Bristol City Council

Statement of Accounts

Year ended 31 March 2010

The Accounts and Audit Regulations 2003 require the City Council to prepare and publish a statement of accounts. The accounts have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 (the SORP), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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THE EXPLANATORY FOREWORD

The City Council's accounts for the financial year 2009/10 are set out on the following pages. They include the following statements:

Statement of Responsibilities for the Statement of Accounts

Sets out the respective responsibilities of the Council and the Chief Financial Officer for the accounts.

The Income and Expenditure Account

Summarises the resources generated and consumed by the Council in the year.

The Statement of Total Movement on the General Fund Balance

Explains the differences between the balance on the income and expenditure account and the balance on the general fund (which includes net spending to be financed from general grant and the council tax).

The Statement of Total Recognised Gains and Losses

Demonstrates how the movement in net worth in the balance sheet relates to the income and expenditure account surplus/deficit and to unrealised gains and losses.

The Balance Sheet

Shows the Council's financial position at 31 March 2010.

The Cash Flow Statement

Summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

The Housing Revenue Account (HRA) Income and Expenditure Account

Summarises the income and expenditure arising from transactions with third parties for revenue and capital purposes.

The Collection Fund Income and Expenditure Account

Reflects the statutory requirement to maintain a separate collection fund which shows transactions in relation to non-domestic rates and the council tax.

Annual Governance Statement

Describes the Council's overall governance framework, including its system of internal control and reports on the review of the effectiveness of these arrangements, in accordance with the Accounts and Audit Regulations.

These accounts are supported by the Statement of Accounting Policies (following pages) and various notes to the financial statements.

Introduction

The preparation of the Statutory Statement of Accounts is undertaken in accordance with the CIPFA Code of Practice on Local Authority Accounting. The Accounts and Audit Regulations 2003 require that the accounts for 2009/10 are completed and approved by 30 June 2010. These accounts are supported by the Statement of Accounting Policies (following pages) and various notes to the financial statements.

The Statement of Accounts has been completed within the statutory deadline and has now been audited. The auditor's opinion is anticipated before 30 September 2010. The external auditors, Grant Thornton, are also required to present a report to the Council on the accounts.

Revenue outturn and balances

The following paragraphs cover the revenue accounts on the basis of the Council's financial management arrangements, and then consider how these are brought together with other items in the Income and Expenditure Account (pages 27-29).

General Fund

The general fund includes the income and expenditure that must be taken into account when setting the council tax. Actual spend (outturn) compared to the budget and the last reported forecast is set out in the following table:

Revenue Outturn compared to budget and forecast

	Approved Budget*	Last Forecast - Jan 2010	Outturn	Variation	
				From Budget	From Forecast
	£m	£m	£m	£m	£m
Children, Young People and Skills	83.9	84.6	83.8	(0.1)	(0.8)
City Development	51.7	51.8	51.8	0.1	0.0
Deputy Chief Executive	5.0	5.0	4.9	(0.1)	(0.1)
Health and Social Care*	122.7	123.9	123.5	0.8	(0.4)
Neighbourhoods	71.0	69.9	69.9	(1.1)	0.0
Resources	2.8	3.1	2.7	(0.1)	(0.4)
Transformation	8.6	8.4	8.5	(0.1)	0.1
Total spend by directorates	**345.7**	**346.7**	**345.1**	**(0.6)**	**(1.6)**
Other:					
Pensions	2.7	2.7	2.7	0.0	0.0
Net capital financing	16.0	16.0	16.0	0.0	0.0
Levies	1.1	1.1	1.1	0.0	0.0
Contingency and provisions	1.5	0.5	0.3	(1.2)	(0.2)
Transfer to reserves	2.4	2.4	2.4	0.0	0.0
LABGI Grant	-	-	(0.4)	(0.4)	(0.4)
Total	**369.4**	**369.4**	**367.2**	**(2.2)**	**(2.2)**
Less use of balances	(7.5)	(7.5)	(5.3)	2.2	2.2
Total net Budget	361.9	361.9	361.9		

* The approved budget figure includes an addition of £2.7m which the Cabinet agreed, in October, to set aside towards the forecast overspend in Health and Social Care which was reported earlier in the year.

The total net general fund spending by the Council in 2009/10 was £2.2m below the approved budget for 2009/10. Various adjustments were made during the year to the original budget set by the Council in February, eg the reallocation of tactical efficiency savings, virements resulting from the centralisation of activities and additional spending provision from uncommitted balances and contingencies. The most significant of the latter was the additional provision of £2.7m made for Health and Social Care.

Overall spending by directorates was £0.6m or just under 0.2% below budget. As mentioned above, increasing demand for adult care services resulted in an overspend of £0.8m (£3.5m compared to the original budget) during the year for HSC. Spending on all other services was broadly in line with the budget. The remainder of the total underspend arose from unused contingencies and the receipt of further government grant under the Local Authority Business Growth Incentive Scheme (LABGI).

The budget for 2010/11 was set on the basis of spending in 2009/10 being in line with budget, so the £2.2m is uncommitted at 31 March 2010. The balance on the general fund carried forward into 2010/11 therefore stands at £8.9m, including the target working balance of £6m (Balance Sheet, page 32). The balance also includes an amount of £0.7m which has been earmarked in support of the budget for 2010/11.

Housing Revenue Account (HRA)

The HRA incurred a deficit of £4.6m for the year (page 88). This was an improvement on the planned deficit of £5.9m at the beginning of the year. The improvement was mainly due to a lower than expected funding of the capital programme by £2.1m and other smaller overspends. £4.6m was drawn from the accumulated HRA reserves to balance the account, resulting in a sum of £25.9m carried forward into 2010/11. This will be used to finance future revenue and capital spending for the Council's housing stock.

Collection Fund

The deficit on the Collection Fund at 31 March 2010 was £2.1m (page 94) compared to £1.2m estimated in January 2010 for the budget and council tax setting process for 2010/11. The increase in the deficit arose mainly from further exemptions and other changes to the total council tax liability.

The Council's share of the increased deficit (£759k) will have to be dealt with in the 2011/12 budget, although a reserve of £340k is available to offset part of this.

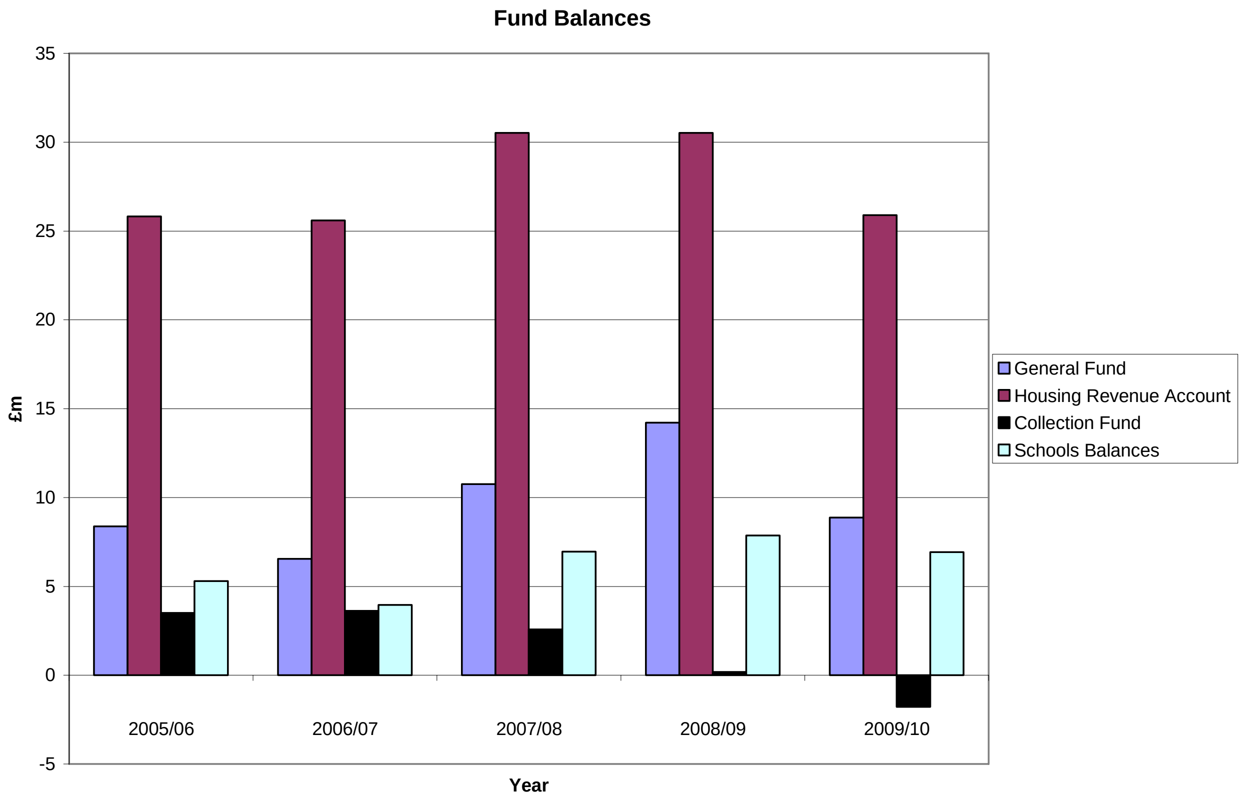
Despite the poor economic climate, the percentage of council tax collected in the year was 96.4% (the same as in 2008/09), just below the target of 96.5%.

