South Gloucestershire Council

2014/15

STATEMENT OF ACCOUNTS

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You can obtain additional copies of this Statement by writing to Andrew Birch, Deputy Head of Finance, South Gloucestershire Council, PO Box 300, Civic Centre, High Street, Kingswood, Bristol BS15 0DS or by telephoning (01454) 864670

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www.southglos.gov.uk

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH GLOUCESTERSHIRE COUNCIL

We have audited the financial statements of South Gloucestershire Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of South Gloucestershire Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the 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.

Respective responsibilities of the Director of Corporate Resources and Deputy Chief Executive and auditor

As explained more fully in the Statement of Responsibilities, the Director of Corporate Resources and Deputy Chief Executive 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of South Gloucestershire Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;

- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, South Gloucestershire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Delay in certification of completion of the audit

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

Alex Walling Date 30th Sept 2015

Alex Walling
Associate Director, for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
Hartwell House, Victoria Street, Bristol BS1 6FT

Explanatory Foreword

1. Summary of the Council's performance

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of such a large and diverse organisation as South Gloucestershire Council are by their nature both technical and complex so this foreword explains some of the statements and provides a summary of the Council's performance for 2014/15 and its financial prospects.

The Council under spent its £190.7m revenue budget by £1.2m (-0.6%), before making a planned transfer of this under spend to reserves to enable it be used to support the approved revenue budget for 2015/16. This is a very good performance in increasingly difficult times. The Council also maintained its high level of capital investment in schools, roads and other facilities spending £49.5m. In addition to providing important local facilities, this provided the opportunity for much needed work for local construction companies.

The savings achieved against the Council's savings programmes amounted to just over £8m at the end of 2014/15 in line with the target. Plans are in place to deliver in full the remaining £34m savings from the Council Savings Programme by 2019/20.

There are three key ways of judging the performance of the Council: how does its level of spending compare with other similar councils, how does the quality of its services compare with others, and how satisfied are residents with the services. Together these measures confirm that South Gloucestershire Council delivers very good value for money to its residents.

2. Introduction to the Statement of Accounts

This introduction provides an explanation of the five main accounting statements, a comparison of spending against budget for 2014/15, details of capital spending and funding, a note on general fund balance reserves, a note on the capital investment strategy and treasury management activity, and comments on the outlook for the current year and the next few years.

3. Main statements

The five main statements in the Council's accounts are:

a. Comprehensive Income and Expenditure Statement. The Comprehensive Income and Expenditure Statement (CIES) takes a wider view of the financial performance of the Council and shows a deficit for the year of £40.5m after taking account of the £1.2m revenue budget under spend. This deficit represents the amount that the Council's net worth has decreased over the year. There are five main factors which have contributed to this decrease in the net worth of the Council:

i) For 2014/15 the Council's pension's deficit has increased by £63.5m, largely as a result of the re-measurement of the net Defined Benefit liability following changes in the actuary's financial assumptions. The Council made an early pensions deficit payment totalling £11.2m in respect of years 2015/16 and 2016/17 to Avon Pension Fund in the 2014/15 financial year. This payment has been offset against the pensions liability.

ii) The Council carries out a five year rolling revaluation programme for its material assets. The net impact of asset revaluations is recognised in the CIES. For 2014/15 the value of increased revaluations included in the CIES was £115.2m, which was partly offset by downward revaluations of £4.5m.

iii) Under International Financial Reporting Standards (IFRS) any grants for which any conditions imposed by the granting body have been met, or where there is a reasonable expectation that the conditions will be met, must be recognised in the CIES. This means that capital grants received are recognised as income in the CIES, but due to statutory restrictions on how they can be spent they are then carried forward as earmarked capital reserves to meet planned expenditure in future years. For 2014/15, £39.2m of income from capital grants was recognised (£27.3m in 2013/14).

iv) The CIES incurs a charge for the depreciation of fixed assets. The charge is an indication as to the cost the Council will have to incur, through borrowing and repairs and maintenance budgets, in order to maintain the standard of our buildings and other assets. For 2014/15 this amounted to a cost of £46.3m**.**

v) The Comprehensive Income and Expenditure Statement also recognises any gains or losses on disposal of fixed assets. For 2014/15 this amounted to a loss of £78m**,** mainly resulting from the transfer of a number of schools to academy status. These schools assets are transferred at nil consideration.

b. **Movement in Reserves Statement**. The year end balance on the General Fund Reserve is £8.709m which is marginally lower than the balance at the end of March 2014. The General Fund balance exists to cope with any unexpected and large events that the Council could not deal with without major impacts on services to residents. Earmarked reserves increased to £56.3m at the year end from £48.3m at March 2014. This was mainly arising from planned transfers into reserves to help offset the projected in year deficits in future years, in order to ensure a broadly balanced budget in the medium term.

c. **Balance Sheet**. This statement shows the overall financial position of the Council at the year end. It includes the value of the assets owned by the Council, the sums it owes to others and the sums owed to it. The total net value of these assets and liabilities is £466.93m which is a decrease of £44.8m when compared to the re-stated value from the end of March 2014, after the re-statement. The main reasons for this are an increased pensions liability following an actuarial reduction offset by increases in both the Property, Plant and Equipment assets and an increase in short term debtors. A review of the Council's arrangements on the consistency of school's accounting was undertaken in 2014/15, which led to both the continued inclusion of voluntary aided and voluntary controlled schools on the Balance Sheet together with one foundation school being added.

d. **Cash Flow Statement**. The cash flow statement shows where the Council's cash came from during the year, and how it was used. The Council ended up with a net cash outflow from its operating activities (ie. those shown in the CIES), which was partly offset by an inflow on investing activities (i.e. capital expenditure and funding). The level of investments and cash equivalent amounts at the end of March 2015 were around £1 million higher than at the end of 2013/14 (at £77.2m against £76m).

e. **Collection Fund**. Following the national changes to the Local Government Finance system effective from April 2013, the Collection Fund now includes both Council Tax and Business Rates receipts. The Council collects Council Tax from its residents for itself, the police and the fire services, and for parish and town councils. All these sums are paid into the Collection Fund which then distributes them. At the year end the Collection Fund was in surplus from Council Tax receipts by £2.859m of which South Gloucestershire Council's share was £2.416m. The actual outturn for Business Rates receipts was a deficit of £14.349m, before allocation of respective shares to central government and the fire service, but after taking into account of an addition of £10.599m to the provision for outstanding business rate appeals up to 31 March 2015. South Gloucestershire Council's share of this Business Rates deficit was £7.031m. In total, the aggregated year end Collection Fund deficit is £11.490m with South Gloucestershire Council's share of this deficit being £4.615m.

4. Comparison of spending against budget

The Council's net revenue outturn on its services was an under spend of £1.2m (-0.6%), before making a planned transfer of this under spend to reserves to enable it to be used to support the approved revenue budget 2015/16, which was in line with the position reported at the end of quarter three. The full analysis is shown in the table below.

Committee/ Service	Approved Budget	Outturn 2014/15	(-)Under/ overspending
	£'000	**£'000**	**£'000**
Adults & Housing	76,114	76,104	(10)
Public Health	747	747	-
Children & Young People	24,933	24,914	(19)
Community Services	34,300	33,644	(656)
Planning, Transportation & Strategic Environment	17,722	17,282	(440)
Resources Sub	20,224	19,980	(244)
Central Items	16,666	16,865	199
Additional transfer to Reserves	-	1,170	1,170
Total	**190,706**	**190,706**	**-**

The major variations for the year can be summarised as follows:

Adults & Housing – The Committee's outturn is a net under spend of £10K. The areas which were over spent are bed placements (£1.296M) mainly due to an increase in the amount paid for spot purchased beds from the independent sector, together with an over spend of £476K in the community based support budget. The over spend in the community based support budget was mainly due to not meeting the savings target for this area, although, plans are in place to meet these savings in future years. There were compensating savings from vacancies in the Assessment, Review and Care Management budget (£505K), Housing Services (£660K) largely from not calling upon the budget retained for use in projects or housing related support, and savings in the Partnership and Performance budget (£523K) from transferring expenditure to the Public Health service.

Public Health - The under spend on the ring-fenced grant funded budgets of £301K by this Committee have been transferred to the Public Health reserve. Under the terms of the Public Health ring fence the Public Health reserve may be carried forward to 2015/16. There are approved programme activities and fixed term posts in place for the use of the Public Health reserve.

Children & Young People – This Committee's outturn against its mainstream budget was an under spend of £19K. The Integrated Children's Services were over spent by a net £115K mainly in the Looked After Children service (£370K), partially offset by under spends in the Early Intervention and Prevention Service due to vacancies and the Adoption Service due to the sale of placements to other local authorities. There was an under spend in the Business Support budget of £151K from decreased annual pension charges and under spends on a number of supplies and services budgets, in anticipation of the requirement to meet future savings targets. This under spend has offset the over spend in the Integrated Children's Services budget leaving a small overall total under spend for this Committee. It should be noted that a transfer from the Traded Services reserve of £677K has been made to cover both the trading loss this year together with development costs for the new company.

Community Services - The Committee was under spent by £656K, largely in the Safe and Strong Communities budget, but after taking into account two carry forwards totalling £174K. The Safe and Strong Communities service under spend is from increased income from Parkway North Park and Ride and vacancy management in the lead up to Council Savings Programme reviews. The two carry forwards relate to planning enforcement (£132K) and the Economic and Social Engagement Officer post (£42K). The planning enforcement carry forward set aside funds for direct action in 2015/16, whilst, the funding for the post is for a full two year period for limited term work.

Planning Transportation & Strategic Environment – The Committee's outturn was an under spend of £440K, but again after taking into account two transfers to reserves totalling £700K. The most significant under spend was from an early achievement on this Committee's Council Savings Programme target, arising from successful negotiations with Transport operators leading to reduced subsidies. The first of these two transfers to reserves was for £100k for the Nuclear Reserve. This reserve is held to provide funding for any costs that are not funded through the Planning Performance Agreement for the potential plant at Oldbury on Severn.

The second transfer to reserves of £600k is to provide funding for further preparatory work on a number of major infrastructure schemes that could attract additional funding for the Council, such as capacity improvements to the M32 junction 1, developing transport schemes for future bidding rounds to government for Local Growth Fund and developing schemes to improve capacity on the ring road.

Resources Sub – The Committee was under spent by £244K at year end, which equates to 1.2% of the budget. The main areas of this under spending were in Finance and Customer services and Property Services and Business Services which respectively received extra court fee income and savings from vacancies held in advance of Council Savings Programme reviews. Two provisions to cover the costs of ongoing legal disputes were made as part of the closing process.

Central Items – The Central Items area covers Capital Charges and Interest receivable, centrally held budgets, and levies and unfunded pensions. The Central Items budget was over spent by a net £199K this year mainly as a result of lower Section 31 grant income in respect of business rates than had been budgeted for. A sum of £330K was transferred to a new earmarked revenue reserve to partly offset the cost of carry of the Council initially funding City Region Deal infrastructure schemes in the future. A technical transfer of £1.847M has been made to earmarked reserves from the under spend achieved from not needing to make provision for a levy payment to central government in respect of business rates growth, given the need to cushion the impact on the revenue budget of the opening Collection Fund deficit referred to earlier in this Foreword.

5. Capital spending and borrowing

The Capital Programme outturn shows a variation of £5.964m. There are a number of reasons for this variation including, changes outside of the Council's control from working with other agencies, the timing of spend, and under spending achieved on schemes through final accounts negotiation etc., together with capital slippage from scheme payments slipping between years. The outturn for each Committee is summarised in the table below:

Committee	Planned spend in year	Expenditure	Variation on planned spend in year	Variation on planned spend in year
	£'000	£'000	£'000	%
Adults & Housing	1,481	1,403	-78	-5.3
Children & Young People	19,133	17,802	-1,331	-7.0
Community Services	3,374	2,901	-473	-14.0
Planning, Transportation & Strategic Environment	21,958	21,122	-836	-3.8
Resources Sub	9,479	6,233	-3,246	-34.2
Total	**55,425**	**49,461**	**-5,964**	**-10.8**

The table below shows how the 2014/15 capital expenditure was financed.

Borrowing including RIF Fund	Capital Grants	Revenue and Reserves	Capital Receipts	Total
£'000	£'000	£'000	£'000	£'000
2,703	36,114	4,746	5,898	**49,461**

The Council has a 10 year Asset Management Plan that sets out its investment plans and the funding of those plans for a rolling 10-year period. No material liabilities were incurred during the year.

The Council's level of long term borrowing remains relatively low in comparison to the value of its long term assets (£113.6m compared to £849 million**).**

6. General Fund Balance Reserves

The provisional year end balance on the General Fund Balance Reserve is £8.709m a marginal decrease on the balance at the end of March 2014, following the making of a provision for backdated adult social care client costs. The Council's General Fund Balance Reserve at March 2015 represents 4.6% of the Council's overall net 2014/15 revenue budget of £190.7m.

7. Capital investment strategy and treasury management activities

The Council had investments of £78.9m at the year end, which is in line with the investments held at March 2014. The investment counterparties are summarised in the following table. Of this £66m (84%) of these investments were managed internally and £12.9m (16%) were managed by the external fund manager.

	£m	*%*
- UK Gilts	0	*0*
- UK Banks	17.8	*23*
- UK Building Societies	5.0	*6*
Total UK institutions	**22.8**	***29***
Money Market Funds	**20.8**	***26***
- European banks	16.5	*21*
- non European Banks	18.8	*24*
Total non UK institutions	**35.3**	***45***
Grand total investments at 31 March 2015	**78.9**	***100***

The Council did not undertake any long term borrowing during the year so borrowing at 31 March 2015 remained at £113.5m (£113.6m at the end of March 2014), which is line with the Council's strategy to delay borrowing while it continues to be prudent to do so and use internal cash resources instead.

	£m	**%**
Public Works Loan Board	97.3	85.7
Market borrowing – long term	16.2	14.3
Total	**113.5**	**100.0**

8. Looking forward to the next few years

The Council has agreed a budget for 2015/16, which includes the requirement for savings to be delivered, together with confirming a nil increase in the level of Council Tax for the fifth year running. The Council's Medium Term Financial Plan broadly balances over the next two years, with the 2014/15 surplus and a projected surplus in 2015/16 being used to offset the deficit in 2016/17. Further savings are required from 2017/18, even after assuming that the current savings in the Council Savings Programme can be achieved in full.

It remains clear that the financial challenge going forward is likely to be as great if not more than that which the Council has already had to deal with. The Medium Term Financial Plan assumptions will need to be modified following the expected Government Spending Review outcomes anticipated to be announced in the Autumn Statement due around late Autumn 2015 and to reflect any announcement made in the Emergency Budget planned for 8 July. This could lead to increased austerity levels over the next two years compared to those currently assumed. The Council will keep their plans under review with a view to fully balance the budget by the planned endpoint of the Council Savings Programme in 2019/20.

