South Gloucestershire Council

2012/13

STATEMENT OF ACCOUNTS

Contents

You can obtain additional copies of this Statement by writing to Chris Manvell, Deputy Head of Finance, South Gloucestershire Council, Council Offices, Thornbury, Bristol BS35 1HF or by telephoning (01454) 864670

Prepared and published by the Financial Reporting Section, Corporate Finance, South Gloucestershire Council

www.southglos.gov.uk

Independent Auditor's Report to Members of South Gloucestershire Council

Opinion on the Authority financial statements

We have audited the financial statements of South Gloucestershire Council for the year ended 31 March 2013under 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, and 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 2012/13.

This report is made solely to the members of South Gloucestershire Council 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.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 Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer 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, 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 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 Chief Financial Officer; 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. 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 2013and 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 2012/13.

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 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 Arrangement 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.

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 audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 2013.

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 November 2012, 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 2013.

Certificate

We certify that we have completed the audit of the financial statements of South Gloucestershire Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Stephen Malyn
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

September 2013

Explanatory Foreword

1. Summary of the Council's performance

In recent years the statutory Statement of Accounts document has become much longer, and much more complex. There is additional complexity as the Council also has to comply with the International Financial Reporting Standards (IFRS). This more extensive and modified regulatory regime, whilst aligning practice with European reporting requirements, means that for most people, the Statement obscures what used to be its main purpose, i.e. to show local residents and other stakeholders, how the Council has used its resources during the year. This foreword attempts to redress this balance.

The Council underspent its £176.6m revenue budget by £1.7m (-1%), before making additional contributions to three reserves and leaving the General Fund balance virtually unchanged. 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 £36.7 m. 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 4 year Transformation programme amounted to £27.2 m at the end of 2012/13. Plans are in place to deliver the full £45m programme by 2015/16.

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 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 2012/13, details of capital spending and funding, a note on general reserves, a note on pensions, a note on 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 Account (CIES). This shows the net cost of services, and how they have been funded from government grants and local taxpayers. It shows a deficit for the year of £30.9m. This presents an immediate difficulty reconciling this statement to the reported outturn spend on the Revenue Budget in 2012/13. The table below reconciles the figures.

	£ million	£ million
Comprehensive Income & Expenditure Account Deficit for 2012/13		**(30.91)**
Less Excluded Items - Capital grants	(25.4)	
Pension liability charges	46.1	
Revaluation Increases	(99.7)	
Depreciation and reduction in value of Council's assets	60.2	
Written down capital spending not adding to asset values	1.9	
Loss on disposal of assets	64.6	
Net transfers from reserves	(5.6)	
Provision for debt repayment (Minimum Revenue Provision)	(7.7)	
LSVT Income & minor adjustments	(3.48)	**30.92**
Impact on General Fund of Budget Outturn		**(0.01)**

A number of major adjustments need a brief word of explanation. Under the new IFRS requirements, Capital Grants (£25.4m) are included in the CIES account but are not part of the Council's revenue account as this income is used to finance capital expenditure. Similarly, the Pensions actuarial charge (£46.4m) is also excluded from the Council's revenue account. This latter adjustment is due to the pensions liability increasing and investment returns decreasing compared to actuarial assumptions. Under UK accounting conventions the value of land and property transferred to the new academy schools is charged to the Income and Expenditure account as a 'loss on sale'. The value of the Council's fixed assets – its schools, libraries, elderly people's homes was reduced during the year however there were offsetting revaluation increases in other assets. None of these costs or the revaluation increases has a short term real impact on residents.

b. Movement in Reserves Statement. The General Fund's balance was marginally increased to £8.97m. At 4.75% this is broadly in line with the Council's policy of maintaining the balance at around 5% of its revenue budget. In setting the 2013/14 budget, Council recognised that the changes to the Local Government funding system from 2013/14 would mean that it would take time to restore the traditional 5% level position and that Council would work towards this over the medium term. 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 otherwise increased to £41.3m.

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 value of these assets and liabilities is £420.5m which is a decrease of £31m on the year before. The main reasons for this are the transfer of assets to academy schools and the increased pensions liability.

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 inflow from its operating activities and investment activities (capital spending), which was offset by an outflow on financing (i.e. the repayment of short term borrowing and other liabilities). The Council's investments at the year end were marginally lower than at the end of 2011/12 (£61.3m against £63.4m).

e. Collection Fund. The Council collects council tax from its residents for itself and for the police and 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 by £1.581m of which South Gloucestershire Council's share was £1.34m. This surplus will be returned to council tax payers as part of setting subsequent years' council tax.

Much of the rest of the full document is devoted to notes to the accounts and a statement of accounting policies. Under the Accounts and Audit Regulations 2011 the Annual Governance statement is no longer part of the accounts, but was reported alongside the accounts at the June meeting of the Audit and Accounts committee.

4. Comparison of spending against budget

The Council's Revenue Outturn on its services was an underspend of £1.7m (-1%) prior to making contributions to three reserves. This was a small improvement on the position reported at the end of quarter three. The full analysis is shown in the table below.

Committee/ Service	**Approved Budget**	**Outturn 2012/13**	**(-)Under/ overspending**
	£'000	**£'000**	**£'000**
Adults & Housing (A&H)	63,646	63,089	(557)
Children and Young People (CYP)	25,524	25,456	(68)
Community Services (ECS)	32,962	32,516	(446)
Corporate Resources (CECR)	19,535	19,409	(126)
Planning Transportation & SE (PTSE)	18,313	18,235	(78)
Central Items	16,668	16,232	(436)
Additional transfer to Reserves		1,700	1,700
Total	**176,648**	**176,637**	**(11)**

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

- **Adults & Housing** - The committee underspent by £0.557m. The main area of underspending (£2m) was on Older People including Physically Disabled where the total numbers of home care placements for older people reduced. Home Choice and Strategic Housing support also underspent due to lower demand and there was early achievement of the savings from the Home Care review. These underspends were offset by overspends on learning difficulties (£0.3m) and on Provider Services where the full redundancy costs arising from the Home Care review have been included.

- **Children & Young People** – The committee underspent by £0.068m (-0.3%). There was an overspend of £0.4m within Integrated Services arising from pressures on demand led budgets including independent foster payments, in house foster payments and the foster care agency review shortfall. This was reduced by an underspend of £0.5m within Strategy, Quality and Standards arising from one off savings and management actions in respect of reducing non staffing budgets, the utilisation of grants and provisions and managing staff vacancies.

- **Community Services/PTSE** - The ECS department overall was underspent by £0.5m (- 1%). Within this the Community Services committee underspent by £0.4m (-1.3%). The main area of underspending was Safe and Strong (-£0.4m), which had additional income from Licensing and Trading Standards, vacancy savings and lower project spending. The Health Improvement service benefitted from a windfall insurance payout, leading to an underspend of £0.2m. The StreetCare service was overspent by £0.1m from one off costs relating to the move to Broad Lane depot, and higher grounds maintenance expenditure. The PTSE committee underspent by £0.1m (-0.4%). There was an underspend of over £0.5m on Concessionary Travel which was partly offset by higher costs on Street Lighting and additional contributions to finance capital spending. Strategic Planning overspent by £0.1m arising from lower planning fees income partly reduced by in year savings. Strategic Transport overspent by £0.2m including transfers into the Major Schemes reserve to support future capital schemes and into the Nuclear Planning reserve.

- **Policy & Resources** – The committee underspent by £126k (-0.6%). Additional income and savings across Legal Services and Corporate Finance compensated for an overspending in Property Services. The CECR department has achieved the £2.16m budgeted transformation programme savings.

- **Central Items** – The Central Items area covers Capital Charges and Interest receivable, centrally held budgets, and levies and unfunded pensions. An underspend of £0.4m (-2.7%) arose on Capital Charges and Interest from lower borrowing costs and additional interest.

As outlined above, there was a material charge to the Comprehensive Income and Expenditure account, for the technical loss recorded on the transfer of properties to academy schools. There were no major changes in statutory functions, which would have had a material impact on these accounts in 2012/13.

5. General Fund balance

The Council has a policy of maintaining general fund balances at a minimum of 5% of its net revenue budget. It has achieved this for each of the previous five years; however the balance at 31 March 2013 represents only 4.75% of the 2013/14 budget. This arises because there are major changes to the Local Authority funding system from 2013/14. In setting its budget for 2013/14, Council recognised that it would need several years to rebuild the General Fund balances to the traditional 5% level as a consequence of these changes.

6. Capital spending and borrowing

The Capital Programme outturn shows an underspend against the planned spend of £8.3m (18%). The slippage target was to be within 5%. A significant amount of this slippage relates to schemes where the Council is working with other agencies and arises from changes outside of the Councils' control or over the timing of the spending (11%) or is negotiating final accounts and hopes to make savings or planned delays for operational reasons. Slippage relating to unforeseen delays amounts to 4%. The detail by service is shown in the following table.

Directorates	Planned spend in year	Outturn payments	Variation on planned spend in year	Variation on planned spend in year
	£'000	£'000	£'000	%
ECS	17,617	15,418	(2,199)	(12.5)
CCH	3,201	1,578	(1,623)	(50.7)
CYP	16,750	15,021	(1,729)	(10.3)
Corporate Resources	7,446	4,710	(2,736)	(36.8)
Total	**45,014**	**36,727**	**(8,287)**	**(18.4)**

The table below shows how the 2012/13 capital programme was financed.

Prudential (unsupported) Borrowing £'000	Supported Borrowing £'000	Grants & Developers Contributions £'000	Revenue and Reserves £'000	Capital Receipts £'000	Total £'000
1,859	5,144	22,613	3,618	3,493	**36,727**

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 borrowing remains relatively low in comparison to the value of its long term assets (£113.6m compared to £788m).

7. Pension liabilities

The Council has a liability of £259m for future pension costs. This is because under the IAS19 accounting standard, the Council must account for pensions for former and current members of staff when the commitment is made (i.e. when employees earn their future entitlement) not just the contribution towards future pensions. The pensions liability is £47m higher than a year ago, and this reflects the historically low discount rate used in calculating the liability.

8. Capital investment strategy and treasury management activities

The Council had investments of £61.3m at the year end as shown in the following table. Of this £48.6m (79%) of these investments were managed by South Gloucestershire Council and £12.7m (21%) were managed by the external fund manager.

	£m	%
- UK Gilts	0	*0*
- UK Banks	20.8	*33.9*
- UK Building Societies	8.0	*13.1*
Total UK institutions	**28.8**	***47.0***
Money Market Funds	**19.8**	***32.3***
- European banks	5.2	*8.5*
- non European Banks	7.5	*12.2*
Total non UK institutions	**12.7**	***20.7***
Grand total investments at 31 March 2013	**61.3**	***100.0***

The Council's borrowing at 31 March 2013 totalled £113.6m, compared with £123.6m at the end of March 2012 (which included £10m of temporary borrowing).