Schools balances

The total of school balances at 31 March 2010 was £6.93m, a reduction of £0.9m over March 2009. This represents around 4% of the Individual Schools Budget. The number of schools with deficit balances increased from 13 to 15. The directorate's finance staff continues to work with schools with deficit balances in order to identify and implement a recovery plan to reduce the deficit.

In addition to individual schools balances, the balance sheet includes a further £3.8m which relates to other funding for schools which is carried forward for use in 2010/11.

Trends in fund balances – last 5 years



Income and Expenditure Account

The Income and Expenditure Account (page 27) includes a number of items that are not required to be included in the general fund and to be taken into account in setting the council tax. The Income and Expenditure Account included within this Statement of Accounts shows the net cost of services for the year of £427.2m. This reconciles to the general fund spending reported above as follows:

	£m	£m
Total net spending by departments (general fund)		345.1
Add:		
HRA cost of services		36.8
PFI expenditure funded by special grant		19.9
Charges related to capital assets:		
- depreciation, etc		21.8
- impairment, incl non-enhancing capital expenditure		84.2
Unapportioned pension charges		2.7
		510.5
Offset by:		
PFI grant applied directly to CYPS in the I&E Account	(17.2)	
Credits for government grants deferred	(18.8)	
FRS17 pension adjustments	(17.5)	
Adjustments in respect of changes to accounting for PFI	(18.1)	
Capitalisation of revenue expenditure	(0.6)	
Net transfers to reserves	(8.7)	
Other net adjustments	(2.4)	(83.3)
Net cost of services per I & E Account		**427.2**

The principal differences relate to capital assets (the general fund on the whole includes the cost of financing capital assets whereas the Income and Expenditure Account shows depreciation and impairment) and the HRA (which is financed from housing rents and government subsidy, not from the council tax). More detail is given on pages 28-29.

Capital Expenditure

Total capital spending in 2009/10, including one-off projects, was £164.7m. Outturn expenditure, by directorate, is summarised in the following table with a comparison with the original forecast.

	2009/10 Original Forecast	2009/10 Total Spend	Variation
	£m	£m	£m
Children and Young People's Services	52.8	54.0	1.2
City Development	53.4	45.8	(7.6)
Health and Social Care	7.9	1.1	(6.8)
Neighbourhoods - HRA	42.0	42.9	0.9
Neighbourhoods - General Fund	12.1	12.1	0.0
Resources	0.0	0.2	0.2
Transformation	3.9	5.6	1.7
Other capitalised expenditure	0.0	3.0	3.0
TOTAL	**172.1**	**164.7**	**(7.4)**

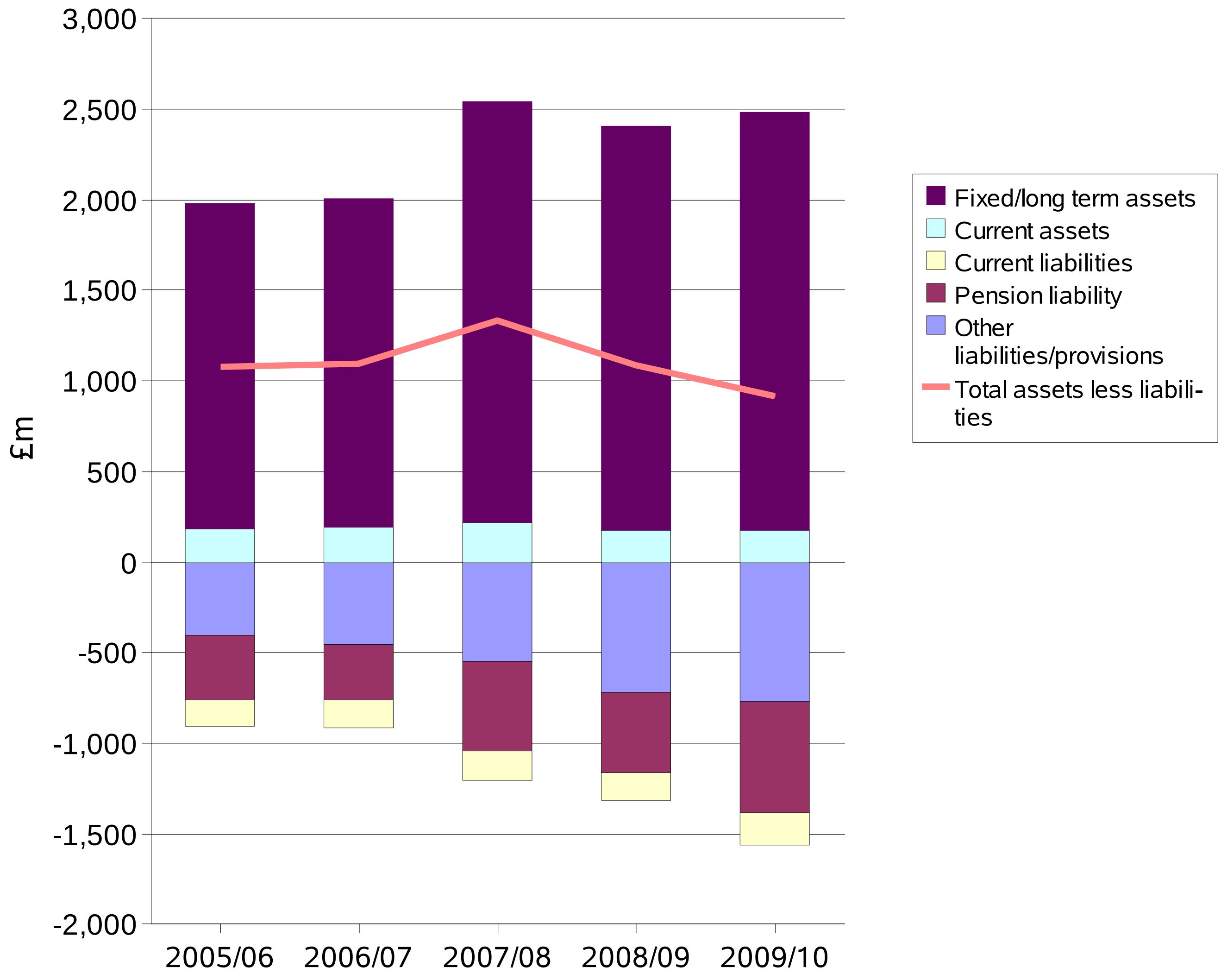
Spending was financed as follows:

