year that officer was the Director of Corporate Resources and Deputy Chief Executive. Until 1 May 2019 it was this officer who undertook the role of the Chief Financial Officer. Since 1 May 2019 the Chief Financial Officer responsibility has transferred to the Head of Financial Services;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- 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;

- complied with the local authority Code.

The Chief Financial Officer has also:

- kept proper accounting records which were up to date;

- 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 Regulations 2015, I certify that the Statement of Accounts for 2018/19 give a true and fair view of the financial position of South Gloucestershire Council as at 31 March 2019 and its income and expenditure for the financial year ended 31 March 2019.

Nina Philippidis CPFA
Head of Financial Services

8 October 2019

Approval of the Statement of Accounts

I certify that the Statement of Accounts for the year ended 31 March 2019 was approved by the Audit and Accounts Committee at its meeting on 8 October 2019.

Cllr Chris Wood
Chair of the Audit and Accounts Committee

8 October 2019

2018/19 Statement of Accounts

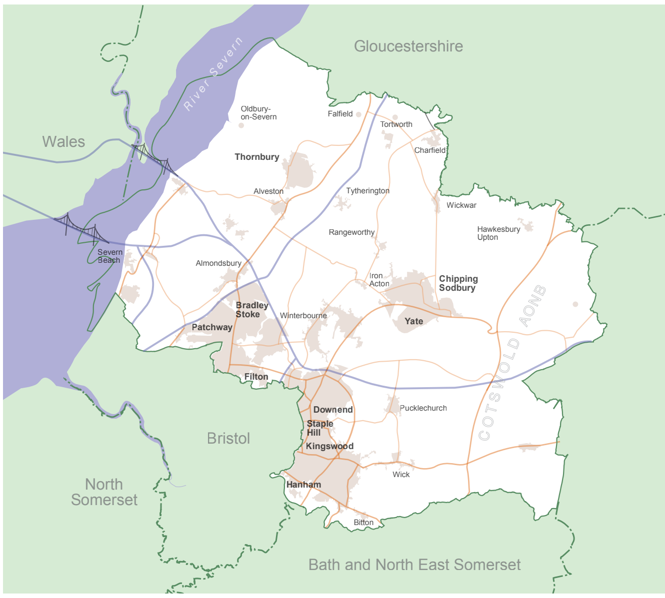
Narrative Report

The report set out below aims to provide the context for the Council's financial statements and to demonstrate how the Council has delivered economical, efficient and effective use of its resources for the 2018/19 financial year.

1. Introduction

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

- Covers 536.6 square km
- Population 279,000
- Median earnings £30,236 pa
- Median house price £260,000
- Population density 5.2 persons per hectare
- 3.3% unemployment rate
- 5.2% of population claiming out of work benefits
- 5% of residents describe themselves as not white British



- 2.1% of 16-17 year olds are not in employment, education or training
- 82.8% of school leavers have 5+ A-C grades at GCSE level

This developing area has seen around 11,600 new homes, 2 new retail centres and a 22% increase in business rate income over the past 10 years. It is often listed as one of the "Top 20" places to live in the UK.

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 discretionary services such as leisure and sports facilities, parks and open spaces. Some of the Council's key achievements during 2018/19 have been:

- Continued working with the West of England Combined Authority as part of devolution arrangements with Government bringing £900m of investment into the region over 30 years.
- Continuing significant infrastructure works to improve local transport routes through the MetroBus project and ongoing investment in the highways network.
- Piloting of the new local government finance system generating additional resources for the council resulting from increased growth in business rates.

- Positive progress in addressing the issues raised as part of the Council's OFSTED inspections.
- Successfully purchasing Bristol & Bath Science Park following a joint bid with University of Bristol. The Science Park provides innovative space for businesses and is an important commercial investment for the organisation in generating additional income to support the council's activities.

Gross Council expenditure on provision of services was £718m in 2018/19 and £681m in 2017/18. Other key resources are the circa 7,000 members of staff (including schools), and the land, buildings and equipment used in day to day service delivery, currently valued at £995m.

2. Aims, Objectives and Achievements

The Council is managed by the Chief Executive and three Corporate Directors. They are accountable to 61 councillors who were elected to South Gloucestershire district ward and parish/town council seats on 2 May 2019, and determine policy and agree spending priorities. The Council's strategic priorities, vision and values are set out in the Council Plan and summarised below:

Our vision

Achieving the best for our residents and their communities, ensuring South Gloucestershire will always be 'a great place to live and work'.

Our Values

- Working together
- Embracing Diversity
- Customer and Community Focused
- Ambitious and Adaptable
- Resourceful
- Helping individuals and our communities determine their own future
- Encouraging Responsible Growth

Our priorities

Improvement priorities for each department are set out in the Council Plan 2016-2020 and summarised below. Progress is reported to Cabinet regularly:

Children, Adults and Health	▪ Higher educational attainment at Key Stage 4 ▪ Reduction of children living in poverty ▪ All looked after children reviews completed within set timescales ▪ Fewer children subject to a second/subsequent child protection plan ▪ Fewer permanent admissions into residential and nursing care
Environment and Communities	▪ Increase availability of affordable homes ▪ Reduce landfill to under 10% of total waste collected ▪ Increase recycling to over 55% by 2020 ▪ Increase business rates income
Corporate Services	▪ Complete superfast broadband roll-out to rural areas ▪ Deliver value for money services ▪ Increase self-service and self-determination of services for residents and businesses ▪ Reduce greenhouse emissions from council facilities and operations

3. Financial Performance

Revenue

The final revenue outturn position for the Council in 2018/19 was as follows:

	Revised budget £m	Year end outturn £m
Children, Adults and Health	128.582	130.331
Environment and Communities	43.478	43.845
Corporate and Central services	38.961	37.078
Corporate allowance (contingency)	4.016	0
TOTAL NET SPENDING	**215.037**	**211.254**

The budget has been carefully managed during the year to achieve this position with the centrally held corporate allowance set aside to meet potential pressures arising in demand led and price sensitive areas remaining intact, as underspends within Corporate and Central services offset the growing pressures across adults and children social care which were also mitigated during the year through careful management and monitoring.

For 2019/20 a core budget of £220.992m has been agreed, with significant additional investment in social care coupled with continued reductions in general revenue support grant (which is due to be phased out completely by 2020/21) and agreed savings plans totalling circa £20m.

Capital

The final capital outturn position for the Council in 2018/19 was as follows:

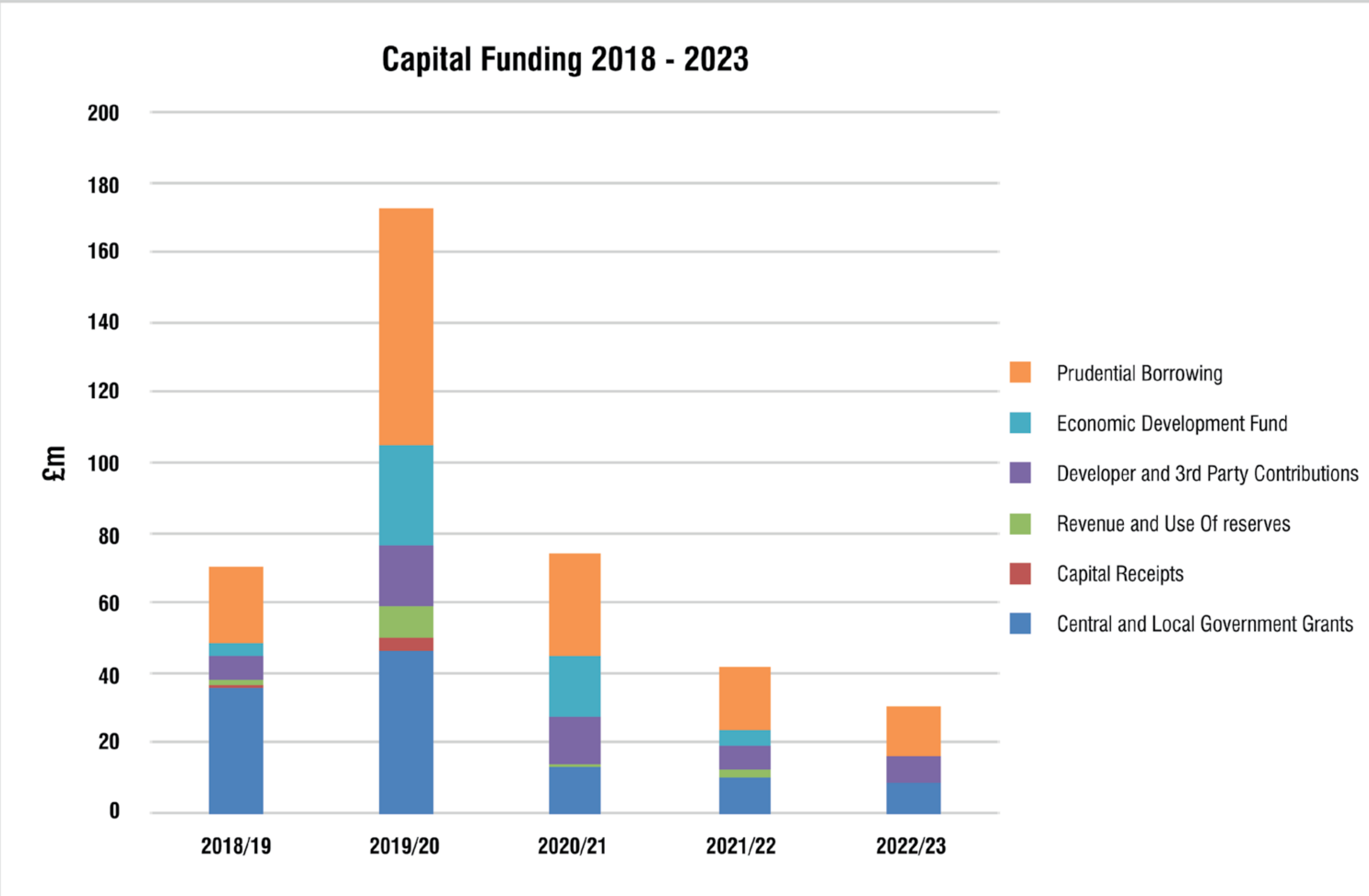
	Revised budget £m	Year end outturn £m	Main reason for under spend
Children, Adults and Health	12.836	10.076	Slippage on a number of schemes currently underway and planned for completion in 19/20.
Environment and Communities	34.776	26.874	Delays to planned expenditure, including on Developer Funded Open Space Works (£1.030); slippage on Highways Maintenance (£2.123m), and Local Highways Maintenance Challenge Fund (£2.051m)
Joint Authority Projects and EDF Funded Schemes	22.032	14.276	Slippage on North Fringe to Hengrove Metrobus Scheme (£0.686m), Metrowest Phase 2 preparatory costs (£1.335m), Cribbs Patchway Metrobus Extension (£4.040m) and Avonmouth / Severnside Flood Mitigation and Ecology (£1.695m).
Corporate and Central Services	81.195	18.919	Delays in Digital Programme (£1.211m), Transformational Change (£1.331m), Bristol and Bath Science Park Grow-On 2 (£1.294m) and no expenditure to date on the Property Investment Fund (£50m).
TOTAL NET SPENDING	**150.839**	**70.145**	

Looking ahead, the Council aims to deliver an ambitious capital programme totalling over £233m over the next four years, with the most significant projects comprising:

- £27m contribution to the MetroBus regional transport initiative
- £50m Property Investment Fund
- Significant investment in schools (£78m)
- Continued investment in highways maintenance (£35m)

Area of Expenditure	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	TOTAL £m
Non-schools investment	3.724	0.295	0.00	0.00	4.019
Schools investment	17.753	32.607	14.997	12.505	77.862
Environment and Communities	34.037	16.260	15.969	11.974	78.240
Corporate Resources	6.832	3.706	4.059	4.745	19.342
EDF schemes and Cribbs Patchway New Neighbourhood (CPNN)	24.391	18.259	7.779	3.398	53.827
TOTAL	**86.737**	**71.127**	**42.804**	**32.622**	**233.290**

At 31 March 2019 the Council had £48m (£43m at 31 March 2018) available to fund capital investment, with further funding expected from government grants, developer contributions and disposal of Council property. Expected funding for capital expenditure is set out below:



Cash Flow Management

The Council has a comprehensive cash flow management system to ensure that:

- surplus cash is invested wisely
- it can always meet its liabilities to third parties as they fall due.

Cash and cash equivalents at 31 March 2019 were £14.1m, which is £23.8m lower than the previous year. This balance is expected to continue to reduce over the next 2 years as the Council's ambitious capital programme is delivered and capital resources are used up.

Balance Sheet Position

The Council continues to maintain a strong balance sheet position:

	At 31 March 2019 £m	At 31 March 2018 £m
Non-current assets – principally land, buildings and equipment used to deliver Council services	954	876
Net current assets – short term investments, debtors, stock and cash less short term creditors and liabilities	6	41
Long term liabilities and provisions (including pensions) see 1 and 2 below	(537)	(476)
Net assets	**423**	**441**
Represented by :		
Usable reserves (see 3 below)	126	113
Unusable reserves	297	328

(1a) The Council's largest balance sheet liability is represented by £388m for pension liabilities. In 2017/18 following the triennial revaluation, the Council made a one-off single payment to reduce the actuarial deficit at the start of the next three years, achieving a net saving of £1.163m.

(1b) Long-term borrowing totalled £122m at 31 March 2019 – mostly these are PWLB loans taken out on a preferential basis over 25 to 50 years on an interest only basis with the option of 100% rollover on maturity. The Council has future commitments of £7.5m in respect of PFI schemes. It is also liable for a share of the residual debt of the former Avon County Council administered by Bristol City Council. The Council's share of this debt at 31 March 2019 was £15.6m.

(2) The Council has a number of liabilities at the year-end for which it has made provision, the most significant of which are: the provision for business rating appeals for which £18.3m (£19.7m at 31 March 2018) has been set aside and the provision for future liabilities associated with the closed landfill site at Harnhill of £2.56m (£2.60m at 31 March 2018). In addition the Council has a number of guarantees in respect of pensions in relation to staff who have transferred to other organisations which have not been provided for because the likelihood of them crystallising within the next 12 months is considered very remote.

(3) Usable reserves are currently split equally between those earmarked for capital investment and those allocated to revenue support and service development. Usable reserves also include £5.2m held on behalf of schools and £8.7m working balances to cover short term cash flow fluctuations, budget overspends and other unforeseen contingencies. These balances currently represent 4% of total net spending, the Council aims to retain them at 5% (around £10.9m).

4. Financial Management and Identifying Risks

The Council approves 4 key documents before the start of each financial year:

- a capital strategy and a 4 year capital programme – prioritises bids for capital investment and sets out expected funding. Closely linked to this is a 10 year asset management plan setting out how assets are to be maintained and utilised and identifying surplus assets for disposal;
- a treasury management strategy – sets out expected borrowing needs, expected investment income and set aside arrangements to repay existing borrowing;
- a 10 year Medium Term Financial Plan;
- an annual revenue budget.

These are continually updated with the annual capital and revenue budgets formally reviewed on a quarterly basis. A number of key financial indicators, known as "Prudential Indicators" are also monitored and reported to members.

One important part of financial planning is to determine council tax levels each year. Following the raising of the referendum limit by Government for 2018/19, council tax was increased by 5.99% consisting of a 2.99% general increase plus 3% social care precept. For 2019/20, council tax was increased by 2.99% with no increase to the social care precept. Subject to consultation outcomes, further increases have been built into the medium term financial plan for 2021/22 to 2023/24.

Like all local authorities, South Gloucestershire has had to make significant financial savings since the 2010 Spending Review. During the last eight years, to the end of 2018/19, the council has reduced annual spending by more than £80.7m through a range of efficiency measures. The current savings programme is planned to deliver a further £19.8m by 2021/22 leaving a core deficit of circa £9.6m per annum thereafter.

Residents' preference continues to be for savings to be delivered by being more efficient in the use of land and buildings, better use of technology, and working with other public bodies. There is less support for reducing the quality of services, transferring staff to the private sector or for scaling back or stopping services. The 2019/20 budget included details of Transformation and Savings Programme to deliver the necessary savings whilst taking into consideration residents' responses.

Risk Management

The Council's Risk and Opportunity Management framework establishes a clear and consistent process for identifying, assessing, managing, controlling, reviewing and reporting risks.

Currently no Council activities have been identified as high risk after mitigating actions. The six risks listed below have been identified as medium due to their potential impact. All of these risks are being proactively managed.

1. Safeguarding the financial position of the Council
2. Successfully integrating Health and Social Care
3. Managing higher expectations and competing demand for services
4. Maintaining security of data and preventing data breaches
5. Maintaining the local plan and delivery of housing supply targets
6. Managing business continuity and emergency planning

No events have occurred since the year-end which would have a significant impact on the Council's finances. On 23 March 2017 the Government triggered Article 50, the formal mechanism to facilitate the UK leaving the EU by March 2019. On 11 April 2019, an extension until 31 October 2019 was negotiated to allow for the ratification of the withdrawal agreement. Whilst the outcome remains unknown the impact on the region and the local authority is being monitored through regular reports to members as well as engagement regionally and with central government.

5. Looking Ahead

The Council became part of the West of England Business Rates Retention Pilot in 2017/18 and this continues into 2019/20. The Pilot continues to be of financial benefit to the Council on a one-off basis assisting in supporting the Council's budget deficit as it progresses the delivery of necessary permanent savings. However, Local Government funding from 2020/21 is a significant area of uncertainty with the forthcoming Fair Funding Review, changes to the Business Rates Retention System, and national funding of social care amongst other matters creating risk within current financial plans. The onus will continue to be on the Council itself to meet pressures such as rising costs and increased demands for services from efficiency savings, fees and charges and planned use of balances and reserves.

We carry out annual surveys to find out what residents think about the Council and this helps to shape our priorities and spending plans for the future. 2018 survey results are summarised below:

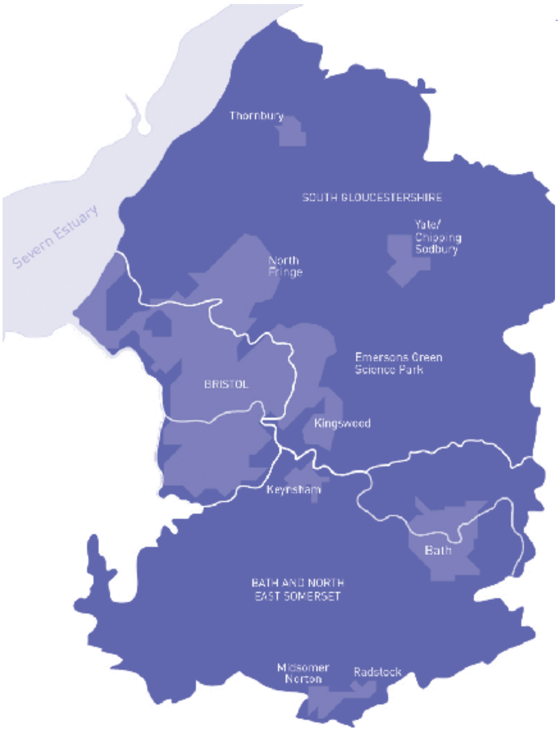
Overall how satisfied are you with South Gloucestershire as a place to live?	**83% satisfied**
Which services are you most satisfied with?	**Parks and open spaces, libraries, sport and leisure facilities.**
Which services are you least satisfied with?	**Highways and roads, and planning.**
How satisfied are you with the way the Council is run?	**61% satisfied**
Do you think the Council offers good value for money?	**42% said yes**
Does the Council keep you well informed?	**41% said yes**

Having taken these responses into account, the Council continues to invest significant funding into the maintenance of its highways and roads with this being a priority of the 2019/20 budget, along with substantial investment in schools, adult social care and children's social services. A key element of the digital change strategy is aimed at improving interaction with residents through the website and on-line engagement so that residents can obtain a better understanding of how the Council operates, and make their feelings known.

Devolution

The West of England Combined Authority (WECA) has made progress during 2018/19 against its key deliverables for skills, business support and infrastructure under the operating framework agreed in June 2018 by WECA and the Joint Committee, the decision-making body for issues relating to WECA, Bath & North East Somerset, Bristol City, North Somerset and South Gloucestershire councils, and the West of England Local Enterprise Partnership (LEP).

"This agreement is directed at building upon the area's successful local economy, to increase its contribution the national economy and to increase the prosperity local residents." (West of England Devolution agreement 2016)



6. Statement of Accounts 2018/19

The Statement of Accounts which follow set out the Council's income and expenditure for the year, and its financial position at 31 March 2019. The format and content of the statements is prescribed by CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. This is based on International Financial Reporting Standards adapted for use in a public sector context. The Statement of Accounts comprises:

Comprehensive Income and Expenditure Statement (CIES)	This shows the net cost of providing services when calculated in line with generally accepted accounting practice. The Expenditure and Funding Analysis (Note 7) compares the CIES with levels of income and expenditure which are taken into account when setting the annual budget and council tax, since certain amounts are disregarded by statute. Note 8 also provides a subjective analysis of the CIES.
Balance Sheet	The Balance Sheet shows the Council's assets and liabilities at the year end. Net assets are matched by reserves which may be "usable" or "unusable", see below.
Movement in Reserves Statement	This shows the movements in reserves during the year, analysed into the different funds held by the Council and classified as either "usable" reserves, which can be used to fund future expenditure, or "unusable reserves" which are maintained to meet specific statutory responsibilities.
Cash Flow Statement	Shows how the Council generates and uses cash and cash equivalents, and explains the reasons for changes in cash balances during the year.
Collection Fund	This account demonstrates how income raised from local taxpayers has been re-distributed to the Council and to other precepting authorities for the provision of services.
Statement of Accounting Policies	Sets out the accounting policies that have been followed in preparing the accounts and how Code requirements have been met in practice.
Disclosure Notes	These provide more detail about individual transactions and balances.