	£m	**%**
Public Works Loan Board	97.4	85.7
Market borrowing – long term	16.2	14.3
Total	**113.6**	**100**

9. Impact of economic climate

Despite the economic downturn, the South Gloucestershire area has maintained one of the highest levels of general employment amongst unitary and county authorities in England. This has helped limit the impact of the recession on the demand for Council services compared with other areas. Nevertheless in recent years the Council has faced increases in the net costs of providing Housing and Council Tax Benefits, increases in demand for home care, decreases in income from Planning fees and reduced interest earned on its temporary investments.

10. Looking forward to the next few years

The Council has agreed a balanced budget for 2013/14, together with confirming a nil increase in the level of council tax for the third year running. The Council also agreed a 10 year medium term financial plan and associated funding strategy. The plans for the 10 years through to 2022/23 include an indicative balanced budget for 2014/15 and assume a 2.0% p.a. increase in Council tax throughout the period. That forecast took into account the Government's planned reductions in public expenditure over the period 2012 to 2015 that were known at the time, but will need to be updated to reflect the implications of the Chancellor's statement in March, and the Government's Spending Round affecting 2015/16 as announced on 26 June 2013. The Council will keep these plans under review, including scrutinising the impact of the changed Local Government financing system introduced in April 2013, and the Council will modify its assumptions in the 10-year medium term financial forecast as necessary. The Council's current 4 year Transformation Programme aims to deliver around £45m savings p.a. by 2015/16 and £27.2m p.a. of this target has been achieved by March 2013.

A further significant factor for April 2013 is the change in the national Council Tax Benefit system, where responsibility has been devolved to Local Authorities accompanied by a 10% reduction in grant support. The Council is currently consulting on an amended local scheme for 2014/15 which is designed to ensure the local scheme can operate on a sustainable basis within the reduced finances now available.

The Council, along with the other three Local Authorities in the West of England, are negotiating a City Region Deal with Government effective from 2014/15. This will allow the four Authorities collectively to retain a greater share of the Business Rates growth over the next 25 years than would be the case under the normal national retained business rates system. If successful, the City Region Deal will help to provide £1Bn capital infrastructure investment to stimulate economic growth and an estimated 40,000 new jobs across the sub region. The success of this arrangement could have major significance for the finances of the Council over the next 25 years.

Dave Perry CPFA
Director of Corporate Resources and Deputy Chief Executive

27th June 2013

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 2012/13 financial year and its position at 31 March 2013. 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* and the *Service Reporting Accounting Code of Practice 2012/13,* 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 contribution in the General Fund balance [MRP] 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

Benefits payable during employment

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 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 on an accrual basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and 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.

<u>Post Employment Benefits</u>

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfES)
- The Local Government Pension Scheme, administered by Bath and North East Somerset Council

Both schemes provide 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 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:

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

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

    - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

    - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.

- 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 on 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 – the portfolio of financial assets managed together by the external fund manager where part of the portfolio is being held for trading

<u>Loans and Receivables</u>

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.

<u>Fair Value through the Income and Expenditure Account</u>

Financial instruments held for trading should be classified as at fair value through the income and expenditure account. 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 Accounts to the extent that a provision may be required or a contingent liability note needed under the policies in Note 17 below.

8. Government Grants and Contributions

Whether paid on account, by instalments 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 embedded in 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 of 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 General Fund balance 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 account 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 schools and Voluntary Controlled schools. Having reviewed its accounting policies for schools assets, the Council has included the value of all maintained schools assets on its balance sheet. Similarly the income and expenditure and liabilities of these schools are also included in the accounts.

However academy schools are outside of the Council's 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 – depreciated 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 revalued 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 Income and Expenditure Account 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 account.

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 Account 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 from the Statement of Movement on the General Fund balance.

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:

- dwellings and other 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) - not depreciated. It 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. Heritage Assets

In keeping with the 2011/12 code, tangible heritage assets are accounted for in accordance with FRS 30 Heritage Assets. A tangible heritage asset is one with historical, artistic, scientific, technological, geophysical qualities that is held and maintained principally for its contribution to knowledge and culture.

Heritage assets are included on the Balance Sheet and normally valued in accordance with FRS 30. The carrying amount of heritage assets is reviewed to ensure the valuations remain current and to recognise any impairment.

15. 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.

16. 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.

17. 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 & 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.

18. 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.

19. 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 2009 SORP, 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 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 Income and Expenditure account
2. Finance cost: an interest charge of 3.5% on the outstanding liability is debited to interest payable in the Income and Expenditure Account
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 Account
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.

20. 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 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.

21. Council Tax and Non Domestic Rates (NNDR)

The 2009 SORP made significant changes to the accounting for Council Tax and Business Rates income and balances. From 1 April 2009 the Council Tax income included in the Income and Expenditure Account is the accrued income for the year. As a billing authority, the difference between the income included in the Income and Expenditure Account 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 SORP confirms that the collection of Business Rates is carried out as an agency activity on behalf of Central Government and should be accounted for accordingly. As a result, the outstanding debtor, prepayment and amount due from the Government in respect of overpayments to the NNDR Pool is summarised into a Government creditor or debtor balance.

22. Landfill Allowances Scheme

Landfill allowances whether allocated by DEFRA or purchased, are recognised as current assets and initially measured at fair value. After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA, or by a combination. The liability is measured at the best estimate of the expenditure required to meet the obligation.

23. Carbon Reduction Commitment

The Council is subject to meeting the Government’s Carbon Reduction Commitment (CRC) regulations. This involves purchasing Carbon Reduction Commitment allowances in relation to our carbon usage during the financial year.

Since the CRC allowances purchased are not held for the purpose of trading, the CRC scheme gives rise to an intangible current asset for the allowances held, and these are measured initially at cost. There is also a liability recognising the requirement to surrender the allowance to the CRC registry.

24. Value Added Tax (VAT)

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

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 that the Statement of Accounts for 2012/13 presents a true and fair view of the financial position of South Gloucestershire Council at 31 March 2012 and its income and expenditure for the financial year 2012/13.

25/09/13.

Dave Perry CPFA
Director of Corporate Resources and Deputy Chief Executive

The Accounting Statements

Comprehensive Income and Expenditure Statement

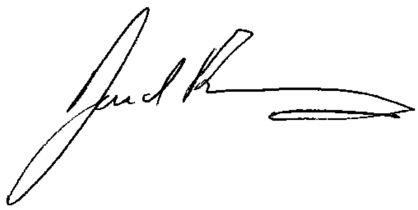
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded by taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2011/12				2012/13			
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**	**Notes**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	
33,753	(28,745)	5,008	Central Services to the Public	31,139	(29,236)	1,903	
10,944	(1,528)	9,416	Cultural and Related services	6,260	(1,287)	4,973	
26,530	(5,432)	21,098	Environment and Regulatory Services	32,886	(5,185)	27,701	
284,309	(212,751)	71,558	Education and Children's Services	277,622	(203,262)	74,360	
73,435	(49,076)	24,359	Highways and Transport Services	69,087	(47,960)	21,127	
55,784	(45,980)	9,804	Housing Services	55,517	(48,138)	7,379	
9,984	(2,848)	7,136	Planning Services	8,067	(2,423)	5,644	
96,903	(33,147)	63,756	Adult Social Care	97,427	(35,060)	62,367	
66,531	(52,990)	13,541	Corporate & Democratic Core	49,234	(39,215)	10,019	
1,346	(883)	463	Non Distributed Costs	947	(3,462)	(2,515)	
659,519	**(433,380)**	**226,139**	**Cost of Services**	**628,186**	**(415,228)**	**212,958**	
47,883		**47,883**	**Other Operating Expenditure**	**71,043**		**71,043**	5
7,262	(984)	6,278	Interest Payable & Receivable	6,592	(813)	5,779	
32,708	(27,346)	5,362	Pensions Interest & Return on Assets	31,621	(24,842)	6,779	37
10	(268)	(258)	Investment Properties	10	(269)	(259)	
39,980	**(28,598)**	**11,382**	**Financing & Investment**	**38,223**	**(25,924)**	**12,299**	6
	(118,085)	(118,085)	Council Tax Income		(119,093)	(119,093)	
	(47,366)	(47,366)	NNDR Pool		(57,814)	(57,814)	
	(45,069)	(45,069)	Capital Grants & Contributions		(25,363)	(25,363)	
	(1,083)	(1,083)	Collection Fund		(1,269)	(1,269)	
	(20,678)	(20,678)	RSG & Other Grants		(6,099)	(6,099)	
	(232,281)	**(232,281)**	**Taxation & Grant Income**		**(209,638)**	**(209,638)**	7
747,382	**(694,259)**	**53,123**	**(Surplus)/ Deficit on Provision of Services**	**737,452**	**(650,790)**	**86,662**	
	(10,345)	(10,345)	(Gain) on Revaluation of Assets		(99,686)	(99,686)	
39,571		39,571	Actuarial Loss (Gain) on Pension Liabilities	43,933		43,933	35
39,571	**(10,345)**	**29,226**	**Other Comprehensive Income and Expenditure**	**43,933**	(99,686)	**(55,753)**	
786,953	**(704,604)**	**82,349**	**Total Comprehensive Income and Expenditure**	**781,385**	**(750,476)**	**30,909**	

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 2012		**31 March 2013**	**Notes**
£'000		**£'000**	
774,877	Property, Plant and Equipment	771,244	19
483	Heritage Assets	483	23
3,861	Investment Property	4,377	20
2,568	Intangible Assets	1,953	22
3,080	Assets Held for Sale	8,141	24
2,276	Long Term Debtors	2,141	27
787,145	**Long Term Assets**	**788,339**	
40,702	Short Term Investments	35,794	39
703	Inventories	602	25
24,634	Short Term Debtors	24,483	27
20,005	Cash and Cash Equivalents	25,542	26
86,044	**Current Assets**	**86,421**	
(11,210)	Short Term Borrowing	(1,191)	39
(2,404)	Current Provisions	(2,177)	29
(56,315)	Short Term Creditors	(53,135)	28
(800)	Grants – Receipts in advance – capital	(800)	
(70,729)	**Current Liabilities**	**(57,303)**	
(6,081)	Provisions	(6,559)	29
(113,588)	Long Term Borrowing	(113,548)	39
(231,380)	Other Long Term Liabilities	(276,847)	30
(351,049)	**Long Term Liabilities**	**(396,954)**	
451,411	**Net Assets**	**420,503**	
83,385	Usable Reserves	94,075	
368,026	Unusable Reserves	326,428	18
451,411	**Total Reserves**	**420,503**	