MetroBus is a new express bus service that is coming to the West of England region and has been designed to link and connect with existing rail and bus services. The Council's Capital Programme includes the £102m North Fringe to Hengrove MetroBus scheme, which has been approved by the Department for Transport and will receive capped grant funding of £51.1m commencing in 2015/16 and onwards, together with local scheme contributions of £30.5m from South Gloucestershire Council and £20.5m from Bristol City Council

Dave Perry CPFA
Director of Corporate Resources and Deputy Chief Executive

29th September 2015

Statement of Accounting Policies

This section lists the accounting policies that have been followed in preparing the Statement of Accounts and any departure from recommended practice, if applicable.

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require it to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, supported by the International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is historical cost, modified by the revaluation of certain categories of non-current assets and financial statements.

In accordance with best practice, accounting policies are reviewed every year by the Chief Financial Officer.

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as stocks 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 the 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 is made to revenue for the income that might not be collected.

3. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments with financial institutions maturing in two months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement and Balance Sheet, 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.

4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

5. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are, therefore, replaced by the Minimum Revenue Provision (MRP) contribution in the General Fund balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. Employee Benefits

The 2014/15 Code reflects amendments to the IAS19 accounting standard and changes the accounting requirements for defined benefits pension liabilities notably the local government pension scheme (LGPS). This results in a reallocation of amounts charged in the Comprehensive Income and Expenditure statement and more detailed disclosures.

<u>Benefits payable during employment</u>

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and non monetary benefits for current employees and are recognised as an expense for services in the year in which the employees render services to the Council. The accrual is for accumulating compensating absences i.e. holiday pay entitlements earned by employees but not taken and carried forward by the employees into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but is then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged against the severance provision. This occurs when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year.

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 the Department for Health.

Each scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' pension scheme in the year.

The structure of the NHS Pension scheme is such that the liabilities cannot be identified specifically to the Council. This scheme is also accounted for as if it were a defined contribution scheme and no future liability is recognised in the Balance Sheet.

The Local Government Pensions Scheme

The Local Government 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).

- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds).

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

o Quoted securities – current bid price
    o Unquoted securities – professional estimate
    o Unitised securities – current bid price
    o Property – market value

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

o 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 cashflows 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 pensions 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.

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.

7. Financial Instruments

Financial liabilities

Financial liabilities are recognised in the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. For major debt restructuring exercises, the Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it

was repaid. For interim early repayments of borrowing, premiums and discounts are spread over the lesser of ten years or the remaining life of the original loan.
Single immaterial amounts may be fully written off in the year they arise. 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 Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Fair value through the Income and Expenditure account – is where a portfolio of financial assets managed together by the external fund manager where part of the portfolio is being held for trading

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Fair Value through the Income and Expenditure Statement

Financial instruments held for trading should be classified as at fair value through the Comprehensive Income and Expenditure Statement. The assets managed for the Council by its external fund manager are defined as "held for trading" because they are a portfolio of identified financial instruments managed together, for which there is a recent pattern of short term profit-taking.

Under this category, financial assets are maintained in the Balance Sheet at fair value. In the case of the externally managed fund, this is the quoted bid price. Gains and losses arising from movements in the fair value recorded in the Balance Sheet, are shown in the Comprehensive Income and Expenditure Statement.

Instruments Entered into Before April 2006
The Council entered into a small number of guarantees before this date and these are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts only to the extent that a provision may be required or a contingent liability note needed under the policies in Policy 19 below.

8. Government Grants and Contributions

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

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant and contribution have been satisfied or there is a strong expectation that they will be satisfied. Conditions are stipulations that specify that the future economic benefits or service potential of the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of 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.

9. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance (e.g. software licences) but are controlled by the Council, is capitalised when it is expected future economic benefits or service potential will flow from the intangible asset.

Intangible assets are measured initially at cost. Since the fair value of these assets cannot be determined by reference to an active market, they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement.

10. 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 Comprehensive Income and Expenditure accounts via the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service account. The charge to net cost of services is balanced out by an appropriation from the Movement in Reserves statement.

Certain unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and they do not represent usable resources for the Council. These reserves are explained in the relevant policies below.

11. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost. Such properties are not depreciated but are reviewed periodically. As the investment properties all comprise long term ground leases a periodic revaluation approach does not differ materially from that which would be determined using fair value at the Balance Sheet date.

Gains and losses on revaluation are posted to the Comprehensive Income and Expenditure Statement as are rentals received. However revaluation and disposal gains are not permitted by statutory arrangements to have an impact on the General Fund balance.

12. Overheads and Support Services

The costs of overheads and support services are charged to the relevant services in accordance with the CIPFA Service Reporting Code of Practice. The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of :

- Corporate and Democratic core – costs relating to the Council's status as a multi functional, democratic organisation.
- Non Distributable costs – the cost of discretionary pensions benefits and impairment losses on assets held for sale.

13. 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.

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

The Council oversees a range of maintained schools: Community schools, Voluntary Aided (VA) schools and Voluntary Controlled (VC) schools. The Council undertook a review of its accounting policy for schools assets, and the key accounting standard for recognising assets is IAS 16 which allows assets to be recognised where they are a 'resource controlled by… (the authority) and from which future economic benefits or service potential is expected to flow'. Despite the utility of the land contributing to the service potential of the school, as land has an indefinite life, it is not probable that substantially all of the future economic benefits or service potential associated with the land will flow to the Council. Land not owned by the Council has therefore not been recognised on the balance sheet. The income and expenditure and liabilities of VA and VC schools is included in the accounts.

Foundation School and Academy Schools

The Council also re-considered the circumstances of its one Foundation school. Similar to VA and VC schools the authority has a strong influence on how the school's assets are used and gains a clear economic benefit in terms of providing education services from the assets. To ensure a consistent approach the Foundation school was added to the opening balance sheet as a prior period adjustment, although it was disposed of at the year end since the school became an Academy with effect from 1st April 2015.

Academy school assets are outside of the Council's control and therefore not included in the accounts.

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 authority 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. Any donated assets are measured initially at fair value. Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction **–** historic cost;

- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value). The Council has no dwelling assets.

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

Where non-property assets that have short useful lives or low values (or both) for example, vehicles, depreciated replacement cost is used as an estimate of fair value. Assets included in the Balance Sheet at fair 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 Comprehensive Income and Expenditure statement where they arise from the reversal of an impairment loss previously charged to a service revenue account. Where decreases in value are identified, they are accounted for by :

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

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

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 impairment is identified and the difference is estimated to be material, the recoverable amount of the asset is estimated and an impairment loss is recognised. This is 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;

- Where there is no or an insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure statement.

Disposals: when an asset is disposed of or is decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Statement and is netted off by receipts from disposals as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. Capital receipts are credited to the Usable Capital Receipts Reserve and can only be used for new capital investment. Receipts are appropriated to the Reserve via the Movement in Reserves statement (MIRS).

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

Depreciation: depreciation is provided for on property, plant and equipment assets over their useful life. 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 also applied to those assets that are the subject of finance leases and the PFI Waste contract.

Depreciation is calculated on the following bases:

- buildings – on a straight line basis over the life of the property as estimated by the valuer.

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

- infrastructure (such as roads) – are not depreciated. The highways infrastructure forms a network that is intended to be maintained at a specified level of service potential by the continuing replacement and refurbishment of its components.

Where an asset is material and has major components whose cost is significant to the total cost of the 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.

14. Non Current Assets Held for Sale

For 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 disposals is not a charge against the Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

15. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Local Authority accounting regulations allow some items of expenditure which do not result in the creation of a non-current asset to be capitalised, and this is charged 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 from existing capital resources, a transfer via the Movement in Reserves statement into the General Fund reverses out the amount charged so there is no impact on the level of Council Tax.

16. Leases

Leases are classified as finances 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.

The authority as lessee:

Property, plant and equipment held under finance leases is recognised on the Balance Sheet. Lease payments are apportioned between a charge for the interest in the asset – applied to write down the lease liability, and a finance charge (debited to the Financing and Investment Income and Expenditure line).

Operating leases – Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the relevant service. Charges are made on a straight line basis over the life of the lease.

The authority as lessor:

Where the Council grants an operating lease over an asset, this is retained on the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure statement.

17. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The authority has no material work in progress.

18. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the assets needed to provide the services passes to the PFI contractor. Under the Code, the Council is deemed to control the services provided under its PFI scheme and, as ownership of the assets will pass to the Council at the end of the contract, the Council carries the relevant long term assets in its Balance Sheet.

The original recognition of the fixed assets used in the Waste PFI contract was balanced by the recognition of amounts due to the scheme operator to pay for the assets.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property or equipment owned by the Council.

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

1. Fair value of services received: debited to the relevant service in the Comprehensive Income and Expenditure statement
2. Finance cost: an interest charge of 4.2% on the outstanding liability is debited to interest payable in the Income and Expenditure statement
3. Contingent rent: this represents increases in the amount to be paid for the property arising during the contract, debited to interest payable in the Income and Expenditure statement
4. Payment towards liability: this is applied to write down the Balance Sheet liability towards the PFI operator
5. 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.

19. Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where an event has taken place that gives the authority 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. When payments are eventually made, they are charged to the provision in the Balance Sheet.

Contingent Liabilities – A contingent liability arises where an event has taken place which gives the Council a possible obligation whose existence will only be confirmed by the outcome or otherwise of uncertain future events not wholly within the authority’s control. Contingent liabilities also arise in circumstances where a provision could be made, but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

Contingent Assets – These arise where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events. Contingent assets are not included in the Balance Sheet but are disclosed in a note to the accounts, and are only shown when it is probable there will be an inflow of economic benefits.

20. Council Tax and Business Rates

The Accounting Code was updated for the requirements of the localisation of business rates in England. The Council Tax income included in the Comprehensive Income and Expenditure statement is the accrued income for the year. As a billing authority, the difference between the income included in the Comprehensive Income and Expenditure statement by South Gloucestershire Council and the amount required by regulation to be credited to the General Fund is taken to a new Collection Fund Adjustment Account and becomes a reconciling item in the Statement of Movement on the General Fund balance.

Moreover, the Collection Fund is in substance an agency agreement, so that the outstanding debtor, cash collected and impairment provision is divided between the Council and its two major precepting bodies.

The Business Rates income included in the Income and Expenditure statement is the accrued income for the year. Since collection of business rates is in substance an agency arrangement the income collectable belongs proportionately to the Council (as billing authority), central government and the Fire authority. There is therefore a debtor/creditor position between the Council, Government and the major preceptor as the cash paid to each body in the year will not be the same as its share of the income collectable from business ratepayers.

Tariff expenditure payable is recognised by the Council in the Comprehensive Income and Expenditure statement on an accruals basis. This transaction is included within the Taxation and Non- Specific grant income line.

21. 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 by the Economic Development fund (EDF) to fund payments in respect of approved programmes, they are recognised by SGC 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 Economic Development Fund (EDF) payments are receivable and have been committed to by the EDF, and sufficient uncommitted 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 to. 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.

22. Value Added Tax (VAT)

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

23. Events After the Balance Sheet Period

These events are those, both favourable or unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised. Two types of events can be identified:

i) Those that arise from conditions which existed during the reporting period – the statement of accounts is adjusted to reflect such events;

ii) Those that are indicative of conditions that arose after the end of the reporting year – the statement of accounts is not adjusted. But where a category of events has a material effect a disclosure is made in a note.

Statement of Responsibilities

This section outlines the Council's responsibility for the Authority's financial affairs and the Chief Financial Officer's responsibility for reporting accurately the financial position of the Authority.

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In South Gloucestershire Council, that officer is the Director of Corporate Resources who undertakes the role of the Chief Financial Officer;
- 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 practices 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.

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

- selected suitable accounting policies and applied them consistently;
- made reasonable and prudent judgements and estimates;
- complied with the Code of Practice

The Chief Financial Officer has also:

- kept proper and up-to-date accounting records;
- taken reasonable steps to prevent and detect fraud and other irregularities.

Certification of the Accounts by the Chief Financial Officer

In accordance with section 10(2) of the Accounts and Audit Regulations 2011, I certify the Statement of Accounts for 2014/15 presents a true and fair view of the financial position of South Gloucestershire Council as at 31 March 2015 and its income and expenditure for the financial year 2014/15.
These financial statements replace the unaudited financial statements certified by myself on 30th June 2015.

Dave Perry

Dave Perry CPFA
Director of Corporate Resources and Deputy Chief Executive

The Accounting Statements

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 by taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2013/14 Re-Stated				2014/15			
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**	**Notes**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	
30,724	(27,104)	3,620	Central Services	7,205	(5,416)	1,789	
6,382	(429)	5,953	Cultural and Related Services	6,544	(381)	6,163	
36,882	(4,975)	31,907	Environmental and Regulatory Services	35,890	(7,717)	28,173	
255,106	(186,905)	68,201	Children's and Education Services	256,453	(182,534)	73,919	
71,054	(49,099)	21,955	Highways and Transport Services	74,158	(50,857)	23,301	
46,730	(39,894)	6,836	Housing Services	70,743	(64,526)	6,217	
6,744	(2,523)	4,221	Planning Services	7,157	(2,501)	4,656	
11,055	(10,678)	377	Public Health	10,760	(10,327)	433	
94,595	(19,923)	74,672	Adult Social Care	96,517	(21,158)	75,359	
42,100	(32,909)	9,191	Corporate and Democratic Core	44,513	(38,617)	5,896	
1,296	(1,969)	(673)	Non Distributed Costs	1,402	0	1,402	
602,668	**(376,408)**	**226,260**	**Cost of Services**	**611,342**	**(384,034)**	**227,308**	
35,224		**35,224**	**Other Operating Expenditure**	**84,604**		**84,604**	6
16,924	**(1,319)**	**15,605**	**Financing and Investment**	**14,039**	**(965)**	**13,074**	7
			Taxation and Non-Specific Grant Income				
	(108,326)	(108,326)	Council Tax Precept Income		(112,846)	(112,846)	
29,655	(63,795)	(34,140)	Business Rates and Tariff	31,065	(68,153)	(37,088)	
	(27,345)	(27,345)	Capital Grants and Contributions		(39,218)	(39,218)	
	(54,403)	(54,403)	Revenue Support and Other Grants		(48,750)	(48,750)	
2,051	(3,550)	(1,499)	Collection Fund	7,031	(2,421)	4,610	
31,707	**(257,419)**	**(225,712)**	**Taxation & Grant Income**	**38,096**	**(271,388)**	**(233,292)**	8
686,523	**(635,146)**	**51,376**	**(Surplus)/ Deficit on Provision of Services**	**748,081**	**(656,387)**	**91,694**	
	(88,297)	(88,297)	Revaluation of Assets – (Gain)		(115,220)	(115,220)	
	(80,628)	(80,628)	Remeasurement of the Net Defined Benefit Liability	68,364		68,364	31
	(168,925)	**(168,925)**	**Other Comprehensive Income and Expenditure**	**68,364**	**(115,220)**	**(46,856)**	
686,523	**(804,071)**	**(117,548)**	**Total Comprehensive Income and Expenditure**	**816,445**	**(771,607)**	**44,838**	

Note – prior year figures are re-stated for a change in accounting policy, see Note 5.