Policies and estimations of particular significance are:	
Accounting for schools' assets	All land and buildings occupied by community schools, voluntary aided and voluntary controlled schools which are legally owned by the Council are included in its balance sheet.
Fair Value measurements	Surplus assets, investment properties and long term investments are included in the balance sheet at their current market value.
PFI contract	The Council's waste management contract with Suez Recycling and Recovery UK Ltd is accounted for as a service concession.
City Region Deal	The Council administers the Business Rates Pool for the City Region Deal and applies IPSAS 23 to this arrangement.
Property, Plant and Equipment (PPE)	PPE is valued on a 5 year rolling programme by RICS qualified employees in line with CIPFA Code and "red book" requirements.
Depreciation rates	Land and infrastructure are not depreciated. Depreciation is charged on other assets on a straight line basis as follows: Buildings – up to 60 years depending on condition of the asset Vehicles, Plant, and equipment - 3 to 10 years
Rating appeals	Provision is made for the cost of future rating appeals based on the number, value and success rates of appeals made to date and an estimate of appeals not yet lodged arising from the 2017 ratings list.
Pension liabilities	Various assumptions are made by actuaries when calculating this liability concerning discount rates, wage/price increases and pensioner longevity.

7. Annual Governance Statement

The Council is required by statute to provide an Annual Governance Statement: a formal statement that covers all significant corporate systems, processing and controls, spanning the whole range of its activities. It is approved by the Audit and Accounts Committee and signed by the Council's Chief Executive and the Leader of the Council.

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

Nina Philippidis CPFA
Head of Financial Services

8 October 2019

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.

2017/18 Restated				2018/19			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Note
£'000	£'000	£'000		£'000	£'000	£'000	
350,078	(207,944)	**142,134**	Children, Adults and Health	366,989	(208,267)	**158,722**	
131,382	(70,553)	**60,829**	Environment and Communities	125,199	(56,528)	**68,671**	
121,182	(86,355)	**34,827**	Corporate and Central Services	122,352	(82,581)	**39,771**	
602,642	**(364,852)**	**237,790**	**Cost of Services**	**614,540**	**(347,376)**	**267,164**	
10,942	(1,191)	**9,751**	**Other operating expenditure**	31,279	(3,853)	**27,426**	11
14,483	(1,170)	**13,313**	**Financing and investment income and expenditure**	15,662	(1,939)	**13,723**	12
65,166	(322,094)	**(256,928)**	**Taxation and non-specific grant income**	75,469	(342,598)	**(267,129)**	13
		3,926	**(Surplus)/Deficit on Provision of Services**			**41,185**	
		(41,472)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment			**(63,234)**	22
		238	Impairment losses on non-current assets charged to the Revaluation Reserve			**106**	22
		9	(Surplus)/Deficit on revaluation of available for sale financial assets			**0**	22
		(36,327)	Re-measurement of the net defined benefit liability			**38,573**	22
		(77,552)	**Other Comprehensive Income and Expenditure**			**(24,555)**	
		(73,626)	**Total Comprehensive Income and Expenditure**			**16,630**	

In previous years, infrastructure assets were not depreciated. To ensure full compliance with ‘the code’, 2017/18 accounts have been restated whereby infrastructure assets are depreciated to establish accumulated depreciation brought forward at 1 April 2017 (£74,941k). The associated in year depreciation for infrastructure assets was £12,156k in 2017/18. The result of this restatement is an increase in the depreciation charge in 2017/18, as presented in the CIES above. The adjustment increases the gross expenditure figures above for Environment and Communities (£12,151k) and Corporate and Central Services (£5k). These adjusted amounts are based on a detailed analysis of the nature and age profile of the council’s infrastructure assets. The result of this restatement is an increase in the depreciation charge in year, also impacts the Cash Flow Statement and disclosure notes 7, 8, 9, 14 and 23. The reduction in the net book value of infrastructure assets is presented in the Balance Sheet, with a corresponding reduction in unusable reserves (Capital Adjustment Account) as presented in Note 22.

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 statutory General Fund Balance movements in the year following these adjustments.

	General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
2018/19	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2018	**(69,219)**	**(6,727)**	**(36,746)**	**(112,692)**	**(327,585)**	**(440,277)**
Transition to IFRS 9 and IFRS 15	**27**	0	0	**27**	0	**27**
Opening Balance 01 April 2018	**(69,192)**	(6,727)	(36,746)	**(112,665)**	(327,585)	**(440,250)**
Movement in reserves in 2018/19						
(Surplus) / deficit on the provision of services	**41,185**	0	0	**41,185**	0	**41,185**
Other comprehensive income and expenditure	0	0	0	0	(24,555)	**(24,555)**
Total comprehensive income and expenditure	**41,185**	**0**	**0**	**41,185**	**(24,555)**	**16,630**
Adjustments between accounting basis and funding basis under regulations (Note 9)	**(50,483)**	(2,670)	(1,803)	**(54,956)**	54,956	**0**
Net (increase)/ decrease before transfers to Earmarked Reserves	**(9,298)**	**(2,670)**	**(1,803)**	**(13,771)**	**30,401**	**16,630**
Transfers (to)/from Earmarked Reserves (Note 10)	**(12)**	0	12	**0**	0	**0**
(Increase)/ Decrease in 2018/19	**(9,310)**	**(2,670)**	**(1,791)**	**(13,771)**	**30,401**	**16,630**
Balance at 31 March 2019 carried forward	**(78,502)**	**(9,397)**	**(38,538)**	**(126,436)**	**(297,185)**	**(423,621)**

	General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
2017/18 Restated						
Balance as at 31 March 2017	**(83,928)**	**(2,106)**	**(26,347)**	**(112,381)**	**(329,211)**	**(441,592)**
Prior Year Adjustment	**0**	**0**	**0**	**0**	**74,941**	**74,941**
Restated Opening Balance 01 April 2017	**(83,928)**	**(2,106)**	**(26,347)**	**(112,381)**	**(254,270)**	**(366,651)**
Movement in reserves in 2017/18						
(Surplus)/Deficit on the provision of services	**3,926**	0	0	**3,926**	0	**3,926**
Other comprehensive income and expenditure	0	0	0	0	(77,552)	**(77,552)**
Total comprehensive income and expenditure	**3,926**	**0**	**0**	**3,926**	**(77,552)**	**(73,626)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	**10,783**	(4,621)	(10,399)	**(4,237)**	4,237	**0**
Net (increase)/ decrease before transfers to Earmarked Reserves	**14,709**	**(4,621)**	**(10,399)**	**(311)**	**(73,315)**	**(73,626)**
Transfers to/from Earmarked Reserves (Note 10)	**0**	0	0	**0**	0	**0**
(Increase)/ Decrease in 2017/18	**14,709**	**(4,621)**	**(10,399)**	**(311)**	**(73,315)**	**(73,626)**
Balance at 31 March 2018 carried forward	**(69,219)**	**(6,727)**	**(36,746)**	**(112,692)**	**(327,585)**	**(440,277)**

In previous years, infrastructure assets were not depreciated. To ensure full compliance with 'the code', 2017/18 accounts have been restated whereby infrastructure assets are depreciated to establish accumulated depreciation brought forward at 1 April 2017 (£74,941k), which is shown in the prior period adjustment to the unusable reserves opening balance above. The associated in year depreciation for infrastructure assets was £12,156k in 2017/18, which increased the deficit on the provision of services. Consequently, the General Fund Reserves and Unusable Reserves had the same equal and opposite adjustment on the adjustments between accounting basis and funding basis under statutory provisions line above, which is also reflected in Note 8.

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 'Adjustment between accounting basis and funding basis under statutory provisions'.

01 April 2017 Restated £'000	31 March 2018 Restated £'000		31 March 2019 £'000	Note
797,477	854,992	Property, Plant and Equipment	895,264	14
621	493	Heritage Assets	493	
5,073	5,351	Investment Property	18,556	17
900	1,290	Intangible Assets	1,702	
15,323	7,115	Assets Held for Sale	945	17
7,719	4,709	Long term Investments	34,338	15
1,442	1,804	Long Term Debtors	2,884	
828,555	**875,754**	**Long Term Assets**	**954,182**	
67,394	77,877	Short Term Investments	72,463	15
613	654	Inventories	660	
33,508	36,588	Short Term Debtors	33,790	19
46,649	37,909	Cash and Cash Equivalents	14,094	16
148,164	**153,028**	**Current Assets**	**121,007**	
(1,627)	(1,668)	Short Term Borrowing	(1,663)	
(12,609)	(22,864)	Current Provisions	(20,745)	20
(86,755)	(87,686)	Short Term Creditors	(92,470)	18
(100,991)	**(112,218)**	**Current Liabilities**	**(114,878)**	
(2,871)	(2,531)	Provisions	(2,425)	20
(122,683)	(122,235)	Long Term Borrowing	(121,788)	15
(383,520)	(351,521)	Other Long Term Liabilities	(412,477)	21
(509,074)	**(476,287)**	**Long Term Liabilities**	**(536,690)**	
366,654	**440,277**	**Net Assets**	**423,621**	
(112,384)	(112,692)	Usable Reserves	(126,436)	
(254,270)	(327,585)	Unusable Reserves	(297,185)	22
(366,654)	**(440,277)**	**Total Reserves**	**(423,621)**	

In previous years, infrastructure assets were not depreciated. To ensure full compliance with 'the code', 2017/18 accounts have been restated whereby infrastructure assets are depreciated to establish accumulated depreciation brought forward at 1 April 2017 (£74,941k). The associated in year depreciation for infrastructure assets was £12,156k in 2017/18. These adjusted amounts are based on a detailed analysis of the nature and age profile of the council's infrastructure assets. The result of this prior period adjustment is a restated balance sheet as at 1 April 2017 to include the reduction in net book value of infrastructure assets of £74,941k in Plant, Property and Equipment and an equal and opposite reduction in the value of Unusable Reserves. The balance sheet as at 31 March 2018 includes a decrease in the value of Property, Plant and Equipment of £12,156k and an equal and opposite reduction in Unusable Reserves due to the restated in-year depreciation.

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.

2017/18 Restated £'000		**2018/19 £'000**	**Note**
3,926	Net (surplus) / deficit on the provision of services	41,185	
(56,237)	Adjustments to the net deficit on the provision of services for non-cash movements	(89,497)	23
55,528	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	41,211	23
3,217	**Net cash flows from Operating Activities**	**(7,101)**	
4,119	Investing activities	29,451	24
1,404	Financing activities	1,465	25
8,740	**Net (increase)/decrease in cash and cash equivalents**	**23,815**	
46,649	Cash and cash equivalents at the beginning of the reporting period	37,909	
37,909	**Cash and cash equivalents at the end of the reporting period**	**14,094**	**16**

In previous years, infrastructure assets were not depreciated. To ensure full compliance with the code, 2017/18 accounts have been restated whereby infrastructure assets are depreciated. The associated 2017/18 depreciation for infrastructure assets was £12,156k. These adjusted amounts are based on a detailed analysis of the nature and age profile of the councils infrastructure assets. The result of this restatement is an increase in the depreciation charge in year, impacting the net deficit on the provision of services by £12,156k and consequently the adjustments to the net deficit on the provision of services for non-cash movements by £12,156k, detailed in the Cash Flow Statement above.

Notes to the Accounting Statements

1. Accounting policies

i. General principles

The Statement of Accounts summarises the Council's financial transactions for 2018/19 and its position at 31 March 2019. The Accounts and Audit Regulations 2015 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 2018/19, 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 in which it takes place, which may not be the same year in which cash payments are made or received.

The Council adopted IFRS 15: Revenue Recognition from Contracts with Customers from 1st April 2018, such that 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. The Council has made use of the transitional provisions to not restate the prior year's financial statements and therefore prior year comparatives are produced under the previous accounting standard, IAS 18: Revenue. The main change is that revenue recognition is now based on the transfer of control over goods and services to a customer rather than risks and rewards, which may result in changes to the pattern of revenue recognition. In local government, the generation of revenues from charges to service recipients is only a minor funding stream and contracts with customers tend to be accounted for and delivered within each financial year.

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

Government grants and third party contributions are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and that the grants or contributions will be received. Where conditions attached to grants or contributions have not been satisfied, monies received to date are carried in the Balance Sheet as creditors and credited to the CIES when the conditions are satisfied. Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Supplies are recorded as expenditure when they are consumed. If there is a gap between the date supplies are received and their consumption, they are carried as inventories in the Balance Sheet. Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable on notice of not more than 24 hours demand without material penalty. Cash equivalents are highly liquid investments that mature in no more than three days or less and that are readily convertible to known amounts of cash with low risk of change in value.

Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management strategy.

iv. City Region Deal

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

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

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

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

v. Collection Fund

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

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

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

vi. Employee benefits

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

Termination Benefits

When the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis to the respective Service line in the Comprehensive Income and Expenditure Statement.

Post-Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the Avon Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and forecasts of projected earnings for current employees).

- The assets of the Avon Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.

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

- Service Cost: the increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked. Past service costs is a change to the defined benefit obligation resulting from a plan amendment or curtailment. The Council's accounts also recognise a gain or loss on settlement when the settlement occurs. The settlement is deemed to occur when the authority enters into a transaction which eliminates all further obligations for part or all of the benefits provided under the LGPS defined benefit plan.

- Net interest on the net defined benefit liability: the expected increase in the present value of liabilities during the year as they move one year closer to being paid offset by the interest on assets which is the interest on assets held at the start of the year and cash flows occurring during the period. The result is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Remeasurements: these comprise the return on plan assets excluding amounts included in net interest and actuarial gains and losses. The latter is the changes in the net pension liability which arise because actuaries have updated their assumptions. These are charged to the Comprehensive Income and Expenditure Statement as Other Comprehensive Income and Expenditure.

- Contributions paid to the Avon Pension Fund: cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Early Payment of Local Government Pension Scheme Deficit Contributions

In 2017/18 the Council made an advance payment of its LGPS deficit contribution which would otherwise not have been due for payment until 2017/18, 2018/19 and 2019/20 respectively. In so doing the Council obtained a discount on the amount payable.

The deficit payments due for each year (discount applied) were as follows:	
2017–18	£5,564,133
2018–19	£5,770,003
2019–20	£5,983,464
Total	**£17,317,600**

The Pension Liability at 31 March 2018 was reduced by the total £17,317,000, and the full amount was reflected in the actuarial valuation at 31 March 2018.

To the General Fund we have charged in 2017/18 the 2017/18 deficit (£5,564,133), and in 2018/19 the 2018/19 deficit (£5,770,003). The 2019/20 deficit (£5,983,464) will be charged to the General Fund in 2019-20, but in the meantime it has been credited to the Pension Reserve.

The result of this accounting treatment is that the Pension Liability and the Pension Reserve will not be aligned until the close of 2019/20, by which time the total contribution will have been charged to the General Fund.

Discretionary Benefits

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

vii. Financial instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The accounting policies set out below are those required by IFRS 9. The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements and therefore prior year comparatives are produced under the previous accounting standard IAS 39 Financial Instruments: Recognition and Measurement. The main changes include the reclassification and remeasurement of financial assets so that they now reflect the Council's business model for holding the assets and their cashflow characteristics; and the earlier recognition of the impairment of financial assets under the Expected Credit Loss model. The effects of these changes arising from the transition are set out in Note 15 Financial Instruments.

Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at amortised cost. For the Council's borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest. Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Regulations allow for the impact of premiums and discounts arising on early redemption of borrowings that were charged to the Comprehensive Income and Expenditure Statement in previous years, to be spread over future years. For debt-restructuring exercises the Council has a policy of spreading the gain or loss over the term remaining on the loan against which the premium or discount arises. Premiums and discounts on early redemptions of single loans may be written off in the year they arise if immaterial. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustments Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow 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:

- amortised cost.
- fair value through profit or loss (FVPL)

Financial assets at amortised cost are initially measured at fair value, and subsequently at amortised cost. For the Council this means that the amount presented in the Balance Sheet is 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 based on measurement techniques categorised as follows:

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

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

viii. Leases

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

Council as lessee

Finance leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying value of the asset. Premiums paid on entry into the lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Property, plant and equipment held under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership does not transfer to the Council at the end of the lease period).

Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the relevant service benefitting from the use of the leased property, plant and equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

Council as lessor

Operating lease

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

Finance Leases

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

ix. Overheads and Support services

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

x. Property, plant and equipment

Recognition

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

Measurement

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

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

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

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

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

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value and, as a minimum, every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

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

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

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

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

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

- buildings – straight line allocation over the useful life of the property as estimated by a qualified valuer.

- vehicles, plant and equipment – on a straight-line basis over the life of the asset, as advised by a suitably qualified officer.

- Infrastructure on a straight-line basis as follows (unless otherwise advised by a suitably qualified officer):

  - Carriageways 17 years

  - Footways and cycleways 30 years

  - Structures (e.g. bridges) 50 years

  - Lighting 40 years

  - Traffic management and street furniture 20 years

Where an asset is material and has major components whose cost is significant to the total cost ofthe item and have markedly different useful lives, the components are depreciated separately.

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

xi. Non-current Assets Held for Sale

Property assets where a disposal is highly probable within the next 12 months and the asset is available for sale in its present condition are classified as assets held for sale. Management must be committed to the sale within one year from the date of classification. Depreciation is not charged on assets held for sale.

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

Receipts from disposals in excess of £10,000 are categorised as capital receipts. The net loss or gain on disposal is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

xii.Investment Properties

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

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

xiii.Provisions

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

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

xiv. Usable Reserves

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

xv. Revenue Expenditure Funded by Capital Under Statute

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

xvi. Schools

The Council oversees a range of maintained schools: Community schools, Voluntary Aided and Voluntary Controlled schools. The Council has determined that the balance of control for all maintained schools lies within the local authority, therefore these schools' assets, liabilities, reserves and cash flows are recognised in the financial statements of the Council (see 3(b) below).

xvii. Service Concessions (Private Finance Initiative or PFI)

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

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

- Fair value of services received: debited to the relevant service in the Comprehensive Income and Expenditure statement.
- Finance cost: an interest charge on the outstanding liability is debited to interest payable in the Comprehensive Income and Expenditure Statement.
- Contingent rent: this represents increases in the amount to be paid for the property arising during the contract, debited to interest payable in the Comprehensive Income and Expenditure Statement.
- Payment towards liability: this is applied to write down the Balance Sheet liability towards the

PFI operator.

- Life cycle replacement costs: these are recognised as fixed assets on the Balance Sheet.

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

xviii. Value Added Tax (VAT)

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

xix. Value measurement

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

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

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

xx. Former Avon County Council Debt

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

xxi. Past Period Adjustments

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 adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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 by the Code.

Amendments to IAS 40 Investment Property: Transfers of Investment Property

This will provide further explanation of the instances in which a property can be reclassified as an investment property. As the Council already complies, this will not significantly impact future accounting treatment.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

This clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. As the Council does not have any material foreign currency investments, this will have little or no impact to future accounting treatment.

IFRIC 23 Uncertainty over Income Tax Treatments

This provides additional guidance on income tax treatment where there is uncertainty. The Council is not expected to be impacted by this.

Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

This amends IFRS 9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council does not expect to have any loans to which this would apply.

3. Critical judgements in applying accounting policies

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

(a) Waste PFI contract

The Authority is deemed to control the services created under the integrated waste management contract with Suez. The accounting policies for service concession arrangements (formerly known as PFI schemes and similar contracts) have been applied to these contracts and assets (valued at £13.2m) and they are recognised as Property, Plant and Equipment on the Authority's Balance Sheet. The Council is deemed to control the residual value of the assets, as the contract provides for the return of these assets at the end of the contract period.

(b) Schools

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

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

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

(c) City Region Deal

The Council has determined that transactions occurring in respect of the City Region Deal arrangement arise from non-exchange transactions (the collection of Non-Domestic Rates by the Authority) and so IPSAS 23 may be applied in accounting for them. The Council acts as an agent of the Business Rates Pool (BRP) for the City Region Deal, and so accounts for cash held on behalf of the pool on its Balance Sheet, with associated creditor balances (see also Note 43).

(d) Better Care Fund

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

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

The Integrated Community Equipment Service and the joint funded Individual Care Packages are jointly controlled and each body records its share of the relevant costs. Further information is given in Note 27.

(e) Infrastructure assets

As outlined in the Accounting Policies, infrastructure assets are not depreciated. The Council has assessed that its infrastructure assets have a residual value in excess of their carrying amount.