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 at 31 March 2011	**9,239**	**45,966**	**1,217**	**25,724**	**82,146**	**452,522**	**534,668**
Movement in reserves in 2011/12							
Gain on the provision of services	(53,123)				(53,123)		(53,123)
Other comprehensive income and expenditure						(29,226)	(29,226)
Total comprehensive income and expenditure	(53,123)				(53,123)	(29,226)	**(82,349)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	47,590	(2,228)	(604)	9,604	54,362	(55,270)	(908)
Net increase/decrease before transfers to Earmarked Reserves	**(5,533)**	(2,228)	(604)	**9,604**	**1,239**	**(84,496)**	**(83,257)**
Transfers to/from Earmarked Reserves (Note 16)	5,256	(4,354)		(902)	0		0
Increase/Decrease in 2011/12	**(277)**	**(6,582)**	(604)	**8,702**	**1,239**	**(84,496)**	**(83,257)**
Closing Balance at 31 March 2012	**8,962**	**39,436**	**613**	**35,374**	**83,385**	**368,026**	**451,411**
Restated Closing Balance		39,654		35,156			
Movement in reserves in 2012/13							
Deficit on the provision of services	(86,662)				(86,662)		(86,662)
Other comprehensive income and expenditure						55,753	55,753
Total comprehensive income and expenditure	(86,662)				**(86,674)**	55,753	**(30,909)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	92,241	(32)	4,195	947	97,351	(97,351)	0
Net increase/decrease before transfers to Earmarked Reserves	**5,579**	**(32)**	**4,195**	**947**	**10,689**	**(41,598)**	**(30,909)**
Transfers to/from Earmarked Reserves (Note 16)	(5,567)	5,076		491	0		0
Increase/Decrease in 2012/13	**12**	**5,044**	**4,195**	**1,438**	**10,689**	**(41,598)**	**(30,909)**
Balance at 31 March 2013 c/fwd	**8,974**	**44,730**	**4,808**	**35,543**	**94,074**	**326,428**	**420,502**

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.

2011/12 £'000		2012/13 £'000	Notes
(53,123)	Net Surplus / (deficit) on the provision of services	**(86,662)**	
222,337	Adjustments to the net surplus or deficit on the provision of services for non cash movements	**309,904**	
(155,953)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**(200,915)**	
13,261	**Net cash flows from Operating Activities**	**22,327**	
(7,150)	Investing Activities	1,602	44
10,914	Financing Activities	(18,392)	45
17,025	**Net increase or decrease in cash and cash equivalents**	**5,537**	
2,980	Cash and cash equivalents at the beginning of the reporting period	20,005	
20,005	Cash and cash equivalents at the end of the reporting period	25,542	26
17,025	**Increase in Cash and Cash Equivalents**	**5,537**	

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 relevant standards this applies to are:

IFRS 7 Financial Instruments Disclosures - Offsetting Financial Assets and Liabilities. This concerns additional disclosures for all transferred financial assets that are not derecognised but where the body has contracted to reassign the cash flows generated by the instrument. This standard is expected to have no impact on the Council's accounts, as it does not contract to transfer the income generated by its investments.

IAS 19 Employee Benefits – Revisions have been made to the IAS 19 Employee Benefits standard for fiscal years beginning on or after 1 January 2013. The introduction of the updated standard will necessitate a restatement of the prior year figures in line with general accounting principles.

The significant changes which will affect the authority's accounts are mainly via the disclosures, as the charge to the Income and Expenditure account and the balance sheet liability is unchanged. Under the revised standard the expected return on assets becomes 'interest on assets'. The standard will also show the pensions interest cost and interest on assets replaced with the net interest cost. This will be calculated as interest on pension liabilities (substantially the old interest cost) less the interest on assets.

There are also some minor technical changes. Administration expenses are to be recognised as a separate item within the pensions costs. Investment expenses are treated as reducing the investment return achieved. Interest on current service cost (CSC): this will be included within the current service cost calculation.

IAS 12 Deferred Tax – This has no expected impact on the authority's accounts.

2. Critical Estimates and Judgements Applied

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.

Having undertaken a review of its accounting policy for school assets which noted the source of schools funding and the Council's influence over the disposal of school properties, it was determined to include all of these forms of school on the Balance Sheet. 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.

However academy schools within the district operate under a long term lease of their assets and are funded independently of the Council, therefore not included on the Balance Sheet.

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 2013 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 £5.5m 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 in the discount rate assumption would resulting a decrease in the pension liability of £13m. However the impact of the differing assumptions cannot be readily qualified. .

4. Material Items of Income & Expenditure

The Council transferred three schools to new or existing Academies during the year. This resulted in a reported loss of £66.7 m, which had a material effect on the Income and Expenditure statement.

5. Other Operating Expenditure

	2011/12 £'000	2012/13 £'000
Parish Precepts	5,060	5,318
Levies	501	469
Coroners Court	456	434
Fees Incurred on Property Disposals	48	238
Payments to Housing Receipts Pool	21	27
Loss on Disposal of Non-current Assets	41,797	64,557
Total	**47,883**	**71,043**

6. Financing and Investment Income & Expenditure

	2011/12 £'000	2012/13 £'000
Interest payable	6,397	6,592
Interest receivable	(984)	(813)
Pensions Interest Cost & Expected Return on Assets	5,362	6,779
Income from Investment Properties	(258)	(259)
Total	**10,517**	**12,299**

7. Taxation and Non- Specific Grant Income

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

	2011/12 £'000	2012/13 £'000
Council Tax Income	118,085	119,093
Collection Fund	1,083	1,269
NNDR Pool	47,366	57,814
Non- Ringfenced Revenue Grants	20,678	6,099
Capital grants	36,676	18,267
Section 106 Contributions	8,393	7,096
Total	**232,281**	**209,638**

The significant capital grants included in the CIES in the year were:

	Source	2011/12 £'000	2012/13 £'000
Yate International Academy	DfE	13,050	
Standards Fund	DfE	5,260	4,543
Basic Needs	DfE	4,285	3,263
Devolved Formula Capital	DfE	876	774
Integrated Transport Block	DfT	5,976	6,098
GBBN	DfT	4,140	
LSTF	DfT		1,290
Other Grants	Various	3,089	2,299
Total		**36,676**	**18,267**

8. Grant Income

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

	2011/12 £'000	2012/13 £'000
Children and Young People		
Dedicated Schools Grant (DSG)	157,333	150,495
Sixth forms funding from Learning and Skills Council (LSC)	11,801	9,652
Pupil Premium Funding	1,685	3,559
Early Intervention Grant	8,094	8,843
Local Services Support Grant	0	273
Think Family Grant	332	0
YOT Grant	0	334
Troubled Families	0	341
Other Grants (below £250,000)	998	197
Total	**180,243**	**173,694**
Chief Executive and Corporate Resources		
Housing Benefit and Council Tax Benefit Administration	1,762	1,487
Housing Benefit Subsidy	53,047	57,207
Council Tax Benefit Subsidy	13,490	13,675
LAA SEG – Academy Education Grant	0	630
Other Grants (below £250,000)	369	544
Total	**68,668**	**73,543**
Community Care and Housing		
Learning Disability and Health Reform Grant	14,927	15,299
Other Grants (below £250,000)	12	271
Total	**14,939**	**15,570**
Environment & Community Services		
The Private Finance Initiative (PFI)	3,052	3,052
LSTF	0	1,099
Emergency Winter Repairs Grant	897	0
Community Learning Grants	433	375
Other Grants (below £250,000)	915	717
Total	**5,297**	**5,243**
TOTAL Grants credited to Services	**269,147**	**268,050**

9. Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments made to the total comprehensive income and expenditure recognised by the authority in accordance with proper accounting practice, to the resources that are determined by statutory provision as being available to the authority.

Usable Reserves 2012/13

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the CAA account					
Charges for depreciation and impairment	52,835				(52,835)
Revaluation losses on property, plant & equipment	7,400				(7,400)
Amortisation of intangible assets	906				(906)
Revenue expenditure funded from capital under statute	1,892				(1,892)
Non- current assets written off as part of gain/ loss on disposal	67,288				(67,288)
Insertion of items not debited / credited to the CIES					
Statutory provision for the financing of capital (MRP)	(7,739)				7,739
Capital expenditure charged to the General Fund	(1,764)				1,764
Repayment of ex-Avon debt	(830)				830
Adjustments primarily involving the Capital Grants Unapplied account					
Capital grants and contributions credited to the CIES	(25,363)			25,363	
Application of Capital Grants		(32)		(5,882)	5,914
Application of grants to capital financing transferred to the CAA				(18,534)	18,534

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Receipts Reserve					
Use of the Capital Receipts reserve to fund capital expenditure			(3,493)		3,493
Transfer of sale proceeds credited as part of gain/ loss on disposal	(2,725)		2,725		
Capital Receipts from LSVT Agreement and Receipts outside Asset Register	(5,247)		5,247		
Transfer of Sales proceeds from Gain/ Loss on Disposal	237		(237)		
Fund payments to Housing receipts pool	25		(25)		
Adjustments involving the Financial Instruments Adjustment account					
Amount by which the finance costs charged to CIES differ from those chargeable in accordance with statutory requirements	(534)				534
Adjustments Involving the Pensions Reserve					
Reversal of retirement benefits charges credited to the CIES. Add back employers pension contributions.	20,592 (18,145)				(2,447)
Adjustments Involving the Collection fund Adjustment account					
Amount by which Council tax income credited to the CIES is different from that calculated in accordance with statute	(174)				174
Adjustments Involving the Accumulated Absences Account					
Amount by which officers pay (charged on an accruals basis) is different from pay charged in year.	(2,420)				2,420
Other Adjustments	6,007				(6,007)
Other Transfers within Net Worth*			(22)		22
Adjustments Accounting basis vs. funding Basis	**92,241**	**(32)**	**4,195**	**947**	**(97,351)**

Usable Reserves 2011/12 Comparative figures

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the CAA account					
Charges for depreciation and impairment	24,434				(24,434)
Revaluation losses on property, plant & equipment	32,182				(32,182)
Amortisation of intangible assets	992				(992)
Revenue expenditure funded from capital under statute	4,015				(4,015)
Non- current assets written off as part of gain/ loss on disposal	45,752				(45,752)
Insertion of items not debited / credited to the CIES					
Statutory provision for the financing of capital (MRP)	(7,601)				7,601
Capital expenditure charged to the General Fund	(2,173)				2,173
Adjustments primarily involving the Capital Grants Unapplied account					
Capital grants and contributions credited to the CIES	(45,069)			45,069	0
Application of Capital Grants		2,191		2,128	(4,319)
Application of grants to capital financing transferred to the CAA				32,204	(32,204)

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Receipts Reserve					
Use of the Capital Receipts reserve to fund capital expenditure			(5,329)		5,329
Transfer of sale proceeds credited as part of gain/ loss on disposal	(3,736)		3,736		
Capital Receipts from LSVT Agreement	(1,057)		1,057		0
Transfer of Sales proceeds from Gain/ Loss on Disposal	48		(48)		0
Fund payments to Housing receipts pool	21		(21)		0
Adjustments involving the Financial Instruments Adjustment account					
Amount by which the finance costs charged to CIES differ from those chargeable in accordance with statutory requirements	(554)				554
Adjustments Involving the Pensions Reserve					
Reversal of retirement benefits charges credited to the CIES. Add back employers pension contributions.	21,096 (20,099)				(997)
Adjustments Involving the Collection fund Adjustment account					
Amount by which Council tax income credited to the CIES is different from that calculated in accordance with statute	(783)				783
Adjustments Involving the Accumulated Absences Account					
Amount by with officers pay charged on an accruals basis is different from pay charged in year.	552				(552)
Other Adjustments					
Other Transfers within Net Worth	(430)	37		(1,133)	1,166
Depreciation of non- current assets revaluation gains					
Adjustments Accounting basis vs. funding Basis	**47,590**	**(2,228)**	**(604)**	**9,604**	**(54,362)**

10. 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, carer's 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 2012/13".