	£m
Borrowing (government - supported)	18.1
Borrowing - unsupported	14.6
Capital receipts	14.2
Grants, including S106 contributions	102.8
Revenue and other funding	15.0
TOTAL	**164.7**

The Statement of Accounts contains more details in respect of:

- The main areas of capital spending (page 47)
- Contractual commitments as at 31 March 2010 (page 49)
- Major capital disposals (page 49)

Balance Sheet items – total position



	31.3.06	31.3.07	31.3.08	31.3.09	31.3.10
	£m	£m	£m	£m	£m
Other liabilities/provisions	(406)	(504)	(548)	(720)	(770)
Pension liability	(357)	(308)	(498)	(440)	(612)
Current liabilities	(140)	(157)	(160)	(159)	(180)
Current assets	188	179	216	178	173
Fixed/long term assets	1,794	1,915	2,326	2,227	2,312
Total assets less liabilities	1,079	1,125	1,336	1,086	923

The Council's net equity has decreased by £162.3m. The overall difference is explained in the Statement of Total Gains and Losses (page 30).

Debtors (page 58)

The level of debtors at 31 March 2010 has increased by £20.7m over the year. After taking account of the related provisions for bad debts, the main reasons for this increase are:

	£m	
Government departments	+ 16.6	£9.0m Collection Fund, additional amounts of NNDR due in respect of earlier years; increase in empty rate allowances; £5.8m additional subsidy due in respect of increased housing benefit caseload and payments; £1.6m VAT claim due re increase in spend during last month
Sundry debtors	+4.1	£2.1m due to BSF from Bristol PFI Ltd; £3.1m – due under development agreement with Bovis Homes (corresponding adjustment in creditors); (£0.8m) Colston Hall – reduction in outstanding show income.

Creditors (page 58)

The level of creditors at 31 March 2010 has reduced by £1.7m over the year. The main reasons for this are:

	£m	
Government departments	- 0.8	£3.2m BSF funding from DCSF received in advance; £0.8m capital grants unapplied, but with conditions (previously included under reserves); (£3.8m) – see comment against Collection Fund in Debtors above; (£1.2m) – final payment from DoH to Brunel Care made in 2009/10.
Sundry creditors	- 1.3	£3.1m - due under development agreement with Bovis Homes (corresponding adjustment in debtors); (£10.9m) BSF: creditor at 31.3.09 paid in year relating to non-Bristol (church) schools; £5.2m liability for arrears of benefits paid in April; £1.2m Section 256 monies owed to independent sector providers; Balance relates to miscellaneous items and payment timing differences.

Pensions (pages 78-84)

The liability for retirement benefits shown in the balance sheet is as follows:

	31.3.10	31.3.09	Change
	£m	£m	£m
Local Government Scheme	546.9	385.1	161.8
Teachers unfunded liabilities	64.5	54.8	9.7
Pre 1974 liabilities	0.2	0.2	0.0
Total	**611.6**	**440.1**	**171.5**

The overall liability has increased from the previous year. The fund actuary has advised that the two major factors affecting the liability are the interest cost over the year and the change in actuarial assumptions. The interest has added around 7% to the value of the liabilities at the start of the year. The financial assumptions used for the calculation at 31 March 2010 are much more conservative than those used at March 2009, driven by the yields on corporate bonds falling substantially and the inflation assumption increasing slightly during the year. The result is a large increase in the liabilities.

The employer's contribution to the pension fund is reviewed every three years on the basis of an actuarial valuation. Actuarial valuations of pension funds are generally based on more optimistic assumptions than those used for accounting purposes, and result in a lower value of liabilities. The last valuation of the Avon Fund meant an increase in the employers contribution rates payable by the Council amounting to 2.8%. This is being phased in over three years from April 2008, increasing the contribution rate from 14.4% to 17.2% by April 2010. The next valuation is at March 2010 and the outcome is due later in the year. It is expected that contribution rates will increase further.

Borrowing and lending

The Council's long-term borrowing to finance capital spending has decreased by £8.6m in accordance with the Treasury Management Strategy to reduce overall investment exposure. Reacting to the uncertain financial markets and unprecedented economic climate, long-term borrowing has been temporarily suspended, though two long-term loans totalling £30m have been arranged in advance to guard against the predicted upward movement in borrowing rates and to meet projected cash requirements.

The Council's overall borrowing has increased by £11m from £375m to £386m due to temporary borrowing undertaken during the year. Long-term debt at 31 March 2010 shown in the balance sheet shows a net decrease of £9m after the reclassification of some long-term debt as short-term debt in the year. A debt rescheduling exercise was undertaken during the year when £50.45m of high interest rate debt (averaging 9.69%) was replaced with £50.45m low interest rate long-term debt (averaging 4.44%).

The deferral of long-term borrowing has led to a reduction in the Council's cash/short term lending position of £33m from £104m to £71m (excluding the Port Dividend Investment). Long-term investments decreased in the year by £10m due to the early repayment of these investments.

The Council had £8m invested in Icelandic banks at the time of their collapse. Impairment of the investment has been recognised in the accounts based on CIPFA recommendations. The Council has decided, however, not to apply the latest guidance (made in 2010) in relation to the expected recovery rates, as it prefers a more prudent approach given the uncertainty surrounding the outcome of legal issues.

The Icelandic position is under review, and £4.5m has been earmarked for any such loss. Statutory regulations have allowed the deferral of any impact on the Council's general fund position until 2010/11, pending more information of any potential impact on local authority finances. More detailed information is included in the financial instruments section of the Notes to the Core Financial Statements.

Reserves and provisions (pages 54-56 and 77)

After reclassifying various items that were included in the balance sheet at 31 March 2009 as reserves, the value of total provisions at 31 March 2010 is largely unchanged. In addition to the items previously shown as provisions, the value of total reserves at 31 March 2010 has increased by £14m. This is largely related to the following items:

	£m	
Capital reserve	9.7	Increased receipts not applied due to use of additional borrowing
Standards Fund	5.0	DCFS monies carried forward for spend in 2010/11
Education PFI Smoothing Fund	(2.7)	Excess of expenditure over government grant in the year drawn from fund being maintained to meet future years' commitments to the PFI providers
Business Transformation/Restructuring	(3.4)	Pump priming of transformation projects and costs of senior management restructuring.
Waste	1.9	Set aside to meet budget risks and one-off contract procurement costs
Health and Social Care Placements	1.5	Set aside to meet potential spending pressures in 2010/11
Working Neighbourhoods	(1.0)	Monies spent in year
Early Years	1.4	Set aside for statutory funding reforms
Recession Action Plan	(0.9)	Monies spent in line with agreed action plan

Other issues

Issues from the audit of 2008/09 accounts - the key actions arising from last year as follows:

- Enhancement of process for review of financial statements
- Review /document rationale for bad debt provision relating to housing benefit overpayments
- Review of depreciation accounting policies
- Review of provisions

These actions have been followed in the finalisation of this statement of accounts.

Main Changes in accounting requirements 2009/10

(a) Changes to the 2009 Statement of Recommended Practice (SORP)

Private Finance Initiative (IFRS)
PFI properties used to deliver PFI services which were previously 'off Balance Sheet' will generally be required to be recognised on local authorities' Balance Sheets along with a liability for the financing provided by the PFI operator.

Council tax and non-domestic rates
Requires the restatement of the balance sheet in respect of the Collection Fund debtors and creditors, on an Agency basis. Additionally the council tax income included in the Income and Expenditure Account is to be the accrued income for the year. This is a change in accounting policy, as previously income was the amount required by regulation.