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

The items on the Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment due to estimation or assumptions are set out below:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment depreciation	Asset depreciation charges are determined by their useful lives, and the level of repairs and maintenance expenditure.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated the annual depreciation charge for Property, Plant and Equipment assets would increase by £1.1m for every year's reduction in the average useful lives.
Pension Liability	Estimating the net liability for future pensions depends on a range of judgements, notably the discount rate, rate of salary increases, mortality rates and the expected return on pension fund assets.	Relatively small changes in specific assumptions would have a marked impact on the LGPS pension liability. For instance a 0.1% increase in the discount rate would lead to a decrease of £19.2m in the pension liability. Whereas a 0.1% increase in the inflation assumption would result in a £19.5m increase in the pension liability and an addition to the life expectancy assumption by one year leads to a £20.1m increase in the pension liability.
Business ratepayer appeals	Business ratepayers may lodge appeals against the rateable value given to their properties on the current and previous ratings list. The Council makes a provision for this, estimated as the expenditure required to settle outstanding appeals based on the likely outcome of those appeals.	The provision required to settle any obligation arising from Business Ratepayer appeals is sensitive to any movement in our assumption of the risk attendant on those appeals. If appeals are settled with a success rate better than the 4.7% of net rates payable assumed for the 2017 rating list, then the cost of settling the resulting liability would be greater than that for which we have made provision. For example, a success rate of 5.0% of net rates payable would require an additional £1m in settlement of the resulting liability.
Fair Value measurement of Investment Property	The Council's internal valuers use income-based valuation techniques, taking into account market conditions, to determine the fair value of investment property. If market conditions change significantly, there is likely to be a corresponding increase or reduction in investment property values.	Estimated fair values may vary from the actual prices that could be achieved in an arm's length transaction at the reporting date. If the value of the Councils Investment Property was to reduce by 10%, this would result in a £1.9m reduction to the value of long term assets and a corresponding reduction to Unusable Reserves in the Balance Sheet.

5. Material items of income and expense

The Council paid Suez Recycling and Recovery UK Ltd £18.5m (£18.4m in 2017/18) for waste collection and disposal services provided by under a service concession contract (see Note 36 for more details).

6. Events after the Balance Sheet date

The Statement of Accounts was certified by the Chief Finance Officer as true and fair on 30 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes.

2018/19 Expenditure and Funding Analysis (£'000)

	Outturn Reported to Council	Non-statutory Adjustments (1)	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes (2)	Net Change for Pensions Adjustments (3)	Other Differences (4)	Total Adjustments between Funding and Accounting Basis	Net Expenditure in CIES
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Children, Adults and Health	130,331	(6,289)	124,042	27,155	5,865	1,660	34,680	158,722
Environment and Community	43,845	(1,823)	42,022	23,443	3,199	7	26,649	68,671
Corporate and Central Services	37,078	(24,287)	12,791	25,935	1,040	5	26,980	39,771
Net Cost of Services	**211,254**	**(32,399)**	**178,855**	**76,533**	**10,104**	**1,672**	**88,309**	**267,164**
Other Income and Expenditure	(215,037)	26,884	(188,153)	(44,067)	8,610	(2,369)	(37,826)	(225,979)
(Surplus) or Deficit on Provision of Services	**(3,783)**	**(5,515)**	**(9,298)**	**32,466**	**18,714**	**(697)**	**50,483**	**41,185**
Opening General Fund Balance			(69,219)					
Transition to IFRS 9			27					
Less/Add reclassification of Capital Reserves			(12)					
Less/Add movements on Earmarked Reserves			(9,298)					
Closing General Fund Balance			**(78,502)**					

2017/18 Restated Expenditure and Funding Analysis (£'000)

	Outturn Reported to Council	Non-statutory Adjustments (1)	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes (2)	Net Change for Pensions Adjustments (3)	Other Differences (4)	Total Adjustments between Funding and Accounting Basis	Net Expenditure in CIES
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Children, Adults and Health	120,256	(131)	120,125	19,511	3,659	(1,161)	22,009	142,134
Environment and Community	43,659	16,638	60,297	(1,678)	2,189	21	532	60,829
Corporate and Central Services	30,012	(2,847)	27,165	4,540	3,135	(13)	7,662	34,827
Net Cost of Services	**193,927**	**13,660**	**207,587**	**22,373**	**8,983**	**(1,153)**	**30,203**	**237,790**
Other Income and Expenditure	(197,029)	4,151	(192,878)	(42,146)	8,675	(7,515)	(40,986)	(233,864)
(Surplus) or Deficit on Provision of Services	**(3,102)**	**17,811**	**14,709**	**(19,773)**	**17,658**	**(8,668)**	**(10,783)**	**3,926**
Opening General Fund Balance			(83,928)					
Less/Add movements on Earmarked Reserves			14,709					
Closing General Fund Balance			**(69,219)**					

In previous years, infrastructure assets were not depreciated. To ensure full compliance with 'the code', 2017/18 accounts have been restated. The associated in year depreciation for infrastructure assets was £12,156k in 2017/18. The result of this restatement is a prior period adjustment to increase the depreciation charge in 2017/18, as presented in the Note 7 above. The adjustment increases the Adjustments for Capital Purposes values above for Environment and Communities (£12,151k) and Corporate and Central Services (£5k).

Net Change for Non-Statutory Adjustments (1)

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

Net Change for Capital Adjustments (2)

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

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

Net Change for the Pension Adjustments (3)

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

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

Other Differences (4)

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

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

8. Expenditure and income analysed by nature

2017/18 Restated		2018/19
£'000		**£'000**
	Expenditure	
173,207	Employee benefits expenses	174,662
13,547	Employee related expenses	24,946
311,149	Other services expenses	305,350
56,935	Transfer payments	56,257
45,990	Depreciation, impairment and REFCUS	65,236
14,757	Interest payments	14,667
75,623	Precepts and levies	75,469
2,024	Loss on the disposal of assets	20,363
693,232	**Total expenditure**	**736,950**
	Income	
(152,015)	Fees, charges and other service income	(133,538)
(1,444)	Interest and investment income	(1,559)
(261,825)	Income from council tax and non-domestic rates	(278,903)
(231,877)	Government grants and contributions	(237,698)
(42,146)	Capital grants and contributions	(44,067)
(689,307)	**Total income**	**(695,765)**
3,925	**(Surplus) or Deficit on the Provision of Services**	**41,185**

In previous years, infrastructure assets were not depreciated. To ensure full compliance with 'the code', 2017/18 accounts have been restated. The associated in year depreciation for infrastructure assets was £12,156k in 2017/18. The result of this restatement is a prior period adjustment to increase the depreciation charge in 2017/18, as presented in the Note 8 above. The adjustment increases the Depreciation, Impairment and REFCUS value above by £12,156k.

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.

Adjustments between Accounting Basis and Funding Basis under Regulations

2017/18 Restated					2018/19			
General Fund	Capital Receipts	Capital Grants and Contributions	TOTAL Unusable Reserves		General Fund	Capital Receipts	Capital Grants and Contributions	TOTAL Unusable Reserves
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Adjustments to Revenue Resources								
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:								
(38,996)	0	0	38,996	Reversal Pensions costs debited to CIES	(41,177)	0	0	41,177
21,338	0	0	(21,338)	Employers Pensions contributions Payable	22,463	0	0	(22,463)
150	0	0	(150)	Finance costs charged to CIES differ from those chargeable by statute	119	0	0	(119)
0	0	0	0	Financial instruments (transferred to the Pooled Fund Adjustment Account)	(372)	0	0	372
7,365	0	0	(7,365)	Council tax and non-domestic rates (transfers to or from Collection Fund Adjustment Account)	2,251	0	0	(2,251)
1,153	0	0	(1,153)	Reversal of effect of holiday pay accrual	(1,300)	0	0	1,300
(6,154)	0	0	6,154	Revenue expenditure funded from capital under statute (REFCUS)	(16,540)	0	0	16,540
(15,144)	**0**	**0**	**15,144**	**Total adjustments to revenue resources**	**(34,556)**	**0**	**0**	**34,556**
Adjustments between revenue and capital resources								
0	0	0	0	Sale proceeds credited as part of gain/ loss on disposal	3,815	(3,815)	0	0
13,254	(13,254)	0	0	Other capital receipts	24	(24)	0	0
677	0	0	(677)	Repayment of Avon CC Debt Principal	650		0	(650)
1,442	0	0	(1,442)	Statutory provision for the financing of capital investment	1,100	0	0	(1,100)
20,346	0	0	(20,346)	Capital expenditure funded from revenue	3,430	0	0	(3,430)
35,719	**(13,254)**	**0**	**(22,465)**	**Total adjustments between revenue and capital resources**	**9,019**	**(3,839)**	**0**	**(5,180)**

2017/18 Restated					2018/19			
General Fund	Capital Receipts	Capital Grants	Unusable Reserves		General Fund	Capital Receipts	Capital Grants	Unusable Reserves
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Adjustments to capital resources:								
(40,772)	0	0	40,772	Charges for depreciation of non-current assets	(43,838)	0	0	43,838
1,408	0	0	(1,408)	Revaluation (Decrease)/Increase of Property, Plant & Equipment (PPE)	(3,924)	0	0	3,924
(96)	0	0	96	Impairment of PPE charged to Capital Adjustment Account	(13)	0	0	13
(376)	0	0	376	Amortisation of intangible assets	(851)	0	0	851
(12,101)	0	0	12,101	Non-Current assets written off on disposal	(20,387)	0	0	20,387
0	8,633	0	(8,633)	Funding capital expenditure from Capital Receipts Reserve	0	1,169	0	(1,169)
42,146	0	(42,146)	0	Capital grants and contributions credited to CIES	44,067	0	(44,067)	0
0	0	0	0	Impact of Re-classifications	0	0	0	0
0	0	31,747	(31,747)	Funding Capital Expenditure from Capital Grants Reserve	0	0	42,264	(42,264)
(9,791)	**8,633**	**(10,399)**	**11,557**	**Total adjustments to capital resources**	**(24,946)**	**1,169**	**(1,803)**	**25,580**
10,784	**(4,621)**	**(10,399)**	**4,236**	**Total adjustments**	**(50,483)**	**(2,670)**	**(1,803)**	**54,956**

In previous years, infrastructure assets were not depreciated. To ensure full compliance with 'the code', 2017/18 accounts have been restated. The associated in year depreciation for infrastructure assets was £12,156k in 2017/18. The result of this restatement is a prior period adjustment to increase the depreciation charge in 2017/18, as presented in the Note 8 above. The adjustment increases the Charge for depreciation of non-current assets value above by £12,156k.

10. Movements in earmarked reserves

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

The total general fund reserves include a Dedicated Schools Grant debit balance of £11.6m. A multi-year recovery plan is in place to recover the debit balance on the DSG reserve arising from multi-year overspends, but in the meantime this debit reserve effectively nets down the overall general fund reserves position.

Earmarked reserves	Balance 31 March 2017	Transfer out 2017/18	Transfer in 2017/18	Balance 31 March 2018	Transfer out 2018/19	Transfer in 2018/19	Balance 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Schools balances	**(3,716)**	**0**	**(1,161)**	**(4,877)**	**0**	**(310)**	**(5,187)**
Earmarked for revenue purposes							
Childrens, Adults and Health Service Development	**(1,508)**	343	0	**(1,165)**	**723**	(50)	**(492)**
Dedicated Schools Grant balance	**4,840**	4,594	0	**9,434**	**2,212**	0	**11,646**
Drug Action	**(350)**	111	(123)	**(362)**	**0**	(79)	**(441)**
Home Choice	**0**	0	0	**0**	**0**	(402)	**(402)**
Psychology Service	**0**	8	(87)	**(79)**	**7**	0	**(72)**
Public Health	**(935)**	357	(266)	**(844)**	**131**	(325)	**(1,038)**
Syrian Refugee	**0**	0	0	**0**	**0**	(195)	**(195)**
Troubled Families	**(293)**	293	(233)	**(233)**	**22**	0	**(211)**
Total Childrens, Adults and Health	**1,754**	**5,706**	**(709)**	**6,751**	**3,095**	**(1,051)**	**8,795**
Arts Funding	**(86)**	5	0	**(81)**	**9**	0	**(72)**
Building Control	**(111)**	0	(21)	**(132)**	**39**	0	**(93)**
Cultural Diversity	**(71)**	71	0	**0**	**0**	0	**0**

Earmarked reserves	Balance 31 March 2017	Transfer out 2017/18	Transfer in 2017/18	Balance 31 March 2018	Transfer out 2018/19	Transfer in 2018/19	Balance 31 March 2019
Domestic Homicide Review	**(40)**	0	0	**(40)**	**0**	0	**(40)**
Drainage Strategic Works	**(183)**	69	0	**(114)**	**54**	0	**(60)**
ECS IT Equipment	**(181)**	96	0	**(85)**	**85**	0	**0**
Housing Enabling	**(510)**	0	0	**(510)**	**23**	0	**(487)**
Licensing	**(400)**	103	(6)	**(303)**	**31**	0	**(272)**
Local Infrastructure Fund	**(352)**	89	0	**(263)**	**125**	0	**(138)**
Local Plan/Development Framework	**(337)**	2	(73)	**(408)**	**123**	(85)	**(370)**
Oldbury Nuclear Planning	**(375)**	0	(10)	**(385)**	**0**	(24)	**(409)**
Open Spaces Improvements	**(236)**	55	0	**(181)**	**0**	0	**(181)**
Planning Appeals	**(708)**	630	(11)	**(89)**	**90**	0	**1**
Planning Capacity Funding	**(224)**	0	0	**(224)**	**80**	0	**(144)**
Planning Enforcement	**(83)**	0	0	**(83)**	**0**	0	**(83)**
Private Sector Housing - Accommodation Survey	**(33)**	0	(8)	**(41)**	**0**	(8)	**(49)**
Private Sector Housing - Deposits	0	0	(24)	**(24)**	**0**	0	**(24)**
Proceeds of Crime Act	**(80)**	34	0	**(46)**	**34**	0	**(12)**
Prosecution	**(73)**	23	(9)	**(59)**	**23**	0	**(36)**
Remedial Works	0	50	(229)	**(179)**	**96**	(35)	**(118)**
Smart Cards	**(121)**	11	0	**(110)**	**62**	0	**(48)**
Travellers Unit	**(37)**	37	0	**0**	**0**	0	**0**
Waste Management Equalisation	**(24,383)**	15,218	0	**(9,165)**	**686**	(1,375)	**(9,854)**
Total Environment and Community Service	**(28,624)**	**16,493**	**(391)**	**(12,522)**	**1,560**	**(1,527)**	**(12,489)**
Budget Carry Forward	**(1,478)**	1,478	(1,434)	**(1,434)**	**1,434**	(999)	**(999)**
City Region Deal – Economic Development Fund Smoothing	**(5,933)**	0	(4,388)	**(10,321)**	**0**	(5,962)	**(16,283)**
Corporate Telephony System	0	0	(230)	**(230)**	**0**	(230)	**(460)**
Council Elections	**(302)**	0	(63)	**(365)**	**51**	(20)	**(334)**
Economic Development	**(907)**	283	0	**(624)**	**0**	(382)	**(1,006)**
Financial Risks Reserve	**(18,450)**	11,987	(14,033)	**(20,496)**	**9,375**	(13,066)	**(24,187)**
Insurance	**(4,000)**	0	0	**(4,000)**	**0**	0	**(4,000)**
Invest to Save	**(1,905)**	902	(252)	**(1,255)**	**211**	(150)	**(1,194)**
Investment Smoothing	**0**	0	0	**0**	**0**	(652)	**(652)**
New Homes Bonus	**(1,836)**	152	0	**(1,684)**	**57**	0	**(1,627)**
Print and Multi Functional Device Renewal	**(426)**	0	(20)	**(446)**	**0**	0	**(446)**
Residual HRA	**(13)**	0	0	**(13)**	**0**	0	**(13)**
Severance	**(730)**	0	0	**(730)**	**0**	0	**(730)**
Traded Services	**(874)**	87	(300)	**(1,087)**	**0**	(320)	**(1,407)**
Universal Credit Implementation	**(330)**	0	0	**(330)**	0	0	**(330)**

Earmarked reserves	Balance 31 March 2017	Transfer out 2017/18	Transfer in 2017/18	Balance 31 March 2018	Transfer out 2018/19	Transfer in 2018/19	Balance 31 March 2019
Total Corporate and Central Services	**(37,184)**	**14,889**	**(20,720)**	**(43,015)**	**11,128**	**(27,781)**	**(53,668)**
Total earmarked for revenue purposes	**(64,054)**	**37,088**	**(21,820)**	**(48,786)**	**15,783**	**(24,359)**	**(57,362)**
Earmarked for capital purposes							
BAC Aviation Trust	**(2,000)**	0	0	**(2,000)**	**1,011**	0	**(989)**
Capital Fund	**(1,166)**	210	0	**(956)**	**334**	(1,000)	**(1,622)**
Page Park Maintenance	**0**	**0**	**0**	**0**	**0**	(20)	**(20)**
RCCO Funding	**0**	0	**0**	**0**	**0**	(50)	**(50)**
Major Schemes	**(1,531)**	507	(73)	**(1,097)**	**0**	(184)	**(1,281)**
Street Care Fixed Assets Replacement	**(2,723)**	2,044	(2,086)	**(2,765)**	**1,487**	(2,002)	**(3,280)**
Total earmarked for capital purposes	**(7,420)**	**2,761**	**(2,159)**	**(6,818)**	**2,832**	**(3,256)**	**(7,242)**
Total Earmarked Reserves	**(75,190)**	**39,849**	**(25,140)**	**(60,481)**	**18,615**	**(27,925)**	**(69,791)**

The purpose of each reserve is:

Reserves for revenue purposes	
Name	**Purpose**
Arts Funding	To fund art development projects and officer resource.
Budget Carry Forward	To hold carry forwards at year end for transfer to relevant service areas in the new financial year.
Building Control	To hold any surpluses/deficits arising from the separate rolling trading account as required under legislative requirements.
Children, Adults and Health Service Development	To support future one-off service requirements and smooth demographic pressures.
City Region Deal - Economic Development Fund Smoothing	To hold the Council's share of unallocated funds in City Region Deal Business Rates Pool.
Corporate Telephony System	To fund the replacement of the council's telephony system.
Cultural Diversity	To fund community events such as Armed Forces Day, Ambitions and St Georges Day.
Domestic Homicide Review	To fund domestic homicide reviews.
Drainage Strategic Works	To meet the cost of Strategic Drainage Developments.
Drug Action Team	To support drug action within South Gloucestershire.
DSG High Needs Reserve*	To support the non-school Dedicated Schools Grant (DSG) funded High Needs over / (under) spends. A multi-year recovery plan is in place to recover the debit balance on this reserve arising from multi-year overspends.
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 formulative years.

Reserves for revenue purposes	
Name	**Purpose**
ECS IT Equipment	To purchase IT Equipment within ECS.
Elections	To fund the cost of full council elections and any by-elections.
Financial Risks	To give cover for possible adverse impacts arising from the economy, business rate appeals, exceptional planning 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 hold grant funding to meet the Council's obligations under the Homelessness Reduction Act 2017
Housing Enabling	To provide a 3 year contingency to mitigate any fall in fees against newly set income target.
Insurance	To fund the potential costs of claims incurred but not yet reported where the council may be liable and to cover claims liabilities which fall outside the scope of the council's insurance cover.
Invest to Save	To meet the costs of projects which support the Council Savings and Digital Programmes.
Investment Smoothing	To support income fluctuations from the investment strategy.
Licensing	To hold surpluses relating to licensing to support the ongoing delivery of the licensing service in line with statutory guidance.
Local Infrastructure Fund	To hold grant funding received from MHCLG for extra capacity within the planning department for use on New Neighbourhood areas.
Local Plan/Development Framework	To support the costs of the Local Plan through its 6 year rolling cycle of development.
New Homes Bonus	To hold the balance of New Homes Bonus grant allocated out via the Area Fora.
Oldbury Nuclear Planning	To provide funding for any costs that are not covered by the Planning Performance Agreement for the potential plan at Oldbury on Severn.
Open Spaces Improvements	To fund open spaces works for a defined purpose, either revenue or capital.
Planning Appeals	To meet the legal costs of any planning appeals that exceed revenue budget and includes funds to support additional capacity.
Planning Capacity Funding	To hold grant funding received from MHCLG to provide additional planning capacity to keep the application process running as efficiently and effectively as possible.
Planning Enforcement	To contribute towards larger planning enforcement cases which can not be covered by base budget.
Print and Multi Functional Device Renewal	To cover the renewal of print and MFD equipment.
Private Sector Housing - Accommodation Survey	To provide cyclical funding for 5 yearly accommodation survey.
Private Sector Housing - Deposits	To underwrite housing deposit bonds from landlords.
Proceeds of Crime Act	To partly fund dealing with Envirocrime over the next three years.
Prosecution	To cover the costs of prosecution on issues of licensing, envirocrime, planning enforcement and trading standards.
Psychology Services	To ensure delivery of Psychology Services purchased through Integra, including cover of sickness and maternity, equipment and training.
Public Health	To support the public health functions of the council.
Remedial Works	To fund remedial highways expenditure.

Reserves for revenue purposes	
Name	**Purpose**
Residual HRA	To hold the Housing Revenue Account balance at the time the LSVT housing transfer in 2007 and delegated to members to fund projects in former council housing areas.
Schools Balances	To hold ring-fenced grants related to individual schools balances funded from Dedicated Schools Grant (DSG).
Severance	To support the costs of achieving staffing reductions.
Smart Cards	To meet the development costs of Smart Ticketing and contactless payments across the West of England public transport network.
Syrian Refugee	To hold grant funding to support Syrian refugee families across multiple years.
Traded Services	To meet in-year trading deficits and provide funding for transition costs to move the service into a LA company.
Travellers Unit	To fund the replacement of the travellers unit van.
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.
Waste Management Equalisation	To equalise the costs of the PFI waste contract over its life to 2025/26.
Reserves for capital purposes	
BAC Aviation Trust	To underwrite loan funding for BAC Trust.
Capital Fund	To provide funding to support the capital programme.
Page Park Maintenance	To fund maintenance costs of Page Park from rental income as per HLF funding agreement.
Major Transport Schemes	To contribute towards the funding of major transport schemes in South Gloucestershire.
RCCO Funding	Funds held for future spend against specified capital projects
Street Care Fixed Assets Replacement	To provide the financing for the replacement of vehicles and equipment as supported by the Asset Replacement Plan.