Balance Sheet

The Balance Sheet shows the value of the authority's assets and liabilities at 31 March. The net assets of the authority (i.e. assets less liabilities) are matched by reserves. Reserves are reported in two categories. Usable reserves that the authority may use in the provision of services (subject to the need to maintain a prudent level of reserves and statutory limitations to use). Unusable reserves that hold unrealised gains and losses that become available only when assets are sold and timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31 March 2014 (original)	Prior Year Adjustment	31 March 2014 Re-stated		31 March 2015	Notes
£'000				£'000	
794,793	3,331	798,124	Property, Plant and Equipment	815,120	19
579		579	Heritage Assets	618	
4,403		4,403	Investment Property	4,403	
1,012		1,012	Intangible Assets	832	
7,341		7,341	Assets Held for Sale	5,158	21
1,980		1,980	Long Term Debtors	2,017	23
810,108		**813,439**	**Long Term Assets**	**828,148**	
51,984		51,984	Short Term Investments	55,611	35
652		652	Inventories	596	
33,149		33,149	Short Term Debtors	45,071	23
24,374		24,374	Cash and Cash Equivalents	21,664	22
110,159		110,159	**Current Assets**	**122,942**	
(1,190)		(1,190)	Short Term Borrowing	(1,184)	35
(6,108)		(6,108)	Current Provisions	(12,509)	25
(64,373)		(64,373)	Short Term Creditors	(68,258)	24
(800)		(800)	Grants – Receipts in advance – capital	0	
(72,471)		**(72,471)**	**Current Liabilities**	**(81,951)**	
(7,088)		(7,088)	Provisions	(6,360)	25
(113,537)		(113,537)	Long Term Borrowing	(113,532)	35
(218,757)		(218,757)	Other Long Term Liabilities	(282,314)	26
(339,382)		**(339,382)**	Long Term Liabilities	**(402,206)**	
508,414		**511,745**	**Net Assets**	**466,933**	
97,688		97,688	Usable Reserves	110,485	
410,726	3,331	414,057	Unusable Reserves	356,448	18
508,414		**511,745**	**Total Reserves**	**466,933**	

NOTE – these financial statements replace the unaudited financial statements certified by Dave Perry, the Chief Financial Officer on 30th June 2015.

Signed *Dave Perry*.. **Date** *29th Sept. 2015*
Dave Perry, Director of Corporate Resources & Deputy Chief Executive .

Movement in Reserves Statement

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

	General Fund Balance	Earmarked general Fund Reserves	Capital Receipts Reserve	Capital Grants and Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance 31 March 2013 Restated	**8,974**	**44,748**	**4,808**	**35,545**	**94,075**	**298,136**	**409,438**
Movement in reserves in 2013/14							
Deficit on the provision of services	(51,377)				(51,377)		
Other comprehensive income and expenditure						168,925	
Total comprehensive income and expenditure	(51,377)				**(51,377)**	168,925	
Adjustments between accounting basis and funding basis under regulations (Note 10)	54,377	(19)	224	521	55,903	(54,654)	
Net increase/decrease before transfers to Earmarked Reserves	**3,000**	(19)	224	521	3,726	114,271	
Transfers to/from Earmarked Reserves (Note 17)	(2,996)	3,586	0	(701)	(113)	1,650	0
Increase/Decrease in 2013/14	**4**	**3,567**	**224**	**(180)**	**3,613**	**115,921**	**119,534**
Balance 31 March 2014	**8,978**	**48,315**	**5,032**	**35,363**	**97,688**	**414,057**	**511,745**
Movement in reserves in 2014/15							
Deficit on the provision of services	(91,694)				(91,694)		(91,694)
Other comprehensive income and expenditure	0					46,856	46,856
Total comprehensive income and expenditure	**(91,694)**	**0**	**0**		(91,694)	46,856	**(44,838)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	98,844		2,543	3,104	104,491	(104,464)	27
Net increase/decrease before transfers to Earmarked Reserves	7,150		2,543	3,104	12,797	(57,609)	**(44,811)**
Transfers to/from Earmarked Reserves (Note 17)	(7,419)	8,050	0	(631)	0	0	0
Increase/Decrease in 2014/15	**(269)**	**8,050**	**2,543**	**2,473**	**12,797**	**(57,609)**	**(41,811)**
Balance at 31 March 2015	**8,709**	**56,365**	**7,575**	**37,836**	**110,485**	**356,448**	**466,933**

NOTE – the MIRS statement has been re-stated to allow for the change in accounting policies affecting 2013/14 balances see Note 5.

Cash Flow Statement

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

2013/14 Re-stated £'000		2014/15	Notes
(51,376)	Net Surplus / (deficit) on the provision of services	**(91,694)**	
93,761	Adjustments to the net surplus or deficit on the provision of services for non cash movements	**128,958**	40
(29,149)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**(45,862)**	
13,236	**Net cash flows from Operating Activities**	**(7,766)**	40
(16,392)	Investing Activities	**7,190**	42
1,988	Financing Activities	**(2,134)**	43
(1,168)	**Net increase / (decrease) in cash and cash equivalents**	**(2,710)**	
25,542	Cash and cash equivalents at the beginning of the reporting period	24,374	
24,374	Cash and cash equivalents at the end of the reporting period	21,664	22
(1,168)	**Increase /(Decrease) in Cash and Cash Equivalents**	**(2,710)**	

Notes to the Accounting Statements

1. Accounting Standards Issued But Not Yet Adopted

The Code requires an authority to disclose information on the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The following new or amended standards were introduced by the IASB in 2011 and are adopted in the 2015/16 Code:

- IFRS 13 Fair Value Measurement – this will affect the reported value of PPE assets which are valued on the basis of market values.

- Annual Improvements to IFRSs

- IFRIC 21 Levies

IFRS 13 Fair Value Measurement will require annual valuations of significant assets where the valuations are based on market values and for the Council these are mainly its office properties and industrial units. At present it is uncertain whether this will have a material effect on the reported valuation of these assets.

2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The judgements made which have the most significant effect on the amounts recognised in the financial statements are:

i) Waste PFI Contract
Since 2000 the Council has had a PFI contract with SITA for an integrated waste management service. Under the 2009 SORP the Council re- assessed its accounting for the PFI Waste contract. With reference to the IFRIC 12 accounting standard it was determined that the assets used in the contract and the liability to the contractor should be shown on the Council's balance sheet.

ii) Accounting for Schools Assets - In its role as a Local Education Authority the Council oversees a range of schools: Community schools, Voluntary Aided schools and Voluntary Controlled 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 review of its policy for school assets as outlined in the Accounting Policies above. The review found that for both VA and VC schools there are significant service potential gains from schools assets in that the assets are essential in providing education to pupils. This contributes to the Council meeting its obligations under the Education Acts. In the light of further guidance on the relevant section of the Code, the Council has determined that the buildings of VA and VC schools should be included on the Balance Sheet whilst schools land not owned by the Council should be de-recognised from the Balance Sheet. This is a change to the previous accounting policy. However it was assessed the one Foundation school should be added to the balance sheet as a prior year adjustment due to a change in accounting policy. Moreover the income, expenditure, liabilities and reserves of these schools are also included in the accounts. The reserves held for schools are shown in the Earmarked Reserves note.

At the balance sheet date one school become an academy within the 2015/16 financial year. The authority has made a judgement to retain the relevant assets in the Council's balance sheet at their existing Net Book Value.

iii) City Region Deal

The Authority has determined that transactions occurring in respect of the City Regions 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 Authority acts as an agent of the Business Rates Pool (BRP) for the City Regions Deal, and so accounts for cash held on behalf of the pool on its balance sheet, with associated creditor balances. The Authority's accounting policy and note to the Statement of Accounts are described on pages 19 and 74 respectively.

3. Assumptions About the Future and Major Sources of Estimation Uncertainty

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

The items in the Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives which are dependent on assumptions about the level of repairs and maintenance incurred on individual assets. The current economic climate makes it uncertain the authority will be able to sustain its current spend on repairs and maintenance, which may affect the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the depreciation charge for buildings, plant and equipment would increase by c. £3m for every year that useful lives were reduced.
Pensions Liability	Estimating the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates and the expected return on pension fund assets. The Council engages actuaries to provide expert advice on the assumptions to be applied.	The effects of changes in specific assumptions on the pensions liability can be measured. For instance a 0.1% increase or decrease in the discount rate assumption would result in a decrease/ increase in the pension liability of £15.4 m. Similarly a change in the longevity assumption by 1 year has a £16 m impact on the pensions liability. See – Note 33 below.
NDR Appeals	The Council has made a provision for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. The amount recognised as a provision is an estimate at the balance sheet date of the expenditure required to settle outstanding appeals, based upon the most likely outcome of those appeals. However any such estimate will be subject to uncertainty.	If outstanding appeals are settled with a success rate better than that suggested by an analysis of past settlements, then the cost of settling those appeals would be greater than that provided for. The effect of changes to the success rate may be measured. For example, for each percentage point increase in appeal success (by volume),

currently measured at 31%, the expenditure required to settle appeals would grow by £234k.

4. Material Items of Income & Expenditure

The Council transferred six schools to new or existing Academies during the year, and also wrote an asset relating to an existing academy out of the balance sheet. This resulted in a reported loss of £79.97 million, which had a material effect on the Comprehensive Income and Expenditure Statement.

The re-valuation of schools and other Property, Plant and Equipment assets resulted in a net gain of £118.7 million.

The Council arranged with the Avon Pension Fund to make a pre-payment of its pension deficit contributions relating to the three years 2014/15 to 2016/17. This payment of £16.534m of which £5.348m relates to 2014/15, was deemed to be within the authority's legal powers. This transaction was taken into account by the actuary and resulted in a reduction of around £18.8m in the pensions liability. The Council also made a cash saving relative to the pension contribution it would be liable to pay had the payments been spread over the three year period.

5. Prior Period Adjustment

As outlined in the Accounting Policies following a review of the policy for recognising schools assets, the Council made a prior period adjustment to bring one Foundation school back onto the balance sheet. This school had been treated as a disposal in the 2013/14 Accounts.

This has impacted on the following statements and Notes:

	Reported 2013/14 £'000	**Prior year Adjustment £'000**	**Revised 2013/14 £'000**
CIES			
Other Operating Expenditure: write back disposal loss	55,782	(20,558)	35,224
Deficit on Provision of Services	71,934	(20,558)	51,376
Total Comprehensive Income & Expenditure	(96,991)	(20,558)	(117,549)
Balance Sheet			
Property, Plant & Equipment	794,793	3,331	798,124
Unusable Reserves – Capital Adjustment Account & Revaluation reserve	(410,726)	(3,331)	(414,057)

This re-statement also effected the MIRS statement for 2013/14. As the 'Deficit on provision of services' was reduced by £20.558m the 'General Fund adjustments between an accounting basis and funding basis' also changes by this amount, and the total of Unusable Reserves was increased by £20.55m to £431.284m.

However a change in interpretation of the guidance on VA & VC schools resulted in land valued at £17.227m being de-recognised and the PPE assets and balance sheet for 2013/14 being re-stated.

Note 6 – Other Operating Expenditure has been re-stated for the change in the 'loss on disposal' in 2013/14. Note 18 – Unusable reserves is also updated to show the re-stated movement on the Capital Adjustment Account.

Note 10 – Adjustments between Accounting Basis and Funding Basis is also amended by £20.55m to reflect the lower amount for the value of non- current assets written off on disposal.

6. Other Operating Expenditure

	2013/14 Re-stated £'000	2014/15 £'000
Parish Precepts	5,139	5,433
Levies	493	514
Coroners Court	479	443
Fees Incurred on Property Disposals	8	239
Payments to Housing Receipts Pool	20	8
Loss on Disposal of Non- current Assets	29,085	77,967
Total	**35,224**	**84,604**

Prior year figures for loss on disposals are re-stated - see Note 5 above..

7. Financing and Investment Income & Expenditure

	2013/14 £'000	2014/15 £'000
Interest payable and similar charges	6,612	6,640
Interest receivable and similar income	(968)	(681)
Net Interest on the net defined benefit liability (asset)	10,302	7,385
Net Income from Investment Properties and changes in their fair value	(341)	(270)
Total	**15,605**	**13,074**

8. Taxation and Non- Specific Grant Income

Income from taxation, non- specific grants and capital grants credited to the Comprehensive Income & Expenditure Statement was:

	2013/14 £'000	2014/15 £'000
Council Tax Precept	108,326	112,846
Collection Fund – Council Tax Share of Surplus	3,550	2,421
Non Domestic Rates Share	63,795	68,153
Share of Deficit of Business Rates Collection fund	(2,051)	(7,863)
Non Domestic Rates Tariff	(29,655)	(30,233)
Revenue Support Grant	49,460	43,171
Other non ring-fenced revenue grants	4,943	5,579
Capital grants	21,385	33,648
Section 106 Contributions	5,960	5,570
Total	**225,713**	**233,292**

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

	Source	2013/14 £'000	2014/15 £'000
Standards Fund	DfE	4,069	3,820
Basic Needs	DfE	2,709	2,709
Targeted Capital Fund	DfE	2,814	8,017
Integrated Transport Block	DfT	6,574	6,610
Local Sustainable Transport Fund	DfT	1,090	972
Cycle Ambition Fund	DfT	-	1,216
S31 Grant (Metrobus)	DfT	-	4,271
Pinch Point funding	DfT	-	1,680
Other grants	Various	4,129	4,353
Total		**21,385**	**33,648**

9. Grant Income

The Authority credited the following specific grants and contributions to services within the Comprehensive Income and Expenditure Statement:

	2013/14	2014/15
	£'000	**£'000**
Children and Young People		
Dedicated Schools Grant (DSG)	139,641	134,709
Sixth forms funding from Learning and Skills Council (LSC)	5,844	4,829
Pupil Premium Funding	5,056	7,860
School Meals Grant	-	1,665
YOT Grant	308	291
Troubled Families	366	1,041
Education Services Grant	4,080	3,839
Adoption Grant	552	349
Adult Community Learning	409	479
Other Grants (below £250,000)	250	805
Total	**156,506**	**155,867**
Chief Executive and Corporate Resources		
Housing Benefit Administration	1,480	1,302
Housing Benefit Subsidy	57,751	57,890
Local Welfare Provision & Administration	309	289
Discretionary Housing Payments	282	307
S31 Grant – Small Business & Empty Property Relief	762	1,669
Capitalisation provision grant	261	-
National Holdback Grant	-	310
Other Grants (below £250,000)	245	103
Total	**61,090**	**61,870**
Community Care and Housing		
Public Health Grant	6,677	7,345
Delayed transfer of Care Grant		325
Other Grants (below £250,000)	164	298
Total	**6,841**	**7,968**
Environment & Community Services		
The Private Finance Initiative (PFI)	3,052	3,052
Local Strategic Transport Fund (LSTF)	1,988	1,889
Smarter Ticketing	296	-
Bus Service Operators Grant	-	465
Other Grants (below £250,000)	567	585
Total	**5,902**	**5,991**
TOTAL Grants credited to Services	**230,340**	**231,696**

10. Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments made between amounts within the total Comprehensive Income and Expenditure statement recognised by the authority in accordance with proper accounting practice, to the resources that are determined by statutory provision as affecting the General Fund balance.