2011/12 £'000		2012/13 £'000
757	Basic Allowance	757
262	Special Responsibility Allowance	224
21	Expenses	24
1,040	**Total**	**1,005**

Note – Members expenses shown above includes £5k for the cost of taxis paid directly by the Council.

11. Officers' Remuneration

The Council is required by the Accounts and Audit Regulations to disclose the taxable remuneration of Chief Officers and other Statutory Officers. Any officer whose remuneration exceeds £150,000 p.a. must also be named. The remuneration is also to be analysed between salary and employer's pension contribution. The amounts paid to Chief Officers in 2012/13, including any termination payments, were:

Total salary paid and employer's pension contribution made 2011/12 £		Total salary paid in 2012/13 £	Employer's pension contribution made 2012/13 £	Total salary paid and employer's pension contribution made 2012/13 £
181,886	A. Deeks – Chief Executive	156,058	26,940	182,998
139,605	Director of Corporate Resources*	119,829	20,678	140,507
139,605	Director of Children and Young People**	168,251	15,863	184,114
141,628	Director of Environmental & Community Services	114,198	20,205	134,403
131,628	Director of Children, Adults & Health***	113,720	20,205	133,925
98,123	Head of Legal and Democratic Services	84,495	14,534	99,029

* The Director of Corporate Resources holds the S.151 responsibilities of the Chief Financial Officer
**The post of Director of Children and Young People was deleted during 2012/13. The salary shown above includes redundancy pay and compensation pay in lieu of notice.
*** The Director of Children, Adults & Health was formerly the Director of Community Care & Housing.

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

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 Numbers at 31 March 2012	Non teaching staff Numbers at 31 March 2013	Teaching staff Numbers at 31 March 2012	Teaching staff Numbers at 31 March 2013
£50,000 - £54,999	26	24	68	42
£55,000 - £59,999	28	22	31	36
£60,000 - £64,999	15	5	29	26
£65,000 - £69,999	5	2	11	10
£70,000 - £74,999	8	5	4	6
£75,000 - £79,999	7	5	2	1
£80,000 - £84,999	9	8	3	3
£85,000 - £89,999	3	2	1	3
£90,000 - £94,999	2		1	2
£95,000 - £99,999	0		0	2
£100,000 - £104,999	0		1	
£105,000 - £109,999	0		0	
£110,000 - £114,999	1	2	1	
£115,000 - £119,999	3	1		
£120,000 - £124,999	1	1		
£125,000 - £129,999	0			
£130,000 - £134,999	0			
£135,000 - £139,999	0			
£140,000 - £144,999	0			
£145,000 - £149,999	0			
£150,000 - £154,999	0			
£155,000 - £159,999	1	1		
£160,000 - £164,999	0			
£165,000 - £169,999	0	1		
	109	**79**	**152**	**131**

In 2012/13, eighteen non-teaching staff and eleven teaching staff appear in this table by virtue of having received redundancy or augmented pension 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 2012/13 (2011/12)	Number of Other Departures 2012/13 (2011/12)	Total Number of Exit Packages 2012/13 (2011/12)	Total Cost of Exit Packages in band 2012/13 £'000	Total Cost of Exit Packages in band 2011/12 £'000
£0 – £19,999	276 (63)	17 (44)	293 (107)	1,688	1,048
£20,000 - £39,999	39 (16)	1 (45)	40 (61)	1,110	1,833
£40,000 - £59,999	25 (11)	0 (26)	25 (37)	1,182	1,799
£60,000 - £79,999	4	0 (2)	4 (2)	271	126
£80,000 - £99,999	2	1 (5)	3 (5)	273	429
£100,000 - £149,999	2 (2)	0 (6)	2 (8)	216	938
£150,000 – £199,999					
£200,000 – £249,999					
Total	**348 (92)**	**19 (128)**	**367 (220)**	**4,738**	**6,174**

Of the 2012/13 redundancies, 53 were schools staff and at an exit cost of £1.150m.
The classification of compulsory redundancies versus other departures was reviewed by HR and a new assessment applied to the 2012/13 departures shown above.

12. 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.

	2011/12 £'000	2012/13 £'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	264	172
• Certification of grants and returns	38	21
Total	**302**	**193**

13. 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 2012/13 are as follows:

2011/12 Grant Total			**2012/13**	
		Central Expenditure	**Individual Schools Budget**	**Grant Total**
£'000		**£'000**	**£'000**	**£'000**
	Final DSG before Academy recoupment			168,987
	Academy figure recouped for 2012/13			(18,492)
157,333	Total DSG after Academy recoupment			150,495
(294)	Brought Forward from 2011/12		14	14
157,039	**Agreed budget distribution in 2012/13**	**23,213**	**127,296**	**150,509**
(24,463)	Actual Central Expenditure	(22,872)		(22,872)
(132,602)	Actual ISB deployed to schools		(127,296)	(127,296)
40	Local Authority contribution for 2012/13			
14	**Carry – Forward to 2013/14**	**341**	**0**	**341**

14. Amounts reported for Resource Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure account 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:

Directorate Income & Expenditure 2012/13

	CCHD £'000	CE CR £'000	CYP £'000	ECS £'000	Central Items £'000	Total £'000
Fees, Charges & Other Income	(16,656)	(9,521)	(30,185)	(54,812)	(5,267)	(116,441)
Govt. Grants	(15,570)	(73,421)	(173,077)	(5,316)	0	(267,384)
Total Income	**(32,226)**	**(82,943)**	**(203,262)**	**(60,128)**	**(5,267)**	**(383,825)**
Employees	17,818	18,605	142,320	27,369	1,256	207,368
Other Service Expenditure	77,496	83,747	86,397	83,510	21,943	353,093
Total Exp.	**95,314**	**102,352**	**228,718**	**110,879**	**23,199**	**560,461**
Net Outturn	**63,088**	**19,409**	**25,455**	**50,751**	**17,932**	**176,636**

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

Directorate Income & Expenditure 2011/12

	CCHD £'000	CE CR £'000	CYP £'000	ECS £'000	Central Items £'000	Total £'000
Fees, Charges & Other Income	(17,784)	(12,782)	(32,074)	(56,163)	(2,108)	(120,911)
Govt. Grants	(14,929)	(68,999)	(180,243)	(4,938)	(38)	(269,147)
Total Income	**(32,713)**	**(81,781)**	**(212,317)**	**(61,101)**	**(2,146)**	**(390,058)**
Employees	19,388	20,239	139,253	25,681	1,358	205,919
Other Service Expenditure	78,074	84,229	101,959	85,709	14,415	364,386
Total Exp.	**97,462**	**104,468**	**241,212**	**111,390**	**15,773**	**570,305**
Net Outturn	**64,749**	**22,687**	**28,895**	**50,289**	**13,627**	**180,247**

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:

	2011/12 £'000	2012/13 £'000
Net expenditure in Directorate analysis	180,247	176,636
Spending of Services not included	1,026	0
Amounts in CIES not reported to management	53,021	46,665
Amounts included in the Analysis not included in CIES	(8,155)	(10,571)
Cost of Services in the CIES	**226,139**	**212,730**

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.

2012/13	Directorate 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	(116,441)			(25,255)	(141,696)		(141,696)
Interest and investment income		(8,450)			(8,450)	(1,072)	(9,522)
Income from council tax						(178,176)	(178,176)
Government grants and contributions	(267,384)				(267,384)	(6,099)	(273,483)
Capital Grants						(25,363)	(25,363)
LSVT receipts							
Total Income	**(383,825)**	**(8,450)**	**0**	**(25,255)**	**(417,530)**	**(210,710)**	**(628,240)**
Employee expenses	207,368	746			208,114	6,779	214,893
Other service expenses	353,094	(5,566)			347,528		347,528
Support Service recharges				25,255	25,255		25,255
Depreciation, amortisation and impairment		54,299			54,299		54,299
Interest Payments						6,592	6,592
Precepts & Levies						6,459	6,459
Payments to Housing Capital Receipts Pool						27	27
Gain or Loss on Disposal of Fixed Assets						64,557	64,557
Capital Other		5,636	(10,571)		(4,935)		(4,935)
Total Expenditure	**560,461**	**55,115**	**(10,571)**	**25,255**	**630,260**	**84,414**	**714,674**
Net Deficit	**176,636**				**212,730**		**86,434**

2011/12	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	(120,552)			(41,040)	(161,593)		(161,593)
Interest and investment income						(983)	(983)
Income from Council Tax						(166,525)	(166,525)
Government grants and contributions	(269,506)				(269,506)	(20,678)	(290,184)
Capital Grants						(45,069)	(45,069)
LSVT receipts		(1,057)			(1,057)		(1,057)
Total Income	**(390,058)**	**(1,057)**		(41,040)	**(432,156)**	**(233,255)**	**(665,411)**
Employee expenses	205,921	1550			207,471	5,095	212,566
Other service expenses	364,371		(7,601)		356,770		356,770
Support Service recharges				41,040	41,040		41,040
Depreciation, amortisation and impairment		61,623			61,623		61,623
Interest Payments		(554)			(554)	7,262	6,708
Precepts & Levies						6,065	6,065
Payments to Housing Capital Receipts Pool						21	21
Gain or Loss on Disposal of Fixed Assets						41,797	41,797
Capital Other		(8,056)			(8,056)		(8,056)
Total Expenditure	**570,292**	**54,563**	**(7,601)**	41,040	**658,294**	**60,240**	**718,534**
Net Deficit	**180,234**						**53,123**

15. Trading Operations

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

	2011/12	2012/13		
	(Surplus)/ Deficit	**Expenditure**	**Income**	**(Surplus)/ Deficit**
	£'000	**£'000**	**£'000**	**£'000**
Internal Trading				
Services to schools	(129)	5,805	(6,697)	(892)
School Meals	(154)	2,714	(2,793)	(79)
Other Catering & Cleaning	(20)	1704	(1,720)	(16)
Total	**(303)**	**10,223**	**(11,210)**	**(987)**