*Dedicated Schools Grant (DSG) Balance

At 31st March 2019 the Dedicated Schools Grant reserve has a debit balance to the value of £11.646m, an increase of £2.212m since 31st March 2018.

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

- Increasing numbers of SEND pupils and increasing complexity of need
- Core school budget pressures (8% national average cost pressure for schools over the past five years) reducing capacity for schools to be inclusive
- Legislative changes passing responsibility for 19-25 age range to Local Authorities without a transfer of sufficient funding (for SGC our calculations showed an instant £2m shortfall in funding)
- Introduction of the Children and Families Act 2014 resulting in a 35% increase nationally in the number of Education and Health Care Plans, while the eligible child population over the same period has only increased by 1%

Since the emergence of these pressures, the Council has been working collaboratively with the Schools Forum on a sustainability plan, which has made significant strides towards improving the financial position regarding the DSG balance and thus safeguarding the Council's financial position. This has included:

- Securing approval from Schools Forum and Secretary of State for Education for transfers of £5m on a continuing basis from the Schools Block
- Significant reduction in the rate of SEND spending increase (11.4% to 1.1% between 2015/16 and 2018/19)
- Implementation of new Top-Up allocation system including successfully defending a potential judicial review
- Introduction of two large Early Intervention Cluster Pilots with targets for alternatives to Education, Health and Care Plans (EHCPs), investment in early intervention support, targets for improved outcomes,
- Major buy-in and engagement from School Leaders through the High Needs Working Groups (HNWG); each workstream is led by a School Leader with a commitment to champion the changes across the whole sector

Despite these improvements, the pressures and the size of the challenge have continued, resulting in slippage against the original plan and so even greater emphasise has now been placed on a collaborative approach with the Schools Forum and all schools through the development of a co-produced sustainability plan. The co-produced nature of this plan offers the greatest probability of collective action and buy-in from all schools and shows a range of spending efficiencies or savings ranging from £8m to £26m over the next five years and should therefore bring the DSG from a positive (debit) balance back to a credit (negative) balance over that time period. The Council believes this partnership approach with schools is the best approach and offers the greatest chance of success in moving the DSG back into financial balance.

11. Other operating expenditure

2017/18 £'000		2018/19 £'000
6,825	Parish Precepts	7,052
3,632	Levies (including Coroners Court)	3,390
24	Fees Incurred on property disposals	0
423	Pensions administration expense	436
2,024	(Gains)/losses on disposal of non-current assets	20,363
(3,177)	Proceeds from sale of other non-current assets	(3,815)
9,751	**Total**	**27,426**

12. Financing and investment income and expenditure

2017/18 £'000		2018/19 £'000
6,505	Interest payable and similar charges	6,494
8,252	Net interest on the net defined benefit liability/(asset)	8,173
(728)	Interest receivable and similar income	(608)
0	Other investment income	(951)
0	Change in fair value (financial assets measured at fair value though profit and loss)	372
(716)	Income and expenditure in relation to investment properties and changes in their fair value	244
13,313	**Total**	**13,724**

13. Taxation and non-specific grant income and expenditure

2017/18 £'000		2018/19 £'000
(132,985)	Council Tax income	(142,576)
(63,674)	Non-domestic rates income and expenditure*	(60,858)
(18,123)	Non-ringfenced Government grants	(19,628)
(42,146)	Capital grants and contributions	(44,067)
(256,928)	**Total**	**(267,129)**

*Non dometic rates income and expenditure (60,858) is net of gross NNDR income of £136m, reduced by £75m of NNDR tariff expenditure.

14. Property, plant and equipment

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

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

In previous years, infrastructure assets were not depreciated. In the 2017/18 table below, amounts have been restated to establish accumulated depreciation brought forward at 1 April 2017 and to recognise an in-year depreciation charge. These adjusted amounts are based on a detailed analysis of the nature and age profile of the councils infrastructure assets at this date. The result of this restatement is a reduction in the net book value of infrastructure assets, as presented in the Balance Sheet, with a corresponding reduction in unusable reserves (Capital Adjustment Account) as presented in Note 22.

Movements in 2018/19	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	Service concessions assets included within Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2018	**487,343**	**132,761**	**250,761**	**597**	**3,308**	**87,591**	**962,362**	**21,309**
Additions	11,479	1,661	20,320	18	289	4,745	**38,512**	423
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	(18,244)	(8,597)		(1)			**(26,842)**	
Revaluation increases recognised in the Revaluation Reserve	42,696	19,975			563		**63,234**	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(2,070)	268		(1,568)			**(3,370)**	
Derecognition – disposals	(16,842)	(5,219)					**(22,061)**	
Assets reclassified			90,570	1,669	6,240	(92,239)	**6,240**	
At 31 March 2019	**504,362**	**140,849**	**361,651**	**715**	**10,400**	**97**	**1,018,074**	**21,732**
Accumulated Depreciation and Impairment								
At 1 April 2018	**(5,519)**	**(14,752)**	**(87,097)**	**(1)**	**0**	**0**	**(107,370)**	**(7,339)**
Depreciation charge	(18,979)	(11,755)	(13,102)	(2)			**(43,838)**	(1,241)
Depreciation written out to the revaluation reserve	17,968	8,586		1			**26,555**	
Accumulated Impairment written out to Gross Carrying Amount	276	11					**287**	
Impairment (losses)/reversals recognised in the Revaluation Reserve	(106)						**(106)**	
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(13)						**(13)**	
Derecognition – disposals	517	1,157					**1,674**	
Assets reclassified							**0**	
At 31 March 2019	**(5,856)**	**(16,753)**	**(100,199)**	**(2)**	**0**	**0**	**(122,810)**	**(8,580)**
Net Book Value								
At 31 March 2019	**498,506**	**124,096**	**261,452**	**713**	**10,400**	**97**	**895,264**	**13,152**
At 31 March 2018	**481,824**	**118,009**	**163,664**	**596**	**3,308**	**87,591**	**854,992**	**13,970**

Movements in 2017/18 Restated	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	Service concessions assets included within Property, Plant and
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2017	**474,726**	**123,145**	**227,671**	**597**	**3,506**	**71,735**	**901,381**	**17,393**
Additions	13,777	7,063	23,090			15,856	**59,786**	5,944
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	(20,765)	(8,732)					**(29,497)**	(80)
Revaluation increases recognised in the Revaluation Reserve	30,210	11,103			201		**41,514**	201
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on Provision of Services	1,459	(172)					**1,287**	
Derecognition – Disposals	(8,534)	(3,176)					**(11,710)**	(2,149)
Assets reclassified	(3,530)	3,530			(399)		**(399)**	
At 31 March 2018	**487,343**	**132,761**	**250,761**	**597**	**3,308**	**87,591**	**962,362**	**21,309**
Accumulated Depreciation and Impairment								
At 1 April 2017	**(13,898)**	**(15,066)**	**0**	**0**	**0**	**0**	**(28,964)**	**(8,801)**
Prior Year Adjustment	0	0	(74,941)	0	0	0	**0**	0
Restated at 1 April 2017	(13,898)	(15,066)	(74,941)	0	0	0	**(28,964)**	(8,801)
Depreciation charge	(17,780)	(10,836)	(12,156)	(1)			**(40,773)**	(767)
Depreciation written out to the revaluation reserve	19,306	8,731					**28,037**	80
Accumulated Impairment written out to Gross Carrying Amount	1,458	1					**1,459**	
Impairment (losses)/reversals recognised in the Revaluation Reserve	(238)						**(238)**	
Impairment (losses)/reversals recognised in the (Surplus)/Deficit on the Provision of Services	(96)						**(96)**	
Derecognition – disposals	5,634	2,512					**8,146**	2,149
Assets reclassified	95	(95)					**0**	
At 31 March 2018	**(5,519)**	**(14,752)**	**(87,097)**	**(1)**	**0**	**0**	**(107,370)**	**(7,339)**
Net Book Value								
At 31 March 2018	**481,824**	**118,009**	**163,664**	**596**	**3,308**	**87,591**	**854,992**	**13,970**
At 31 March 2017	**460,828**	**108,079**	**227,671**	**597**	**3,507**	**71,735**	**872,417**	**8,592**

In previous years, infrastructure assets were not depreciated. To ensure full compliance with 'the code', 2017/18 accounts have been restated whereby infrastructure assets are depreciated to establish accumulated depreciation brought forward at 1 April 2017 (£74,941k). This is reflected as a prior period adjustment to the opening accumulated depreciation and impairment balance above. The associated in year depreciation for infrastructure assets was £12,156k in 2017/18 and this is reflected in the depreciation charge to infrastructure assets in 2017/18. These adjusted amounts are based on a detailed analysis of the nature and age profile of the council's infrastructure assets. The result of this restatement is an increase in the depreciation charge in year and reduction in the net book value of infrastructure assets.

Capital Commitments

At 31 March 2019, the Council has entered into a number of contracts for the construction of property, plant and equipment in 2019/20 and future years. Similar commitments at 31 March 2018 were £5.441m. The major commitments are listed below:

	Commitment at 31 March 2019 £'000
Charlton Wood Primary School	4,474
Watermore Primary School	2,977
Winterbourne Barn	1,146
Cribbs Patchway Metrobus Extension	2,268
MetroWest Phase 2	603
Total	**11,468**

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 2018/19 the rolling programme and Investment Property revaluations were undertaken at 31 December 2018; all schools, leisure centres, libraries and youth centres were valued at 31 January 2019, and Assets Held for Sale and Surplus Assets at 28 February 2019. Valuers are satisfied that the value of assets in the Balance Sheet is not materially different from a full valuation carried out on 31 March 2019.

	Land & Buildings	Infrastructure Assets	Community Assets	Vehicles, Plant & Equipment	Assets Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at Current Value in year							
2018/19	460,702		200	109,180	97	10,319	**580,498**
2017/18	17,834			10,212			**28,046**
2016/17	1,792		222	1,882		81	**3,977**
2015/16	11,945		291	962			**13,198**
2014/15	6,233			296			**6,529**
Held at historic cost		361,651		1,564			**363,215**
Total	498,506	361,651	713	124,096	97	10,400	**995,463**

15. Financial instruments

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

	Long term		Current	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial liabilities at amortised cost				
Principal sum borrowed	(122,235)	(121,788)	(447)	(447)
Accrued interest	0	0	(1,219)	(1,215)
Total Borrowing*	**(122,235)**	**(121,788)**	**(1,666)**	**(1,662)**
Financial liabilities at contract cost included in creditors	0	0	(28,813)	(30,213)
PFI liability	(7,516)	(6,516)	(1,013)	(1,000)
Total Financial Liabilities	**(129,751)**	**(128,304)**	**(31,492)**	**(32,875)**
Financial Assets				
Investments				
Available for sale	**4,709**	**0**	**0**	**0**
At amortised cost				
Principal	**0**	**5,000**	**77,500**	**72,000**
Accrued interest	**0**	**0**	**377**	**470**
Loss allowance	**0**	**0**	**0**	**(7)**
Total at Amortised Cost**	**0**	**5,000**	**77,877**	**72,463**
Fair value through profit and loss***	**0**	**29,338**	**0**	**0**
Total Investments	**4,709**	**34,338**	**77,877**	**72,463**
Cash and cash equivalents				
At amortised cost - Principal	**0**	**0**	**8,529**	**678**
Fair value through profit and loss***	**0**	**0**	**29,379**	**13,416**
Total Cash and Cash Equivalents	**0**	**0**	**37,908**	**14,094**
Long and short term debtors	2,139	3,269	21,728	18,613
Loss allowances	(335)	(385)	0	(2,878)
Included in Debtors	**1,804**	**2,884**	**21,728**	**15,735**
Total Financial Assets	**6,513**	**37,222**	**137,513**	**102,292**

* Borrowing comprises approximately £106m from the Public Works Loans Board and £16m market borrowing

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

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

Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

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

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

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

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

The fair value of long term investments has been calculated by discounting at the market rate for similar instruments with similar remaining terms to maturity on 31 March 2019.

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

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

Set out below is a comparison of the fair value of financial instruments with their carrying value as at 31 March 2019.

	Carrying amount	Carrying amount	Fair Value	Fair Value
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial liabilities at amortised cost				
External borrowing – Public Works Loan Board	(107,465)	(107,016)	(149,476)	(147,834)
External Borrowing - Market	(16,436)	(16,435)	(24,040)	(23,527)
Creditors – financial liabilities at contract cost	(28,813)	(30,213)	(28,813)	(30,213)
PFI Liability	(8,529)	(7,516)	(8,189)	(7,329)
Total Financial Liabilities	**(161,243)**	**(161,180)**	**(210,518)**	**(208,903)**
Financial Assets at amortised cost				
Loans and receivables				
Long and short term investments	77,877	77,463	77,877	77,477
Long and short term debtors	23,532	18,619	23,532	18,619
Cash and cash equivalents	8,529	678	8,529	678
Total Financial Assets	**109,938**	**96,760**	**109,938**	**96,774**

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

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

Financial Instruments: income, expense, gains and losses

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

2017/18						2018/19				
	Financial Assets			Total			Financial Assets			Total
Financial Liabilities at amortised cost	Loans and receivables	Available for sale	Fair value through profit and loss			Financial Liabilities at amortised cost	At amortised cost	Available for sale	Fair value through profit and loss	
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
6,505	0	0	0	6,505	Interest expense	6,493	0	0	0	6,493
0	0	0	0	0	Loss on de-recognition	0	0	0	0	0
0	0	0	0	0	Losses from changes in fair value	0	0	0	438	438
0	0	0	0	0	Impairment losses	0	0	0	0	0
0	0	0	0	0	Fees paid	0	0	0	0	0
6,505	**0**	**0**	**0**	**6,505**	**Interest payable and similar charges**	**6,493**	**0**	**0**	**438**	**6,931**
0	(610)	(0)	0	(610)	Interest income	0	(598)	0	0	(598)
0	0	0	0	0	Dividend Income	0	0	0	(876)	(876)
0	0	0	0	0	Gains on de-recognition	0	0	0	(75)	(75)
0	0	0	(118)	(118)	Gains from changes in fair value	0	0	0	(66)	(66)
0	0	0	0	0	Impairment loss reversal	0	(10)	0	0	(10)
0	**(610)**	**(0)**	**(118)**	**(728)**	**Interest and investment income**	**0**	**(608)**	**0**	**(1,017)**	**(1,625)**
6,505	**(610)**	**(0)**	**(118)**	**5,777**	**Net impact on surplus/deficit on provision of services**	**6,493**	**(608)**	**0**	**(579)**	**5,306**
0	**0**	**0**	**0**	**0**	Gains on revaluation	0	0	0	0	**0**
0	**0**	**9**	**0**	**9**	Losses on revaluation	**0**	**0**	**0**	**0**	**0**
0	**0**	**9**	**0**	**9**	**Impact on other comprehensive income**	**0**	**0**	**0**	**0**	**0**

Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below:

	IAS 39 31 March 2018	Reclassification	Remeasurement	Impairment	IFRS 9 1 April 2019
Financial Assets	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Investments					
L&R* / Amortised cost	77,877	0	0	(16)	77,861
Available for sale	4,709	(4,709)	0	0	0
FVPL*	0	4,709	0	0	4,709
Total Investments	**82,586**	**0**	**0**	**(16)**	**82,570**
Debtors					
L&R* / Amortised cost	23,532	0	0	(11)	23,521
Total Debtors	**23,532**	**0**	**0**	**(11)**	**23,521**
Cash and cash equivalents					
L&R* / Amortised cost	8,529	0	0	0	8,529
FVPL*	29,379	0	0	0	29,379
Total cash and cash equivalents	**37,908**	**0**	**0**	**0**	**37,908**
Total Financial Assets	**144,026**	**0**	**0**	**(27)**	**143,999**

* "L&R" – loans and receivables
"FVPL" – fair value through profit and loss

(There was no impact on financial liabilities on transition to IFRS 9 on 1 April 2018)

	IAS 39 31 March 2018	Reclassification	Remeasurement	Impairment	IFRS 9 1 April 2019
Reserves	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Usable Reserves					
General Fund	(8,738)	0	0	27	(8,711)
Other usable reserves	(103,954)	0	0	0	(103,954)
Total usable reserves	**(112,692)**	**0**	**0**	**27**	**(112,665)**
Unusable Reserves					
Available for sale reserve	101	(101)	0	0	0
Capital adjustment account	(409,917)	0	0	0	(409,917)
FI adjustment account	700	0	0	0	700
Pooled fund adjustment account	0	101	0	0	101
Other unusable reserves	(5,566)	0	0	0	(5,566)
Total unusable reserves	**(414,682)**	**0**	**0**	**0**	**(414,682)**
Total Reserves	**(527,374)**	**0**	**0**	**27**	**(527,347)**

16. Cash and cash equivalents

31 March 2018 £'000		**31 March 2019 £'000**
124	Cash held by the Council	104
3,169	Bank current accounts	574
34,616	Other short term deposits	13,416
37,909	**Total Cash and Cash Equivalents**	**14,094**

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

17. Fair value

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

- The valuation techniques used to measure them;
- Categorisation levels in the fair value hierarchy;
- Where valuations are not based on a published bid/offer price, the key data and information used; and
- Where valuations are based on significant degrees of estimation or judgement, the key sensitivities affecting the judgements made.

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

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key	Fair Value 31 March 2018 £000	Fair Value 31 March 2019 £000
Short term investment	Level 1	Pooled investment funds managed externally by fund managers valued by reference to published unit price	N/A	N/A	29,379	13,416
Long term investment	Level 1	Pooled bond, equity and multi-asset investment funds managed externally by fund managers valued by reference to published unit price	N/A	N/A	0	22,691
Long term investment	Level 2	Units held in Local Authorities Property Fund valued at bid price	Unit prices published monthly, and calculated by reference to a monthly valuation of the fund assets divided by the number of units in issue	N/A	4,709	6,647
Investment properties	Level 2	Mainly ground leases, with the exception of the Bristol and Bath Science Park, these are valued by staff in the Council's Property Services division, who are RICS qualified valuers, on an annual basis. Assets are valued as investments using the income approach and in accordance with the RICS Red Book.	Observable: existing lease terms, passing rents, yields, covenant strengths and other comparables. Unobservable: future market conditions, future rent reviews, future assignees and void periods.	Yield (applied to reversion)	2,348	15,509

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key	Fair Value 31 March 2018 £000	Fair Value 31 March 2019 £000
Investment properties	Level 3	Mainly ground leases, with the exception of the Bristol and Bath Science Park, these are valued by staff in the Council's Property Services division, who are RICS qualified valuers, on an annual basis. Assets are valued as investments using the income approach and in accordance with the RICS Red Book.	Observable: existing lease terms, passing rents, yields, covenant strengths and other comparables. Unobservable: future market conditions, outstanding and future rent reviews, future assignees and void periods.	Yield (applied to reversion)	3,003	3,047
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 and site clearance costs, unforeseen ground conditions and planning permissions/ requirements.	Planning	3,308	10,400
Non-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 is 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 and site clearance costs, unforeseen ground conditions, planning permissions/ requirements and costs of sale.	Planning	7,115	945
Total					**49,862**	**72,655**

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, the Council's valuers have determined that the valuation methods described above are likely to be accurate to within the following ranges, and have set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

	Assessed valuation range		Value at 31 March 2019 £'000	Value on increase £'000	Value on decrease £'000
	(+)	(-)			
Investment property	25%	11%	3,047	3,809	2,712
Assets held for sale	20%	20%	945	1,134	756
Surplus assets	50%	10%	10,400	15,600	9,360
Total			**14,392**	**20,543**	**12,828**

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

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

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

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

Fair value hierarchy

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

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

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

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

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

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

2017/18	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Available for sale financial assets	0	4,709	0	4,709
Financial assets at fair value	29,379	0	0	29,379
Non-financial assets at fair value	0	2,348	13,426	15,774
Net investment assets	**29,379**	**7,057**	**13,426**	**49,862**

Transfers between level 1 and 2

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

Reconciliation of assets within Level 3

	Fair Value at 31 March 2018	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains and losses	Fair Value at 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment property	3,003	688	(724)	0	0	80	3,047
Assets held for sale	7,115	0	(6,240)	0	0	70	945
Surplus assets	3,308	0	6,240	289	0	563	10,400
Total	**13,426**	**688**	**(724)**	**289**	**0**	**713**	**14,392**

The market relating to industrial premises performed well during 2017/18 and remained stable during 2018/19. Whilst comparable evidence is available to support these valuations, where an outstanding rent review has caused a degree of uncertainty these may be recorded as a Level 3 Hierarchy. Likewise where a rent review has been recently completed these have been moved to a Level 2 hierarchy, where previously Level 3. The hierarchy level is determined during the preparation of each asset valuation, a process which ensures scrutiny by two valuers.

Gains or losses arising from changes in the fair value of Investment Properties are recognised in the Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure line.

Transfers out of Assets Held for Sale and into Surplus Assets shows the reclassification of an asset that is no longer being actively marketed.