2013/14 £'000						2014/15 £'000
		General Fund £'000	**Earmarked Reserves £'000**	**Capital Receipts £'000**	**Capital Grants & Contribution**	**TOTAL Unusable Reserves £'000**
	Opening Balance at 1 April 2014	**8,978**	**48,315**	**5,032**	**35,363**	**431,284**
	Reversal of items debited or credited to the CIES					
42,971	Charges for depreciation and impairment of non-current assets	46,493				(46,493)
6,095	Revaluation Decreases of Property, Plant and Equipment	4,553				(4,553)
-	Other PPE Valuation Items - Non- Cash Item	2,374				(2,374)
941	Amortisation of intangible assets	698				(698)
3,152	Revenue expenditure funded from capital under statute	12,316				(12,316)
29,085	Non- Current assets written off on disposal	83,517				(83,517)
(1,906)	Sale proceeds credited as part of gain/ loss on disposal	(5,500)		5,550		
(2,487)	LSVT receipts and other capital receipts	(2,891)		2,891		
	Funding capital expenditure from Capital Receipts reserve			(5,898)		5,898
(502)	Finance costs charged to CIES differ from those chargeable by statute	(472)				472
(27,351)	Capital grants and contributions credited to CIES	(39,218)			39,218	
	Funding Capital Expenditure from Capital Grants reserve				(36,113)	36,113
	Reversal Pensions costs debited to CIES	(19,567)				19,567
10,771	Employers Pensions contributions Payable	25,860				(25,860)
(2,210)	Council tax included in CIES differs from statutory requirement	(2,421)				2,421
2,051	NNDR income in CIES differs from that calculated by statute	6,783				(6,783)
1,228	Reversal of effect of holiday pay accrual	(889)				889
171	Other Movements within Net Worth	42				(64)

	Inclusion of items not debited or credited to the CIES					
(7,476)	Statutory provision for the financing of capital investment	(7,323)				7,323
(797)	Repayment of Avon CC Debt Principal	(765)				765
(1,266)	Capital expenditure charged to revenue	(4,746)				4,746
(54,736)	Subtotal of adjustments between accounting basis and funding basis	98,844	0	2,543	3,105	(104,464)

11. Members' Allowances

The Council is required by the Accounts and Audit Regulations to disclose annually the amounts that are paid to each elected Councillor (Member) under its scheme of Members' Allowances. There are two types of allowance:

- Basic Allowance – payable to all Councillors.
- Special Responsibility Allowances – to reflect significant additional responsibilities

In addition, carers allowances, travelling, subsistence and other expenses are paid. Detailed information on the allowances received by each individual Member can be found on the Council's website (www.southglos.gov.uk) under "Members Allowances and Expenses 2014/15".

2013/14 £'000		**2014/15 £'000**
765	Basic Allowance	772
231	Special Responsibility Allowance	245
20	Expenses	24
1,016	**Total**	**1,041**

One Member receives a Special Responsibility Allowance of £3.6k for his membership of the Avon Pension Fund committee, which is reimbursed to the Council. Members expenses shown above includes £4k for the cost of taxis paid directly by the Council.

12. Officers' Remuneration

The Council is required by the Accounts and Audit Regulations to disclose the taxable remuneration of Chief Officers and other Statutory Officers. The remuneration is also to be analysed between salary and employer's pension contribution. The amounts paid to Chief Officers in 2014/15, including any termination payments, were:

Total salary paid and employer's pension contribution made		Total Salary Paid	Employer's pension contribution made	Total salary paid and employer's pension contribution made
2013/14 £		2014/15 £	2014/15 £	2014/15 £
182,999	A. Deeks – Chief Executive	155,724	28,497	184,221
143,713	Director of Corporate Resources*	124,989	22,873	147,862
139,402	Director of Children, Adults & Health	122,258	22,373	144,631
139,781	Director of Environmental & Community Services	122,258	22,373	144,631
99,029	Head of Legal and Democratic Services	94,557	17,304	111,861
101,557	Director of Public Health	89,119	12,665	101,785

* The Director of Corporate Resources holds the S.151 responsibilities of the Chief Financial Officer

Officers are also entitled to expenses in line with council policy, these amounts are non-taxable and are therefore not included in the table above.

The number of employees to whom the Council paid £50,000 or more is shown below in bands of £5,000. Pay includes salary, redundancy compensation and the value of any benefits not paid as cash but it excludes employer's pension contributions. The Chief Executive and Directors in the table above are also included in this table.

Salary Band	Non teaching staff		Teaching staff	
	Numbers at 31 March 2014	Numbers at 31 March 2015	Numbers at 31 March 2014	Numbers at 31 March 2015
£50,000 - £54,999	31	26	50	38
£55,000 - £59,999	19	20	34	31
£60,000 - £64,999	8	6	19	22
£65,000 - £69,999	3	1	6	4
£70,000 - £74,999	3	3	5	6
£75,000 - £79,999	2	3	3	5
£80,000 - £84,999	9	6	3	1
£85,000 - £89,999	2	4		1
£90,000 - £94,999		2		
£95,000 - £99,999			1	
£100,000 - £104,999		3		
£105,000 - £109,999				
£110,000 - £114,999				
£115,000 - £119,999	2		1	
£120,000 - £124,999	1	3		
£125,000 - £129,999				1
£130,000 - £134,999				
£135,000 - £139,999				
£140,000 - £144,999				
£145,000 - £149,999				
£150,000 - £154,999				
£155,000 - £159,999	1	2		
£160,000 - £164,999				
£165,000 - £169,999				
	81	**79**	**122**	**109**

In 2014/15 eleven non-teaching staff and six teaching staff appear in this table by virtue of having received redundancy or compensation payments of up to £30,000.

Exit Costs

The numbers of exit packages agreed during the year and the total cost of compulsory and other redundancies are set out in the table below:

Exit Package cost	No. of Compulsory Redundancies 2014/15 (2013/14)	Number of Other Departures 2014/15 (2013/14)	Total Number of Exit Packages 2014/15 (2013/14)	Total Cost of Exit Packages in band 2014/15 £'000	Total Cost of Exit Packages in band 2013/14 £'000
£0 – £19,999	40 (49)	22 (17)	62 (66)	492	595
£20,000 - £39,999	22 (18)	1 (1)	23 (19)	625	530
£40,000 - £59,999	10 (1)	0 (1)	10 (2)	504	105
£60,000 - £79,999	1 (1)	1 (0)	2 (1)	142	76
£80,000 - £99,999	0 (1)	0 (0)	0(1)	0	84
£100,000 - £119,999	0 (2)	0 (0)	0(2)	0	225
Total	**73 (72)**	**24 (19)**	**97 (91)**	**1,763**	**1,615**

Of the 2014/15 redundancies, 40 were schools staff and at an exit cost of £481k.

13. Audit Fees

The auditors undertake a number of duties for the Council under the Audit Code of Practice. The table below shows the fees paid to the current auditors Grant Thornton.

	2013/14 £'000	2014/15 £'000
For external audit services carried out by the appointed auditor under the Code of Audit Practice, in respect of:		
• Accounts Audit and VFM Conclusion	172	172
• Certification of grants and returns	18	32
Fees Payable to Grant Thornton for Other Services		**2**
Total	**190**	**206**

In 2014/15 the Council received an audit fee rebate from the Audit Commission totalling £41,000 this income is excluded from the table above.

14. Dedicated Schools Grant

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

Details of the deployment of DSG grant receivable for 2014/15 are as follows:

2013/14 Grant Total		2014/15 Central Expenditure	Individual Schools Budget	Academies	Grant Total
£'000		£'000	£'000	£'000	£'000
173,011	Final DSG before Academy recoupment				175,334
33,370	Academy figure recouped for 2014/15			(39,406)	(39,406)
	Direct Funding high Needs Places by EFA				(1,219)
139,641	Total DSG after Academy recoupment				134,709
341	Brought Forward from 2013/14				833
139,982	**Agreed Initial Budget Distribution in 2014/15**	**26,398**	**109,144**	**40,011**	**136,761**
0	In Year Adjustments				0
139,982	**Final Budget Distribution in 2014/15**	**26,398**	**109,144**	**40,011**	**135,542**
(24,083)	Less: Actual Central Expenditure	(26,109)			(26,723)
(115,066)	Less: Actual ISB deployed to schools		(109,144)		(109,749)
0	Plus: Local Authority contribution				0
833	**Carry – Forward to 2015/16**	**289**	**0**	**0**	**289**

15. Amounts reported for Resource Decisions

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

- No charges are made for the use of capital assets (whereas depreciation and impairment losses in excess of the balance on the Revaluation Reserve are charged to the Income and Expenditure statement).
- The cost of retirement benefits are based on employer contributions incurred rather than the current service cost of benefits accrued.
- Expenditure on some support services is held centrally and not charged to directorates. The income and expenditure of the Council's directorates recorded in the outturn report for the year is:

Committee Income & Expenditure 2014/15

	Public Health £'000	Adults and Housing £'000	CYP £'000	Policy and Resources £'000	Communities £'000	PTSE £'000	Central Items £'000	Total £'000
Fees, Charges & Other Income	(1,984)	(23,082)	(30,102)	(9,730)	(7,679)	(50,172)	(3,194)	(125,943)
Govt. Grants	(8,343)	(155)	(155,871)	(60,551)	(3,319)	(2,661)	(6,422)	(237,322)
Total Income	**(10,327)**	**(23,237)**	**(185,973)**	**(70,281)**	**(10,998)**	**(52,833)**	**(9,616)**	**(363,265)**
Employees	2,344	14,318	131,798	18,017	11,786	13,666	1,567	193,496
Other Service Expenditure	8,730	85,022	79,089	72,244	32,857	56,449	24,914	359,306
Total Exp.	**11,074**	**99,340**	**210,887**	**90,261**	**44,643**	**70,115**	**26,481**	**552,802**
Net Outturn	**747**	**76,103**	**24,914**	**19,980**	**33,645**	**17,282**	**16,865**	**189,537**

Note – the table above excludes interest payable and receivable, and the cost of levies paid. These items were included in the Policy and Resources committee outturn report, but fall outside of the Cost of Services.

Committee Income & Expenditure 2013/14

	Public Health £'000	Adults and Health £'000	CYP £'000	Policy and Resources £'000	Communities £'000	PTSE £'000	Central Items £'000	Total £'000
Fees, Charges & Other Income	(3,592)	(19,217)	(30,855)	(10,023)	(5,318)	(45,854)	(2,419)	(117,278)
Govt. Grants	(6,740)	(139)	(156,880)	(60,397)	(3,174)	(2,577)	0	(229,907)
Total Income	**(10,332)**	**(19,356)**	**(187,735)**	**(70,420)**	**(8,492)**	**(48,431)**	**(2,419)**	**(347,185)**
Employees	1,794	13,127	136,788	18,108	12,072	13,137	1,329	196,355
Other Service Expenditure	9,274	82,096	76,559	72,497	30,735	52,448	15,406	339,016
Total Exp.	**11,068**	**95,223**	**213,347**	**90,605**	**42,807**	**65,585**	**16,734**	**535,370**
Net Outturn	**736**	**75,867**	**25,612**	**20,185**	**34,315**	**17,154**	**14,315**	**188,185**

Reconciliation of Directorate Cost of Services to the Comprehensive Income & Expenditure Statement

The table below shows how the figures in the Directorate analysis above relate to the amounts included in the Comprehensive Income & Expenditure statement:

	2013/14 £'000	2014/15 £'000
Net expenditure in Directorate analysis	188,185	189,537
Amounts in CIES not reported to management	48,116	49,120
Amounts included in the Analysis not included in CIES	(10,041)	(11,349)
Cost of Services in the CIES	**226,260**	**227,308**

Reconciliation to Subjective Analysis

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

2014/15	**Committee Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in I & E**	**Allocation of Recharges**	**Cost of services**	**Corporate Amounts**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, charges & other service income	(125,944)			(29,589)	(155,533)		(155,533)
Interest and investment income		1,672			1,672	(951)	721
Income from council tax & Non Domestic Rates						(175,567)	(175,567)
Government grants and contributions	(237,321)		4,405		(232,916)	(48,750)	(281,666)
Capital Grants						(39,218)	(39,218)
LSVT receipts		(2,894)			(2,894)		(2,894)
Total Income	**(363,266)**	**(1,222)**	**4,405**	**(29,589)**	**(389,672)**	**(264,486)**	**(654,157)**
Employee expenses	193,496	(1,769)			191,727	7,385	199,112
Other service expenses	359,306	(8,050)			351,256	947	352,203
Support Service recharges				29,589	29,589		29,589
Depreciation, amortisation and impairment		63,395			63,395		63,395
Interest Payments		(2,762)			(2,762)	6,640	3,878
Precepts & Levies						5,433	5,433
Payments to Housing Capital Receipts Pool						30,242	30,242
Gain or Loss on Disposal of Fixed Assets						77,967	77,967
Capital Other		(472)	(15,754)		(16,226)	258	(15,978)
Total Expenditure	**552,802**	**50,342**	**(15,754)**	**29,589**	**616,979**	**128,862**	**745,841**
Net Deficit	**189,537**	**49,120**	**(11,349)**	**0**	**227,308**	**(135,614)**	**91,694**

2013/14	Directorate Analysis	Amounts not reported to management	Amounts not included in I & E	Allocation of Recharges	Cost of services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(117,278)	(2,142)		(26,201)	(145,621)		(145,621)
Interest and investment income		(8,882)			(8,882)	(1,309)	(10,191)
Income from Council Tax						(144,105)	(144,105)
Government grants and contributions	(229,907)				(229,907)	(54,403)	(284,310)
Capital Grants						(27,345)	(27,345)
LSVT receipts							
Total Income	**(347,185)**	**(11,024)**		**(26,201)**	**(384,410)**	**(227,162)**	**(611,572)**
Employee expenses	196,355	11,998			208,353	10,302	218,655
Other service expenses	339,016	(2,865)			336,151		336,151
Support Service recharges				26,201	26,201		26,201
Depreciation, amortisation and impairment		50,007			50,007		50,007
Interest Payments						6,612	6,612
Precepts & Levies						6,119	6,119
Payments to Housing Capital Receipts Pool						20	20
Gain or Loss on Disposal of Fixed Assets						29,225	29,225
Capital Other			(10,041)		(10,041)		(10,041)
Total Expenditure	**535,371**	**59,140**	**(10,041)**	**26,201**	**610,671**	**52,278**	**662,949**
Net Deficit	**188,185**				**226,260**		**51,376**

16. Trading Operations

Expenditure and income of the various trading activities of the Council are summarised in the table below:

	2013/14	2014/15		
	(Surplus)/ Deficit	Expenditure	Income	(Surplus)/ Deficit
	£'000	£'000	£'000	£'000
<u>Internal Trading</u>				
Services to schools	(898)	8,542	(9,532)	(990)
School Meals, Other Catering & Cleaning	(70)	10,027	(9,386)	641
Other Trading & Overheads	78	744	(204)	540
Total	**(890)**	**19,313**	**(19,122)**	**191**

During the year, the Traded Services also incurred re-structuring costs totalling £159,000 (2013/14 – nil).