16. Transfers To/ from Earmarked Reserves

	Opening balance £'000	2011/12 Transfers £'000	Balance 31 March 2012 £'000	2012/13 Transfer Out £'000	Transfer In £'000	Balance 31 March 2013 £'000
Schools Balances	9,621	(264)	9,357	(757)		8,600
Education Support Grant			0		200	200
Drug Action Reserve	623	(150)	473	(70)	10	413
CYP – Schools Trading Reserve	557	185	742		1,219	1,961
Local Plans & Planning Appeals	510	(112)	398	(102)		296
Building Control	20	(11)	9		1	10
Oldbury Nuclear Planning Reserve	0	53	53		86	139
Open Spaces – Improvements	190	71	261	(50)	333	544
Waste Management reserve	709	(709)	0			0
Waste PFI Equalisation	21,983	(38)	21,946		691	22,637
Residual HRA Balance Reserve	610	(189)	421	(97)		324
Green Deal Reserve			0	(80)	200	120
Public Health Reserve			0		78	78
Office Accommodation	1,314	(738)	576	(309)		267
Performance Reward Reserve	1,813	(263)	1,550	(645)		905
Council Tax Benefit Reserve			0		330	330
Financial Risks Reserve	3,511	(2,445)	1,066	(25)	219	1,260
Equipment Renewal reserves	394	26	420		389	809
RSG Loss Reserve	1,400	(1,400)	0			0
New Homes Bonus Reserve	0	883	883		641	1,524
Planning Appeals Reserve	244	(244)	0		240	240
Transformation Savings Support Reserve			0		500	500
Other Earmarked Reserves	113	(28)	85		5	90
Closed Reserves	195		195	(195)		0
Total Revenue Reserves	**33,942**	**(4,867)**	**29,078**	**(1,573)**	**5,142**	**32,647**

	Opening balance £'000	2011/12 Transfers £'000	Balance 31 March 2012 £'000	2012/13 Transfer Out £'000	Transfer In £'000	Balance 31 March 2013 £'000
Capital Reserves						
Major Transport Schemes	1,038	(563)	475		290	765
Vehicle & Equipment Replacement	1,205	(731)	474	(1,275)	1,498	697
Invest to Save Reserve	1,158	(902)	256	(501)	1,965	1,720
Other Capital Reserves	65	(51)	14	(112)	399	301
TOTAL Earmarked Reserves	**45,875**	**(6,491)**	**39,654**	**(4,218)**	**9,294**	**44,730**

The purpose of the earmarked reserves is:

Schools balances	Can only be used for future spending by schools
CYP Schools Trading Reserves	This reserve is available to meet CYP trading fluctuations with schools
Local Plans & Planning Appeals	To fund the local development plan and the legal costs of major planning appeals.
Building Control Reserve	This reserve relates to the Building Control trading account.
Oldbury Nuclear Planning Reserve	A 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	This incorporates the former Waste Management reserve, and ensures the Waste PFI costs are smoothed over the 25 year contract term.
Residual HRA Balance reserve	This reserve is delegated to ward members to fund projects in former Council housing areas.
Drug Action Reserve	This is held on behalf of the DAT for drug treatment and rehabilitation projects with partner bodies.
Green Deal Reserve	This is held to support Green Deal developments for householders
Performance Reward Reserve	Reserve is to support the Localism agenda, agreed by Cabinet in June 2011.
Office Accommodation reserve	This funds dilapidations and other office accommodation costs
Financial Risks Reserve	This is held to give cover for possible adverse impacts of local Council Tax support (LCTSS), welfare responsibilities and Business rates appeals.
New Homes Bonus Reserve	This reserve holds the grant received in 2011/12 plus amounts to be allocated out via the Area Forums.
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

Education Support Grant Reserve	Held to meet a potential shortfall against the level of Education Support Grant assumed in the base budget.
Transformation Savings Support	To support any shortfalls from Transformation Savings projects in the 2013/14 financial year
Public Health Reserve	Held to meet the set up costs of the Public Health service within the Council.
Capital Reserves - Major Transport Schemes reserve	This will contribute towards the funding of transport schemes in SGC.
Street Care – Vehicle Asset Replacement	This capital reserve funds the cost of vehicle and equipment replacements in Street Care.
Invest to Save Reserve	To fund Transformation enabling schemes and any shortfalls arising from the Transformation Savings projects in 2013/14
Capital Fund Reserve	This exists to fund future capital schemes

17. Movement in Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 16 above.

18. Unusable Reserves

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

31 March 2012 £'000		31 March 2013 £'000
168,315	Revaluation Reserve	**224,332**
420,082	Capital Adjustment Account	**365,720**
(2,960)	Financial Instruments Adjustment Account	**(2,426)**
(212,799)	Pensions Reserve	**(259,178)**
(5,780)	Accumulated Absences Account	**(3,360)**
1,168	Collection Fund Adjustment Account	**1,340**
368,026	**Total Unusable Reserves**	**326,428**

Revaluation Reserve

The Revaluation Reserve contains the gains made from increases in the value of the Council's Property, Plant & 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 2012 £'000		31 March 2013 £'000
168,010	Opening balance	168,315
(90)	Write Out Impairment Losses on Revalued Assets	(624)
(5,605)	Write Down Gains on Assets Sold	(18,618)
(4,087)	Write Out of Depreciation on Re-valued Assets	(19,138)
(258)	Revaluation losses offset against past gains	(17,231)
10,345	Revaluation Gains	111,628
168,315	**Closing Balance at 31 March**	224,332

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 2012 £'000		31 March 2013 £'000
465,099	Opening balance	420,082
(534)	Prior Year Adjustment	0
(32,843)	Net Valuation Decreases taken to I &E Account	(7,400)
	Impairments taken to I&E	(3,323)
(45,042)	Write Out NBV of Asset Disposals	(67,377)
	Transfer Gains on Assets sold from Revaluation Reserve	18,618
44,024	Financing of Capital Expenditure	29,724
5,605	Write Down of Gains on Assets	0
(4,015)	Write Down of REFCUS Expenditure	(1,892)
(23,773)	Depreciation & Impairment of Assets	(49,512)
4,087	Transfer of depreciation on re-valued Assets	19,138
(992)	Amortisation of Intangible Assets	(906)
7,601	Minimum Revenue Provision	7,739
865	Repayment of ex- Avon debt	830
-	Other Non- Cash Transactions	(1)
420,082	**Closing Balance at 31 March**	365,720

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. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income & Expenditure account when they are incurred, but the majority is then reversed out of the General Fund via the Movement in Reserves Statement. Over time the expense is charged back to the General Fund in accordance with statutory arrangements for spreading the burden on Council Tax. The Council's policy is to write off premiums and discounts over the unexpired term of the original loans when repayment is part of a major restructuring exercise; or where interim early repayments are made, over the lesser of ten years or the unexpired term of the original loan.

31 March 2012 £'000		31 March 2013 £'000
(3,514)	Opening balance	(2,960)
(31)	Write Back Discounts	(36)
585	Amortisation of Debt Premiums	568
(2,960)	**Closing Balance at 31 March**	(2,426)

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 CIES as the benefits are earned by employees accruing years of service, and updating the liabilities to reflect inflation, changing 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 35 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. Whereas the statutory arrangement is to transfer amounts to the General Fund according to the Council's demand on the Collection Fund.

31 March 2012 £'000		31 March 2013 £'000
385	Opening balance	1,168
783	Amount by which Council Tax income credited to the CIES statement differs from that calculated in accordance with statutory requirements	172
1,168	**Closing Balance at 31 March**	1,340

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 2012 £'000		31 March 2013 £'000
(5,228)	Opening balance	(5,780)
5,228	Settlement of previous year accrual	5,780
(5,780)	Amounts accrued at end of the current year	(3,360)
(5,780)	**Closing Balance at 31 March**	**(3,360)**

19. Movements In Property, Plant and Equipment

Movements in 2012/13	**Other Land and Buildings**	**Vehicles, Plant, Furniture and Equipment**	**Infrastructure Assets**	**Community Assets**	**Surplus Assets**	**Assets under Construction**	**Heritage Assets**	**Total Property, Plant and Equipment**	**PFI Assets included in PP &E**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation									
At 1 April 2012	**709,180**	**45,754**	**145,549**	**991**	**129**	**11,349**	**760**	**913,712**	**8,846**
Correction to Opening Balances	**(13,219)**			**(285)**	**(61)**			**(13,565)**	
Revised At 1 April 2012	**695,961**	**45,754**	**145,549**	**706**	**68**	**11,349**	**760**	**900,147**	**8,846**
Additions	10,903	4,627	12,990			7,258	**5**	**35,783**	1,240
Revaluation increases/(decreases) recognised in the Surplus/ deficit on Provision of Services	(7,508)	(102)						**(7,610)**	
Revaluation increases recognised in the Revaluation reserve	39,443	(202)						**39,241**	
Derecognition – Disposals	(60,961)	(13,476)						**(74,437)**	
Assets reclassified +	(48,417)	59,670				(16,970)		**(5,717)**	
At 31 March 2013	**629,421**	**96,271**	**158,539**	**706**	**68**	**1,637**	**765**	**887,407**	**10,086**
Accumulated Depreciation and Impairment									
At 1 April 2012	**(122,560)**	**(14,876)**	**(8)**	**(545)**	**(85)**	**0**	**(278)**	**(138,352)**	**(2,374)**
Correction to Opening Balances	**13,218**			**285**	**61**			**13,564**	
Revised At 1 April 2012	**(109,342)**	**(14,876)**	**(8)**	**(260)**	**(24)**	**0**	**(278)**	**(124,788)**	**(2,374)**
Depreciation charge	(32,084)	(17,417)			(11)			(49,512)	(1,196)
Depreciation written out on disposals	3,483	3,513						6,996	
Impairment losses written out on disposals	481							481	
Impairment losses written back on revaluation	23,312							23,312	
Depreciation written back on revaluation	31,065	262						31,327	
Assets reclassified	451							451	
Impairment (losses)/reversals recognised in the Surplus/Deficit	(2,032)	(1,291)					(4)	(3,327)	
Impairment (Losses) recognised in Revaluation reserve	(620)							(620)	
At 31 March 2013	**(85,286)**	**(29,809)**	**(8)**	**(260)**	**(35)**	**0**	**(282)**	**(115,680)**	**(3,570)**
Net Book Value									
At 31 March 2013	**544,135**	**66,462**	**158,531**	**446**	**33**	**1,637**	**483**	**771,727**	**6,516**
At 31 March 2012	**586,619**	**30,878**	**145,541**	**446**	**44**	**11,349**	**483**	**775,360**	**6,472**

Movements in 2011/12	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 2011	**749,435**	**31,580**	**129,724**	**991**	**129**	**22,133**	**933,942**	**8,042**
Additions	11,146	4,343	15,824			29,204	**60,517**	604
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(32,182)						**(32,182)**	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,572						**9,572**	
Derecognition – Disposals	(50,257)	(4,348)					**(54,605)**	
Assets reclassified to/from Assets under Construction	21,516	14,292				(39,988)	**(4,180)**	
At 31 March 2012	**709,180**	**45,867**	**145,548**	**991**	**129**	**11,349**	**913,064**	**8,646**
Accumulated Depreciation and Impairment								
At 1 April 2011	**(111,041)**	**(12,668)**	**(8)**	**(545)**	**(74)**	**0**	**(124,336)**	**(1514)**
Depreciation charge	(17,527)	(6,234)			(11)		(23,772)	(860)
Depreciation written out on disposals	2,829	3,913					6,742	
Impairment losses written out on disposals	2,798						2,798	
Depreciation written back on revaluation	310						310	
Impairment losses written back on revaluation	(751)						(751)	
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	822						822	
At 31 March 2012	**(122,560)**	**(14,989)**	**(8)**	**(545)**	**(85)**	**0**	**(138,187)**	**(2,374)**
Net Book Value								
At 31 March 2012	**586,620**	**30,878**	**145,540**	**446**	**44**	**11,349**	**774,877**	**6,272**
At 31 March 2011	**638,344**	**18,912**	**129,716**	**446**	**55**	**22,133**	**809,606**	**6,528**

+ Assets Reclassified - £5.717m of assets were reclassified as Assets Held for Sale in 2012/13.