Gains or losses arising from changes in the fair value of Assets Held for Sale are recognised in the Surplus or Deficit on the Provision of Services, within the relevant departmental cost of services line.

Gains or losses arising from changes in the fair value of Surplus Assets are recognised in Other Comprehensive Income and Expenditure.

Investment Property rentals receivable

The Council's Investment Properties are largely ground leases on industrial units, with lease terms ranging from 78 to 125 years and rent reviews typically take place every 14 years. The exception to this is the recently acquired Bristol and Bath Science Park (BBSP), consisting of an 'Innovation Centre' and 'Grow On Centres' providing flexible office, meeting and work space. There is a mix of virtual tenancies, licences and leases granted. Generally, leases are granted for a period of up to 6 years and contain an option to break in the third year. The virtual tenancies and licences are open ended (rolling), subject to 4 weeks termination notice. The summary below assumes, in all cases, that the current passing rent will continue for the remaining term of each lease/tenancy/licence up to the earliest possible termination date in accordance with the Code (i.e. to cover the period which is not 'cancellable').

Maturity analysis

31 March 2018 £'000		31 March 2019 £'000
	Rentals receivable:	
266	within one year	760
1,062	within two to five years	1,581
17,924	later than five years	22,881
19,252		**25,222**

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

31 March 2018 £'000		31 March 2019 £'000
442	Rental income from investment property	1,189
(4)	Direct operating expenses arising from investment property	(417)
438	**Net gain/(loss)**	**772**

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

2017/18 £'000		2018/19 £'000
5,073	Balance at 1 April	5,351
0	Additions	13,829
0	Disposals	0
278	Net gains / (losses) from fair value adjustments	(624)
5,351	**Balance at 31 March**	**18,556**

18. Creditors

31 March 2018 £'000		31 March 2019 £'000
(4,277)	Central Government bodies	(3,486)
(17,177)	Other local authorities	(20,204)
(1,537)	NHS	(273)
(36,805)	Trade Payables	(33,219)
(2,064)	Council Tax	(2,299)
(3,276)	NNDR	(5,045)
(22,550)	Receipts in Advance	(27,944)
(87,686)	**Total**	**(92,470)**

19. Debtors

31 March 2018 £'000		31 March 2019 £'000
5,362	Central Government bodies	6,344
7,559	Other local authorities	2,894
1,528	NHS	35
19,224	Trade Payables	22,800
3,792	Council Tax Payers	4,491
2,418	NNDR	1,040
3,514	Prepayments	3,524
(6,809)	Allowance for Bad Debts	(7,338)
36,588	**Total**	**33,790**

20. Provisions

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

	Balance at 31 March 2018	Additional provisions	Amounts used	Unused amounts reversed	Balance at 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Business rates appeals provision	(19,672)	(1,256)	2,665	0	(18,263)
Harnhill restoration	(2,598)	(55)	87	0	(2,566)
Insurance provision	(1,818)	(1,743)	2,093	0	(1,468)
Severance provision	(1,283)	(571)	1,005	0	(849)
Other provisions	(24)	0	0	0	(24)
Total	**(25,395)**	**(3,625)**	**5,850**	**0**	**(23,170)**

Provisions are shown on the Balance Sheet as below:

	Balance at 31 March 2018	Additional provisions	Amounts used	Unused amounts reversed	Balance at 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Short Term < 1 year	(22,864)	(3,570)	5,689	0	(20,745)
Long term Provisions	(2,531)	(55)	161	0	(2,425)
Total	**(25,395)**	**(3,625)**	**5,850**	**0**	**(23,170)**

- Business Rates Appeals Provision - following the introduction of the new retained Business Rate system from 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 2019, 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 Non Domestic Rate Collection Fund.

- The Harnhill Restoration Provision relates to a closed landfill site and reflects the estimated future expenditure on after-care costs discounted for the time value of money.

- The Insurance Provision - the purpose of this provision is to cover losses below the external insurance excesses.

- The Severance Provision has been made for redundancy costs arising from the programme of service reviews currently underway in the Council, and to cover the cost of organisational change that cannot be funded from within departmental budgets. Although an estimate has been made, the final amount of these costs will depend on the details of each individual redundancy case.

21. Other long term liabilities

This balance is made up of:

31 March 2018 £'000		31 March 2019 £'000
(324,945)	Pensions Liability	(388,002)
(7,516)	Waste Private Finance Initiative lease	(6,516)
(15,593)	Residual Avon County Council debt (see below)	(14,970)
(2,971)	Revolving Infrastructure Fund liability	(2,494)
(411)	Deferred income	(410)
(85)	Repayable deposits	(85)
(351,521)	**Total**	**(412,477)**

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 2018 £'000		31 March 2019 £'000
(16,920)	Opening balance	(15,593)
650	Reclassified and included in Short Term Creditors	623
677	Repayment of debt in year*	0
(15,593)	**Closing balance**	**(14,970)**

*Repayments of debt amounting to £650k were made in 2018/19. These offset the brought forward balance due within one year, which is included in short term creditors (Note 18).

22. Unusable Reserves

31 March 2018 Restated £'000		31 March 2019 £'000
(343,322)	Revaluation Reserve	(372,912)
101	Available for Sale Reserve	0
(322,821)	Capital Adjustment Account	(319,419)
700	Financial Instruments Adjustment Account	581
336,698	Pensions Reserve	393,986
(1,649)	Collection Fund Adjustment Account	(3,900)
2,707	Accumulated Absences Account	4,006
0	Pooled Fund Adjustment Account	473
(327,585)	**Total Unusable Reserves**	**(297,185)**

Revaluation Reserve

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

2017/18 £'000		2018/19 £'000
(326,127)	**Opening Balance**	**(343,322)**
(61,170)	Upward revaluation of assets	(69,254)
16,698	Downward revaluation of assets and impairment losses not charged to the Surplus/ Deficit on the Provision of Services	6,020
(41,472)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**(63,234)**
238	**Impairment losses on non-current assets charged to the revaluation reserve**	**106**
18,857	Difference between fair value depreciation and historical cost depreciation	20,584
5,182	Accumulated gains on assets sold or scrapped	12,954
24,039	**Amount written off to the Capital Adjustment Account**	**33,538**
(343,322)	**Closing Balance at 31 March**	**(372,912)**

Available for Sale Reserve

The Available for Sale Financial Assets Reserve contains unrealised gains or losses made by the authority arising from increases or decreases in the value of certain of its long term investments. Following the adoption of IFRS 9 on 1 April 2018, this classification for investments is no longer available and the balance was transferred to the Pooled fund Adjustment Account.

2017/18 £'000		2018/19 £'000
92	Opening Balance at 1 April	101
9	Downward revaluation of investments not charged to the (Surplus)/Deficit on the Provision of Services	0
0	Transfer balance to Pooled Fund Adjustment Account (IFRS 9)	(101)
101	**Closing Balance at 31 March**	**0**

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.

2017/18 Restated £'000		2018/19 £'000
(368,970)	**Opening Balance at 1 April**	**(322,821)**
74,941	Prior Year Adjustment	0
(294,029)	Restated Opening Balance at 1 April	322,821)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
40,773	Charges for depreciation and impairment of non-current assets	43,838
(1,408)	Revaluation losses and gains reversing past losses on non-current assets	3,924
376	Amortisation of intangible assets	851
6,154	Revenue expenditure funded from capital under statute	16,540
96	Impairments	13
12,101	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	**20,387**
58,092		**85,553**
(24,039)	Adjusting amounts written out of the Revaluation Reserve	(33,538)
34,053	**Net written out amount of the cost of non-current assets consumed in the year**	**52,015**
	Capital financing applied in the year:	
(8,633)	Use of capital receipts to finance new capital expenditure	(669)
(31,747)	Capital grants and contributions applied	(42,264)
(20,346)	Capital expenditure charged against the General Fund balance	(3,430)
0	Debt repayment funded by capital receipts	(500)
(1,442)	Statutory provision for the financing of capital investment charged against the General Fund balance	(1,100)
(677)	Repayment of ex-Avon debt	(650)
(62,845)		**(48,613)**
(322,821)	**Closing Balance at 31 March**	**(319,419)**

In previous years, infrastructure assets were not depreciated. To ensure full compliance with the code, 2017/18 accounts have been restated whereby infrastructure assets are depreciated to establish accumulated depreciation brought forward at 1 April 2017 (£74,941k). This is reflected above as a prior period adjustment to the opening balance in 17/18. The associated in year depreciation for infrastructure assets was £12,156k in 2017/18 which has been reflected in the Charge for depreciation and impairment of non-current assets value above. These adjusted amounts are based on a detailed analysis of the nature and age profile of the councils infrastructure assets.

Financial Instruments Adjustment Account

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

2017/18 £'000		2018/19 £'000
850	Opening Balance at 1 April	700
(175)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements.	(144)
25	Proportion of discounts received in previous financial years to be credited against the General Fund Balance in accordance with statutory requirements.	25
(150)	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.	(119)
700	**Closing Balance at 31 March**	**581**

Pensions Reserve

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

2017/18 £'000		2018/19 £'000
355,368	Opening Balance at 1 April	336,699
(36,327)	Remeasurement of the net Defined Benefit Liability	38,573
38,996	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	41,177
(21,338)	Employer's pensions contributions and direct payments to pensioners payable in the year	(22,463)
336,699	**Closing Balance at 31 March**	**393,986**

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.

2017/18 £'000		2018/19 £'000
5,716	Opening Balance at 1 April	(1,649)
(7,365)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from that calculated for the year in accordance with statutory requirements	(2,251)
(1,649)	**Closing Balance at 31 March**	**(3,900)**

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.

2017/18 £'000		2018/19 £'000
3,860	Opening Balance at 1st April	2,707
(3,860)	Settlement of previous year accrual	(2,707)
2,707	Amounts accrued at end of the current year	4,006
2,707	**Closing Balance at 31 March**	**4,006**

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.

2017/18 £'000		2018/19 £'000
0	Opening Balance at 1st April	0
0	Transfer balance on Available for Sale Reserve (IFRS 9)	101
0	Amount by which the change in fair value of pooled funds charged to the Comprehensive Income and Expenditure Statement is different from that calculated for the year in accordance with statutory requirements	372
0	**Closing Balance at 31 March**	**473**

23. Cash Flow Statement – operating activities

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

2017/18 Restated £'000		2018/19 £'000
(40,773)	Depreciation and impairments	(43,838)
792	Impairments and write offs of tangible fixed assets	2,857
(376)	Amortisation of intangible assets	(851)
(30)	(Increase) / decrease in creditors	(3,307)
3,442	Increase / (decrease) in debtors	(1,718)
41	Increase / (decrease) in inventories	6
(5,906)	Movement in pensions liability	(24,484)
(3,565)	Carrying amount of non-current assets sold or de-recognised	(20,387)
(9,862)	Other non-cash items charged to the provision of services	2,225
(56,237)		**(89,497)**

	Adjust for Items included that are Investing or Financing activities	
42,146	Capital Grants credited to cost of provision of services	44,067
10,483	Net proceeds from disposal of short term investments	(5,414)
716	Net gains/(losses) from investment properties	(244)
3,178	Proceeds from the sale of property, plant and equipment	3,815
(995)	Cash payments reducing finance lease liabilities and PFI contract liability	(1,013)
55,528	**Total**	**41,211**

In previous years, infrastructure assets were not depreciated. To ensure full compliance with the code, 2017/18 accounts have been restated whereby infrastructure assets are depreciated. The associated in year depreciation for infrastructure assets was £12,156k in 2017/18 which has been reflected as a prior year adjustment in the 2017/18 Depreciation and impairments value above.

The cash flows for operating activities include the following items:

2017/18 £'000		2018/19 £'000
(728)	Interest Received	(608)
6,505	Interest Paid	6,493
5,777	**Total**	**5,885**

24. Cash Flow Statement – investing activities

2017/18 £'000		2018/19 £'000
52,492	Purchase of property, plant and equipment and intangible assets	46,810
(3,010)	Purchase of short term and long term investments	29,629
677	Other payments for investing activities	650
(3,178)	Proceeds from the sale of property, plant and equipment	(3,815)
(716)	Proceeds/(losses) from short term and long term investments	244
(42,146)	Other investment receipts	(44,067)
4,119	**Net Cash Flows from Investing Activities**	**29,451**

25. Cash Flow Statement – financing activities

2017/18 £'000		2018/19 £'000
409	New short and long term borrowing	452
995	Cash payments reducing finance lease liabilities and PFI contract liability	1,013
1,404	**Net Cash Flows from Financing Activities**	**1,465**

26. Trading operations

Expenditure and income of the trading activities of the Council are summarised in the table below. Surpluses or deficits have been included in the relevant service line in the Comprehensive Income and Expenditure Statement.

	2017/18			2018/19		
	Expenditure	**Income**	**(Surplus)/ Deficit**	**Expenditure**	**Income**	**(Surplus)/ Deficit**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Services to schools	**6,032**	(6,538)	**(506)**	**6,470**	(7,054)	**(584)**
School Meals, Other Catering & Cleaning	**6,427**	(6,186)	**241**	**6,646**	(6,094)	**552**
Total	**12,459**	**(12,724)**	**(265)**	**13,116**	**(13,148)**	**(32)**

27. Partnership Scheme – Better Care Fund

The Council is part of a non-pooled partnership arrangement with Bristol, North Somerset and South Gloucestershire Clinical Commissioning Group (BNSSG CCG) for the provision of community and mental health services together with continuing and social care.

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

The arrangement is made in accordance with section 75 of the National Health Service Act 2006 and any surplus or deficit generated is the responsibility of the respective partner to whom it is attributed. The partnership arrangement includes all income and expenditure relating to the Better Care Fund, whether funded by the local authority or by the NHS. The two partner authorities are responsible for managing the individual schemes for which they have lead responsibility.

2017/18 £'000		**2018/19 £'000**
	Funding provided to the partnership budget	
(5,339)	South Gloucestershire Council	(6,036)
(17,995)	South Gloucestershire Clinical Commissioning Group	(17,950)
(23,334)		**(23,986)**
	Expenditure met from the partnership budget	
16,735	South Gloucestershire Council	16,774
7,158	South Gloucestershire Clinical Commissioning Group	7,221
23,893		**23,995**
559	**Net (surplus)/deficit arising from the partnership in the year**	**9**
164	**South Gloucestershire Council's share of the net (surplus)/deficit**	**9**

28. Members' allowances

2017/18 £'000		2018/19 £'000
805	Basic Allowance	809
215	Special Responsibility Allowance	206
13	Expenses	12
1,033	**Total**	**1,027**

29. Officers' remuneration

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

2018/19	Salaries, fees and allowances	Pension Contribution	Total remuneration
	£	£	£
A. Deeks – Chief Executive	162,032	36,295	198,327
Director of Corporate Resources and Deputy Chief Executive	130,052	29,132	159,184
Director for Children, Adults & Health	29,158	0	29,158
Director for Children, Adults & Health	85,916	19,245	105,161
Director for Environment & Community Services	43,814	2,380	46,194
Director for Environment and Community Services (Interim)	58,468	0	58,468
Director for Environment & Community Services	55,163	12,357	67,520
Head of Legal, Governance and Democratic Services	100,934	22,609	123,543
Director of Public Health	29,680	0	29,680
Director of Public Health	65,636	9,438	75,074
2017/18	**Salaries, fees and allowances**	**Pension Contribution**	**Total remuneration**
	£	£	£
A. Deeks – Chief Executive	158,855	32,248	191,103
Director of Corporate Resources and Deputy Chief Executive	127,502	25,883	153,385
Director for Children, Adults & Health	127,502	0	127,502
Director for Environment & Community Services	127,502	25,883	153,385
Head of Legal, Governance and Democratic Services	135,282	25,518	160,800
Director of Public Health	82,086	10,446	92,532
Director of Public Health	17,169	2,469	19,638

The Director of Corporate Resources and Deputy Chief Executive held statutory s.151 responsibilities until April 2019.

The Head of Legal, Governance and Democratic Services is the Council's Monitoring Officer and received additional remuneration in respect of his role as the Returning Officer for the elections and for legal work for the West of England Combined Authority in 2017/18.

The Director for Children, Adults and Health left post on 31/5/2018, with the new Director commencing post on 17/7/2018.

The Director for Environment and Community Services left post on 24/6/2018, with the new Director commencing post on 22/10/18. The intervening period was filled by an interim agency director.

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

	Non-teaching staff		Teaching staff	
Salary Band	**No. at 31 March 2018**	**No. at 31 March 2019**	**No. at 31 March 2018**	**No. at 31 March 2019**
£50,000 - £54,999	40	36	32	36
£55,000 - £59,999	26	25	28	28
£60,000 - £64,999	7	8	16	15
£65,000 - £69,999	5	4	6	6
£70,000 - £74,999	3	4	6	6
£75,000 - £79,999	5	7	5	5
£80,000 - £84,999	5	1	2	5
£85,000 - £89,999	6	6	3	4
£90,000 - £94,999	1	2	0	1
£95,000 - £99,999	1	1	0	2

In 2017/18, 11 non-teaching staff and 1 teaching staff appear in this table by virtue of having received redundancy or compensation payments. In 2018/19, 3 non-teaching staff and 1 teaching staff appear in this table by virtue of having received redundancy or compensation payments.

30. External audit costs

2017/18 £'000		**2018/19 £'000**
140	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	100
9	Fees Payable to Grant Thornton UK LLP for other services provided in the year	32
149	**Total**	**132**

Fees payable for other services in 2018/19 and the prior year relate to grant certification work.

31. Dedicated Schools Grant (DSG)

This grant is ring fenced and can only be used for schools. Deployment of grant receivable for 2018/19 was as follows:

2017/18		2018/19		
Total		Central Expenditure	Individual Schools Budget	Total
£'000		£'000	£'000	£'000
(195,324)	Final DSG for 2018/19 before Academy recoupment			**(203,515)**
65,630	Academy figure recouped for 2018/19			**67,218**
2,873	Direct funding of High Needs Places by the Education Funding Agency			**4,428**
(126,821)	**Total DSG after Academy recoupment for 2018/19**			**(131,869)**
4,840	Plus: Brought Forward from 2017/18			**9,434**
(4,840)	Less: Carry forward to 2019/20 agreed in advance			**(9,434)**
(126,821)	**Agreed Initial Budget Distribution in 2018/19**	**(43,627)**	**(88,242)**	**(131,869)**
(185)	In-Year Adjustments	51	0	**51**
(127,006)	**Final Budget Distribution in 2018/19**	**(43,576)**	**(88,242)**	**(131,818)**
44,077	Less: Actual Central Expenditure	45,788		**45,788**
87,523	Less: Actual Individual Schools Budget deployed to schools		88,242	**88,242**
0	Plus local authority contribution for 2018/19	0	0	**0**
4,594	**In Year Carry forward**	**2,212**	**0**	**2,212**

2017/18 £'000	Total Carry Forward 2019/20	2018/19 £'000
4,840	2017/18 Carry Forward to 2019/20 agreed in advance	**9,434**
4,594	2018/19 In-Year Carry Forward to 2019/20	**2,212**
9,434	**Total Carry Forward to 2019/20**	**11,646**

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

32. Grant income

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

2017/18 £'000	Non-Ringfenced Government Grants	2018/19 £'000
(5,330)	S31 - NDR Grant	(7,971)
(7,236)	New Homes Bonus	(6,228)
(2,799)	Improved Better Care Fund	(3,341)
(2,758)	Other grants	(2,088)
(18,123)	**Total**	**(19,628)**
£'000	**Children, Adults and Health**	**£'000**
(127,006)	Dedicated Schools Grant (DSG)	(131,818)
(9,627)	Public Health Grant	(9,379)
(6,014)	Pupil Premium Funding	(4,627)
(2,992)	Free School Meals	(3,011)
0	Primary PE and Sport Premium	(1,541)
(661)	Education Services Grant	0
(1,432)	6th Form Funding	(1,258)
(3,508)	Other grants	(4,266)
(151,240)	**Total**	**(155,900)**
	Environment and Communities	
(3,052)	The Private Finance Initiative (PFI)	(3,052)
(1,458)	Other grants	(1,792)
(4,510)	**Total**	**(4,844)**
	Chief Executive and Corporate Resources	
(55,596)	Housing Benefit Subsidy	(55,020)
(2,407)	Other grants	(2,306)
(58,003)	**Total**	**(57,326)**
(231,876)	**Total Grants Credited to the Comprehensive Income and Expenditure Statement**	**(237,698)**

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

2017/18 £'000		Source	2018/19 £'000
(9,300)	Maintenance Challenge Fund (Drainage and A4174)	WECA	0
(4,515)	Integrated Transport (Maintenance)	WECA	(6,340)
(1,278)	Integrated Transport Block	WECA	(1,277)
(5,077)	Basic Needs	DfE	(333)
(4,492)	Developers' contributions	Various	(11,135)
(3,008)	Cycle Ambition	DfT	0
(2,768)	Standards Fund	DfE	(2,623)
(1,936)	Disabled Facilities Grant	CLG	(2,198)
(1,196)	MetroWest LGF	DfT	(1,428)
(1,010)	National Productivity Investment Fund	WECA	0
0	Low Emission Bus	DfT	(4,791)
0	EDF / LGF Science Park	WECA	(4,909)
0	Bromley Heath Viaduct LGF	WECA	(2,800)
(569)	Devolved Formula Capital	DfE	(1,484)
(6,997)	Other grants	Various	(4,749)
(42,146)	**Total**		**(44,067)**

33. 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 2018/19 is shown in Note 28.