17. Transfers To/ from Earmarked Reserves

	2013/14 Opening balance £'000	Balance 31 March 2014 £'000	2014/15 Transfer Out £'000	Transfer In £'000	Balance 31 March 2015 £'000
Schools Balances	8,600	7,329	(233)		7,096
Drug Action Reserve	413	368			368
CYP – Schools Trading Reserve	1,961	2,502	(718)	40	1,824
Local Development Framework Reserve	296	308	(12)		296
Building Control	10	59		60	119
Oldbury Nuclear Planning Reserve	139	203		172	375
Open Spaces – Improvements	544	394	(56)		338
Waste PFI Equalisation	22,637	23,225	(1,329)	1,506	23,402
Residual HRA Balance Reserve	324	189	(77)		112
Green Deal Reserve	120	175	(21)		154
Public Health Reserve	78	513	(55)	356	814
Office Accommodation	267	42			42
Localism Reserve	905	717	(699)	0	18
Council Tax Benefit Reserve	330	330			330
Financial Risks Reserve	1,260	1,103		6,407	7,510
Equipment Renewal reserves	809	887	(137)		750
New Homes Bonus Reserve	1,524	1,625		392	2,017
Planning Appeals Reserve	240	346		86	432
Economic Development Fund	0	0		330	330
City Region Deal – Smoothing Reserve	0	0		309	309
Other Earmarked Reserves	90	223	(91)	260	392
Closed Reserves	700	0			
Total Revenue Reserves	**32,647**	**33,209**	**(3,195)**	**9,918**	**39,932**

Capital Reserves	Opening balance 13/14	Balance 31 March 2014 £'000	Transfer Out 14/15 £'000	Transfer In £'000	Balance 31 March 2015 £'000
Major Transport Schemes	765	929	(77)	600	1,452
Vehicle & Equipment Replacement	697	1,060	(770)	1,564	1,854
Invest to Save Reserve	1,720	2,149	(150)	109	2,108
Stoke Gifford Transport link	0	922			922
Capital fund	301	2,717	(9)	292	3,000
Total Capital Reserves	**3,483**	**7,777**	**(1,006)**	**2,565**	**9,336**
TOTAL Earmarked Reserves	**44,730**	**48,315**	**(4,484)**	**12,533**	**56,364**

The purpose of the earmarked reserves is:

Schools balances	Can only be used for future spending by schools
CYP Schools Trading Reserves	To manage trading fluctuations with schools and meet costs of re-structuring the Traded Services division.
Local Plans Reserve	To fund the Local Development Framework plan.
Building Control Reserve	Relates to the Building Control trading account, and is required by statute.
Oldbury Nuclear Planning Reserve	To cover non-rechargeable costs in respect of the application for the proposed nuclear power station at Oldbury.
Open Spaces Improvements Reserve	To fund the maintenance of adopted open spaces and footpaths.
Waste Management Equalisation	Ensures the Waste PFI costs are smoothed over the 25 year contract term.
Residual HRA Balance reserve	To fund projects in former Council housing areas, delegated to ward members.
Drug Action Reserve	This is held on behalf of the DAT for drug treatment and rehabilitation projects with partner bodies.
Green Deal Reserve	Held to support Green Deal developments for householders.
Localism Reserve	To support the delivery of the Localism agenda.
Office Accommodation reserve	Funds dilapidations and other office accommodation costs.
Financial Risks Reserve	This is held to help offset the projected in year deficits in future years, in order to ensure a broadly balanced budget in the medium term.
New Homes Bonus Reserve	Holds the balance of the grant allocated out via the Area Forums.
Planning Appeals Reserve	Funds the legal costs of planning appeals.

Economic Development Fund	To partly offset the cost of the Council initially funding City Region Deal infrastructure schemes.
City Region Deal – Smoothing Reserve	To hold Council's share of unallocated funds in City Region Deal Business Rates Pool.
Council Tax Benefits Reserve	To support Council Tax benefit impacts and to meet the potential risks from localising CT benefits.
Equipment Renewal Reserve	To fund the renewal of MFDs and print equipment
Public Health Reserve	Holds the balance of the ring fenced Public Health grant .
Capital Reserves – Major Transport Schemes reserve	This will contribute towards the funding of transport schemes in South Gloucestershire.
Stoke Gifford Transport Link	This new reserve will fund part of the cost of the Stoke Gifford Transport Link
Street Care – Vehicle Asset Replacement	This capital reserve funds the cost of vehicle and equipment replacements as supported by the Asset Replacement Plan.
Invest to Save Reserve	To fund Transformation enabling schemes and any shortfalls arising from the Transformation Savings projects future years.
Capital Fund Reserve	This exists to fund future capital schemes

18. Unusable Reserves

The balances on unusable reserves and the entries affecting them are outlined below:

31 March 2014 Restated £'000		31 March 2015 £'000
265,949	Revaluation Reserve	**324,160**
342,145	Capital Adjustment Account	**303,991**
(1,924)	Financial Instruments Adjustment Account	**(1,452)**
(189,025)	Pensions Reserve	**(263,682)**
(4,588)	Accumulated Absences Account	**(3,698)**
1,499	Collection Fund Adjustment Account	**(2,871)**
414,056	**Total Unusable Reserves**	**356,448**

Note: The Capital Adjustment Account as at 31 March 2014 has been restated to account for a prior year adjustment of £20.558m relating to a Foundation school – see Note 5 above.

Revaluation Reserve

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

31 March 2014 £'000		31 March 2015 £'000
210,563	Opening balance	265,949
	Non- Cash Adjustment re- asset Valuations	(2,374)
-	Write Out Impairment Losses on Revalued Assets	(215)
(14,267)	Transfer Gains on Assets Sold to CAA	(32,348)
(18,644)	Transfer of Depreciation on Re-valued Assets to CAA	(22,072)
(14,368)	Revaluation losses offset against past gains	(40,373)
102,665	Revaluation Gains	155,593
265,949	**Closing Balance at 31 March**	324,160

Note – the opening balance in 2013/14 has been adjusted to reflect the derecognition of land at VA and VC schools.

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. The account is credited with depreciation and impairment losses which are charged to the Income and Expenditure account. The Capital Adjustment Account is also credited with the amounts set aside as finance for the capital costs of construction and enhancement.

31 March 2014 RESTATED		31 March 2015 £'000
351,196	Opening balance	342,145
(6,094)	Re-valuation losses taken to CIES and Gains reversing past losses	(3,997)
	Impairments taken to I&E	(557)
(30,991)	Write Out NBV of Asset Disposals	(83,527)
14,267	Transfer Gains on Assets sold from Revaluation Reserve	32,358
33,914	Financing of Capital Expenditure	46,758
(3,152)	Write Down of REFCUS Expenditure	(12,315)
(42,971)	Depreciation & Impairment of Assets	(46,276)
18,644	Transfer of accumulated depreciation on assets revalued from the Revaluation Reserve.	22,072
(941)	Amortisation of Intangible Assets	(698)
7,476	Minimum Revenue Provision	7,323
797	Repayment of ex- Avon debt	765
-	Non- Cash adjust	(59)
342,145	**Closing Balance at 31 March**	303,991

Note – the prior year adjustment relates to the re-statement of the net book value of a Foundation school which, following a change in accounting policy, was added back to the balance sheet (having previously been written out). It also reflects the derecognition of land at VA and VC schools. Further information is given in Note 5.

The prior year adjustment of £11,065K in 2013/14 relates to a restatement of the PFI liability in that year.

Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for expenses relating to certain financial instruments and for bearing losses or gains per statutory provisions.

31 March 2014 £'000		**31 March 2015 £'000**
(2,426)	Opening balance	**(1,924)**
(32)	Write Back Discounts	**(31)**
534	Amortisation of Debt Premiums	**503**
(1,924)	**Closing Balance at 31 March**	**(1,452)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and funding in accordance with statutory provisions. The Council accounts for pensions benefits in the Comprehensive Income & Expenditure statement as the benefits are earned by employees accruing years of service, and updating the liabilities to reflect inflation, changing actuarial assumptions and investment returns.

However statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds. The debit balance on the Pension Reserve indicates a substantial shortfall between the benefits earned by past and current employees and the resources set aside to meet them. Statutory arrangements aim to ensure funding is available by the time the pension benefits come to be paid. The movements in the Pension Reserve are shown in Note 31 below.

Collection Fund Adjustment Account

The Collection Fund Adjustment account manages the differences arising from the recognition of Council Tax income in the Income and Expenditure account as it falls due from Council Tax payers and Business Rate payers. Whereas the statutory arrangement is to transfer amounts to the General Fund according to the Council's demand on the Collection Fund.

31 March 2014 £'000		31 March 2015 £'000
1,340	Opening balance	**1,499**
(1,340)	Re-allocation of Opening balance	**(1,499)**
3,550	Amount by which Council Tax income credited to the CIES statement differs from that calculated in accordance with statutory requirements	**2,422**
(2,051)	Non- Domestic Rates balance vs. statutory requirement	**(7,870)**
-	City Region Growth in year	2,577
1,499	**Closing Balance at 31 March**	**(2,871)**

Accumulated Absences Account

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

31 March 2014 £'000		31 March 2015 £'000
(3,360)	Opening balance	**(4,588)**
3,360	Settlement of previous year accrual	**4,588**
(4,588)	Amounts accrued at end of the current year	**(3,698)**
(4,588)	**Closing Balance at 31 March**	**(3,698)**

19. Movements In Property, Plant and Equipment –

Movements in 2014/15	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets included in PP &E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2014	**597,011**	**97,827**	**172,044**	**808**	**146**	**3,845**	**871,680**	**11,829**
Prior period adjustment (note 5)	978	2,352					**3,331**	
Revised at 1 April 2014	**597,989**	**100,179**	**172,043**	**808**	**146**	**3,845**	**875,011**	**11,829**
In year adjustments	9,877	(1,570)		(81)	(45)	(977)	**7,204**	
Additions	9,226	1,686	20,386			5,330	**36,628**	
Revaluation increases/(decreases) recognised in the Surplus/ deficit on Provision of Services	(3,670)	(328)					**(3,998)**	(5)
Revaluation increases recognised in the Revaluation reserve	22,498	14,999					**37,497**	67
Derecognition – Disposals	(85,276)	(11,739)					**(97,015)**	
Assets reclassified	(22,097)	27,374				(5,277)	**0**	
At 31 March 2015	**528,547**	**130,601**	**192,429**	**727**	**101**	**2,921**	**855,326**	**11,891**
Accumulated Depreciation and Impairment								
At 1 April 2014	**(40,187)**	**(36,419)**	**(8)**	**(260)**	**(53)**	**0**	**(76,927)**	**(4,250)**
In year adjustments	(11,335)	1,582	(1)	81	37		(9,636)	
Depreciation charge	(31,357)	(14,904)			(16)		(46,277)	(903)
Depreciation written out to the revaluation reserve	53,907	20,883					74,790	109
Impairment (losses)/reversals recognised in the revaluation reserve	2,319						2,319	
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	(156)						(156)	
Derecognition – disposals	9,125	6,556					15,681	
Assets reclassified	878	(878)					0	
At 31 March 2015	**(16,805)**	**(23,180)**	**(9)**	**(179)**	**(33)**	**0**	**(40,206)**	**(5,044)**
Net Book Value								
At 31 March 2015	**511,742**	**107,421**	**192,420**	**548**	**68**	**2,921**	**815,120**	**6,847**
At 31 March 2014	**557,802**	**63,760**	**172,035**	**548**	**93**	**3,845**	**798,120**	**7,751**

Note – the prior year adjustment relates to the effect of two changes in accounting policy which resulted in the assets of one Foundation school being added to the opening balance sheet and the derecognition of land at VA and VC schools. See also Note 5.

Movements in 2013/14

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets included in PP &E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2013	**629,421**	**96,271**	**158,539**	**706**	**68**	**1,637**	**886,642**	**9,651**
Re-stated Opening Balances	2,178						**2,178**	**2,178**
Revised At 1 April 2013	**631,599**	**96,271**	**158,539**	**706**	**68**	**1,637**	**888,820**	**11,829**
Additions	8,933	2,500	13,505	102		7,934	**32,974**	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,345)						**(6,345)**	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	25,363				78		**25,441**	
Derecognition – Disposals	(46,606)	(13,244)					**(59,850)**	
Assets reclassified	(12,567)	12,300				(5,726)	**(5,993)**	
At 31 March 2014	**600,377**	**97,827**	**172,044**	**808**	**146**	**3,845**	**875,047**	**11,829**
Accumulated Depreciation and Impairment								
At 1 April 2013	**(85,286)**	**(29,809)**	**(8)**	**(260)**	**(35)**	**0**	**(115,398)**	**(3,295)**
Depreciation charge	(28,793)	(14,162)			(17)		(42,972)	(783)
Depreciation written out to the revaluation reserve	22,907						22,907	
Impairment losses written out – disposals								
Impairment losses written back on revaluation	40,634						40,634	
Derecognition – disposals	6,030	8,054					14,084	
Assets reclassified	4,321	(489)					3,832	
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services					(10)		(10)	
At 31 March 2014	**(40,187)**	**(36,406)**	**(9)**	**(260)**	**(62)**		**(76,927)**	**(4,078)**
Net Book Value								
At 31 March 2014	**560,190**	**61,408**	**172,035**	**548**	**93**	**3,845**	**798,199**	**7,751**
At 31 March 2013	**544,135**	**66,462**	**158,531**	**446**	**33**	**1,637**	**771,244**	**6,516**

Assets Reclassified - no assets were reclassified as Assets Held for Sale in 2014/15 (£5.917m in 2013/14).

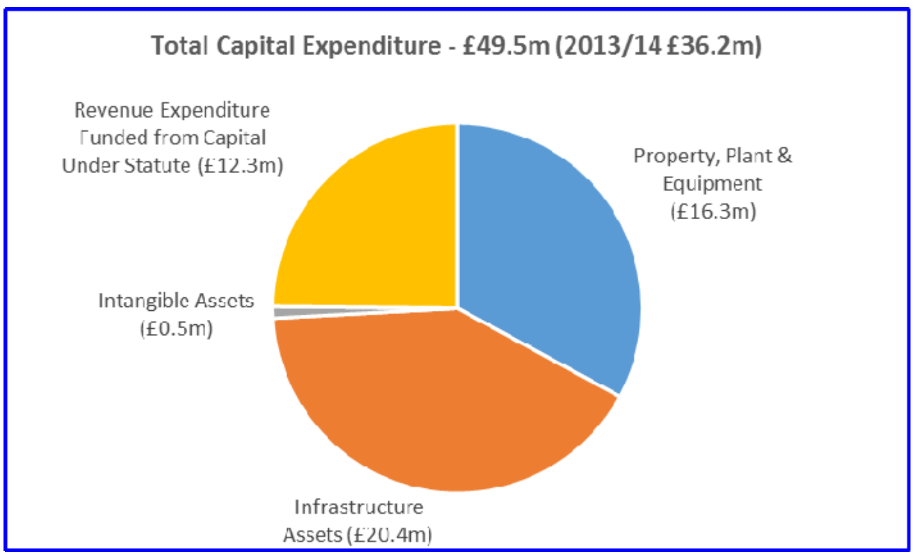
The authority carries out a 5 year rolling revaluation programme for its material Property, Plant and Equipment assets. The valuations are undertaken by officers in the Council's Property Services division, who are RICS qualified valuers. Valuations of land and buildings are in accordance with methodologies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

The authority's officers are satisfied that the value of assets in the balance sheet is not materially different from the amount which would be given from a full valuation carried out on 31 March 2015.