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.

20. Investment Properties

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

2011/12 £'000		2012/13 £'000
268	Rental Income	269
(10)	Direct Operating Expenses	(10)
258	**Net Gain/ (Loss)**	**259**

There are no restrictions on the authority's ability to realise the value in its investment property or on its right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase or develop investment property or to material repairs or enhancement.

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

2011/12 £'000		2012/13 £'000
3,861	Opening Balance	3,861
-	Additions	-
-	Disposals	-
	Gains from Value Adjustments	516
3,861	**Net Book Value at Year End**	**4,377**

21. Analysis of Capital Expenditure and Financing

Total capital expenditure in 2012/13 of £38.0m (2011/12 £65m) comprised £35.8m on tangible fixed assets (completed and under construction including assets leased under finance leases and as part of the Waste Disposal PFI), £0.3m on intangible assets and £1.9m in respect of revenue expenditure funded from capital under statute.

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

2011/12 Capital	2011/12 Waste PFI and finance leases	2011/12 Total		2012/13 Capital	2012/13 Waste PFI and finance leases	2012/13 Total
£'000	**£'000**	**£'000**	**Capital Expenditure by Directorates**	**£'000**	**£'000**	**£'000**
8,798		8,798	Chief Executive and Corporate Resources	4,710		4,710
28,168		28,168	Children & Young People (incl. schools)	15,021		15,021
22,111	604	22,715	Environment & Community Services	15,418	1,240	16,658
3,681		3,681	Community Care	493		493
1,647		1,647	Housing – Non HRA	1,085		1,085
64,405	**604**	**65,009**	**Total capital expenditure**	**36,727**	**1,240**	**37,967**
			Financing			
9,133		9,133	Supported Borrowing	5,144		5,144
11,248		11,248	Unsupported (Prudential) Borrowing	1,859		1,859
34,124		34,124	Capital Grants and Developers' Contributions	22,613		22,613
5,328		5,328	Capital Receipts	3,493		3,493
4,572		4,572	Revenue and Reserves	3,618		3,618
	604	604	Credit arrangements		1,240	1,240
64,405	**604**	**65,009**	**Total capital financing**	**36,727**	**1,240**	**37,967**

The Council gained £6.7m (2011/12 £3.7m) from property and other asset sales during the year and is due around £1.2m (2011/12 £1m) from RTB receipts and VAT rebate share 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.

2011/12 £'000		2012/13 £'000
162,345	**Opening Capital Financing Requirement**	**193,007**
21,083	Corrections for Ex Avon Debt	
-1,688	And for PFI Liability	
181,740		
65,009	**Capital Investment**	**37,967**
44,694	Property, Plant & Equipment	22,792
15,824	Infrastructure	12,999
476	Intangible Assets	291
4,015	REFCUS	1,885
	Sources of Finance:	
(5,328)	Capital Receipts	(3,493)
(34,124)	Grants & Contributions	(22,613)
	Sums set aside from revenue:	
(4,572)	Revenue Contributions & Reserves	(3,618)
(7,601)	Minimum Revenue Provision	(7,740)
(865)	Ex- Avon debt Principal	(830)
(1,252)	PFI Lease Repayment	(1,256)
11,267	Net Increase/(Decrease) in CFR	(1,583)
193,007	**Closing Capital Financing Requirement**	**191,424**

Capital Commitments:

As at 31 March 2013, the Council has the following significant capital commitments (£7.8m). This is funded by Government Grant, S106 resources and Capital Receipts:

	Project Commitment
	£'000
Hambrook Primary School (Extension & Refurbishment)	**2,575**
Yate International Academy	**501**
Cheswick Primary Academy	**4,726**
TOTAL	**7,802**

At the end of 31 March 2012, the Council had capital commitments of £3.5m.

22. Intangible Assets

The authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system. The intangible assets are only purchased licences.

All capitalised software is given a finite useful life of 5 years which is the estimated period the software is expected to be of use to the authority. Feasibility study costs are amortised in the year the expenditure was incurred. The carrying amount of intangible assets is amortised on a straight line basis.

The movement on Intangible asset balances during the year is:

2011/12 £'000		**2012/13 £'000**
3,084	Net Carrying Amount at 1 April	2,568
476	Additions – Purchases	291
(992)	Amortisation	(906)
2,568	**Net Carrying Amount at Year End**	**1,953**

23. 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. Under the Code the Council amended its accounting policy for heritage assets and now recognises them in the balance sheet at valuation.

The Council's heritage assets consist of a small number of buildings most of which were inherited from predecessor authorities. Their valuation is based on historical cost, as it is not considered practicable to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements.

Reconciliation of the carrying value of heritage assets held on the balance sheet:

2011/12 £'000		2012/13 £'000
278	Net Carrying Amount at 1 April	483
0	Additions	5
0	Disposals	0
205	Revaluations	0
0	Impairments	(5)
483	**Net Carrying Amount at 31 March**	**483**

Owing to the limited extent of the heritage asset holdings and as the Council does not run a museum or art gallery, its policies for the management of heritage assets are limited. The day to day running of most heritage properties is devolved to charitable trusts.

It is not considered worthwhile to commission prior year valuations of the Council's heritage assets.

24. Non – Current Assets Held for Sale

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

A number of properties were re- classified as 'held for sale' during the year.

	2011/12 £'000	2012/13 £'000
Opening balance	0	3,080
Assets Re-Classified as Held for Sale	3,080	5,717
Revaluation Gains/ Losses		518
Depreciation/Impairment		(757)
Assets sold		(417)
Balance outstanding at Year End	**3,080**	**8,141**

25. Inventories

	Balance at 1April 2012 £'000	Revised Balance at 1April 2012 £'000	Purchases £'000	Expensed in year £'000	Write-offs £'000	Balance at 31 March 2013 £'000
Street Lighting & Highways	638	591	1,959	(2,017)	(38)	495
Highways – Salt	63	63	120	(78)		105
Franking	2	2	125	(125)		2
Total	**703**	**656**	**2,204**	**(2,220)**	**(38)**	**602**

The StreetCare Obsolete Stock Balance has now been included with the Street Lighting & Highways stock, it was previously in the Reserves.

26. Cash and Cash Equivalents

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

31 March 2012 £'000		31 March 2013 £'000
152	Cash Held by the Council	166
(3,012)	Bank Current Accounts	(279)
5,511	Bank Deposits repayable on demand	4,815
17,354	Other Short Term Deposits	20,840
20,005	**Net Carrying Amount at Year End**	**25,542**

"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.

27. 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:

	2011/12 £'000	2012/13 £'000
Care Fees due	1,394	1,309
Loans to Housing Associations	409	407
Mortgages	101	65
Car & Other loans to Employees	318	301
Other long term debtors	54	60
Total	**2,276**	**2,141**

Current debtors:

	2011/12 £'000	2012/13 £'000
Central Government bodies	3,553	4,911
Other local authorities	3,289	2,699
NHS	3,680	407
Other Entities & Individuals	14,112	16,466
Current Debtors	**24,634**	**24,483**

28. Creditors

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

	2011/12	2012/13
	£'000	£'000
Central Government bodies	10,577	7,182
Other local authorities	4,196	8,481
NHS	6,119	2,708
Public Corporations	71	1
Other Entities & Individuals	35,352	34,763
Total	**56,315**	**53,135**

29. 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 at 1 April 2012 £'000	Restated Balance at 1 April 2012 £'000	Additional provisions £'000	Amounts used £'000	Balance at 31 March 2013 £'000
Harnhill Restoration	2,656	2,656	84	120	2,620
Insurance Provision	4,943	4,943	2,000	1,796	5,147
Severance Provision	18	18	1,982	1,969	31
Other Provisions	868	821	123	6	938
Total	**8,485**	**8,438**	**4,189**	**3,891**	**8,736**

Provisions are shown on the balance sheet as below:

	Balance at 1 April 2012 £'000	Restated Balance at 1 April 2012 £'000	Additional provisions & Re- Classified £'000	Amounts Used £'000	Balance at 31 March 2013 £'000
Short Term < 1 year	2,404	2,404	1,863	2,090	2,177
Long term Provisions	6,081	6,034	2,326	1,801	6,559

The Street Care – Obsolete Stock Provision was reclassified as Stock and is now included in the Inventories note.

- 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 45 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 £171,000 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 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 2013, the insurance provision's balance stood at £5.147m (£4.943m at the end of 2011/12), of which approximately £1.9m 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. The Council has budgeted to add to this provision in 2013-14.

- All other provisions are individually insignificant.

30. Other Long Term Liabilities

This balance is made up of:

	2011/12 £'000	2012/13 £'000
Pensions Liability	212,799	259,178
Waste PFI & Finance leases	(2,290)	(2,340)
Residual Avon Loan Debt	20,751	19,921
Deferred Capital Receipts	98	62
Repayable Deposits	22	26
Total	**231,380**	**276,847**

Further information on the Pensions Liability is given in Notes 35 -37, the Avon Loan Debt in Note 34, the PFI Lease Liability in Note 33 and Finance lease liability in Note 32 below.

31. 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 to assess 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 2012/13 is shown in note 10.

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 £90,000 in 2012/13.

Some Members, or members of their close families, have an interest in voluntary organisations 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).
Three Members are Trustees of Circadian Trust. Two Members are registered social landlords.

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 £1.3m from the Council in 2012/13. At 31 March 2013 approximately £88,000 was owed to SWGfL in respect of outstanding invoices.