One Member has an interest in a Day Nursery which received payments from the Council in respect of day care provision and other funding totalling approximately £165,000 in 2018/19 (2017/18 £138,000).

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

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

Chief Officers and Second Tier Officers

The Director of Corporate Resources and Deputy Chief Executive (2018/19) is a South Gloucestershire Council nominated Trustee of the Bristol Aero Collection Trust. 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 loan is included in debtors at 31st March 2019.

Other Officers

A number of officers serve on the boards of voluntary sector or not for profit organisations that provide services to, or receive funding from the Council. A number of officers have family members that may provide services to the Council. The officers concerned make declarations of interest in the departmental Registers of Interest and ensure contacts at the Council are aware of their involvement, and are not involved in any decisions relating to funding or award of contracts. A review was undertaken of departmental Registers of Interests, Gifts and Hospitality. There were no significant items declared.

Entities controlled or significantly influenced by the Council

Circadian Trust (formerly South Gloucestershire Leisure Trust) commenced trading on 1 November 2005. It is a separate not-for-profit organisation that manages leisure centres and other sports facilities for the Council. The Council paid a net management fee of £175,000 in 2018/19 (£254,000 in 2017/18). Funding is conditional upon the Trust operating within an agreed Service Framework and to agreed performance standards.

Community Transport groups received funding totalling £309,400 in 2018/19 (£309,400 in 2017/18) conditional upon them achieving agreed service levels and quality standards under Service Level Agreements.

Government Departments

The UK Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant amount of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, Business Rates and Housing Benefits). Grant funding received by the Council in 2018/19 is shown in Notes 13 and 32.

34. Analysis of Capital Expenditure and Financing

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

2017/18 £'000		2018/19 £'000
197,087	**Opening Capital Financing Requirement**	**203,096**
2,149	Adjustment to Capital Adjustment Account in prior year	**0**
199,236		**203,096**
	Capital Investment:	
36,696	Property, Plant & Equipment	17,903
23,090	Infrastructure Assets	20,320
765	Intangible Assets	1,264
0	Investment Properties	13,829
0	Surplus Assets	289
6,154	Revenue Expenditure Funded from Capital under Statute	16,540
66,705		**70,145**
	Sources of Finance:	
(31,747)	Government grants & other contributions	(42,264)
(8,633)	Capital receipts	(669)
(19,064)	Direct revenue contributions	(2,030)
0	Debt repayment funded by capital receipts	(500)
(1,442)	Minimum Revenue Provision	(1,100)
(677)	Ex-Avon debt principal repayment	(650)
(1,282)	PFI and Finance Lease Repayment	(1,400)
(62,845)		**(48,613)**
203,096	**Closing Capital Financing Requirement**	**224,628**
	Explanation of movements in year:	
3,860	Increase /(decrease) in underlying need to borrow (unsupported by government financial assistance)	**21,532**
3,860	**Increase/ (decrease) in Capital Financing Requirement**	**21,532**

35. Leases – the Council as lessor

Operating Leases

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

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

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

31 March 2018 £'000		31 March 2019 £'000
670	Not later than one year	515
2,480	Later than one year and not later than five years	1,651
11,541	Later than five years	1,190
14,691	**Total**	**3,356**

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

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into. No contingent rents were received in 2018/19.

Finance Leases

The Council has leased out twelve former secondary schools and twelve former primary schools to Academies on 125 year finance leases, all at peppercorn rents, which is a statutory requirement for Academies. The Council's gross investment in these leases, is made up as follows:

31 March 2018 £'000		31 March 2019 £'000
0	Finance lease debtor (net present value of minimum lease payments)	0
0	Unearned finance income	0
100,655	Unguaranteed residual value of property	105,347
100,655	**Gross investment in the lease**	**105,347**

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

36. 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 £3.052m (see Note 32).

Value of Assets under PFI contract

The value of assets held under PFI contracts and their movements during the year is set out in Note 14. The movement in the value of liabilities resulting from the contract is as follows:

2017/18 £'000		2018/19 £'000
8,592	Opening balance	13,970
6,145	Additions	423
(767)	Depreciation	(1,241)
13,970	**Net Book Value Closing balance**	**13,152**

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 2019 (excluding any estimation of inflation and availability/performance deductions) are as follows.

2017/18					2018/19			
Service cost	Reimbursement of capital	Interest	Total		Service cost	Reimbursement of capital	Interest	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
19,344	1,013	654	**21,011**	within 1 year	19,889	1,000	679	**21,568**
95,498	4,656	3,369	**103,523**	within 2-5 years	102,060	4,917	3,706	**110,683**
62,939	2,860	2,391	**68,190**	within 6-10 years	36,488	1,599	1,375	**39,462**
177,781	**8,529**	**6,414**	**192,724**		**158,437**	**7,516**	**5,760**	**171,713**

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

2017/18 £'000		2018/19 £'000
(9,523)	Opening balance	(8,529)
994	Repayment	1,013
(8,529)	**Closing balance**	**(7,516)**

37. Termination benefits

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

2018/19	No. of Compulsory Redundancies	No. of Other Departures	Total Number of Exit Packages	Total cost of exit packages in band
				£'000
£0 – £20,000	19	14	33	260
£20,001 - £40,000	5	1	6	210
£40,001 - £60,000	1	0	1	49
£60,001 - £80,000	2	0	2	214
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	0	0	0	0
£150,001 - £200,000	3	0	3	515
Total	**30**	**15**	**45**	**1,248**

2017/18	No. of Compulsory Redundancies	No. of Other Departures	Total Number of Exit Packages	Total cost of exit packages in band
				£'000
£0 – £20,000	92	21	113	803
£20,001 - £40,000	21	1	22	585
£40,001 - £60,000	8	0	8	357
£60,001 - £80,000	3	0	3	221
£80,001 - £100,000	1	0	1	82
£100,001 - £150,000	0	0	0	0
£150,001 - £200,000	0	0	0	0
Total	**125**	**22**	**147**	**2,048**

Of the 2018/19 exit packages, 10 were schools staff with exit costs of £78k.

38. Defined contribution pension schemes

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

The Scheme is a multi-employer defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years. The scheme has in excess of 3,700 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018/19 the Council paid £6.9m to Teachers' Pensions in respect of teachers' retirement benefits representing 16.5% of pensionable pay (in 2017/18 £7.1m was paid representing 16.5%). There were no contributions remaining payable at the year-end. The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 39.

In addition, a small number of staff who transferred from the NHS in April 2013 remain as members of the NHS pension scheme administered by the Department for Health. This scheme provides staff with specified benefits on their retirement. In 2018/19 the Council paid £0.073m to the NHS pension fund (£0.095m in 2017/18) in relation to the retirement benefits of ex-NHS staff, which represents 14.1% of pensionable pay.

39. Defined benefit pension schemes

Participation in pension schemes

The Council's principal pension arrangement for its employees is the Avon Pension Fund, which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit pension arrangement for local authorities, and is governed by statute principally now the Local Government Pension Scheme Regulations 2013.

The Avon Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every three years.

The latest actuarial valuation of the Fund was carried out at 31 March 2016, and at that date showed a funding level of 86% (assets of £3,737m against accrued liabilities of £4,355m). The change in contributions arising from the latest actuarial valuation took effect from 1 April 2017. The weighted average duration of the liabilities of the Fund as a whole is 18 years measured on the IAS19 actuarial assumptions. The next actuarial valuation of the Fund will be completed at 31 March 2019, taking effect from 1 April 2020.

The benefits paid by the LGPS scheme are based on each employee's length of service and their pensionable salary.

The Avon Pension Fund committee has responsibility for the governance of the Fund.

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		Unfunded Teachers Pensions	
	2017/18	**2018/19**	**2017/18**	**2018/19**
	£'000	**£'000**	**£'000**	**£'000**
Comprehensive Income and Expenditure statement				
Cost of Services:				
Current Service Cost	30,104	28,760	0	0
Past Service Cost	0	5,524	0	0
Settlements and Curtailments	217	(1,717)	0	0
Financing and Investment Income and Expenditure				
Net Interest Cost	7,533	7,474	719	700
Administration Expenses	423	**436**	0	**0**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**38,277**	**40,476**	**719**	**700**
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding net interest expense)	4,171	**(18,281)**	0	**0**
Actuarial (gains) and losses arising on changes in financial assumptions	(39,900)	**55,699**	(599)	**1,155**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**2,548**	**77,894**	**120**	**1,855**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits	(38,277)	(40,476)	(719)	(700)
Actual amount charged against the General Fund Balance				
Employers' contributions payable to scheme	19,374	20,501		
Retirement benefits payable to pensioners			1,964	1,962

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:

	Local Government Pension Scheme		Unfunded Teachers Pensions	
	2017/18	**2018/19**	**2017/18**	**2018/19**
	£'000	**£'000**	**£'000**	**£'000**
Present value of the defined benefit obligation	(1,007,397)	(1,098,671)	(27,902)	(27,795)
Fair value of plan assets	710,354	738,464	0	0
Net liability arising from defined benefit obligation	**(297,043)**	**(360,208)**	**(27,902)**	**(27,795)**

Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension Scheme		Unfunded Teachers Pensions	
	2017/18	**2018/19**	**2017/18**	**2018/19**
	£'000	**£'000**	**£'000**	**£'000**
Opening fair value of scheme assets	685,926	710,354	0	0
Interest income	17,085	17,914	0	0
Remeasurement gains/(loss)	(4,171)	18,281	0	0
Employer contributions	31,127	14,731	1,964	1,962
Contributions by scheme participants	5,387	5,565	0	0
Benefits paid	(24,962)	(26,786)	(1,964)	(1,962)
Settlements	(38)	(1,595)	0	0
Closing balance at 31 March	**710,354**	**738,464**	**0**	**0**

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

	Funded Benefits: Local Government Pension Scheme		Unfunded Teachers Pensions	
	2017/18	**2018/19**	**2017/18**	**2018/19**
	£'000	**£'000**	**£'000**	**£'000**
Opening balance at 1 April	(1,011,548)	(1,007,397)	(29,746)	(27,902)
Current service cost	(30,104)	(28,760)	0	0
Interest cost	(25,041)	(25,824)	(719)	(700)
Contributions from scheme participants	(5,387)	(5,565)	0	0
Remeasurement gains and (losses):				
Actuarial gains/losses arising from changes in financial assumptions	**39,900**	**(55,699)**	**599**	**(1,155)**
Past service cost	0	(5,524)	0	0
Benefits paid	24,962	26,786	1,964	1,962
(Gains)/losses on curtailment	(408)	(927)	0	0
Liabilities extinguished on settlements	229	4,239	0	0
Closing balance at 31 March	**(1,007,397)**	**(1,098,671)**	**(27,902)**	**(27,795)**
Present value of the closing balance at 31 March comprises				
Unfunded benefit obligations	12,899	12,823	27,902	27,795
Funded benefit obligations	994,498	1,085,848		

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

Mortality assumptions:	Local Government Pension Scheme		Unfunded Teachers Pensions	
	2017/18	**2018/19**	**2017/18**	**2018/19**
Longevity at 65 for current pensioners:				
Men	23.6	23.7	23.6	23.7
Women	26.1	26.2	26.1	26.2
Longevity at 65 for future pensioners:				
Men	26.2	26.3	n/a	n/a
Women	28.8	29.0	n/a	n/a

Mortality assumptions:	Local Government Pension Scheme		Unfunded Teachers Pensions	
Rate of inflation - CPI	2.1%	2.2%	2.1%	2.3%
Rate of increase in salaries	3.6%	3.7%	n/a	n/a
Rate of increase in pensions	2.2%	2.3%	2.2%	2.4%
Rate for discounting scheme liabilities	2.6%	2.4%	2.6%	2.4%

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

Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease by 1 year)	21,019	(21,019)
Rate of inflation (increase or decrease by 0.1%)	19,598	(19,598)
Rate of increase in salaries (increase or decrease by 0.1%)	2,209	(2,209)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(19,255)	19,255

Local Government Pension Scheme assets comprised:

		31 March 2018 £'000	31 March 2019 £'000
Equity instruments:	UK quoted	100,869	55,386
	Global quoted	189,665	208,985
	Emerging Markets	0	33,969
	Sub-total equity	**290,534**	**298,340**
Bonds:	UK Government	76,718	89,354
	Corporate	86,663	86,400
	Sub-total bonds	**163,381**	**175,754**
Property:	UK Property Funds	30,521	37,662
	Overseas Property Funds	32,701	33,969
	Sub-total property	**63,222**	**71,631**
Alternatives:	Hedge Funds	32,676	36,185
	Diversified Growth Funds	93,767	92,308
	Infrastructure	41,201	51,692
	Sub-total alternatives	**167,644**	**180,185**
Cash:	Cash accounts	25,573	12,554
	Sub-total cash	**25,573**	**12,554**
Total Assets		**710,354**	**738,464**

78% of the scheme assets at March 2019 have quoted prices in active markets.

Asset and Liability Matching (ALM) Strategy

The Avon Pension Fund does not have an explicit asset and liability matching strategy. The primary objective of its investment strategy is to generate positive real investment return above the rate of inflation for a given level of risk to meet the liabilities as they fall due over time.

When setting the investment strategy, the expected volatility of the assets relative to the value placed on the liabilities was measured and taken into account. The aim of the strategy and management structure is to minimise the risk of a reduction in the value of the assets and maximise the opportunity for asset gains across the Fund.

To achieve its investment objective the Fund invests across a diverse range of assets such as equities, bonds, property and other alternative investments, and uses a number of investment managers. The risk management process identifies and mitigates the risks arising from the Fund's investment strategy and policies which are reviewed regularly to reflect changes in market conditions. As a result of its investment strategy, the Fund is exposed to a variety of financial risks including market risk (market price, interest rate and currency risk), credit risk and liquidity risk.

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 Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over a 13 year period and this will shorten in future years. Funding levels are monitored on an annual basis. The next triennial valuation will be completed at 31 March 2019, taking effect from 2020/21.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 are £14.5m (£13.5m in 2018/19). In addition the Council made a pension deficit contribution of £17.3m in April 2017, relating to the years 2017/18, 2018/19 and 2019/20. Expected contributions for the Teacher Pensions Scheme in the year to 31 March 2020 are £7.0m.

40. Contingent liabilities

In 1992 Northavon District Council, along with a number of other local authorities, became party to a 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 whose value exceeds the Council's share of the guarantee. If the guarantee were called, the Council would receive the benefit of these.

The Council is defending a claim against it through the Employment Tribunal. The Tribunal is expected to hear the case later in 2019.

41. Contingent assets

As part of the City Region Deal, the four participant authorities have established an Economic Development Fund to re-invest money from the business rates pool within each authority's area through approved programmes. Distributions from the Fund are subject to approval by the Board governing the Fund. However distributions are contingent on there being sufficient cash within the Pool to make the distributions, as the Pool cannot anticipate future income. Consequently cash is retained in the Pool and as "Committed Cash not yet allocated". As at 31 March 2019, the Council has a contingent asset of £1.417m, representing the Committed Cash not yet allocated to the Council from the Fund.

In 2007 the Council transferred its housing stock, related assets and staff to Merlin Housing Society (now known as Bromford following the finalisation of a partnership arrangement with Bromford Housing Association). The stock transfer agreement covered a range of matters and made provision for the Council to receive a share of 'Right to Buy' income receipts from disposals to tenants with preserved Right to Buy conditions, after deductions allowing for loss of income and administration costs. Provision is also made for the Council gaining a share of Merlin's recoverable VAT. The Right to Buy and VAT share receipts are both contingent as the former is dependent on Right to Buy sales to tenants with preserved rights, and the VAT share is dependent on the nature and extent of repairs work undertaken by Merlin. The Council has a contingent asset for these receipts in 2019/20 estimated at around £2m.

42. Nature and extent of risk arising from financial instruments

Key Risks

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

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

Overall Procedures for Managing Risk

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

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

Credit Risk: Treasury Investments

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

For 2018/19 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;
- 'AA' for pooled investment vehicles such as money market funds.

The Investment Strategy also imposes maximum amounts and time limits for investments. Depending on credit ratings, these limits are:

- up to £20m with any single institution (other than the UK Government), with time limits according to sector
- money market fund deposits to be no more than £90m in total
- investments in non-UK banks not to exceed £75m in total

The full Annual Investment Strategy for 2018/19 was approved by full Council in February 2018 and is available on the Council's web-site.

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

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

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

Credit Rating	31 March 2018		31 March 2019	
	Long term £'000	Short term £'000	Long term £'000	Short term £'000
AA	0	32,772	5,000	32,887
A	0	17,543	0	7,532
Unrated local authorities	0	27,562	0	32,052
Total	**0**	**77,877**	**5,000**	**72,471**

Credit Rating	31 March 2018		31 March 2019	
	Long term £'000	Short term £'000	Long term £'000	Short term £'000
Credit risk not applicable*	4,709	29,379	29,338	13,416
Total investments	**4,709**	**107,256**	**34,338**	**85,887**

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

Twelve month expected credit loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 122% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded significantly and to below an investment grade credit rating since initial recognition. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31st March 2019, £7,200 of loss allowances related to treasury investments.

Credit Risk: Trade Receivables

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

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

The Council's credit terms for trade debtors are 14 days, such that £9.719m is past its due date for payment.

The past due amount can be analysed as follows:

	31 March 2018	31 March 2019
	£'000	£'000
Less than one month	1,445	2,892
One to two months	3,503	823
Two to three months	140	186
Three to six months	1,079	1,108
Six months to one year	1,786	665
More than one year	1,460	4,045
Total	**9,413**	**9,719**

In addition to the trade debtors detailed above, the Council has £1.9m of social care debtors at 31 March 2019, 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 circumstances 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 2018		31 March 2019	
		Gross receivable	Loss allowance	Gross receivable	Loss allowance
		£'000	£'000	£'000	£'000
Children, Adults and Health - Adults	0% - 90%	2,503	(1,650)	5,037	(2,066)
Children, Adults and Health - Children	0% - 50%	952	(23)	266	(34)
Environment and Community	0% - 50%	3,525	(43)	2,768	(55)
Corporate and Central services	0% - 100%	2,138	(211)	1,216	(161)
Integra - Traded services	0% - 100%	295	(19)	432	(33)
		9,413	**(1,946)**	**9,719**	**(2,349)**

A bad debt allowance is established when invoices are six to nine months overdue for payment but recovery action continues until all appropriate avenues are exhausted. Trade debtors are fully written off after all appropriate measures have been taken to recover payment, and in cases of bankruptcy. The amount written off at 31st March 2019 is £50,589 (2018: £329,549) and is not subject to further enforcement action.

Credit Risk: Loans, Financial Guarantees and Loan Commitments

At 31 March 2019, 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 2018 £'000	Risk exposure 31 March 2018 £'000	Balance Sheet 31 March 2019 £'000	Risk exposure 31 March 2019 £'000
Local charity	Loans at market rates	1,000	1,000	990	1,000
Total		**1,000**	**1,000**	**990**	**1,000**

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

The Balance Sheet amount at 31 March 2019 is net of an allowance which represents the twelve month expected credit loss. It is based on a consideration of the charity's budgetary forecasts and business plan reviewed at regular monitoring meetings, as well as the mitigating impact of legal charges which the Council holds over the charity's assets.

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 and Investment Strategies address this risk by:

- setting prudential indicators for the maturity structure of debt;
- imposing a limit of 15% on the overall percentage of debt due to mature in any given year; and
- ensuring that long term borrowing is matched to the value of capital investment over time.

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

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

	31 March 2018 £'000	31 March 2019 £'000
Principal due in:		
Less than one year	(1,461)	(1,447)
one year to two years	(1,447)	(1,652)
two to five years	(14,998)	(15,055)
five to ten years	(5,096)	(3,834)
10 to 20 years	(4,467)	(4,243)
20 to 30 years	(20,223)	(20,000)
30 to 40 years	(74,819)	(74,819)
forty years to fifty years	(8,700)	(8,700)
Total	**(131,211)**	**(129,750)**

Note: The financial liabilities above include the Waste PFI liability.

The maturity analysis of the Waste PFI liability is also shown in Note 36. All trade payables are due to be paid in less than one year.

Market Risk

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

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

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

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

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

If all interest rates had been 1% higher at 31 March 2019 with all other variables held constant, the financial effect would be:

	2018/19 £'000
Decrease in fair value of investments held at fair value through profit and loss	(373)
Impact on Surplus or Deficit on the Provision of Services	**(373)**
Decrease in fair value of fixed rate borrowing (no impact on Surplus or Deficit on Provision of Services or Other Comprehensive Income and Expenditure)	28,395
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)	(80)

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 2019 would result in a £0.344m 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 2019 would result in a £0.409m 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.

43. City Region Deal

Background

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

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

Transactions

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

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

Growth paid over to the BRP is recognised as expenditure by each council to the extent that the use of the funds by the BRP has been incurred. Any remaining cash is recognised by each Council as a debtor. The Council's share of the unallocated cash balance (£16.319m) held by the Pool is recognised in the accounts and held in an Earmarked Reserve to smooth the impact of City Region Deal transactions, and match the release of revenue support and charges for projects.

The BRP has made the following payments on behalf of the EDF in 2018/19:

£1.033m to Bristol City Council

£0.150m to North Somerset Council

£0.228m to Bath and North East Somerset Council

£0.265m to South Gloucestershire Council

The Council itself has recognised revenue income of £4.789m from the BRP and expenditure of £6.195m to the Pool for the year.