Schedule of Asset Revaluations by Year

	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							
2014/15	**468,526**			**91,755**			**560,281**
2013/14	**28,327**			**3,913**			**32,240**
2012/13	**8,939**			**412**			**9,351**
2011/12	**9,202**			**1,276**			**10,478**
2010/11	**12,063**						**12,063**
2009/10 or prior	**1,192**			**2**			**1,194**
Valued at Historical Cost	**4,198**	**192,420**	**548**	**10,063**	**2,921**	**68**	**210,218**
Total	**532,447**	**192,420**	**548**	**107,421**	**2,921**	**68**	**835,825**

20. Analysis of Capital Expenditure and Financing



The following table analyses expenditure by directorates and how the capital expenditure was financed:

2013/14 Total		2014/15 Total
£'000	**Capital Expenditure by Committee:**	**£'000**
7,435	Corporate Resources	6,233
11,722	Children & Young People	17,802
13,811	Planning, Transport & SE	21,122
1,802	Community Services	2,901
1,392	Adults & Housing	1,403
36,163	**Total capital expenditure**	**49,461**
	Financing	
851	Supported Borrowing	1,486
1,397	Unsupported (Prudential) Borrowing	1,217
26,830	Capital Grants and S106 Contributions	36,114
4,169	Capital Receipts	5,898
2,915	Revenue and Reserves	4,746
36,163	**Total capital financing**	**49,461**

The Council gained £6.3m (2013/14 £1.9m) from property and other asset sales during the year and is due around £2.1m (2013/14 £2.15m) from Right to Buy receipts under the LSVT transfer agreement.

Capital Financing Requirement

The net movement in the Capital Financing Requirement (CFR) shows the change in the need for the Council to borrow in order to fund capital investment which has not been immediately funded.

2013/14 £'000		2014/15 £'000
207,218	**Opening Capital Financing Requirement**	**201,195**
	Correction of Opening CFR balance	2,170
		203,365
36,163	**Capital Investment**	**49,461**
	Sources of Finance:	
(4,169)	Capital Receipts	(5,898)
(26,830)	Grants & Contributions	(36,114)
(2,915)	Revenue Contributions & Reserves	(4,746)
(6,532)	Minimum Revenue Provision	(6,346)
(797)	Ex- Avon debt Principal	(765)
(943)	PFI Lease Repayment	(977)
(6,023)	Net Increase/(Decrease) in CFR	(5,385)
201,195	**Closing Capital Financing Requirement**	**197,980**

£2,170k adjustment needed to correct understated 2013/14 Closing CFR. Adjustment relates to remodelling of PFI in 2013/14.

Capital Commitments:

As at 31 March 2015, the Council has the following significant capital commitments totalling £9.66m. This is funded by Government Grant, S106 resources and Capital Receipts. The Faster Broadband scheme will be financed from Government grant, Council capital resources and a contribution from the contractor.

	Project Commitment £'000
Christchurch Primary School expansion	1,155
Cheswick Village Primary (Academy)	817
Barley Close Primary expansion	738
Bradley Stoke Community (Primary) school	2,315
Kings Oak primary (Academy)	1,990
Mangotsfield Primary expansion	1,310
Faster Broadband	1,339
TOTAL	**9,664**

At the end of 31 March 2014, the Council had capital commitments of £7.02m.

21. Non – Current Assets Held for Sale

The movement on non-current assets held for sale is shown in the table below.

	2013/14	**2014/15**
	£'000	**£'000**
Opening balance	8,141	7,341
Assets Re-Classified as Held for Sale	5,917	0
Revaluation Gains/Losses	0	0
Depreciation/Impairment	(4,300)	0
Assets sold	(2,417)	(2,183)
Balance outstanding at Year End	**7,341**	**5,158**

22. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2014		**31 March 2015**
£'000		**£'000**
158	Cash Held by the Council	151
(2,720)	Bank Current Accounts	(2,042)
2,503	Bank Deposits repayable on demand	200
24,433	Other Short Term Deposits	23,355
24,374	**Net Carrying Amount at Year End**	**21,664**

"Other Short Term Deposits" includes investments in money market funds, fixed term deposits with maturities of less than two months and notice accounts with banks where less than two months notice has to be given.

23. Debtors

The Council's debtors at the balance sheet date are outlined in the table below. Non- current debtors are those due over a period longer than 12 months.

Non- current debtors:

	2013/14	2014/15
	£'000	£'000
Non- Current Debtors	**1,980**	**2,017**

Current debtors:

	2013/14	2014/15
	£'000	£'000
Central Government bodies	7,560	15,554
Other local authorities	824	5,310
NHS	6,365	4,590
Other Entities & Individuals	18,400	19,617
Current Debtors	**33,149**	**45,071**

The increase in Government and Local Authority debtors relates substantially to grants funding and amounts due relating to Major Transport Scheme.

24. Creditors

The outstanding creditors at the year-end are outlined in the table below:

	2013/14	2014/15
	£'000	£'000
Central Government bodies	14,348	14,317
Other local authorities	2,223	4,636
NHS	11,329	6,636
Public Corporations	0	0
Other Entities & Individuals	36,487	42,669
Total	**64,387**	**68,258**

25. 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 of the provisions during the year: -

	Balance – April 2014	Additional provisions	Amounts used	Balance at 31 March 2015
	£'000	£'000	£'000	£'000
Harnhill Restoration	2,617	93	88	2,622
Insurance Provision	5,302	1,769	1,090	5,981
Severance Provision	521	1,862	1,096	1,287
Business Rates Appeals Provision	3,578	5,193	1,962	6,809
Other Provisions	1,178	1,050	59	2,169
Total	**13,196**	**9,967**	**4,295**	**18,868**

Provisions are shown on the balance sheet as below:

	Balance at 1 April 2014	Additional provisions	Amounts Used	Balance at 31 March 2015
	£'000	£'000	£'000	£'000
Short Term < 1 year	6,108	9,595	3,194	12,509
Long term Provisions	7,088	372	1,101	6,359

- The Harnhill Restoration/Aftercare provision is to pay for environmental reinstatement work such as the prevention of leaching and other adverse environmental impacts following the closure of the landfill site. The amount of the provision assumes that the Council will need to manage the site for approximately another 40 years. Estimates of future costs are based on day-to-day aftercare management costs plus estimates of gas control costs and some capital expenditure.
  It is estimated that approximately £175,000 will be charged against the fund in the next twelve months but that annual expenditure will reduce as time goes on. However changes in the behaviour of landfill sites are difficult to predict and the provision is kept under review.

- Insurance Provision - the purpose of this provision is to cover losses below the external insurance excesses: £50,000 for property claims and £100,000 for liability claims and £25,000 for own motor vehicle claims, subject to stop losses. At 31 March 2015, the insurance provision's balance stood at £5.981m (£5.302m at the end of 2013/14), of which approximately £1.52m is estimated will be used in the next twelve months.

- The Severance Provision has been made for redundancy costs arising from the programme of service reviews currently underway in the Council. Although an estimate has been made the final amount of these costs will depend on the details of each individual redundancy case.

- Business Rates Appeals Provision - Following the introduction of the new retained Business Rates system from April 2013, the Council is responsible for meeting the cost of successful business rates 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 2015. The provision was increased substantially to reflect the rise in the number of rating appeals being lodged with the Valuation office. The figure shown in the balance sheet is the Council's share of the overall provision charged to the Non Domestic Rates Collection fund.

  There is uncertainty about the cost and timing of the outstanding NDR appeals. Moreover there is also the likelihood of further appeals against rateable values affecting 2014/15 and earlier years and this is noted as a contingent liability – see Note 34.

- All other provisions are individually insignificant.

26. Other Long Term Liabilities

This balance is made up of:

	2013/14 £'000	2014/15 £'000
Pensions Liability	189,025	252,496
Waste PFI Lease	9,876	8,911
Residual Avon Loan Debt & RIF Fund Liability	19,263	19,388
Deferred Income	544	495
Repayable Deposits	48	1,024
Total	**218,756**	**282,314**

Further information on the Pensions Liability is given in Notes 31 -33, the Avon Loan Debt in Note 30 and the PFI Lease Liability in Note 29.

27. 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 2014/15 is shown in note 11.

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 £99,000 in 2014/15 (2013/14: £85,000), of which £16,000 was prepaid in respect of 2015/16.

Some Members, or members of their close families, have an interest in voluntary organisations and community groups awarded grants by the Council. This includes interests in local community transport organisations (see below). Grants were made with proper consideration of declarations of interest, and the relevant Members took no part in voting on decisions relating to the grants.

One Member is an employee of Circadian Trust (formerly South Gloucestershire Leisure Trust) a related party of South Gloucestershire Council (see below). Two Members are Trustees of Circadian Trust.

Chief Officers and Second Tier Officers

One officer is a director of the South West Grid for Learning Trust (SWGfL), a company limited by guarantee. SWGfL provides schools including those in the South Gloucestershire area, with broadband and broadband enabled teaching and learning resources, and received approximately £0.7m from the Council in 2014/15. At 31 March 2015, there were no outstanding invoices in respect of SWGfL and accrued expenditure of approximately £29,000.

The officer concerned has made a declaration of interest in the departmental Register of Interests.

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. 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.

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 management fee of £562,000 in 2014/15 (£666,000 in 2013/14). Funding is conditional upon the Trust operating within an agreed Service Framework and to agreed performance standards.

Low Carbon South West is a not-for-profit Community Interest Company limited by guarantee, supporting and promoting the development of environmental technologies and services. The Council paid a grant of £10,000 in 2014/15, which was conditional upon the company meeting certain requirements in relation to its management and financial management under a Service Level Agreement.

Community Transport groups received funding totalling £327,000 in 2014/15 (2013/14: £327,000) 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). Non ring-fenced revenue grants (including Revenue Support Grant) and capital grants received from government departments, as well as Business rates funding are shown in Note 8. Other revenue grants are detailed in Note 9. Amounts due to and from central government bodies are shown in Notes 23 and 24 and on the balance sheet.

28. Leases

The Council as lessee

Operating Leases

The Council has acquired the use of some property, vehicles and equipment under operating leases. The expenditure charged to the Comprehensive Income and Expenditure Statement in respect of these leases in the year was as follows:

	2013/14 £'000	2014/15 £'000
Minimum lease payments:		
Land and Buildings	48	42
Vehicles, Plant, Furniture and Equipment	392	412
Total payments	**440**	**454**
Sub-lease payments receivable in respect of vehicles	**0**	**0**
Net expenditure charged to CI&ES	**440**	**454**

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

	31 March 2014 £'000	31 March 2015 £'000
Not later than one year	396	403
Later than one year and not later than five years	399	407
Later than five years	0	0
Total	**795**	**810**

There are no sub-lease payments expected to be received in respect of the above leases in future.

Finance Leases

The Council has in the past acquired vehicles and equipment under finance leases. Only a small number of unexpired finance leases remain and amounts included in the Balance sheet under Property, Plant and Equipment and for the lease liability are immaterial to the accounts at 31 March 2015.

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 2014 £'000	31 March 2015 £'000
Not later than one year	566	460
Later than one year and not later than five years	1,637	1,744
Later than five years	13,384	11,665
Total	**15,587**	**13,869**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, and none were received in 2014/15.

Finance Leases

The Council has leased out nine former secondary schools and three 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 2014 £'000	31 March 2015 £'000
Finance lease debtor (net present value of minimum lease payments)	0	0
Unearned finance income	0	0
Unguaranteed residual value of property	77,763	95,236
Gross investment in the lease	**77,763**	**95,236**

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

29. PFI Contract

Since 2000 the Council has had a PFI contract with SITA for an integrated waste management service. The contract gives SITA responsibility for :

- The collection and transportation of household waste;
- The operation of waste reception and recycling facilities;
- Household waste reduction through recycling and recovery of waste and home composting; the implementation and operation of facilities for the processing and final disposal of the Council's waste.

At the end of the contract term the land, assets and plant leased 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 value of assets held under PFI contracts and their movement is set out in the table below:

	2013/14 £'000	2014/15 £'000
Opening balance	8,544	7,751
Additions	-	-
Depreciation	(783)	(903)
Closing balance	**7,751**	**6,848**

The movement in the value of liabilities resulting from the PFI contract is as follows:

	2013/14 £'000	2014/15 £'000
Opening balance	10,381	9,877
Interest	438	
Repayment	(943)	(965)
Closing Liability balance	**9,877**	**8,912**

Details of expected future payments under the PFI contract are:

	Service Cost £'000	Financing £'000	Lease Liability £'000	Total £'000
Within 1 year	17,601	828	965	19,394
Within 2-5 years	80,842	3,544	4,126	88,512
Within 6-10 years	146,717	5,421	6,373	158,511
Within 11 years	10,682	1,118	378	12,178
Total commitment	**255,842**	**10,911**	**11,842**	**278,595**

The outstanding commitments are estimates of the cash amounts payable. During 2012/13 the Council reviewed the services provided under the SITA contract and this affected the unitary payments due. As part of the Council Savings Programme, the authority is seeking to make further savings on the Waste contract.

The Waste PFI contract commenced in 2000 and runs until 2025. The contract contains both fixed and variable elements. Variable costs include disposal, treatment and haulage costs for Landfill, delivery to the phase 2 facility, thermal treatment, composting and food waste treatment. These are all market tested on the fifth anniversary of the first review date (next review due in April 2015). Food waste treatment was also market tested at the start of 2011/12.

Indexation is applied to both fixed and variable costs each year. In addition, allowance is also made for the additional households in the district. A more fundamental review process is also undertaken every 5 years (again next due in 2015) concerning, for example, revised environmental targets, changed legislation, changing needs of the community and emerging new technologies.

29. Deferred liability – Contribution to the repayment of residual Avon County Council Debt –

Following Local Government Reorganisation in 1996, Bristol City Council administers Avon County Council's residual debt. All Avon area Unitary Authorities make an annual contribution to principal and interest repayment. The Council's share of the residual debt outstanding at 31 March 2015 is £18.359m. (£19.124m at 31 March 2014). The total interest and MRP paid on this debt in the year was £1.751m (£1.824m paid in 2013/14).

30. Pension Reserve and Defined Contribution Pension Scheme

Pensions Reserve

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

2013/14 Total		2014/15 LGPS	2014/15 Unfunded Teachers Pensions	2014/15 Total
£'000		£'000	£'000	£'000
(258,882)	Balance at 1st April	(160,388)	(28,637)	(189,025)
80,628	Remeasurement of the net Defined Benefit Liability	(66,013)	(2,351)	(68,364)
(28,643)	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	(24,674)	(1,186)	(25,860)
17,872	Employer's pensions contributions and direct payments to pensioners payable in the year	17,473	2,094	19,567
(189,025)	**Balance at 31st March**	**(233,602)**	**(30,080)**	**(263,682)**

31. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the authority 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 authority 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 authority 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 2014/15 the Council paid £7.34m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay (in 2013/14 £7.98m was paid representing 14.1%). There were no contributions remaining payable at the year-end.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 33.