The officer concerned has made declarations 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 which 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. A management fee of £727,000 was paid by the Council in 2012/13 (£767,320 in 2011/12). 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. A grant of £10,000 was paid in 2012/13 conditional upon the company achieving certain objectives and observing various undertakings in relation to its management and financial management. South Gloucestershire Council's Economic Development Manager was an advisor to the board in 2012/13.

Community Transport groups received funding totalling £500,000 in 2012/13 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 the majority 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, housing benefits). Non ring-fenced revenue grants (including Revenue Support Grant) and capital grants received from government departments, as well as distribution from the NNDR pool, are shown in Note 7. Other revenue grants are detailed in Note 8. Amounts due to and from central government bodies are shown in Notes 27 and 28 and on the balance sheet.

32. 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:

	2011/12 £'000	2012/13 £'000
Minimum lease payments:		
Land and Buildings	540	88
Vehicles, Plant, Furniture and Equipment	322	337
Total payments	**862**	**425**
Sub-lease payments receivable in respect of vehicles	**(53)**	**0**
Net expenditure charged to CI&ES	**809**	**425**

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

	31 March 2012 £'000	31 March 2013 £'000
Not later than one year	335	366
Later than one year and not later than five years	462	463
Later than five years	384	0
Total	**1,181**	**829**

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

Finance Leases

The Council has acquired vehicles and equipment under finance leases. These assets are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2012 £'000	31 March 2013 £'000
Vehicles, Plant, and Equipment	161	55

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2012 £'000	31 March 2013 £'000
Finance lease liabilities (net present value of minimum lease payments):		
- Current	87	33
- non current	47	12
Finance costs payable in future years	9	2
Total minimum lease payments	**143**	**47**

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance lease liabilities	
	31 March 2012	31 March 2013	31 March 2012	31 March 13
	£'000	£'000	£'000	£'000
Not later than one year	95	35	87	33
Later than one year and not later than five years	48	12	47	12
Later than five years	0	0	0	0
Total	**143**	**47**	**134**	**45**

The minimum lease payments do not include rents contingent on events taking place after the lease was entered into, and none were payable by the Council in 2012/13.

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 2012	31 March 2013
	£'000	£'000
Not later than one year	610	456
Later than one year and not later than five years	1,683	1,507
Later than five years	14,145	13,792
Total	**16,438**	**15,755**

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 2012/13.

Finance Leases

The Council has leased out seven former secondary schools and one former primary school 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 2012	31 March 2013
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments)	0	0
Unearned finance income	0	0
Unguaranteed residual value of property	27,406	57,255
Gross investment in the lease	**27,406**	**57,255**

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

33. 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 2009 SORP has meant substantial changes to the way in which PFI schemes are accounted for such that the assets used and liability to the operator are shown on the Council's balance sheet. The value of assets held under PFI contracts and their movement is set out in the table below:

	2011/12 £'000	**2012/13 £'000**
Opening balance	6,527	6,312
Additions	604	1,240
Depreciation	(820)	(1,196)
Closing balance	**6,312**	**6,356**

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

	2011/12 £'000	**2012/13 £'000**
Opening balance	(1,688)	(2,336)
Additions	604	1,240
Repayment	(1,252)	(1,256)
Closing balance	**(2,336)**	**(2,352)**

In the last two years the PFI scheme shows as a negative liability (i.e. an asset). This arises from the pre-payment of liabilities, since this is at a similar rate throughout the contract whereas capital spending varies from year to year. Details of expected future payments under the PFI contract are:

	Service Cost £'000	**Financing £'000**	**Lease liability £'000**	**Total £'000**
Within 1 year	16,541	609	1,261	18,411
Within 2-5 years	75,419	3,812	4,984	84,215
Within 6-10 years	130,192	6,984	6,234	143,410
Within 11-13 years	75,331	4,169	2,851	82,351
Total commitment	**297,483**	**15,574**	**15,330**	**328,387**

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.

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.

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

Following Local Government Reorganisation in 1996 Avon County Council's residual debt is administered by Bristol City Council. 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 2013 is £19.921m. (£20.751m at 31 March 2012). The total interest and MRP paid on this debt in the year was £1.896m (£1.949m paid in 2011/12).

35. 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.

2011/12 Total		2012/13 LGPS	2012/13 Unfunded Teachers Pensions	2012/13 Total
£'000		£'000	£'000	£'000
(172,230)	Balance at 1st April	(185,179)	(27,620)	(212,799)
(39,571)	Actuarial gains or losses on pensions assets and liabilities	(40,715)	(3,218)	(43,933)
(21,096)	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	(18,711)	(1,881)	(20,592)
20,098	Employer's pensions contributions and direct payments to pensioners payable in the year	16,064	2,082	18,146
(212,799)	**Balance at 31st March**	**(228,541)**	**(30,637)**	**(259,178)**

36. Pensions Scheme 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 technically a 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. 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 2012/13 the Council paid £9.43m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay (in 2011/12 £10.23 m 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 37.

37. Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Local Government Pension Scheme is administered locally by Bath and North East Somerset Council – this is a funded, defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions relating to post employment benefits

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

	Local Government Pension Scheme		**Unfunded Teachers Pensions**	
	2012	**2013**	**2012**	**2013**
	£'000	**£'000**	**£'000**	**£'000**
Comprehensive Income and Expenditure statement				
Cost of Services:				
Current Service Cost	15,006	15,835	0	0
Past Service Cost/ (Gain)	0	0	0	0
Settlements & Curtailments	274	(2,679)	454	657
Financing and investment income and expenditure				
Interest Cost	31,312	30,397	1,396	1,224
Expected Return on Scheme Assets	(27,346)	(24,842)	0	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**19,246**	**18,711**	**1,850**	**1,224**
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement				
Actuarial (Gains) and Losses	38,663	40,715	908	3,218
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**57,909**	**59,426**	**2,758**	**5,099**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(19,246)	(18,711)	(1,850)	(1,881)
Actual amount charged against the General Fund Balance for pensions in the year				
Employers' contributions payable to scheme	**18,043**	**16,063**		
Retirement benefits payable to pensioners			**1,973**	**2,081**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £43.933m

Assets and Liabilities in relation to Post-employment Benefits

	Funded Benefits: Local Government Pension Scheme		Unfunded Teachers Pensions	
	2011/12	**2012/13**	**2011/12**	**2012/13**
	£'000	£'000	£'000	£'000
Reconciliation of present value of the scheme liabilities (defined benefit obligation)				
Opening balance at 1 April	**571,018**	**623,615**	**26,839**	**27,620**
Current service cost	15,006	15,835	0	0
Interest cost	31,312	30,397	1,396	1,224
Contributions by scheme				
Participants	5,823	5,456	0	0
Actuarial gains and losses	21,973	74,266	908	3,218
Benefits paid	(20,336)	(21,290)	(1,977)	(2,082)
Past service costs	0	0	0	0
Curtailments	2,287	784	454	657
Settlements	(3,468)	(6,383)	0	0
Closing balance at 31 March	**623,615**	**722,680**	**27,620**	**30,637**
Reconciliation of fair value of the scheme (plan) assets				
Opening balance at 1 April	**425,704**	**438,436**	0	0
Expected rate of return	27,346	24,842		
Actuarial gains and losses	(16,690)	33,551		
Employer contributions	18,044	16,064	1,977	2,082
Contributions by scheme participants	5,823	5,456		
Benefits paid	(20,336)	(21,290)	(1,977)	(2,082)
Entity combinations				
Settlements	(1,455)	(2,920)		
Closing balance at 31 March	**438,436**	**494,139**	**0**	**0**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £58.39m (2011/12: £10.66m).

Scheme History

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Present value of liabilities:					
Local Government Pension Scheme	(422,152)	(590,214)	(571,018)	(623,614)	(722,680)
Unfunded Teachers Pensions	(23,354)	(28,297)	(26,839)	(27,620)	(30,637)
	(445,506)	**(618,511)**	**(597,857)**	**(651,234)**	**(753,317)**
Fair value of assets in the Local Government Pension Scheme					
Local Government Pension Scheme	284,196	388,636	425,704	438,435	494,139
Unfunded Teachers Pensions	0	0	0	0	0
Total	**(161,310)**	**(229,875)**	**(172,153)**	**(212,799)**	**(259,178)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £259.2m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2014 are £14.5m (£15.1m in 2012/13). Expected contributions for the Teachers pensions scheme in the year to 31 March 2014 are £8.1m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit 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 1 April 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Teachers Pensions	
	2011/12	2012/13	2011/12	2012/13
Long-term expected rate of return on assets in the scheme:				
Equity investments				
Equities	7.0%	7.0%	N/A	N/A
Government Bonds	3.1%	2.8%	N/A	N/A
Other Bonds	4.1%	3.9%	N/A	N/A
Property	6.0%	5.7%	N/A	N/A
Cash/ Liquidity	0.5%	0.5%	N/A	N/A
Other	7.0%	7.0%	N/A	N/A
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.8	22.9	22.8	22.9
Women	25.7	25.9	25.7	25.9
Longevity at 65 for future pensioners:				
Men	25.1	25.2	N/A	N/A
Women	28.1	28.2	N/A	N/A
Rate of inflation - RPI	N/A		N/A	N/A
Rate of inflation- CPI	2.50%	2.4%	2.30%	2.4%
Rate of increase in salaries	4.00%	3.9%	N/A	N/A
Rate of increase in pensions	2.50%	2.4%	2.30%	2.4%
Rate for discounting scheme liabilities	4.90%	4.2%	4.60%	3.7%
Assumed that 50% take-up of option to convert annual pension into retirement lump sum				

The Unfunded Teachers pensions arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2012	31 March 2013
	%	%
Equity investments	58.3	62.3
Property Asset	7.4	7.5
Government Bonds	12.9	11.5
Other Bonds	11.8	9.3
Other	9.6	9.4
	100	**100**

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between the expected and actual return on assets	-29.4	+20.9	+2.0	+3.8	+6.8
Experience gains and losses on liabilities	0	0	+3.8	0	0

38. 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 £100million 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 because 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 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 is £8.02m (index-linked to April 2013).

A group of Property Search Companies is seeking to claim refunds of Land Charges fees paid to the Council, although proceedings have not yet been issued. The Council has been informed that the value of these claims is around £167,000 plus interest and costs. The claimants have also intimated they may bring a claim against all English and Welsh local authorities for alleged anti competitive behaviour. It is not clear what the value of any such claim may be.