(b) Other Changes

Disclosure of employees remuneration
Additional information relating to officers' remuneration is required under The Accounts and Audit Regulations (Amendment No.2) (England) Regulations 2009. These regulations were made subsequent to the publication of the SORP and require specific details of the remuneration of 'senior employees' and changes the bands for those other employees earning in excess of £50,000 from £10,000 to £5,000.

Revenue spending plans

The levels of balances for the general fund, the HRA and schools all allow some flexibility in medium term financial planning. The medium term financial strategy for the general fund, agreed in March 2010 is to allocate resources to priority actions, within the constraints of anticipated grant levels and growth in the tax base, and with acceptable increases in the council tax, by achieving efficiency savings in directorate spending programmes and through the council-wide transformation programme.

Capital investment plans

The Council plans to incur capital spending of approximately £340m over the period 2010 – 2013 on improving the housing stock, transport infrastructure, new and refurbished schools, and a wide range of council services. The balance on the capital reserve and part of the balance on the HRA will contribute towards this, but the bulk of the finance will come from:

- government grants and borrowing covered by government allocations;
- grants and contributions from other bodies;
- revenue contributions; and
- capital receipts arising from the sale of assets.

However, it is likely that future revenue and capital investment plans will need to be reconsidered in the light of reductions in available financing, particularly from central government.

Prior Period Adjustments
A number of prior period adjustments have been made in the financial statements to the comparative figures as at 31 March 2009. These are as follows:

a) <u>Balance sheet</u>

Reclassification of the Broadmead Expansion Area (value £15.5m) from assets under construction to investment properties.

Reclassification of provisions to reserves (value £3.8m): audit recommendation (see above).

Capital grants (value £4.8m): reclassified from reserves to creditors (where specific conditions attached to grant) and government grants unapplied (where no specific conditions), in accordance with the SORP.

b) Balance sheet/Income & expenditure account

PFI contracts – recognition of assets (new schools - £172m) and related liabilities (£159m) on the balance sheet. PFI payments in the Income and expenditure account recast over repayment of the liability, finance cost, service charge, lifecycle cost and contingent rents): SORP requirement.

Council tax/NNDR – the SORP introduced changes in accounting for local taxation, in order to reflect the council acting as agent for the collection and distribution of the income:

- council tax - the amount of council tax income accruals relating to the police and fire authorities have been de-recognised in the balance sheet, as the council's accounts (collection fund apart) now reflect only it's own share.
- The Income and expenditure account includes the Council's share of the accrued council tax income (previously the amount required by legislation). There is no effect on the general fund balance, as an adjusting entry has been made in the Statement of Movement on the General Fund Balance to offset the difference.
- Additionally, all balances relating to NNDR payments are now set off against the amount owed to/from the government.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) are to be implemented in local government for the 2010/11 accounts. Preparatory work has been ongoing within the Corporate Finance Team since last year and this has been gathering momentum since the publication of the IFRS Code (CIPFA) in December.

The first milestone is the production of a transitional balance sheet as at 31 March 2009 (this will form the starting point for the recast of the 2009/10 financial statements in order to provide the comparator figures for the first full year's accounts). The most significant piece of work to achieve this is a review of all the Council's leases, in order to determine the correct accounting treatment under the new code. This, together with other requirements, has been subject of regular discussions with the external auditor. It is planned to complete the transitional balance sheet and the re-stated 2009/10 accounts in the autumn, and to have these reviewed by the external auditor by the end of the calendar year.
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FURTHER INFORMATION

Further information about the City Council's accounts can be obtained from the Corporate Finance Section, Resources Directorate, The Council House, College Green, Bristol BS1 5TR. Following completion of the audit, the full statement will be also be available on the Council's website at **www.bristol.gov.uk/budget.**

This Statement of Accounts is audited by Grant Thornton. The accounts have to be open to public inspection for 20 working days prior to the commencement of the audit. During this period electors may inspect the accounts and other records. After this date, an elector may make questions of the auditor. This opportunity is advertised in the press as is the date when the auditor's report is submitted to the City Council in public session.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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 this Council, that officer is the Chief Financial Officer;

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

- to approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this statement of accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the local authority SORP.

The Chief Financial Officer has also:

- kept proper accounting records which were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Chief Financial Officer

I certify that this Statement of Accounts provides a true and fair view of the financial position of the City Council at 31 March 2010 and its income and expenditure for the year.

27.9.10

Peter Robinson
Chief Financial Officer

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 (the SORP). Except where specific legislative requirements apply, it is the Council's responsibility to select and regularly review its accounting policies to comply with the SORP.

Any departures from the SORP are disclosed, where relevant, in the policies detailed below. The historical cost convention has been adopted in these accounts, modified by the revaluation of certain categories of tangible fixed assets.

The financial statements have been prepared on an accruals and going concern basis.

2. Debtors and creditors

The accounts are prepared on the basis of income and expenditure. Where cash has not been received or paid, a debtor or creditor for the relevant amount is included in the balance sheet.

The amount of debtors included in the balance sheet is adjusted for doubtful debts, which are provided for, and known uncollectable debts are written off. Further information is included in the notes to the financial statements.

The SORP 2009 has introduced changes in respect of accounting for council tax and NNDR:

- Council tax income included in the Income and Expenditure Account is now the accrued income for the year (prior to 1 April 2009, income was the amount required under regulation to be transferred from the Collection Fund to the General Fund).

- The changes require a re-statement of the Statement of Movement on the General Fund Balance with a reconciling entry in the Collection Fund Adjustment Account, to ensure that there is no impact on the council taxpayer.

- The collection of council tax and NNDR income is now deemed to be undertaken on an agency basis. The debtor/creditor balances in the Council's balance sheet now reflect this.

3. Estimation techniques

Estimation techniques are the methods adopted to assess the values of assets, liabilities, gains and losses and changes in reserves in situations where there is uncertainty as to their precise value. Unless specified in the Code of Practice or in legislative requirements, the method of estimation will generally be the one that most closely reflects the economic reality of the transaction. The use of techniques will vary according to the item concerned, eg in relation to accounting for the use of fixed assets and pensions (see relevant sections).

4. Provisions

Provisions are made for any liabilities of uncertain timing or amounts that have been incurred and in particular when:

(a) the Council has a present obligation (legal or constructive) as a result of a past event

(b) it is probable that a transfer of economic benefits will be required to settle the obligation, and

(c) a reliable estimate can be made of the amount of the obligation.

Provisions, when created, are charged to the appropriate service revenue account; when payments for expenditure are incurred to which the provision relates they are charged direct to the provision. The amount recognised as a provision is the best estimate taking into account the risks and uncertainties surrounding the events. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

5. Reserves

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves, and these are created by appropriating amounts in the Statement of Movement on the General Fund Balance.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year. The reserve is then appropriated back into the Statement of Movement on the General Fund Balance so that there is no net charge against council tax for the expenditure.

Details relating to each of the principal reserves are provided in the notes to the core financial statements. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.

Certain reserves are maintained to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the council. These reserves are explained in the relevant sections of these policies. The usable capital receipts reserve is a reserve established for specific statutory purposes.

6. Contingent liabilities and assets

Contingent liabilities relate to possible material obligations at 31 March arising from past events which may require a payment or a transfer of economic benefits, eg contractual disputes subject to legal proceedings. Such liabilities are not recognised in the accounting statements, but are disclosed by way of a note to the core financial statements.

Contingent assets are transactions which give rise to the probable inflow of economic benefits to the Council, but which cannot be estimated with reasonable certainty at the balance sheet date. These would also not be recognised in the accounting statements, but details would be included in the notes to the core financial statements.

7. Government grants

Revenue grants and subsidies are credited to service revenue accounts so as to match with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure, as part of general income.

Grants and contributions to capital expenditure are accounted for on an accruals basis. Once applied to finance expenditure, grants are credited to the Government Grants Deferred Account and amounts are released from this account to the service revenue account to offset any provision for depreciation charged in respect of the asset to which the grant relates. In some circumstances it is more practical to relate an individual grant to a group of assets and the credit to revenue is subsequently based on an average period for that group. Where an individual grant cannot be attributed to specific identifiable assets, the whole grant is credited to the Income and Expenditure Account in the year of receipt.