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 2014/15, the Council paid £0.07m to the NHS pension fund (£0.08m in 2013/14) in relation to the retirement benefits of ex-NHS staff, which represents 14% of pensionable pay.

32. Defined Benefit Pension Schemes

Participation in pension schemes

The authority'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 2013, and at that date showed a funding level of 78% (assets of £3.1bn against accrued liabilities of about £4.0bn). The weighted average duration of the liabilities of the Fund as a whole is 18 years, measured on the IAS19 actuarial assumptions.

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

Pension fund governance - 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:

	Local Government Pension Scheme		**Unfunded Teachers Pensions**	
	2013/14 £'000	**2014/15 £'000**	**2013/14 £'000**	**2014/15 £'000**
Comprehensive Income and Expenditure statement				
Cost of Services:				
Current Service Cost	18,977	17,502	0	0
Settlements & Curtailments	(957)	636	0	0
Financing and investment income and expenditure				
Net Interest Cost	9,204	6,199	1,098	1,186
Administration Expenses	321	337	0	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**27,545**	**24,674**	**1,098**	**1,186**
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)	(24,405)	(50,334)	0	0
Actuarial (gains) and losses arising on changes in demographic assumptions	(2,983)	0	95	0
Actuarial (gains) and losses arising on changes in financial assumptions	(55,968)	116,347	(1,848)	2,351
Experience (gain)/loss	3,841	0	640	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(51,970)**	**90,687**	**(15)**	**3,537**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits	(27,545)	(24,674)	(1,098)	(1,186)
Actual amount charged against the General Fund Balance				
Employers' contributions payable to scheme	**15,835**	**17,473**	**15,835**	**17,473**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2015 is a loss of £68.364m

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	
	2013/14 £'000	**2014/15 £'000**	**2013/14 £'000**	**2014/15 £'000**
Present value of the defined benefit obligation	(695,863)	(842,207)	(28,637)	(30,080)
Fair value of plan assets	535,475	619,838	0	0
Net liability arising from defined benefit obligation	**(160,388)**	**(222,369)**	**(28,637)**	**(30,080)**

Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension Scheme		Unfunded Teachers Pensions	
	2013/14	**2014/15**	**2013/14**	**2014/15**
	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	**494,487**	**535,475**	0	0
Interest income	20,682	24,350	0	0
Remeasurement gains/(loss)	24,084	50,334	0	0
Employer contributions	15,835	28,658	2,037	2,094
Contributions by scheme participants	5,207	5,328	0	0
Benefits paid	(23,458)	(24,355)	(2,037)	(2,094)
Settlements	(1,362)	0	0	0
Closing balance at 31 March	**535,475**	**619,838**	**0**	**0**

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

	Funded Benefits: Local Government Pension Scheme		**Unfunded Teachers Pensions**	
	2013/14	**2014/15**	**2013/14**	**2014/15**
	£'000	£'000	£'000	£'000
Opening balance at 1 April	**722,680**	**695,863**	**30,689**	**28,637**
Current service cost	18,977	17,502	0	0
Interest cost	29,886	30,886	1,098	1,186
Contributions from scheme participants	5,207	5,328	0	0
Remeasurement (gains) and losses:				
Actuarial gains/losses arising from changes in demographic assumptions	(2,983)	0	95	0
Actuarial gains/losses arising from changes in financial assumptions	(55,968)	116,347	(1,848)	2,351
Experience gain/loss	3,841	0	640	0
Benefits paid	(23,458)	(24,355)	(2,037)	(2,094)
(Gains)/losses on curtailment	740	636	0	0
Liabilities extinguished on settlements	(3,059)	0	0	0
Closing balance at 31 March	**695,863**	**842,207**	**28,637**	**30,080**

Local Government Pension Scheme assets comprised:

	31 March 2014 £'000	31 March 2015 £'000
Cash and cash equivalents		
Equity instruments:		
UK quoted	89,341	98,770
UK futures	2,029	0
Global quoted	74,603	76,615
North America	28,829	57,149
Japan	12,418	17,683
Europe (excluding UK)	32,244	39,312
Pacific Rim (excluding Japan)	13,078	15,246
Emerging Markets	50,218	59,251
Sub-total equity	**302,760**	**364,026**
Bonds:		
UK Government	47,979	86,626
Overseas Government	12,015	0
Corporate	43,180	54,499
Sub-total bonds	**103,174**	**141,125**
Property:		
UK Property Funds	23,982	28,463
Overseas Property Funds	17,121	23,414
Sub-total property	**41,103**	**51,877**
Alternatives:		
Hedge Funds	26,301	27,275
Diversified Growth Funds	50,621	20,640
Sub-total alternatives	**76,922**	**47,915**
Cash:		
Cash accounts	9,309	0
Net current assets	2,255	14,896
Sub-total cash	**11,564**	**14,896**
Total Assets	**535,523**	**619,838**
88.4% of the scheme assets at March 2015 have quoted prices in active markets		

The actual return on scheme assets in the year was £75.02m (2013/14: £33.60m).

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 2013.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Teachers Pensions	
	2013/14	2014/15	2013/14	2014/15
Long-term expected rate of return on assets in the scheme:				
Equity investments				
Equities	7.0%	6.5%	n/a	n/a
Government Bonds	3.4%	2.2%	n/a	n/a
Other Bonds	4.3%	2.9%	n/a	n/a
Property	6.2%	5.9%	n/a	n/a
Cash/ Liquidity	0.5%	0.5%	n/a	n/a
Other	varies	varies	n/a	n/a
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	23.3	23.4	23.3	23.4
Women	25.8	25.9	25.8	25.9
Longevity at 65 for future pensioners:				
Men	25.7	25.8	n/a	n/a
Women	28.7	28.8	n/a	n/a
Rate of inflation- CPI	2.4%	2.0%	2.4%	2.0%
Rate of increase in salaries	3.9%	3.5%	n/a	n/a
Rate of increase in pensions	2.4%	2.0%	2.4%	2.0%
Rate for discounting scheme liabilities	4.5%	3.3%	3.7%	3.1%

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease by 1 year)	16,031	(16,031)
Rate of inflation (increase or decrease by 0.1%)	15,655	(15,655)
Rate of increase in salaries (increase or decrease by 0.1%)	3,270	(3,270)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(15,370)	15,370

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 the next 20 years and this will shorten in future years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

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 2016 are £16.65m (£15.3m in 2014/15). Expected contributions for the Teachers pensions scheme in the year to 31 March 2016 are £7.3m.
The weighted average duration of the defined benefit obligation for scheme members is 18 years.

33. Contingent Liabilities

The Council is responsible for the pension liability of transferred staff in the event of Merlin Housing Society failing without being able to meet its financial obligations. However, the risk of this happening is considered minimal because of the regulatory regime applied to Housing Associations. It is not possible to quantify the Council's potential liability.

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 6.65%, 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. For this reason, and since the probability of the Council becoming liable under the guarantee is considered to be low because of the regulatory regime applied to Housing Associations, the Council has not made provision in the accounts for this guarantee.

South Gloucestershire Council is party to a Performance Deed created in June 2000 under the terms of its waste management licence for the closed Harnhill landfill site. It requires the Council to indemnify the Environment Agency in certain circumstances. Liability to indemnify is contingent upon the Agency having to undertake any remedial works, or on the Council's non – performance of its obligations under the Licence Agreement. The current maximum liability under the Deed for any event is £7.73m (index-linked to March 2015).

Following the introduction of the national retained business rates system from 2013/14 under the Local Government Finance Act 2012, the Council is now responsible for meeting the cost of refunding business ratepayers who have successfully appealed against the rateable value of their properties. The Council has made provision for known Valuation Office Agency appeals outstanding at 31 March 2015. The national scheme changed at 31st March 2015, in that Appeals now received on or after 1st April 2015 will not be backdated in most cases, but the VOA can still alter rating assessments if the VOA finds the valuation to be inaccurate . Business ratepayers still have a right to appeal against values on the 2010 Rating list until 31 March 2017. As the potential number and value of such claims is unknown, no provision has been made for these at 31 March 2015. The Council would have to meet 49% of any further gross costs of refunds from successful Appeals.

34. Financial Instruments balances

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

	Long term		**Current**	
	31 March 2014 £'000	**31 March 2015 £'000**	**31 March 2014 £'000**	**31 March 2015 £'000**
Financial liabilities – principal amount	(113,537)	(113,532)	(11)	(5)
Accrued interest (1)	0	0	(1,179)	(1,179)
PFI and Finance lease Liabilities	(9,876)	(8,911)	(12)	(1)
Total financial liabilities at amortised cost	(123,413)	(122,443)	(1,202)	(1,185)
Total borrowings	**(123,413)**	**(122,443)**	**(1,202)**	**(1,185)**
Creditors – financial liabilities carried at contract cost	**0**	**0**	**(31,934)**	**(41,454)**
Loans and receivables (principal amount)	0	0	39,000	42,500
Accrued interest (1)	0	0	173	229
Total loans and receivables at amortised cost	0	0	39,173	42,729
Financial assets at fair value through the I&E account (2)	0	0	12,812	12,883
Total investments	**0**	**0**	**51,985**	**55,612**
Debtors – loans and receivables	1,980	2,017	0	0
Debtors – financial assets carried at contract amounts (3)	0	0	17,471	23,166
Total included in debtors	**1,980**	**2,017**	**17,471**	**23,166**

(1) Under accounting requirements, financial instruments at amortised cost include the principal amount borrowed or lent, and accrued interest. Accrued interest is shown as current or long-term, dependent upon whether it is due for payment/receipt within or after 12 months from the balance sheet date.

(2) This is the externally managed fund for which the fair value is measured by reference to published bid prices quoted in an active market.

(3) Not all short term creditors and debtors fall within the definition of "financial instruments". The difference between the totals shown on the Balance Sheet and debtors and creditors at contract cost shown above, can be explained as follows:

	Creditors £'000	**Debtors £'000**
Short Term, on Balance Sheet	(67,419)	45,071
Adjust for Statutory and Government creditors/debtors	9,997	(16,119)
Adjust for Receipts in advance / Prepayments	15,968	(5,786)
Financial instruments carried at contract cost, as above	**(41,454)**	**23,166**

35. Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables 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. Fair value provides a measure of the consequences of borrowing or lending at fixed rates compared to variable rates, as well as an indication of the cost or benefit of early repayment. 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 following assumptions:

- for loans from the Public Works Loans Board (PWLB), premature repayment rates from the PWLB at the Balance Sheet date have been applied to provide the fair value under PWLB debt redemption procedures. For market borrowing the prevailing rate at balance sheet date for a similar instrument has been used and provides a reasonable approximation to fair value for these instruments;

- no early repayment or impairment is recognised.

For investments with a maturity of less than 12 months, and trade or other receivables carried at invoiced amount, the carrying amounts are assumed to approximate to fair value and they are therefore not included in the table below.

The fair values calculated are as follows:

	31 March 2014		**31 March 2015**	
	Carrying amount (Amortised cost) £'000	Fair Value £'000	Carrying amount (Amortised cost) £'000	Fair Value £'000
Financial liabilities – borrowings	114,727	132,323	114,716	167,257

The fair value of borrowings is higher than the carrying amount because the Council's portfolio of loans comprises fixed rate loans where the interest rate payable is higher than the redemption rates in force at the Balance Sheet date, which means the borrowings would be more costly to redeem. The increase in fair value over the prior year is attributable to the fact that the redemption rates have mirrored the falling trend in longer term gilt yields over the year, and are therefore lower than at 31 March 2014.

36. 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:

2013/14					2014/15			
Financial Liabilities	**Financial Assets**		**Total**		**Financial Liabilities**	**Financial Assets**		**Total**
Liabilities at amortised cost	**Loans and receivables**	**Fair value through I&E account (a)**			**Liabilities at amortised cost**	**Loans and receivables**	**Fair value through I&E account (a)**	
£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
(6,612)	0	0	(6,612)	Interest expense	(6,641)	0	0	(6,641)
0	0	0	0	Loss on derecognition (b)	0	0	0	0
0	0	(17)	(17)	Fee expense	0	0	(15)	(15)
(6,612)	**0**	**(17)**	**(6,629)**	**Total expense in Surplus or Deficit on the Provision of Services**	**(6,641)**	**0**	**(15)**	**(6,656)**
0	625	0	625	Interest income	0	591	0	591
0	0	81	81	Increase in Fair Value	0	0	90	90
0	262	0	262	Gain on derecognition	0	0	0	0
0	**887**	**81**	**968**	**Total income in Surplus or Deficit on the Provision of Services**	**0**	**591**	**90**	**681**

a. The Council employs an external fund manager to manage approximately £12.9 million of its surplus cash balances. These are managed as a portfolio, in which some of the investments are actively traded. Therefore as required by the Code of Practice, the whole portfolio of externally managed investments is accounted for at fair value and gains or losses on the investments are accounted for through the Comprehensive Income and Expenditure Statement as described in the Accounting Policies.

b. Losses and gains on derecognition include premia and discounts arising on the early repayment of borrowing, or early repayment of loans and receivables. There have been no early repayments of borrowing or loans and receivables in 2014/15.

37. 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 commitments to make payments;

Re-financing risk – the possibility that the Council might be requiring 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 such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's treasury management risk management procedures aim to minimise risk from the unpredictability of financial markets and seek to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations and standing orders;
- by approving annually in advance prudential and treasury indicators for the following three years, which limit the Council's overall borrowing; exposures to fixed and variable interest rates; the maturity structure of its borrowing and its exposures to investments maturing beyond a year;
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, and there is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators and the investment strategy were approved by Council on 19 February 2014. The report containing the strategies is available on the Council website.

The policies are implemented by the Corporate Finance treasury management team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These policies are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Risk is minimised by ensuring that deposits are only made with banks and financial institutions that meet the minimum requirements of the investment criteria set out in the annual Treasury Management and Investment Strategy. For 2014/15 these minimum criteria were:

- long-term rating of 'A-', and short-term rating 'F1' (from Fitch ratings agency, or equivalent from Moody's and from Standard and Poor's) for banks and building societies; where an institution has ratings from more than one agency, the lowest is used to determine its acceptability as a counterparty and the limits on investments with it;
- UK part-nationalised banks whose credit ratings fall below the usual minimum criteria are acceptable so long as they remain part-nationalised;
- 'AAA' for pooled investment vehicles such as money market funds.

The Investment Strategy also imposes the maximum amounts and time limits in respect of a financial institution, dependent upon the quality of their ratings. For the highest rated UK high street banks the limit was £20m for a maximum maturity of three years; for other high rated institutions the limit was £15m for three years; otherwise the limit was £10m for one year. The limit for money market funds was £20m per fund (but no more than 70% of total investments in total). In accordance with the strategy, other indicators of risk such as credit default swap prices are also considered before investments are made.

In addition the strategy requires that the Council will only use non-UK banks if domiciled in countries with a minimum sovereign rating of AA+, and places a limit on investments in non-UK banks of 50% of total investments.

In respect of trade debtors, credit risk is minimised by a policy of encouraging payment by direct debit; increasing the range of payment options available (such as by Internet, or using retail networks for the acceptance of payment e.g. Payzone and Paypoint); regular reporting on outstanding debt and negotiating flexible agreements for repayment of past due debt when necessary.