39. Financial Instruments balances

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

	Long term		Current	
	31 March 2012 £'000	**31 March 2013 £'000**	**31 March 2012 £'000**	**31 March 2013 £'000**
Financial liabilities – principal amount	(113,588)	(113,548)	(10,022)	(14)
Accrued interest [1]	-	-	(1,187)	(1,177)
Total financial liabilities at amortised cost	(113,588)	(113,548)	(11,209)	(1,191)
Total borrowings	**(113,588)**	**(113,548)**	**(11,209)**	**(1,191)**
Other long term liabilities – PFI and finance lease liabilities	**2,290**	**2,340**	**(88)**	**(33)**
Creditors – financial liabilities carried at contract cost	**0**	**0**	**(22,979)**	**(33,029)**
Loans and receivables (principal amount)	0	0	28,000	23,000
Accrued interest [1]	0	0	72	44
Total loans and receivables at amortised cost	0	0	28,072	23,044
Financial assets at fair value through the I&E account [2]	0	0	12,630	12,750
Total investments	**0**	**0**	**40,702**	**35,794**
Debtors – loans and receivables	2,276	2,141	0	0
Debtors – financial assets carried at contract amounts	0	0	12,779	11,437
Total included in debtors	**2,276**	**2,141**	**12,779**	**11,437**

(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.

40. 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;

- for loans receivable after 12 months from the Balance Sheet date and structured loans indicative market rates at the balance sheet date have been used;

- no early repayment or impairment is recognised.

For investments with a maturity of less than 12 months other than the structured loan, 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 2012		31 March 2013	
	Carrying amount (Amortised cost) £'000	Fair Value £'000	Carrying amount (Amortised cost) £'000	Fair Value £'000
Financial liabilities – borrowings	124,797	146,800	114,739	140,352
Loans and receivables				
– money market structured loan maturing in more than 12 months.	-	-	-	-
- money market structured loan maturing in less than 12 months	7,048	7,111	-	-

The fair value of borrowings is higher than the carrying amount because the Council's portfolio of loans includes a number of 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 fair value of loans and receivables is higher due to instruments receivable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of loans and receivables.

41. Financial Instruments: Gains and Losses

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

2011/12					2012/13			
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**
(6,397)	0	0	(6,397)	Interest payable and similar charges	(6,588)	0	0	(6,588)
0	0	0	0	Loss on derecognition (b)	(4)	0	0	(4)
(7)	0	(14)	(21)	Fee expense	0	0	(16)	(16)
(6,404)	**0**	**(14)**	**(6,418)**	**Total expense in Surplus or Deficit on the Provision of Services**	**(6,592)**	**0**	**(16)**	**(6,608)**
0	843	141	984	Interest and investment income	0	673	140	813
0	**843**	**141**	**984**	**Total income in Surplus or Deficit on the Provision of Services**	**0**	**673**	**140**	**813**

a. The Council employs an external fund manager to manage approximately £12.7 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.

42. Nature and extent of risk arising from Financial Instruments

Key Risks

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

Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

Liquidity risk – the possibility that the Council might not have funds available to meet its 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/Local Government (Scotland) 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, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators and the investment strategy were approved by Council on 22 February 2012. 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 minimized 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 2012/13 these minimum criteria were:

- long-term rating of 'A-', short-term rating 'F1', individual rating 'C' and support rating '3' (from Fitch ratings agency, or equivalent from Moody's and 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 financial institutions with individual ratings lower than 'C' acceptable if eligible for HM Treasury's Credit Guarantee Scheme and where the support rating is '1';
- UK part-nationalised banks whose credit ratings fall below the usual minimum criteria acceptable so long as they remain part-nationalised;
- 'AAA' for 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 60% 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 £61.3m 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 2013 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 2013	**Historical experience of default**	**Adjustment for market conditions at 31 March 2013**	**Estimated maximum exposure to default at 31 March 2013**	**Estimated maximum exposure to default at 31 March 2012**
	£'000	**%**	**%**	**£'000**	**£'000**
	(a)	(b)	(c)	(a x c)	
Trade debtors	8,932	0.3	0.3	27	18

The Council's credit terms for trade debtors are 14 days, such that £4.805m of the £8.932m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2012 £'000	31 March 2013 £'000
Less than one month	1,440	2,918
One to two months	107	778
Two to three months	82	298
Three to six months	183	150
Six months to one year	166	198
More than one year	438	463
Total	**2,416**	**4,805**

In addition to the trade debtors detailed above, the Council has £1.673m of social care debtors at 31 March 2013, 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 2012 £'000s	31March 2013 £'000s
Principal due in:		
Less than one year	10,022	14
Between one and thirty years	10,069	18,029
Between thirty and forty years	23,000	23,669
Between forty and fifty years	71,819	63,150
More than fifty years	8,700	8,700
Interest payable within one year:	1,187	1,177
Total	**124,797**	**114,739**

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 first options on these loans arise between May 2013 and May 2016, with further options every five years thereafter. 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 2013 it was estimated that there was a low probability of the lender exercising its options early.

The above figures do not include liabilities under finance leases totaling approximately £46,000 all falling due within 5 years.

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 Comprehensive Income and Expenditure Statement (CIES) 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 Comprehensive Income and Expenditure Statement 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 2013 with all other variables held constant, the financial effect would be:

	2012/13 £'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)	**23,857**
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)	**49**

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.

43. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2011/12 £'000		**2012/13 £'000**
1,133	Interest Received	1,013
(6,261)	Interest Paid	(6,388)
(5,128)	**Total**	**(5,375)**

44. 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.

2011/12 £'000		2012/13 £'000
(60,734)	Purchase of property, plant and equipment and intangible assets	(36,202)
(95,630)	Purchase of short –term and long term investments	(162,500)
	Other payments for investing activities	
3,355	Proceeds from the sale of property, plan and equipment	2,820
106,119	Proceeds from short –term and long- term investments	167,500
39,740	Other investment receipts	29,984
7,150	**Net Cash Flows from Investing Activities**	**1,602**

45. Cash Flow Statement – Financing Activities

2011/12 £'000		2012/13 £'000
20,000	Cash Receipts of short and long term borrowing	0
4,437	Other receipts from financing	
(783)	Appropriation from Collection Fund adjustment account	(6,140)
(1,842)	Cash payments reducing finance lease liabilities and PFI contract liability	(1,344)
(10,898)	Repayments of short and long- term borrowing	(10,908)
0	Other payments for financing activities	
10,914	**Net Cash Flows from Financing Activities**	**(18,392)**

46. Post Balance Sheet Event

Financial effects of changes to Business Rates from 1st April 2013 – As of this date the Council will assume the liability for refunding business ratepayers who have been successful in appealing against the rateable value of their properties. This will include amounts that were paid over to Government in respect of 2012/13 and prior years. Such amounts were not recognised as income by the authority. In accordance with the LAAP recommendations, the Council has not recognised this liability at the balance sheet date.

At the balance sheet date the extent of the Council's share of this potential liability is estimated at £1.7m.

Academy schools – As at the end of June 2013, one primary and one secondary school had been given approval to become academies during the 2013/14 financial year. This will result in a reduction in the net book value of property assets by an estimated £21.1 million and in the Council's net worth. The Council's schools spending and its DSG grant income will decrease.

47. Accounts Authorised for Issue

The audited Accounts were authorised for issue by Dave Perry on 23rd September 2013.

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.

2011/12 £'000		Note	2012/13 £'000
	Income		
(126,795)	Income from Council Tax		(128,510)
	Transfers from the General Fund		
(13,387)	Council Tax Benefits		(13,560)
(123,195)	Income collectable from business ratepayers		(126,664)
(263,377)	**Total Income**		**(268,734)**
	Expenditure		
	Precepts and demands		
118,085	South Gloucestershire Council	4	119,093
15,252	Avon and Somerset Police Authority	4	15,444
5,481	Avon Fire Authority	4	5,645
	Business rate		
122,864	Payment to national pool		126,333
331	Cost of collection		331
	Bad and doubtful debts		
275	Write offs	2	247
(184)	Provisions increases/(decreases)		148
	Contributions		
353	Distribution of Collection Fund surplus/(deficit)		1,286
262,457	**Total expenditure**		**268,527**
(920)	**Deficit/(surplus) for the year**		**(207)**
(453)	**Deficit/(surplus) at 1 April**		**(1,374)**
(1,373)	**Deficit/(surplus) at 31 March**		**(1,581)**

Notes to the Collection Fund

1. Calculation of the Council Tax Base

Band	No. of Properties adjusted for growth & disabled relief	Discounts & Exemptions	Discounted Equivalent Properties	Ratio to Band D	Band D Equivalent Properties
A-	40	6	34	5/9	19
A	12,449	2,391	10,058	6/9	6,705
B	33,529	3,731	29,798	7/9	23,176
C	26,286	2,339	23,947	8/9	21,287
D	19,602	1,681	17,921	1	17,921
E	11,165	598	10,567	11/9	12,915
F	5,378	222	5,156	13/9	7,447
G	1,892	93	1,799	15/9	2,998
H	158	11	147	2	294
Total	110,499	11,072	99,427		92,762
Adjustment to allow for new discounts, single persons allowances and appeals					(1,391)
Council Tax Base for 2012/13					**91,371**

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:

	2011/12 £'000	2012/13 £'000
Council Tax	275	247
Collection Fund Total	**275**	**247**
Non-Domestic Rates	598	288
Grand Total	**873**	**288**

3. Non-Domestic Rateable Value and multiplier

	2011/12 £	2012/13 £
Total Non-Domestic Rateable Value at 31 March 2012	319,655,839	
Total Non-Domestic Rateable Value at 31 March 2013		**316,576,425**
National Non-Domestic Rate multiplier for the year (standard)	0.433	0.458
National Non-Domestic Rate multiplier for the year (small business)	0.426	0.45

4. Major Preceptors on the Collection Fund

	2011/12 £'000	2012/13 £'000
South Gloucestershire Council including parishes	118,085	119,093
Avon and Somerset Crime Commissioner	15,252	15,443
Avon Fire Authority	5,481	5,645

Feedback on the Accounts

Now that you have read the Statement of Accounts we would like to know what you think of it. Did you find it easy or difficult to understand? Did it provide the information that you were looking for? Did it contain useful and interesting information about the Council and the way it conducts its business?

We are also very interested to know how we should provide this information to you to make it easier for you to look at it and understand it. Should we provide it:

- in this format
- on the Council's website on the Internet
- with the Council Tax bill
- in a newspaper
- not at all

We want to make this document widely available, understandable and useful to the people of South Gloucestershire and other stakeholders. Over the years we have reduced the amount of jargon that it contains and we have tried to increase the number of explanatory notes but we know that we need to do more.

Please send your comments to the Financial Reporting Section, Corporate Finance, South Gloucestershire Council, Council Offices, Castle Street, Thornbury, Bristol, BS35 1HF by using the cut-out form below or by using the on-line contact form at www.southglos.gov.uk.

THANK YOU

My comments on the 2012/13 Statement of Accounts are as follows:
To: Financial Reporting Section, Finance & Customer Services, South Gloucestershire Council, Council Offices, Castle Street, Thornbury, Bristol, BS35 1HF

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