Unapplied grants and contributions are held in the Government Grants Unapplied Account or classed as creditors in the balance sheet, depending on whether the individual grant has conditions attached to it.

8. Pension costs

a) charges to the financial statements

The amounts charged to the Income and Expenditure Account, HRA Income and Expenditure Account and the Statement of Total Recognised Gains and Losses for employees' pensions are calculated on an actuarial basis, in accordance with FRS17 *Retirement Benefits,* subject to the interpretations set out in the SORP.

b) pensions reserve

General Fund – the amount charged to the General fund for providing pensions for employees is the amount payable for the year in accordance with the statutory requirements governing the Avon Pension Fund and the Teachers' Pensions Scheme. Where this amount does not match the amount charged to the Income and Expenditure Account for the year, the difference is appropriated to or from the Pensions Reserve and reflected in the Statement of Movement on the General Fund Balance.

Housing Revenue Account – the amount charged to the Housing Revenue Account for providing pensions for employees is the amount payable for the year in accordance with the statutory requirements governing the Avon Pension Fund. Where the amount paid to the Fund for the year does not match the amount charged to the HRA Income and Expenditure Account, the difference is appropriated to or from the Pensions Reserve and reflected in the Statement of Movement on the Housing Revenue Account Balance.

c) classification of schemes

These accounting policies apply in respect of pensions costs arising from the Local Government Pension Scheme and the Teachers Pension Scheme (classed as 'defined benefit schemes') and unfunded discretionary benefits.

d) defined benefit schemes

The actuary to the pension fund provides the information necessary to complete the Council's accounts, on the following basis:

Attributable scheme assets are measured at their fair value at the balance sheet date, on the following basis:

(i) quoted securities – current bid price
(ii) unquoted securities – an estimate of fair value
(iii) property – market value or other basis determined in accordance with the RICS *Appraisal and Valuation Manual and practice* statements
(iv) insurance policies matching the amount and timing of benefits payable under the scheme – amount of the related obligations
(v) other insurance policies – a method giving the best approximation of fair value given the circumstances of the scheme

Scheme assets include current assets as well as investments. Any liabilities such as accrued expenses should be deducted. The attributable scheme liabilities are measured using the projected unit method. The scheme liabilities comprise:

(i) any benefits promised under the formal terms of the scheme, and

(ii) any constructive obligations for further benefits where a public statement or past practice by the employer has created a valid expectation in the employees that such benefits will be granted.

The surplus/deficit in a scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities.

The change in the defined benefit asset or liability (other than that arising from contributions to the scheme) is analysed into the following components:

(i) Periodic costs:

- (a) current service cost
- (b) interest cost
- (c) expected return on assets, and
- (d) actuarial gains and losses, and

(ii) Non-periodic costs:

- (a) past service costs, and
- (b) gains and losses on settlements and curtailments.

The current service cost is included within the Net Cost of Services. The net of the interest cost and the expected return on assets is included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Total Recognised Gains and Losses.

Past service costs are recognised in Net Cost of Services on a straight-line basis over the period in which the increases in benefit vest. To the extent that the benefits vest immediately, the past service cost is recognised immediately.

e) defined contribution schemes

The Teachers Pension Scheme is a national scheme. As it is accounted for on a defined contribution basis, the pensions cost reported for the year is equal to the contributions payable to the scheme, and is recognised within the Net Cost of Services. The future liability on the Council for early retirement decisions (including those of the former Avon County Council) has been assessed by the actuary and is included in the balance sheet.

f) other

A further liability has been estimated in relation to the unfunded pension costs recharged by Gloucestershire and Somerset County Councils, in respect of the 1974 local government reorganisation. The liability is adjusted each year based on the amounts paid in the year.

9. Foreign currency translation

Income and expenditure arising from a transaction denominated in a foreign currency is translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred; if the rates do not fluctuate significantly, an average rate for a period is used as an approximation. Where the transaction is to be settled at a contracted rate, that rate is used.

At the balance sheet date, where material, monetary assets and liabilities denominated in a foreign currency are translated by using the closing rate or, where appropriate, the rates of exchange fixed under the terms of the relevant transactions. See note 33 to the financial statements.

10. Value added tax

VAT is included in the council's accounts, whether of a capital or revenue nature, only to the extent that it is not recoverable.

11. Overheads and Support Services

Charges or apportionments covering all support service costs are made to all users, including services to the public, divisions of services, trading undertakings, capital accounts, services provided for other bodies and other support services.

The costs of the corporate and democratic core and of non-distributed costs are accounted for as separate headings in the Best Value Accounting Code of Practice (BVACOP) analysis of expenditure and income shown on page 35, and are not apportioned to other expenditure heads. These costs are:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional democratic organisation

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties

The bases of apportionment of support service costs to users adopted are used consistently for all the heads to which apportionments are made.

Costs charged to service users for legal, personnel, financial, property-related services, IT and equalities are based on a variety of methods, including allocated charges; actual time recorded; agreed charge per unit of time; charge per unit of service; menu pricing for IT services; apportioned charges based on service user's full time equivalent staff or total budget.

The cost of administrative buildings is also allocated, by reference to floor areas used.

12. Intangible assets

Intangible assets arise from expenditure on assets that do not have physical substance but are identifiable and controlled by the council (eg software licenses). Such items are capitalised at cost and are amortised to revenue over five years (three years for HRA items).

13. Tangible fixed assets

a) recognition

The SORP requires that expenditure that should be capitalised will include expenditure on the:

- acquisition, reclamation, enhancement or laying out of land
- acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures
- acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

In this context, enhancement means the carrying out of works which are intended to:

- lengthen substantially the useful life of the asset, or
- increase substantially the market value of the asset, or
- increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the Council.

Under this definition, improvement works and structural repairs are capitalised, whereas expenditure to ensure that the fixed asset maintains its previously assessed standard of performance is not capitalised, but is recognised in the revenue account as it is incurred. Expenditure on existing fixed assets is capitalised in three circumstances:

- enhancement - as above
- where a component of the fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful life, is replaced or restored
- where the subsequent expenditure relates to a major inspection or overhaul of a fixed asset that restores the benefits of the asset that have been consumed by the Council and have already been reflected in depreciation.

In accordance with the SORP, the Council capitalises all expenditure on the acquisition, creation or enhancement of tangible fixed assets. Assets materially affected by this expenditure are reviewed to ensure the impact on the asset valuation is reflected in the balance sheet. Where expenditure is deemed not to add value, this is classed as impairment due to the consumption of economic benefits and is charged to the Income and Expenditure Account. This adjustment is then reversed out through the Statement of Movement on the General Fund Balance to neutralise the impact on the local taxpayer.

b) measurement

A fixed asset is initially measured at its cost. Only those costs, that are directly attributable to bringing the asset into working condition for its intended use is included in its measurement.

Infrastructure assets, some community assets and vehicles, plant and machinery are included in the balance sheet at historical cost, net of depreciation, where known.

Operational land and properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value. In the case of investment properties, net realisable value will normally be market value. In the case of assets under construction, net current replacement cost will normally be historical cost and such assets are held at historical cost until they are brought into commission.

When an asset is included in the balance sheet at current value, it is revalued at intervals of not more than five years and the revised amount is included in the balance sheet. A full valuation is performed on a rolling basis to cover all the properties over a five year cycle.

The responsibility for the valuation of property rests with the Council's Corporate Property Manager, as indicated in the notes to the core financial statements.

The following valuation bases are used to determine net current replacement cost for revalued properties other than investment properties that are not impaired:

- non-specialised operational properties for which there is no general market are valued on the basis of existing use value (EUV).
- specialised operational properties are valued on the basis of depreciated replacement cost, where there is no market evidence of EUV.
- investment properties and properties surplus to requirements are valued on the basis of market value (MV).