Cash receivable and disbursements payable by the BRP and the Council's share of these transactions are shown in the table below under "Cash Transactions". The expenditure and revenue recognised in the Council's CIES is also displayed and shows the increase in funds held of £5.962m.

	Cash Transactions		Revenue & Expenditure	
	Business Rates Pool Total	**Of which SGC Share**	**Council Expenditure**	**Council Income**
	£'000	**£'000**	**£'000**	**£'000**
Funds held by Business Rates Pool (BRP) at 1 April 2018	**(20,328)**	**(10,357)**		
Analysed between:				
Uncommitted Cash - Tier 2	(15,488)	(7,849)		
Uncommitted Cash - Contingency	(1,243)	(685)		
Committed Cash (Tier 2 Commitments)	(3,597)	(1,823)		
	(20,328)	**(10,357)**		
Receipts into the Pool in-year:				
- Growth sums payable by councils to BRP in-year (including interest)	(19,487)	(12,157)	6,195	
Distributions out of the Pool in-year:				
Tier 1 – no worse off	6,924	3,476		(3,476)
BRP Management fee	81	20		(81)
EDF Management Fee	67	17		0
Tier 2 EDF Funding	1,677	1,330		(265)
Tier 3 Demographic and Service pressures	1,980	1,352		(967)
Sub- Total Distributions	**10,729**	**6,195**		
Funds Held by BRP at 31 March 2019	**(29,086)**	**(16,319)**		

	Cash Transactions		Revenue & Expenditure	
	Business Rates Pool Total	**Of which SGC Share**	**Council Expenditure**	**Council Income**
	£'000	**£'000**	**£'000**	**£'000**
Analysed between:				
Uncommitted Cash - Tier 2	(24,048)	(13,427)	4,321	
Uncommitted Cash - Contingency	(1,486)	(909)	224	
Committed Cash (Tier 2 Commitments)	(3,552)	(1,983)	1,417	
Total CRD Business Rates Pool	**(29,086)**	**(16,319)**		
Expenditure/ Revenue Recognised			**12,157**	**(4,789)**
Increase in funds held		**(5,962)**		

Collection Fund Account

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

2017/18 Business Rates	2017/18 Council Tax	2017/18 Total		2018/19 Business Rates	2018/19 Council Tax	2018/19 Total
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Income			
0	(157,172)	**(157,172)**	Council Tax Receivable	0	(168,394)	**(168,394)**
(147,698)	0	**(147,698)**	Business Rates	(147,925)	0	**(147,925)**
(147,698)	(157,172)	**(304,870)**	**Total Income**	(147,925)	(168,394)	**(316,319)**
			Expenditure			
			Apportioned Prior Year Surplus/ (Deficit):			
(6,371)	1,218	**(5,153)**	South Gloucestershire Council	(5,006)	2,929	**(2,077)**
(6,501)	0	**(6,501)**	Central Government	(308)	0	**(308)**
0	0	**0**	West of England Combined Authority	(250)	0	**(250)**
(130)	159	**29**	Avon Fire & Rescue Service	(56)	142	**86**
0	60	**60**	Avon & Somerset Police & Crime Commissioner	0	371	**371**
(13,002)	**1,437**	**(11,565)**		**(5,620)**	**3,442**	**(2,178)**

2017/18 Business Rates	2017/18 Council Tax	2017/18 Total		2018/19 Business Rates	2018/19 Council Tax	2018/19 Total
£'000	£'000	£'000		£'000	£'000	£'000
			Precepts and demands			
124,157	130,247	**254,404**	South Gloucestershire Council	122,562	140,578	**263,140**
0	0	**0**	Central Government	0	0	**0**
6,604	0	**6,604**	West of England Combined Authority	6,519	0	**6,519**
1,321	6,289	**7,610**	Avon Fire & Rescue Service	1,304	6,609	**7,913**
0	16,504	**16,504**	Avon & Somerset Police & Crime Commissioner	0	17,953	**17,953**
132,082	**153,040**	**285,122**		**130,385**	**165,140**	**295,525**
			Charges			
269	515	**784**	Increase/(decrease) in bad debt provision	317	449	**766**
146	399	**545**	Write off bad and doubtful debts	617	459	**1,076**
3,431	0	**3,431**	Increase/(decrease) in Provision for NDR appeals	(1,499)	0	**(1,499)**
334	0	**334**	Cost of Collection	336	0	**336**
9,163	0	**9,163**	City Region growth disregard	11,800	0	**11,800**
556	0	**556**	Renewable Energy disregard	576	0	**576**
0	0	**0**	Interest on Refunds	0	0	**0**
7,075	0	**7,075**	Transition Relief Repaid	3,916	0	**3,916**
20,974	**914**	**21,888**		**16,063**	**908**	**16,971**
140,054	**155,391**	**295,445**	**Total Expenditure**	**140,828**	**169,490**	**310,318**
(7,644)	**(1,781)**	**(9,425)**	**(Surplus)/Deficit for the Year**	**(7,097)**	**1,096**	**(6,001)**
13,643	**(1,432)**	**12,211**	**(Surplus)/Deficit Brought Forward**	**5,972**	**(3,213)**	**2,759**
(27)	**0**	**(27)**	Post Audit adjustment agreed with MHCLG	**0**	**0**	**0**
5,972	**(3,213)**	**2,759**	**(Surplus)/Deficit Carried Forward**	**(1,125)**	**(2,117)**	**(3,242)**

Notes to the Collection Fund

C1 Apportionment of Fund Balance

Apportionment of Fund Balance	Business Rates	Council Tax	Total
	£'000	£'000	£'000
South Gloucestershire Council	(1,058)	(1,802)	**(2,860)**
Central Government	0	0	**0**
West of England Combined Authority	(56)	0	**(56)**
Avon Fire & Rescue Service	(11)	(85)	**(96)**
Avon & Somerset Police & Crime Commissioner	0	(230)	**(230)**
	(1,125)	**(2,117)**	**(3,242)**

C2 Calculation of the Council Tax Base

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-	32	5	27	5/9	15
A	12,809	5,099	7,710	6/9	5,140
B	34,553	6,386	28,167	7/9	21,908
C	27,779	3,276	24,503	8/9	21,780
D	21,771	1,606	20,165	1	20,165
E	11,850	624	11,226	11/9	13,721
F	5,653	218	5,435	13/9	7,851
G	1,978	77	1,901	15/9	3,168
H	154	7	147	2	294
Total	**116,579**	**17,298**	**99,281**		**94,042**
Adjustment to allow for new discounts and single persons allowances					(1,411)
Council Tax Base for 2018/19					**92,631**

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

C3 Non-Domestic Rateable Value and multiplier

2017/18 £		2018/19 £
345,344,376	Total Non-Domestic Rateable Value at 31 March 2018	
	Total Non-Domestic Rateable Value at 31 March 2019	352,342,698
0.479	National Non-Domestic Rate multiplier for the year (standard)	0.493
0.466	National Non-Domestic Rate multiplier for the year (small business)	0.480

South Gloucestershire
Council

Annual Governance Statement

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

Foreword

This statement considers the effectiveness of our governance arrangements during 2018/19, including our focus on sustainability, value for money, clear accountability and sound and inclusive decision making. It identifies any potential governance areas that we will need to consider and address with mitigating actions.

Each year the council is required to produce an Annual Governance Statement (AGS) which describes how our corporate governance arrangements have been working over the past year.

2018/19 has seen a significant management change with the welcoming of two new Chief Officers to our Children, Adults and Health and Environment and Community Services Departments. Their new leadership presents a stable and strong management structure for now and the future.
More recently, we have had an eye on the council elections which took place on 2nd May 2019. The elections were our first under the new electoral ward boundaries and with a reduction in council seats from 70 to 61.

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

We both recognise the importance of having good management, effective processes and appropriate controls in place to deliver services and achieve the best possible outcomes for South Gloucestershire. The statement shows that we have effective arrangements in place.

Amanda Deeks
Chief Executive

Councillor Toby Savage
Leader of the Council

1. What is Corporate Governance and who is responsible?

1.1 Corporate governance generally refers to the processes by which organisations are directed, controlled, led and held to account.

1.2 South Gloucestershire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.3 In discharging this overall responsibility, South Gloucestershire Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions. This includes responsibility for establishing and maintaining appropriate systems of internal control, and arrangements for the management of risk.

1.4 The council has approved and adopted a code of corporate governance, which is published on our website and forms part of the council's Constitution. This statement explains how the council has complied with the code and also how it meets the requirements of the Accounts and Audit Regulations 2015 to publish an annual governance statement. The code was updated in 2016/17 to reflect the update of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016), and the change in the core principles and sub principles. We annually confirm our compliance with the code through a self-assessment process.

2. How we know our governance arrangements are working

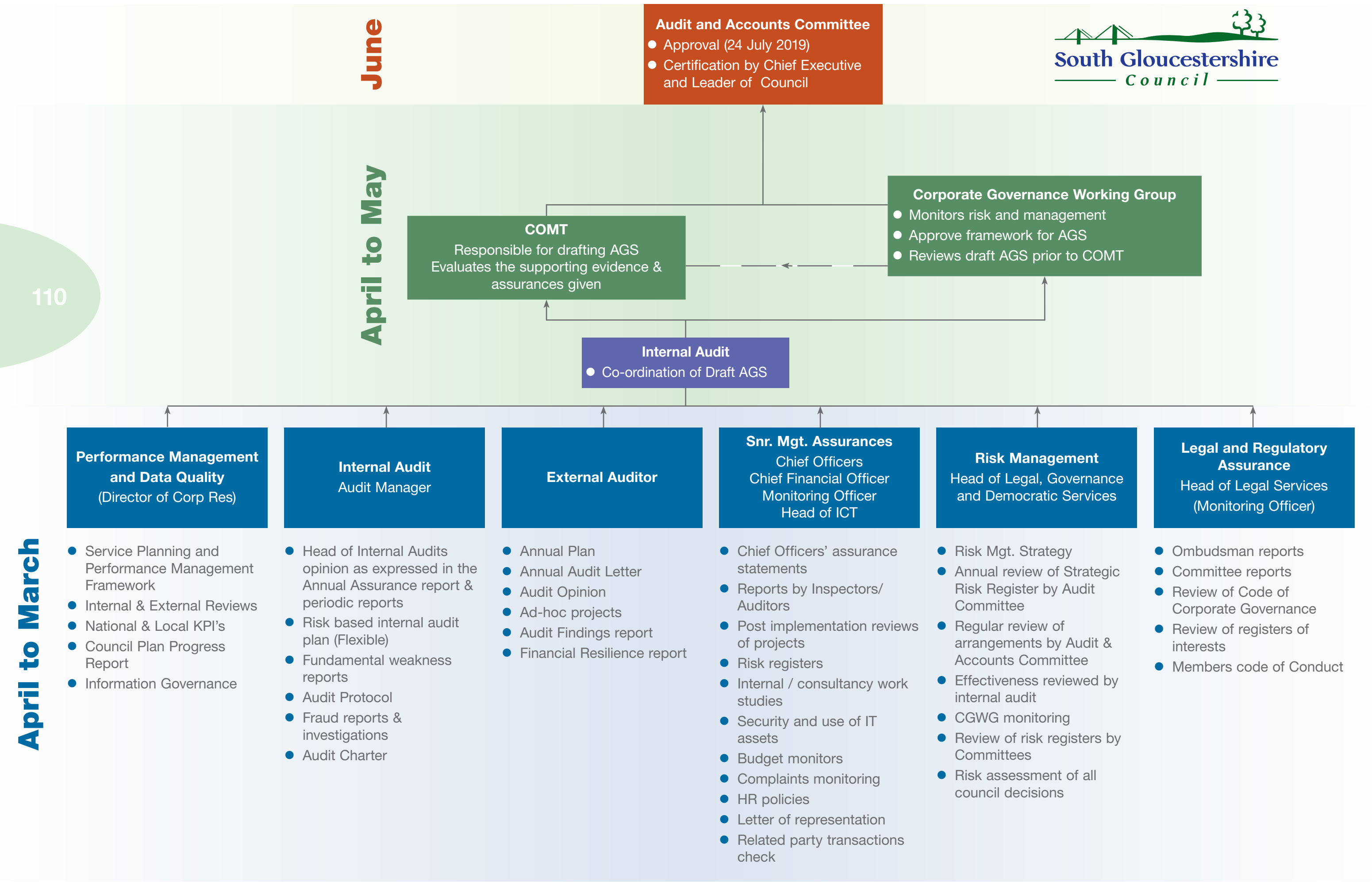
2.1 To monitor the effectiveness of the council's corporate governance systems, a governance framework has been developed (see diagram overleaf). This framework is monitored by the Audit and Accounts Committee.

2.2 The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

2.3 Each year the council reviews the corporate governance processes, systems and assurances on the governance framework to create the Annual Governance Statement by undertaking a review of the council's compliance with its Code of Corporate Governance, consulting with Chief Officers and the Corporate Governance Working Group as well as reflecting on the work of internal and external audit and other inspection bodies completed during the year.

2.4 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. This governance framework builds upon those of previous years and has been in place at South Gloucestershire Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

Framework for the Annual Governance Statement 2018-19



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

3. How we embed the principles of good governance

Legal & Constitutional Governance

3.1 The council's constitution sets out: how the council legally operates, how formal decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

3.2 Full Council has responsibility for setting the policy and budget framework. This is a collection of plans, strategies and policies (including the council's budget) which describe how services are to be provided.

3.3 Where there are still Committees in the governance structure, each Committee agenda contains an item requiring members to declare any relevant interest. The agendas and minutes of all of the public meetings of the Council and its Committees are available on the council's website and all follow the requirements as set out by the Constitution.

3.4 Formal delegation of authority is recorded and a schedule of decisions taken under delegated powers is maintained. Changes to the way Planning decisions are made with revised delegations for officers was agreed by Council in May 2018 and implemented from October 2018.

3.5 Services demonstrate their understanding of economic, social and environmental outcomes by ensuring that all decision reports contain a risk assessment considering these areas. Most decisions are taken after wider consultation.

Council Structure & Leadership

3.6 The council adopted a cabinet structure in May 2017 with an executive comprising eight cross cutting portfolios. There is a scrutiny commission to provide challenge. The diagram overleaf provides a pictorial view of the governance structure of the council. There were 70 democratically elected councillors during the financial year 2018/19. Following elections on 2nd May 2019, the number of elected councillors has been reduced to 61. The changes were as a result of an independent boundary review. Details of the terms of reference and key responsibilities for each Portfolio Lead Executive Member are contained in the council's constitution.

3.7 The council contributes to the delivery of the Sustainable Community Strategy through the Council Plan 2016-2020 and performance is monitored by members half yearly. This is supported by the council savings programme.

The Scrutiny Commission and Health Scrutiny Board

3.8 The council has appointed a Scrutiny Commission to be responsible for overview and scrutiny, and for being the principal means of holding the Executive to account. It allows a greater say in council matters by holding inquiries into matters of local concern. These lead to reports and recommendations which advise the Executive and the council as a whole on its policies, budget and service delivery. The Commission is responsible for setting their own work programme. Most of the recommendations from their work programme have been accepted by Cabinet.

3.9 Any five members of the council can ‘call in’ a decision which has been made by the Cabinet or by an executive councillor but not yet implemented. Decisions “called in” are reviewed by the Scrutiny Commission, which may recommend that the decision-taker reconsider the decision. There were no decisions called in during 2018/19. The Scrutiny Commission may also be consulted by the Executive or the council on forthcoming decisions and the development of policy.

3.10 The Health Scrutiny Board has a responsibility to advocate for the best possible health services for the residents of South Gloucestershire. The Health and Wellbeing board (which is constituted pursuant to S.194 of the Health and Social Care Act 2012 and operates as a formal Committee of the council) has a responsibility to report their work to the Health Scrutiny Board.

3.11 The Health Scrutiny Board has a responsibility to hold the NHS and other providers of health services to account through robust overview and scrutiny. The Health Scrutiny Board will respond, as appropriate, on behalf of the council to government consultation in respect of policy and/or legislation affecting Health Scrutiny. It has the ability to establish Advisory Groups to consider matters and report to committee.

The Audit & Accounts Committee

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

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

The Standards Sub Committee

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

Chief Officers

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

Chief Financial Officer

3.15 The Director of Corporate Resources and Deputy Chief Executive was the Chief Financial Officer for 2018/19. The Chief Financial Officer has been involved in reviewing corporate governance arrangements and in preparing this governance statement. He is satisfied with the arrangements currently in place for managing finance and procurement processes.

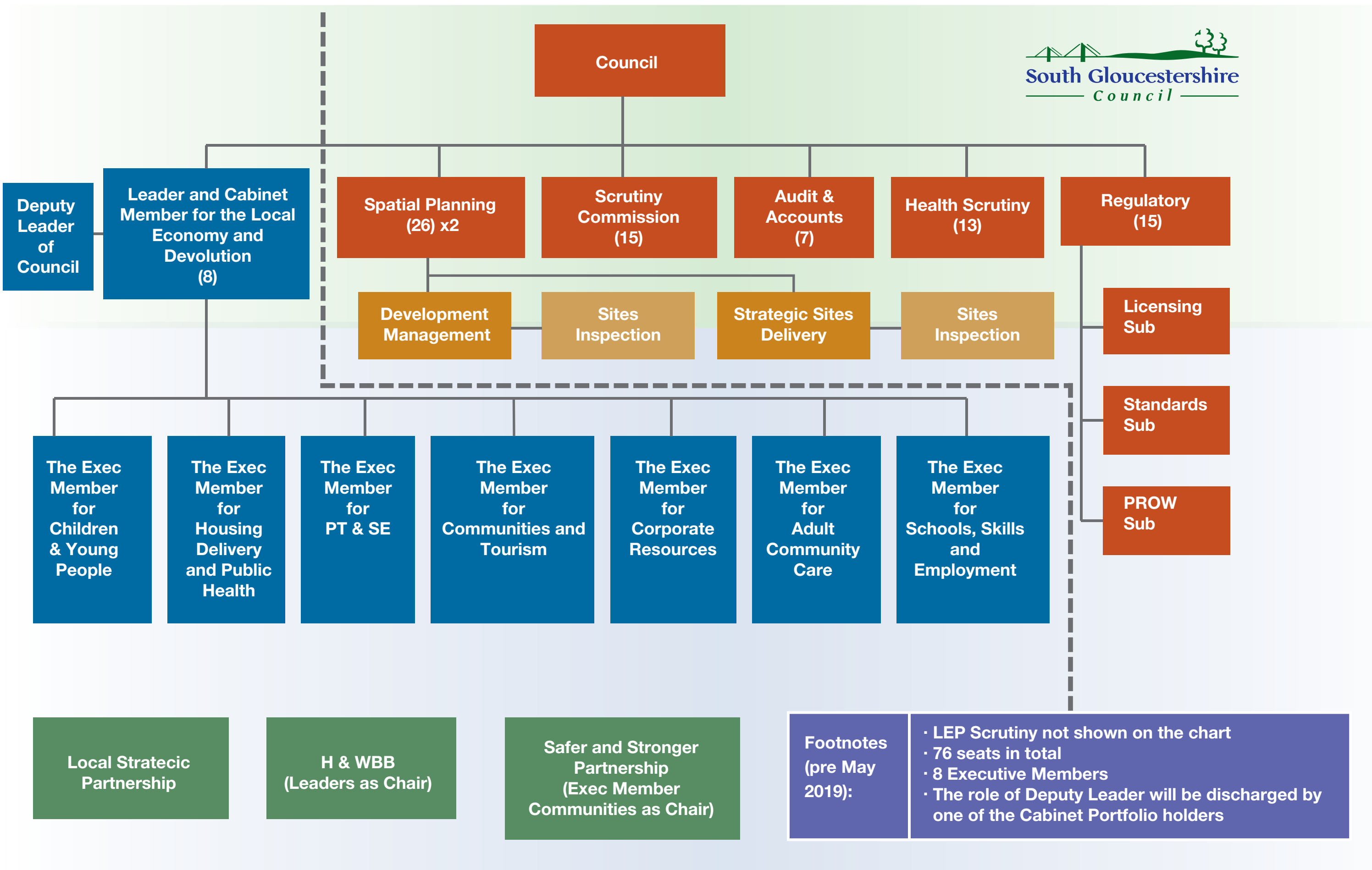
3.16 The council is expected to disclose its compliance or otherwise with the CIPFA statement on the role of the Chief Financial Officer regarding involvement of the Chief Financial Officer in high level decision making. The council has undertaken an assessment of its current arrangements against the five principles of the statement and confirms that we fully comply.

External Audit and Inspection

3.17 The external auditors Annual Audit Letter for 2018 confirmed that the financial statements gave a true and fair view of the council's financial position and concluded that the council has put in place proper arrangements to secure economy, efficiency and effectiveness in our use of resources. The letter has been reviewed by the Audit and Accounts Committee.

3.18 The council's OFSTED report in 2017 deemed its Children's Services to be 'inadequate' and the council has been under an Improvement Notice since then. Regular OFSTED Monitoring Visits have taken place to evidence improvement and an Improvement Board has been in place to oversee these developments.

The Constitutional Structure 2018/19



Integrity Ethics and Transparency

3.19 The council's monitoring officer has responsibility for ensuring the proper and lawful conduct of the council's affairs. Chief Officers promote adherence to the council's code of conduct at all times. Staff are required to declare any pecuniary or business interests and these are maintained on a central register.