Potential exposure to credit risk - Investments

The Authority's maximum exposure to credit risk in relation to its investments in banks, building societies and money market funds of £77.3m 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. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

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

Potential exposure to credit risk – Trade debtors:

Based on the Council's experience of its customer collection levels, its exposure to default by trade debtors is:

	Amount at 31 March 2015	**Historical experience of default**	**Adjustment for market conditions at 31 March 2015**	**Estimated maximum exposure to default at 31 March 2015**	**Estimated maximum exposure to default at 31 March 2014**
	£'000	**%**	**%**	**£'000**	**£'000**
	(a)	(b)	(c)	(a x c)	
Trade debtors	10,341	0.1%	0.1%	10	26

The Council's credit terms for trade debtors are 14 days, such that £4.609m of the £10.341m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2014 £'000	31 March 2015 £'000
Less than one month	2,068	1,636
One to two months	1,725	792
Two to three months	122	176
Three to six months	1,132	436
Six months to one year	203	795
More than one year	560	774
Total	**5,810**	**4,609**

In addition to the trade debtors detailed above, the Council has £1.832m of social care debtors at 31 March 2015, 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.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures contained within the Treasury Management and Investment Strategy reports, as well as through cash flow management procedures required by the Code of Practice. These seek to ensure that cash is readily available when needed.

The PWLB provides access to longer term funds, and also acts as a lender of last resort to councils. The Council also has access to borrowings from the Money Markets to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that the Council will not be able 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 the main risks by setting prudential indicators for the maturity structure of debt, and imposing a limit of 15% on the overall percentage of debt due to mature in any financial year. The Corporate Finance treasury management team addresses the operational risks within these approved parameters by monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt where it is economic to do so, and by monitoring the maturity profile of investments to ensure sufficient liquidity is available.

The maturity analysis of financial liabilities is as follows:

	31March 2014 £'000s	31March 2015 £'000s
Principal due in:		
Less than one year	11	5
Between one and thirty years	21,018	24,013
Between thirty and forty years	32,819	42,319
Between forty and fifty years	51,000	38,500
More than fifty years	8,700	8,700
Interest payable within one year:	1,178	1,179
Total	**114,726**	**114,716**

The maximum amount maturing in any one financial year is £13m (11% of total borrowing).

The above analysis includes 50 year and 60 year market borrowing totaling £16.2m. Under the loan arrangements the lender has periodic options to increase the interest rate on each loan. At that point South Gloucestershire Council would have the option to repay the borrowing early at no penalty. The next option on these loans arise in May 2016, with further options in 2018 and 2019. It has been assumed for the purposes of this analysis that these loans will not be repaid until their final maturity dates, since at 31 March 2015 it was estimated that there was a low probability of the lender exercising its options early.

Trade payables are not included. They fall due to be paid in less than one year.

Market Risk

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

- **borrowings at variable rates** – the interest expense charged to the Surplus or Deficit on Provision of Services will rise
- **borrowings at fixed rates** – the fair value of borrowing will fall (no impact on revenue balances)
- **investments at variable rates** – the interest income credited to the Surplus or Deficit on Provision of Services will rise
- **investments at fixed rates** – the fair value of investments will fall (no impact on revenue balances).

In this Council the impact is limited because its borrowings and investments have been made at fixed rates and therefore only fair value is affected. There is no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. Investments held in the externally managed fund have been designated as Fair Value through the CIES account and so gains and losses will be credited or debited to the CIES account.

The annual Treasury Management Strategy includes expectations of interest rate movements, and a treasury prudential indicator sets maximum limits for fixed and variable interest rate exposure. The Corporate Finance treasury management team monitors market and forecast interest rates within the year to adjust exposures 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 drawing of longer term fixed rate borrowing would be postponed.

If all interest rates had been 1% higher at 31 March 2015 with all other variables held constant, the financial effect would be:

	2014/15 £'000
Decrease in fair value of fixed rate borrowing (no impact on Surplus or Deficit on Provision of Services or Other Comprehensive Income and Expenditure)	**30,254**
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)	**83**

Externally managed fund – the impact of a change in interest rate on the fair value of the fund would be minimal as all holdings at year-end had short term maturity dates.

Price risk – the Council does not invest in equity shares and is therefore not at risk of losses arising from movements in the price of shares.

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.

38. City Region Deal

Background

Under the City Region Deal, Bristol City, Bath & 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 rates collected locally. The Authorities are allowed to retain 100% of the growth in business rates raised in the city regions network of Enterprise Areas over a 25 year period ending on 31/3/2039 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. 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 will occur 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 BRP, representing business rates collected in the Enterprise Areas in excess of an agreed baseline figure. Retained funds will be distributed or invested annually in accordance with the 2014 Regulations and the BRPPA as:

• Tier 1: to ensure that no individual Authority is any worse off than it would have been under the national local government finance system,

• Tier 2: to an Economic Development Fund (EDF) for reinvestment within the designated areas through approved programmes,

• Tier 3: for the relief of demographic and service pressures associated with growth.

Cash receivable and disbursements payable by the BRP and the Council's share of these for this first year are as follows:

	Cash Transactions		Revenue & Expenditure	
	Business Rates Pool Total	**Of which SGC Share**	**Council Expenditure**	**Council Income**
	£'000	**£'000**	**£'000**	**£'000**
Funds held by BRP at 1 April 2015	0	0		
Growth figure receivable into BRP in year	(6,302)	(536)	536	
Distributions Payable by BRP in year				
Tier 1 – no worse off	2,663	144		(144)
BRP Management fee	69	17		(69)
EDF Management Fee	30	8		
Tier 3 Demographic and Service pressures	0	0		(107)
Funds Held by BRP at 31 March 2015	(3,540)	(367)		
Analysed between:				
Uncommitted cash (Tier 2 inc. Contingency)	(2,976)	(309)	(309)	
Committed cash (Tier 3)	(565)	(58)	227	(320)
Total CRD Business Rates Pool	3,540	(367)		
Expenditure/ Revenue Recognised			227	(320)

As stated under the Accounting policies, 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 committed. Uncommitted cash is recognised by each Council as a debtor.

South Gloucestershire Council's share of the uncommitted cash balance held by the BRP has been recognised in the accounts and held in a new 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 no payments on behalf of the EDF in 2014/15.

The Council itself has recognised revenue income of £320,000 from the BRP and expenditure of £227,000 to the BRP for the year.

39. Cash Flow Statement – Surplus / Deficit on Provision of Services

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

2013/14 £'000		2014/15 £'000
42,971	Depreciation	46,493
6,094	Impairment & Downward valuations	557
941	Amortisation of Intangible assets	698
(1,013)	Increase/ (Decrease) in Creditors	4,782
(5,433)	(Increase) / Decrease in Debtors	(7,847)
	Increase in Inventories	56
10,771	Movement in Pensions liability	(4,892)
31,818	Carrying amount of non-current assets sold or de-recognised	83,517
7,612	Other non- cash items charged to the provision of services.	5,596
93,761		**128,960**
	Adjust for Items included that are Investing or Financing activities	
(27,381)	Capital Grants credited to cost of Provision of Services	(38,418)
0	Net adjustment from sale of Investments	1,000
(2,270)	Proceeds from sale of PPE	(8,444)
(29,651)		(45,862)

40. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2013/14 £'000		2014/15 £'000
833	Interest Received	625
(6,614)	Interest Paid	(6,652)
(5,781)	**Total**	**(6,027)**

41. Cash Flow Statement – Investing Activities

The table below shows the cash flows from investing activities, largely capital expenditure investments made and the proceeds from the sale of non- current assets and investments.

2013/14 £'000		2014/15 £'000
(32,389)	Purchase of property, plant and equipment and intangible assets	(37,219)
(63,000)	Purchase of short –term and long term investments	(42,000)
	Other payments for investing activities	(134)
1,906	Proceeds from the sale of property, plan and equipment	8,444
47,000	Proceeds from short –term and long- term investments	37,500
30,091	Other investment receipts	40,599
(16,392)	**Net Cash Flows from Investing Activities**	**7,190**

42. Cash Flow Statement – Financing Activities

2013/14 £'000		2014/15 £'000
0	Cash Receipts of short and long term borrowing	0
	Other receipts from financing	890
2,506	Appropriation from Collection Fund adjustment account	(1,294)
(504)	Cash payments reducing finance lease liabilities and PFI contract liability	(965)
(14)	Repayments of short and long- term borrowing	(765)
	Other payments for financing activities	-
1,988	**Net Cash Flows from Financing Activities**	**(2,134)**

43. Post Balance Sheet Events

Early in 2015/16 the Secretary of State gave approval for Mangotsfield school to become an academy and this is expected to take place with effect from 1st September 2015. The balance sheet as at 31st March 2015 included £25.66 million of the PPE assets in respect of the school and these will be written out of the Council's balance sheet during 2015/16.

Statutory Financial Statement

Collection Fund

This provides information regarding income from Council Tax and Non-Domestic Rates and shows how the money raised has been used to pay for the services of the Council and its precepting authorities.

2013/14 £'000		2014/15 £'000 Business Rates	2014/15 £'000 Council Tax	2014/15 £'000 TOTAL	Notes
	Income				
131,797	Council Tax Receivable		137,021		1
133,840	**Business Rates**	136,395			
265,637	**Total Income**	**136,395**	**137,021**	**273,416**	
	Expenditure				
	Apportioned Prior Year Surplus				
1,268	South Gloucestershire Council	18	3,691		
	Central Government	18			
60	Avon & Fire Rescue authority	1	181		
160	Avon & Somerset Police		474		
1,488				**4,383**	
	Precepts and demands				4
172,121	South Gloucestershire Council	65,576	112,846		
65,097	Central Government & Business Rate Pool	66,915			
13,924	Avon and Somerset Police Authority		14,783		
6,909	Avon Fire Authority	1,338	5,633		
258,051		133,829	133,262	267,091	
	Charges				
476	Increase/ decrease in Bad Debt Provision	347	613		
7,302	Increased Provision for NDR appeals	10,599			
330	Less – Disregarded Amounts	332			
	- City Region Growth	3,113		**15,004**	5
267,647	**Total Expenditure**	**148,257**	**138,221**	**286,478**	
(1,708)	**Surplus/ (Deficit) for the Year**	**(11,862)**	**(1,200)**	**(13,062)**	
1,581	**Surplus/ (Deficit) Brought Forward**	**(4,186)**	**4,059**	**(127)**	
(127)	**Surplus/ (Deficit) Carried Forward**	**(16,048)**	**2,859**	**(13,189)**	

Notes to the Collection Fund

1. 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	12,677	5,640	7,037	6/9	4,691
B	33,711	7,557	26,154	7/9	20,342
C	27,126	3,803	23,323	8/9	20,732
D	20,176	2,188	17,988	1	17,988
E	11,303	725	10,578	11/9	12,929
F	5,457	240	5,217	13/9	7,535
G	1,913	86	1,827	15/9	3,045
H	157	8	149	2	299
Total					**87,576**
Adjustment to allow for new discounts, single persons allowances and appeals					(1,314)
Council Tax Base for 2014/15					**86,262**

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

2. Writing off bad and doubtful debts in the year

The following arrears were written off in the year as irrecoverable:

	2013/14 £'000	2014/15 £'000
Council Tax	338	366
Non-Domestic Rates	270	210
Collection Fund Total	**608**	**576**

3. Non-Domestic Rateable Value and multiplier

	2013/14 £	2014/15 £
Total Non-Domestic Rateable Value at 31 March 2014	**320,747,751**	
Total Non-Domestic Rateable Value at 31 March 2015		**321,384,422**
National Non-Domestic Rate multiplier for the year (standard)	0.471	0.482
National Non-Domestic Rate multiplier for the year (small business)	0.462	0.471

4. Major Preceptors on the Collection Fund

	2013/14 £'000	2014/15 £'000
South Gloucestershire Council including parishes	108,326	112,846
Avon and Somerset Police & Crime Commissioner	13,924	14,783
Avon Fire Authority	5,305	5,633

5. City Region Deal Growth Disregard

From 2014/15 the Council is allowed to retain 100% of the growth in Business Rates income in its Enterprise Areas. The growth is transferred to the General Fund before being pooled with other participating authorities (see Note 39 to the main Financial Statements for full details).

Glossary of Terms

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.

ACCRUAL
An amount which has been included in the final accounts to recognise a payment that has not yet been made or income that has not yet been received for that accounting period. Accruals are made for capital and revenue income and expenditure.

ACTUARIAL GAINS AND LOSSES
Changes in actuarial deficits and losses on the pensions fund arising from:

- events that have not coincided with actuarial assumptions made for the last valuation (experience gains and losses), or
- actuarial assumptions that have changed.

ASSET
Assets are either Non Current or Current.
A current asset benefits the Council for up to one year (e.g. stock, debtors).
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.

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

CAPITAL CHARGE
A charge to service revenue accounts of the Council to reflect the cost of using fixed assets to perform a service. Currently this is depreciation, revaluation losses and impairment losses.

CAPITAL EXPENDITURE
Expenditure incurred by the Council on the acquisition or enhancement of a fixed asset or on the provision of certain capital grants.

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 RECEIPT
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 exempt and 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. For example, parks.

CONTINGENT LIABILITY
A possible financial obligation on the Council, arising from past events, which will be confirmed if certain events take place in the future.

CURRENT SERVICE COSTS OF PENSIONS
The increase in the "present value" of a pensions' 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
- reduces 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' pensions 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 pensions scheme.

FINANCE LEASE
A lease under which the lessee (i.e. the person or the organisation taking on the lease) acquires all risks and rewards of ownership of a fixed asset for the period of the lease. Finance leases 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 unallocated revenue reserve of the Council.

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 heritage.

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

INFRASTRUCTURE ASSETS
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 pensions scheme's liabilities in the year in question 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 overdraft). **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 repayment of debt.

NATIONAL NON-DOMESTIC RATE (NNDR)
A levy on businesses, based on a national rate in the pound (set by the Government) multiplied by the rateable value of their premises. NNDR is collected by Billing Authorities (i.e. Councils that issue Council Tax and NNDR bills, such as South Gloucestershire Council) on behalf of the Government. The Government redistributes NNDR proceeds to all Councils, fire and police authorities on the basis of the RSG share.

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

OPERATING LEASE
A type of lease under which the ownership of the asset remains with the lessor. This type of lease does not come under the Government's capital controls.

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 pensions scheme's liabilities related to employee service in prior years and arising in the current year because of the introduction of, or 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 specific 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 (see Note 33 above). The Council receives PFI grant to support the revenue costs of the PFI scheme.

PROVISIONS
Amounts set aside in one year to cover expenditure in the future. Provisions are set up to cover liabilities or losses, which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain.

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.

REFCUS
Government regulations allow items of spending which would otherwise be accounted for as revenue, to be treated as capital (hence Revenue Expenditure Funded from Capital Under Statute). Examples include schemes funded by Disabled Facilities grant, which occurs 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 or the same 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
Amounts set aside that do not fall under the definition of provisions. 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 Council services in general, as opposed to a specific grant to be 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, both published by the Chartered Institute of Public Finance and Accountancy