Certain similar properties have been grouped together under the relevant controlling department and recorded as a single valuation figure, eg garage blocks, sub-stations, and garden land. The housing stock has been valued using the 'Beacon' approach, whereby values of each house type in an area are determined and applied to the total number of units of that type.

Sites and buildings with an asset value of less than £20,000 are classed as de minimis and have not been included. Purchase of individual items of equipment costing less than £20,000 are charged to the revenue account and not regarded as capital, unless these are part of an overall project costing more than £20,000.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Investment properties are re-valued every two 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.

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 in the Capital Adjustment Account.

c) impairment

The value at which each category of assets is included in the balance sheet is reviewed at the end of the year and where there is reason to believe that its value has changed materially in the year, the valuation is adjusted accordingly. Events and changes in circumstances that indicate a reduction in value may have incurred include:

(a) a significant decline in a fixed asset's market value

(b) evidence of obsolescence or physical damage to the fixed assets

(c) a significant adverse change in the statutory or other regulatory environment in which the Council operates

(d) a commitment by the Council to undertake a significant reorganisation

Where an impairment loss on a fixed asset occurs, the loss is recognised in the service revenue account if it is caused by a clear consumption of economic benefits (eg physical damage or a deterioration in the quality of the service provided by the asset, ie if it is similar in nature to depreciation). Other impairments (reflecting a general fall in prices) are written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account, subject to the value held in the Revaluation Reserve.

d) disposals

Assets are re-valued at current market value when declared surplus. The net value of an asset at the time of disposal or decommissioning is written off to the Income and Expenditure Account with the disposal proceeds being credited to the Income and Expenditure Account to arrive at any gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. The net gain or loss on disposal is therefore reflected in the Income and Expenditure Account with an adjusting entry in the Statement of Movement on the General Fund Balance so that there is no impact on council taxpayers.

Income from the disposal of fixed assets is held in the capital receipts unapplied account until such time as it is allocated to finance other capital expenditure.

The proportion that is required to be paid over to Central Government as a 'housing pooled capital receipt' is charged in the Net Operating Expenditure section of the Income and Expenditure Account and the same amount appropriated from the unapplied capital receipts account and credited to the Statement of Movement on the General Fund Balance.

e) depreciation

Depreciation in respect of buildings, infrastructure and surplus assets awaiting disposal has been charged to service revenue accounts on the basis of their estimated life span. Varying rates of depreciation are applied to vehicles and equipment, according to their assessed useful lives. Depreciation is not provided for freehold land or for non-operational properties. The useful economic lives and basis of depreciation by asset category are as follows:

Asset category	Minimum life Expectancy (years)	Maximum life Expectancy (years)	Depreciation method
Assets under construction	0	50	None
Investment properties	45	50	None
Buildings	5	60	Straight line
Surplus assets for disposal	5	50	Straight line
Infrastructure	20	20	Straight line
Vehicles, plant and equipment	3	8	Straight line
Council dwellings	16	50	Straight line

The council set a default life expectancy for buildings at 50 years. During the revaluation process life expectancies are revised based on the professional judgement of the valuer.

Revaluation gains are also depreciated, with an amount equal to the difference between the 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.

The difference between the credit for depreciation and any relevant impairment losses and the debit for the minimum revenue provision made to the Statement of Movement on the General Fund Balance is accounted for by an adjustment being made to the Capital Adjustment Account.

For depreciation of assets within the Housing Revenue Account, the calculated value for 2009/10, using the methodology agreed by the Chief Financial Officer, exceeded the Major Repairs Allowance, by a material amount. Accordingly, the depreciation as calculated has been included in the Council's accounts.

f) charges to the Income and Expenditure Account

Services within the Income and Expenditure Account are charged with the following amounts for all fixed assets used in the provision of the service:

- depreciation
- where required, any related impairment loss (due to a clear consumption of economic benefits) and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets.

Charges included in the Income and Expenditure Account are credited to the Total Movement on the General Fund Balance, so that there is a neutral impact on the amount due from council taxpayers.

External interest payable is charged to the Income and Expenditure Account as part of net operating expenditure.

The Council is required by statute to set aside an amount each year which it considers to be prudent as a minimum revenue provision (MRP) for the redemption of debt. The amount calculated for the MRP is debited to the Statement of Movement on the General Fund Balance as it is an amount required to be raised from the council taxpayer.

There is no requirement to set aside MRP in respect of the HRA.

14. Revenue expenditure funded from capital under statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the balance sheet as a fixed asset. This enables the expenditure to be funded from capital resources rather than be charged to the general fund: these items are generally grants and expenditure on property not owned by the Council. Such expenditure is charged to the Income and Expenditure Account in accordance with the SORP. Any statutory provision that allows capital resources to meet the expenditure is accounted for by debiting the Capital Adjustment Account and crediting the General Fund balance and showing as a reconciling item in the Statement of Movement on the General Fund Balance.

15. Leases

a) finance leases

Leases are accounted for as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Council. Rental payments under such arrangements are apportioned between:

- a charge for the acquisition of the interest in the asset which is recognised as a tangible fixed asset and a corresponding liability in the balance sheet at the commencement of the lease and
- a finance charge which is allocated and charged to Net Operating Expenditure in the Income and Expenditure Account over the term of the lease

Additional voluntary revenue provision contributions over and above the minimum 4% are made to equate the contribution to MRP with the profile of payments made to discharge the liability over the term of the lease.

Fixed assets recognised under finance leases are accounted for using the same accounting policies applicable to the Council's other tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

b) operating leases

Rentals payable under operating leases are charged to revenue on a straight line basis over the term of the lease, even if the payments are not made on such a basis, unless another systematic and rational basis is more appropriate. Assets used under operating leases are not recognised as fixed assets in the balance sheet.

The Council also leases HRA properties to Registered Social Landlords, on repairing type leases. These properties are recorded as fixed assets and are depreciated over their useful lives.

16. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Premiums or discounts incurred by the Council on the repurchase of existing debt, under a restructure of its debt portfolio, are accounted for in accordance with Financial Reporting Standard 26. Where the replaced loan falls under the classification of an extinguished loan, the full value of the premium/discount is charged to the Income and Expenditure Account. The Council uses regulations which allow for the reversal of this charge through the Statement of Movement on the General Fund Balance and amortise the premium/discount over the life of the new loan. The amortisation of the premium/discount is a charge against the General Fund Balance in the Statement of Movement on the General Fund Balance.

17. Financial Assets

Financial assets are classified into the following types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- unquoted investments for which a reliable fair value cannot be established (ie the Council's investment in the Port Company)
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments (the Council has no assets under this category)
- Fair value through the Income and Expenditure Account – assets that have a quoted market price and or do not have fixed or determinable payments and form part of a portfolio that are managed together.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account 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 and interest credited to the Income and Expenditure Account 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 Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

18. Stocks and long-term contracts

Stocks are included in the balance sheet at the total of the lower cost and net realisable value of the separate items of stock or of groups of similar items. The accounts for the direct service organisations include these items valued at latest price. All work in progress is charged to service accounts by the year end and there is a nil value in the balance sheet.

19. Group accounts

The SORP requires that local authorities prepare Group accounts where they have material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures. Group accounts should then be included in the Statement of Accounts.

The Council has reviewed its partnership arrangements against the criteria for Group accounts set out in the SORP, and is of the view that there are no such material interests that require the preparation of Group accounts. See also Note 34 to the Core Financial Statements.

20. Long term contracts - Private Finance Initiative (PFI)

Prior to 2009/10 the Council followed the Treasury Task Force Technical Note 1 when accounting for PFI transactions. From 2009/10, the Council's PFI contracts are accounted for under IFRS. The contracts have been re-assessed (using IFRIC 12) and, having reviewed the element of control that the Council has over the assets, it has concluded that the PFI assets should be recognised on the Council's balance sheet (previously, under FRS 5, the assets were deemed to be off-balance sheet for the Council).