3.20 The council has relaunched the values framework in 2018/19 and Heads of Service have articulated how they exemplify the new values, which are:

- 3.20.1 Working Together
- 3.20.2 Embracing Diversity
- 3.20.3 Customer and Community Focused
- 3.20.4 Ambitious and Adaptable
- 3.20.5 Resourceful
- 3.20.6 Encouraging Responsible Growth

3.21 The council has a robust Whistle-Blowing Policy which is reviewed regularly and its application is subject to internal audit. Where the whistle-blowing policy has been used, appropriate action has been taken. Our Corporate Complaints Procedure is aligned with the statutory complaints procedures for Children, Adults and Health and with the timescales for Freedom of Information requests. Annual reports on complaints processed are produced for Members.

3.22 Employees are made aware of core policies, these include the Anti-Fraud, Corruption and Bribery Strategy, the council's financial regulations and contracting rules, the IT Security Policy and policies related to management of data security incidents.

Managing Risks

3.23 All Councillors and Officers are responsible for ensuring that risks are considered in the decisions they take. The council has a policy statement for their risk management practices it is called the risk and opportunity strategy. The risk and opportunity strategy was reviewed and approved during 2017/18. The Council has a proactive approach to the management of all risks that impact on its strategies, operations and achievement of objectives. There is a strategic risk register which is regularly reviewed at the Chief Officers Management Team meeting. The Strategic Risk Register is considered by Cabinet, at least annually.

3.24 Each Department has their own risk register to consider and treat, terminate, transfer or tolerate risks. Each Department has developed their own methodology for reviewing their risk registers but all broadly follow the principle of regular review by management teams and at least annual review by Portfolio Cabinet Members. Departmental Registers will go to Portfolio holders as appropriate.

3.25 All decision reports must include a section relating to risk so that decision makers are able to fully consider any risk implications. Large scale projects and multi-agency partnerships will have their own risk management arrangements including risk registers for regular review at board meetings. Any significant risk issues will be escalated to Chief Officers, as needed.

3.26 A dedicated risk management resource resides in the Governance, Legal and Democratic Services division. The council's corporate governance working group will receive regular updates on operational risk management and effort within Departments to effectively mitigate risk where possible.

3.27 The council has emergency and business continuity plans in place. They are periodically tested.

Service Planning and Delivery

3.28 The Sustainable Community Strategy and Council Plan provide the overarching framework that underpins what we do and how we do it. This golden thread runs through all plans. Departments develop individual service plans and key performance indicators have been set for all services and are regularly monitored.

3.29 All staff are subject to an annual Personal Development and Performance Review and follow up.

3.30 The Council received 460 compliments during 2017/18 which was 3.8% increase on the previous year. There was a decrease in the number of complaints received across all stages of the procedure. The council has maintained high performance in responding to formal enquiries. There was a 26% increase in the number of concerns received. By definition, these are matters arising which are not yet at the stage of being a complaint, the council has been successful in resolving these.

3.31 A total of 35 complaints against South Gloucestershire Council were received by the Local Government and Social Care Ombudsman (LGSCO), five cases were upheld. The Council has implemented all recommendations in relation to the five cases. The overall number of complaints referred to the LGSCO has decreased when compared with the previous year.

3.32 Where services are delivered in partnership there are good governance principles in place with service level agreements and terms of reference in place, as needed

Internal Audit and Fraud

3.33 The Council receives substantial assurance from the work of internal audit who (through an agreed audit plan) review the adequacy of controls and governance that operates throughout all areas of the council.

3.34 The Internal Audit Service have been assessed as conforming to the Public Sector Internal Audit Standards (PSIAS).

3.35 An Audit Charter has been approved by Audit and Accounts Committee. The Council's Internal Audit Plan, which is risk based, is agreed with Chief Officers and approved by Audit and Accounts Committee annually. This provides the basis for the review of internal control within the Council. Achievement of the plan is monitored by the Audit and Accounts Committee.

3.36 In July each year, internal audit provides an annual assurance report to the Audit and Accounts Committee and Chief Officers, which contains an assurance about the system of internal control throughout the council.

3.37 Whilst internal audit are unable to give absolute assurance, the results of the reviews completed during the year have resulted in a reasonable assurance opinion. This means that individual audit reviews are not significant when considered in aggregate to the system of internal control. 'Improvements required' opinions are isolated to specific systems and processes. No one individual assignment achieved a fundamental weakness opinion.

3.38 The Council's corporate anti-fraud responsibilities are co-ordinated through the Internal Audit Service. The Council maintains a pro-active programme of counter fraud and corruption work which is risk based and proportionate.

3.39 The Council remain vigilant to the risks associated with malware such as ransomware, phishing emails and emails purporting to be from Chief Officers requesting large payments. Regular fraud updates and bulletins are circulated to officers and audit work has focussed on reviewing the robustness of password controls with the annual mystery shopper exercise.

3.40 A report is presented annually to the Audit and Accounts Committee, outlining all measures in place for the prevention and detection of fraud and how the council is addressing national guidance such as the CIPFA guidance Fighting Fraud Locally. The Anti-Fraud, Bribery and Corruption Strategy was last reviewed and approved in January 2019.

3.41 The internal audit plan has been substantially completed for 2018/19 providing a good insight and contribution to reasonable assurance.

Managing Finances

3.42 The Council has budget monitoring mechanisms and quarterly monitoring reports are provided to all service Committees for revenue and capital. The Council has a strong track record for delivering savings. The Council Savings Plan continues to be carefully monitored and a new savings plan is in the process of being developed to achieve further target savings of £19m by 2021. Each Directorate has a management team led board and business support group to provide additional oversight and challenge. The Council prepares a detailed 4 year revenue budget, which sits within a 10 year medium term financial plan. The council is forecast to breakeven during 2018/19 and has a balanced budget set for 2019/20.

3.43 The Council's Capital Programme contains a significant programme of works which will be funded from many different sources such as: Section 106 contributions, Local Enterprise Partnership funding streams such as the Economic Development Fund, Revolving Infrastructure Fund and Department for Transport. The Council has developed new Investment and Capital Strategies during 2018/19. The Council now has significant responsibilities to support the wider West of England Combined Authority to deliver major capital infrastructure schemes in an effective and efficient way while ensuring they remain on time and within budget.

3.44 Changes to the local government finance system could pose potential risks for future council priorities. The South Gloucestershire local authority area was acknowledged during 2018/19 to be the lowest funded area per pupil in the country. The dedicated schools grant and special educational needs funding budgets are currently in deficit and the council is working with the Schools Forum to address any issues this presents.

Partnership Governance

3.45 The Council is involved in many partnerships and our involvement is guided by the Corporate Partnership Framework which sets out our strategy for the way we work together and best practice in relation to setting up, entering and continuing to participate in partnerships based on a sound understanding of the risks, challenges and anticipated benefits involved. The Council supports its focus on partnerships by ensuring councillors are nominated to relevant partnerships as part of the annual municipal process. A 'Duty to Co-Operate' register has been established at West of England level to identify strategic planning matters and enable regular review.

3.46 Listed below are some of the Council's most significant partnerships:

- The West of England Combined Authority (WECA) was established in statute on 9 February 2017. The election of the first Regional Mayor took place in May 2017. South Gloucestershire Council is a Statutory Member of the Combined Authority (as are Bristol City Council and Bath & North East Somerset Council). The Leader of the Council sits on the WECA Committee.

- The West of England Joint Committee was created as a voluntary arrangement following the establishment of the WECA, to enable the three WECA Councils and the WECA Mayor to continue a strategic partnership with North Somerset Council. South Gloucestershire Council is a Member of the Joint Committee and the Leader of the Council sits on the committee.

- The WECA and the WoE Joint Committee are supported by three Advisory Boards and by the Local Enterprise Partnership (LEP). South Gloucestershire Council has one Member sitting on the Business Advisory Board, one Member on the Skills Advisory Board and two Members on the Infrastructure Advisory Board. The Leader of the council sits on the LEP and the Chief Executive attends in an advisory capacity. The Infrastructure Advisory Board has notably pulled together the former Joint Transport Executive Committee and Planning, Homes & Communities Board, taking over responsibility for the preparation of the Joint Spatial Plan (decision-making at the WoE Joint Committee).

- The West of England Public Health Partnership reports to local authority Chief Executives.

- South Gloucestershire Council has a role to contribute to the WECA Overview and Scrutiny Committee. The function of this committee is to review and/or scrutinise decisions made or other actions taken, in connection with the discharges of functions which are the responsibility of the WECA or Joint Committee. The Committee is responsible for setting its own work programme.

- Safer and Stronger Communities Strategic Partnership – performance results are provided by the partnership every six months and the risk register is reviewed annually.

- Local Strategic Partnership, membership, terms of reference and risk register are reviewed annually. The Leader of the Council chairs the LSP; membership includes the Executive Member for Schools, Skills and Employment.

- The Council is in the process of working with key partners to re-establish a Multi-Agency Safeguarding Hub, this will be located at the council offices and will sit alongside arrangements for the Multi-Agency Risk Assessment Conference process for working with cases of high risk domestic abuse.

- The Adults Safeguarding Board and Children's Safeguarding Board have terms of reference and work plans which are regularly reviewed, there is a requirement for a number of key agencies to be involved with the work of these partnerships. Following changes to legislation, there is a statutory requirement to review and develop new partnership arrangements for Children's Safeguarding and plans are in place to progress these within the defined timescale. New arrangements will be in place by end of September 2019.

- The council continues to work closely with health partners associated with 'Healthier Together' (BNSSG Sustainability and Transformation Partnership), the Better Care Fund (the integration of health and social care through the Better Care Fund partnership and pooled budget arrangements established under section 75 of the National Health Service Act) and the Health and Wellbeing Board. The Local Authority also has representation on the CCG Governing Body and Commissioning Executive via the Director of Public Health.

3.47 The Council has also established mutually beneficial partnership arrangements to deliver services effectively, such as arrangements with Wiltshire Council over broadband delivery and neighbouring councils for business rates pooling as a growth incentive to deliver mutually beneficial projects.

4. Review of Effectiveness

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

4.1 Management Assurance

- The Deputy Chief Executive was the Senior Information Risk Owner (SIRO) during 2018/19 and attended the council wide Data and Information Group (DIG to manage data and governance issues). This responsibility has been allocated to the Interim Director of Corporate Resources from 1st May 2019.
- The Monitoring Officer is the Data Protection Officer and has responsibility for ensuring the council's compliance with data protection regulations.
- A review of compliance with the Code of Corporate Governance and the CIPFA framework 'Delivering Good Governance'.
- Meetings of the Corporate Governance Working Group consider governance issues and oversee risk management arrangements.
- A review of risk management by the Corporate Governance Working Group with onward actions to further improve and monitor risk management arrangements.
- Implementation of internal audit report findings and recommendations.
- Implementation of special investigations recommendations during the year by Internal Audit.
- Monitoring of risks and issues as part of the annual audit planning cycle, meetings with Chief Officers and Heads of Service.
- Chief Officers have completed Assurance Statements on the review of governance and internal control arrangements in their departments.
- The Council carries out an annual assessment of the extent to which it is meeting its equalities duties and objectives, and publishes this in the form of an Annual Equalities Report.
- The Council had a relatively stable workforce during 2017/18 there was a turnover of 15%. Overall sickness levels across the whole council (including Schools) decreased by 4% in 2017/18 with reductions in both long and short term sickness.

4.2 Other Sources of Assurance

- Public Health Assurance Groups – the Clinical Governance Assurance Group and the Health Protection Assurance Group
- External Inspections
- Council role on the WECA Overview and Scrutiny Committee

Successes in 2018/19

4.3 Internal Audit follow up work has identified that a significant number of recommendations have been implemented. Outstanding audit recommendations continue to be worked upon.

4.4 The Council was awarded Envirocrime Service winner for the national APSE award for best waste management service.

4.5 Preparation of the joint spatial award was commended at the RPTI awards in 2018.

4.6 Awards for Economic Development supporting local businesses.

4.7 A Forgotten Landscape commended for community work.

4.8 Alexandra Way Care Home and the Rapid Response Team (social care services directly provided by the Council) were inspected by the Care Quality Commission and both were rated as ‘Good’.

4.9 Completion of the SGC-led, jointly commissioned 261 unit Extra Care Housing Scheme in Coldharbour Lane, Stoke Gifford. The largest Extra Care Housing Scheme in the South West and believed to be the first in the UK to be jointly commissioned by the two councils working in partnership (ourselves and Bristol City Council).

4.10 In partnership with Bristol City Council and North Somerset Council we launched our first Social Impact Bond initiative to improve the way we work with and together achieve outcomes for care leavers who are not in education, employment or training.

4.11 Some building awards have been received.

4.12 The ability to provide service to staff working from outside council buildings has been recognised by several senior staff during business continuity events. Where some authorities give staff ‘snow’ days or can’t allow them into buildings as seen during the recent low water pressure event, SGC still sees over 1100 staff working remotely.

5. Significant Governance Issues – Action Plan

REF	GOVERNANCE ISSUE	MITIGATING ACTION	TIMESCALES AND ACCOUNTABLE OFFICERS
1.	Financial and demand pressures resulting from Statutory Duties (Children Adults and Health and Environment and Community Service – Safe and Strong). The Medium Term Financial Plan is not balanced from year 4. The Schools Budget which is 100% grant funded is overspent by around £11.6M at the end of 2018/19. This has to be recovered and brought back into balance. Services absorbing increasing demand, challenging sustainability.	Benchmarking costs and performance with other councils. Using modelling to inform budget planning, workforce planning and other approaches. Work is underway to identify more savings to manage the council's MTFP. A deficit recovery plan has been agreed with the Schools Forum and is now in place. The Council continues to face school funding challenges associated with the national funding formula, small schools and schools in deficit. A deficit recovery plan has been revised following consultation and a new partnership to manage a whole system approach to change for managing special needs budgets has been developed. The Environment and Community Services Department is working with the digital programme to develop innovative approaches to support residents and reduce demand. Consideration is also being given to a risk based approach to intervention in statutory services.	Director of Corporate Resources and Director of Children, Adults and Health and Director of Environment and Community Services Ongoing
2.	Risk of non-achievement of planned savings	A monthly Council Transformation Savings Plan Programme Board meets and reviews progress and any potential non-achievement will be identified and reported to Cabinet. Work continues to find mitigating actions.	Chief Officers Ongoing during the period of the Programme
3.	Managing Data Governance Risks	Continue to increase awareness of the most likely data security risks through mandatory annual training for all staff on ICT and Information Security and Data Protection. Regular internal updates to staff on known security risks to raise awareness and ensure all are vigilant to issues.	Director of Corporate Resources (as SIRO) Information Asset Owners Ongoing

REF	GOVERNANCE ISSUE	MITIGATING ACTION	TIMESCALES AND ACCOUNTABLE OFFICERS
4.	Managing Data Security Risks	Develop and test Disaster Recovery plans including Cyber-attack response strategies. Continue to inform and increase awareness of threats and how to be safe when using the internet and email systems.	Director of Corporate Resources (as SIRO) and the Head of ICT Ongoing
5.	OFSTED inspection of Children's social care services. OFSTED's overall judgement was that children's services were inadequate. A Special Educational Needs and Disabilities inspection took place in November 2017. The main findings of the statutory inspection highlighted strengths but also areas where there were significant improvements to be made.	An improvement action plan for Children's Social Care was produced and approved by the DfE. Progress is monitored by an improvement board which is led by an independent chairperson. Following inspection in March 2019, Ofsted noted significant improvements have been made within Children's Services. Ofsted found Children's services to be "requires improvement to be good", which means that the council is no longer in intervention. The improvement journey continues, building on the learning from the journey so far. The council and NHS partners at the CCG have developed a plan to address the key findings of the report on SEND. Work is ongoing to implement the improvements needed as a matter of priority.	Director of Children, Adults and Health Ongoing
6.	West of England Combined Authority (WECA) WECA is a key partner for the council. The success of WECA's strategic plans and long term vision impacts on the Council. The Council is collaboratively working with WECA to support the development of transport and adult education strategies for the wider area including South Gloucestershire. The Council is currently commissioned to undertake work on behalf of WECA, this relationship may evolve and change over time.	The Leader of the Council has a key decision making role within the WECA governance structure. There are regular meetings between the Chief Officers of the respective councils. The Council is actively supporting WECA in the delivery of key programmes and will adapt its governance to accommodate the role of WECA as it develops.	South Gloucestershire Council Chief Officers Ongoing

6. Progress of Significant Governance Issues Raised in 2017/18 Annual Governance Statement

The progress made in addressing issues identified in the 2017/18 Action Plan is as follows:

- Financial pressures resulting from Statutory Duties (Children Adults and Health).
  - The Children Adult's and Health Department's outturn for 2018/19 is £1.967M below what had been the anticipated position when the budget was approved.
- Risk of non-achievement of planned savings
  - A monthly Council Transformation Savings Plan Programme Board meets and reviews progress and any potential non-achievement has been identified and reported to Cabinet. Work continues to find mitigating actions.
- Managing Data Governance Risks
  - Annual refresher training has been undertaken during 2018/19 and was presented to Senior Managers Network.
  - There have been various intranet news items published throughout the year to remind people of Data Protection risks.
  - The information security incident scoring process has been reviewed alongside the new ICO reporting requirements.
  - Quarterly information governance reports and outcomes continue to be reviewed by Departmental Management teams, at the Data and Information Group and by Chief Officers. Work has been ongoing to maintain the various required governance documents including the Records of Processing Activities.
- Managing Data Security Risks
  - ICT has provided some 'science' to the Emergency Planning meeting members to ensure that we are able to appropriately prioritise which systems and services are needed to focus on during an emergency, this could be a data security event.
  - The ability to restore critical systems has been tested during the year and future exercises are being planned.
  - Various intranet 'News Items' have been published throughout the year to remind people of Data Security Risks.
  - The Information Security Incident scoring process has been reviewed alongside the new ICO reporting requirements.
  - 99% of the mandatory requirements of the Data Security and Protection Toolkit Compliance self-assessment being met.

- OFSTED inspection of Children's social care services. OFSTED's overall judgement was that children's services were inadequate. A Special Educational Needs and Disabilities inspection took place in November 2017. The main findings of the statutory inspection highlighted strengths but also areas where there were significant improvements to be made.
  - A comprehensive action plan following the last OFSTED judgement has been successfully implemented resulting in significant service improvements.
  - Following inspection in March 2019, Ofsted found Children's services to be "requires improvement to be good", which means that the council is formally no longer in intervention. The improvement journey continues, building on the learning from the journey so far.

7. Certification

7.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Accounts Committee and plans to address any weaknesses and ensure continuous improvement of the system are in place. These will be monitored as part of the next annual review.

Signed:

Leader of the Council

Signed:

Chief Executive
on behalf of the Council

Glossary

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

ASSET

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

AUDIT OF THE ACCOUNTS

The annual examination of the Council's accounts by an independent external auditor who will issue a formal opinion on them at the end of the audit.

BALANCES (OR RESERVES)

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

BUSINESS RATES (NATIONAL NON-DOMESTIC RATE (NNDR)/ NDR)

A levy on businesses, based on a national rate in the pound (set by the Government) multiplied by the rateable value of their premises. Since the Council joined the West of England Business Rates Retention Pilot, the NNDR income collected by the Council is shared 5% with the West of England Combined Authority (WECA) and 1% with the Fire authority, with 94% retained by the Council.

WECA and the Fire authority also share deficit on the NNDR collection fund, the appeals provision and other NNDR related balances.

BORROWING

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL RECEIPTS

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

COMMUNITY ASSETS

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

CONTINGENT LIABILITY

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

CURRENT SERVICE COSTS OF PENSIONS

The increase in the "present value" of a pension scheme's liabilities arising from employee service in the current period.

CREDITOR

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

CURTAILMENT

An event that reduces:

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

DEBTOR

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

DEPRECIATION

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

EMOLUMENTS

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

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

The average rate of return expected over the remaining life of the related obligation on the actual assets held by the pension scheme.

FINANCE LEASE

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

GENERAL FUND

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

HERITAGE ASSETS

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

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTEREST COST (PENSIONS)

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

LIABILITY

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

MINIMUM REVENUE PROVISION

The minimum amount that must be charged to the Council's revenue accounts every year as a provision for the repayment of debt.

NON-OPERATIONAL ASSETS

Fixed assets held by the Council, which are not used in the delivery of services (e.g. investment properties).

OPERATING LEASE

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

OPERATIONAL ASSETS

Fixed assets held by the Council and employed in the delivery of services.

PAST SERVICE COSTS

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

PRESENT VALUE

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

PRIVATE FINANCE INITIATIVE (PFI)

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

PROPERTY, PLANT AND EQUIPMENT

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

PROVISIONS

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

PUBLIC WORKS LOAN BOARD (PWLB)

A Government agency, which provides long and medium term loans to local authorities at favourable rates slightly higher than those paid by the Government on its own borrowing.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Government regulations allow some expenditure to be funded from capital sources, although it does not result in a fixed asset on the Council's own Balance Sheet. Examples include schemes funded by Disabled Facilities Grant, which result in capital investment in properties where the Council is not the owner.

RESIDUAL VALUE OF AN ASSET

The net realisable value of an asset at the end of its useful life.

RELATED PARTIES

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

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

RELATED PARTIES TRANSACTIONS

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

REVENUE RESERVES

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

REVENUE SUPPORT GRANT (RSG)

A grant paid by the Government to aid the delivery of Council services in general, as opposed to a grant used only for a specific purpose.

USEFUL LIFE OF AN ASSET

The period over which the Council will derive benefits from the use of a fixed asset.

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

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