The PFI assets and the related liabilities have been recognised on the balance sheet when made available for use. Any capital contributions to the PFI schemes are used to reduce the finance lease liability on recognition.

Once recognised on the balance sheet, PFI assets are depreciated, impaired and re-valued in accordance with the Council's accounting policy for fixed assets.

Development costs in respect of Private Finance Initiative (PFI) schemes have been written off to revenue, rather than capitalised, as they do not give rise to an asset in the Council's balance sheet.

PFI payments are accounted for in the year in which the service is provided and are allocated to repayment of the liability, finance cost, service charge, lifecycle cost and contingent rents. Contingent rents arise where part of the annual inflation uplift to the unitary payment needs to be allocated to the finance lease rental element (repayment of liability and finance cost). As the amount cannot be predicted reliably, the treatment under SSAP 21 and IAS 17 is to exclude these from the minimum lease payments and expense them as they are incurred.

Prior period adjustments and comparative figures have been included in this statement of accounts for the amendments required under the 2009 SORP.

It is the Council's policy to appropriate any surplus of PFI credits to an earmarked smoothing reserve. The amount of Government funds required to support the PFI contract for a particular year is then appropriated back to the revenue account.

21. Prior period adjustments

Where, for example, as a result of changes in accounting policies or the correction of fundamental errors, the comparative figures for the preceding financial year need to be restated, these are known as prior period adjustments. In such cases, adjustments are made to the relevant financial statements and notes, and the opening balance of reserves for the cumulative effect.

22. Post balance sheet events

Where a material post balance sheet event occurs which:

- provides additional evidence relating to conditions existing at the balance sheet date, or

- indicates that application of the going concern concept to a material part of the Council is not appropriate,

changes are made in the amounts to be included in the Statement of Accounts.
The occurrence of a material post balance sheet event which concerns conditions which did not exist at the balance sheet date is disclosed. The disclosure states the nature of the event and an estimate of the financial effect of the event.

INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

2008/09 As restated Net £'000	Service classification	Expenditure £'000	Income £'000	Net £'000
119,834	Adult social care	195,306	73,256	122,050
9,037	Central services	11,783	4,194	7,589
96,446	Children and education services	473,197	365,602	107,595
726	Court services (Coroners)	2,189	2,503	(314)
122,065	Cultural, environmental, regulatory and planning services	116,263	31,205	85,058
35,180	Highways, roads and transport services	57,191	25,531	31,660
100,900	Housing Services - HRA	151,717	114,910	36,807
11,258	Housing Services - general fund	217,436	204,002	13,434
16,918	Corporate and democratic core	28,539	7,207	21,332
2,980	Non distributed costs	1,226	3	1,223
(8,965)	Other operating income and expenditure	35,838	35,106	732
506,379	**NET COST OF SERVICES**	**1,290,685**	**863,519**	**427,166**
(1,281)	Net loss/ (gain) on disposal of fixed assets			84
(1,315)	Surplus on trading undertakings			-
1,026	Precepts and levies			1,064
36,718	Interest payable and similar charges			42,408
-	Premium on the early repayment of debt			15,735
2,983	Contribution of housing receipts to Government Pool			2,109
(21,909)	Interest and investment income			(12,985)
26,266	Pensions interest cost and expected return on pensions assets			37,996
548,867	**NET OPERATING EXPENDITURE**			**513,577**
(167,292)	Income from Council Tax			(172,821)
(20,853)	General government grants			(30,935)
(25,743)	Area based grant			(24,263)
(138,820)	Non-domestic rates redistribution			(132,312)
196,159	**Deficit for the year**			**153,246**

Reconciliation of the deficit to the movement on the General Fund Balance

The Income and Expenditure Account shown above includes a number of items that are not required to be included in the general fund and are not taken into account in setting the council tax. The Statement of Movement on the General Fund Balance (following page) sets out how the deficit of £153.2 m reconciles to the actual position on the general fund. This is summarised as follows:

£'000		£'000
196,159	Deficit for the year as shown above	153,246
(199,614)	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year, as detailed on the following pages	(147,896)
(3,455)	Decrease/(increase) in the General Fund balance for the year	5,350
(10,764)	General Fund balance brought forward	(14,219)
(14,219)	General Fund balance carried forward	**(8,869)**

Barbara Janke 28.9.10

Barbara Janke, Leader

27.9.2010

Mark Brain, Chair Audit Committee

27.9.10

Peter Robinson, Chief Financial Officer

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise council tax on a different accounting basis, the main differences being:

Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over-or under-spent against the council tax that it has raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2008/09 As restated Net £'000		2009/10 Net £'000
196,159	Deficit for the year on the Income & Expenditure account	153,246
(199,614)	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year (see note on page 29)	(147,896)
(3,455)	Decrease/(increase) in the General Fund Balance for the year	5,350
(10,764)	General Fund Balance brought forward	(14,219)
(14,219)	General Fund Balance carried forward	(8,869)
(6,000)	Amount held as prudential working balance	(6,000)
(8,219)	Amount of balance generally available for new expenditure	(2,869)
(14,219)		(8,869)
(9,695)	Amount held by schools under local management schemes not included in General Fund Balance shown above	(10,705)

NOTE TO THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2008/09 Net £'000		2009/10 Net £'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(249)	Amortisation of intangible fixed assets	(240)
(235,627)	Depreciation and impairment of fixed assets	(155,703)
(487)	Impairment of investments	(3,620)
(8,614)	Excess of depreciation charged to the Housing Revenue Account over the Major Repairs Allowance	(5,571)
22,119	Government Grants Deferred amortisation	18,859
(7,502)	Write down of revenue expenditure funded from capital resources under statute	(2,111)
1,281	Gain/(loss) on sale of assets	(84)
-	Premium on the early repayment of debt	(15,735)
(2,405)	Transfer to Collection Fund Adjustment Account	(1,958)
(60,695)	Net charges made for retirement benefits in accordance with FRS17 (page 79)	(61,498)
(292,179)		(227,661)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	
12,695	Minimum revenue provision for capital financing	13,065
18,152	Capital expenditure charged in-year to the General Fund Balance	18,096
513	Amortisation of premiums and discounts on debt rescheduling	554
(2,983)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(2,109)
39,248	Employer's contributions payable to the Avon Pension Fund and retirement benefits payable direct to pensioners (page 79)	42,539
67,625		72,145
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
-	Net surplus/(deficit) on the Housing Revenue Account (page 88)	(4,619)
24,940	Net transfer to earmarked reserves	12,239
24,940		7,620
(199,614)	Net additional amount required to be credited to the General Fund balance for the year	(147,896)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses for the year, as represented by the increase in total equity on the balance sheet (following page).

2008/09 As restated £'000		2009/10 £'000
196,159	Deficit for the year on the Income and Expenditure Account	153,246
128,806	Loss/(gain) arising from the revaluation of fixed assets	(142,902)
(78,820)	Actuarial (gains)/losses on pension fund assets and liabilities	152,564
3,478	Movements in other funds and balances	(510)
249,623	**Total recognised (gains)/losses for the year**	**162,398**

Prior year adjustments have been made as follows, resulting in a restated position for 2008/09 as follows:

	£'000
Total recognised loss identified in 2008/09 statement of accounts	219,810
Prior year adjustments:	
Reclassification of various provisions to reserves	(3,768)
Reclassification of part of capital reserve to government grants unapplied and creditors	4,773
Net impact of change in accounting treatment of PFI schemes on Capital Adjustment Account	28,835
Other	(27)
Restated total gain in respect of 2008/09	**249,623**

BALANCE SHEET AS AT 31 MARCH

31.3.09 As restated £'000		Notes	£'000	£'000
932	Intangible Assets	25		588
	Tangible Fixed Assets	13		
	Operational Assets			
1,063,903	- Council dwellings		1,055,664	
611,155	- Other land & buildings		667,390	
8,069	- Vehicles, plant, furniture & equipment		8,034	
37,193	- Infrastructure assets		73,237	
108,378	- Community assets		114,493	
	Non-operational assets			
187,047	- Investment properties		182,435	
69,078	- Assets under construction		90,339	
30,021	- Surplus assets, held for disposal		29,239	
2,114,844				2,220,831
36,015	Long-term investments	27		17,502
75,709	Long-term debtors	28		73,084
2,227,500	Total long-term assets			2,312,005
	Current assets			
104,718	- short-term investments	35	78,956	
1,095	- stocks		1,066	
70,918	- debtors	29/35	91,583	
1,134	- petty cash	35	1,333	
				172,938
				2,484,943
	Current liabilities			
(17,016)	- short-term borrowing	30/35	(36,647)	
(131,535)	- creditors	31	(129,786)	
(10,375)	- cash overdrawn	33	(13,283)	
				(179,716)
2,246,439	Total assets less current liabilities			2,305,227
(357,666)	Long-term borrowing	35	(349,074)	
(440,142)	Pensions liability	43	(611,666)	
(155,726)	PFI contract liabilities	13.3	(152,595)	
(67,816)	Deferred liabilities	17	(70,333)	
(576)	Deferred capital receipts	18	(443)	
(128,924)	Government grants deferred	20	(189,903)	
(2,130)	Government grants unapplied		-	
(7,346)	Provisions	37	(7,498)	
				(1,381,512)
1,086,113	Total assets less liabilities			923,715

31.3.09 As restated £'000		Notes	£'000	£'000
	Financed by:-			
1,262,931	Capital Adjustment Account	26		1,181,902
172	Collection Fund Adjustment Account			(1,786)
(955)	Financial Instruments Adjustment Account	36		(19,755)
110,277	Revaluation reserve	26		216,327
6,729	Capital receipts unapplied	16		6,567
(440,142)	Pensions reserve	43		(611,666)
92,672	Reserves	26		106,656
	Balances			
14,219	- general fund			8,869
30,515	- housing revenue account			25,896
9,695	- schools			10,705
1,086,113				923,715

28.9.10
Barbara Janke, Leader

27.9.2010
Mark Brain, Chair Audit Committee

27.9.10
Peter Robinson, Chief Financial Officer

CASH FLOW STATEMENT

2008/09 £'000		2009/10 £'000	2009/10 £'000
	Revenue Activities		
	Cash outflows		
(10,760)	***Net Cash Flow from Revenue Activities***		(49,820)
	Dividends		
	Cash inflows		
(2,201)	Dividend received		(2,176)
	Returns on Investments and Servicing of Finance		
	Cash outflows		
22,889	Interest paid	22,361	
166	Interest element of finance lease rental payments	130	
	Cash inflows		
(12,801)	Interest received	(9,548)	12,943
	Capital Activities		
	Cash outflows		
116,422	Purchase of fixed assets	176,162	
7,564	Other capital cash payments	4,524	
	Cash inflows		
(17,738)	Sale of fixed assets	(16,139)	
(58,173)	Capital grants received	(98,682)	
(7,352)	Other capital cash receipts	(309)	65,556
38,016	***Net cash outflow before financing***		26,503
	Management of Liquid Resources		
(59,248)	Decrease) in short-term investments	(15,424)	
(5,383)	Net increase/(decrease) in other liquid resources (ie NNDR receipts under or overpaid to the government and council tax receipts under or overpaid to major preceptors)	13,116	(2,308)
	Financing		
	Cash outflows		
194,889	Repayments of amounts borrowed		93,069
697	Capital element of finance lease rental payments		733
	Cash inflows		
(185,972)	New loans raised		(50,450)
(10,000)	New short-term loans raised		(54,500)
(27,001)	**Net decrease/(increase) in cash**		**13,047**

See notes on pages 85-87

NOTES TO THE CORE FINANCIAL STATEMENTS

1. **Trading Accounts**

The following areas are managed on a trading basis. Their financial results for 2009/10 shown below are included within the Income and Expenditure Account under the appropriate service classification. In 2008/09, the results for those areas that formed Bristol Contract Services were included as a net surplus on trading undertakings.

	2009/10					2008/09
	EXPENDITURE £'000	INCOME £'000	DEFICIT/ (SURPLUS) £'000	FRS 17 Pensions Adjustment £'000	DEFICIT/ (SURPLUS) - after FRS17 £'000	DEFICIT/ (SURPLUS) - after FRS17 £'000
Fleet management	4,930	5,145	(215)	(12)	(227)	(115)
Passenger transport	7,760	7,689	71	(84)	(13)	(76)
Vehicle maintenance	1,382	1,547	(165)	(27)	(192)	(228)
Construction	28,460	28,722	(262)	(578)	(840)	(862)
Cleaning	3,145	3,186	(41)	(51)	(92)	(129)
Print Services	697	769	(72)	(13)	(85)	65
Car Parking	5,729	9,297	(3,568)	(140)	(3,708)	(2,798)
Properties	1,738	11,623	(9,885)	0	(9,885)	(9,293)
Total all trading accounts	53,841	67,978	(14,137)	(905)	(15,042)	(13,436)

2. Income and Expenditure Account – analysis by directorate

The Income and Expenditure Account included on page 27 shows the cost of services analysed over the service expenditure analysis required by the Best Value Accounting Code of Practice.

However, the Council manages its spending internally in relation to each of its seven directorates. The net cost of services, analysed by directorate, is set out below.

2008/09 Net £'000	Directorate	Expenditure £'000	Income £'000	Net £'000
96,201	Children, Young People and Skills	471,006	365,173	105,833
69,471	City Development	98,387	39,022	59,365
4,110	Deputy Chief Executive	6,656	1,658	4,998
119,522	Health and Social Care	195,055	73,256	121,799
	Neighbourhoods			
75,393	- general fund	311,826	242,568	69,258
100,900	- housing revenue account	151,717	114,910	36,807
31,420	Resources	38,620	21,507	17,113
12,207	Transformation	15,140	3,543	11,597
(2,845)	Non-distributed and other costs	2,278	1,882	396
506,379	NET COST OF SERVICES	1,290,685	863,519	427,166

The Net Cost of Services has fallen significantly in 2009/10 due to the high level of impairment included in the 2008/09 accounts.

3. Minimum revenue provision

The council is required to set aside an amount each year for the repayment of debt, known as the minimum revenue provision. This is debited to the Statement of Movement on the General Fund Balance as it is an amount required to be raised from the council taxpayer.

	2009/10 £'000	2008/09 £'000
Non-housing amount - 4% of capital financing requirement (excluding contribution from unitaries re ex-County debt)	7,614	7,147
Contribution from unitaries re ex-County debt	2,535	2,608
Write down of PFI liability	2,916	893
Other	-	169
	13,065	10,817

4. Dedicated Schools Grant

The council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on a Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately. In 2009/10 the DSG has been applied as follows:

	Schools Budget funded by DSG		
	Central Expenditure	**Individual Schools Budget**	**Total**
	£'000	£'000	£'000
Final DSG for 2009/10	34,037	158,227	192,264
Brought forward from 2008/09	1,183		1,183
Carry forward to 2010/11 agreed in advance	(615)	0	(615)
Final budgeted distribution in 2009/10	**34,605**	**158,227**	**192,832**
Actual central expenditure	(25,517)	0	(25,517)
Actual ISB deployed to schools	0	(163,370)	(163,370)
Carry forward to 2010/11	**9,088**	**(5,143)**	**4,560**

5. Economic Development

Revenue expenditure and income relating to economic development activity in 2009/10 was as follows:

	2009/10 £'000	**2008/09 £'000**
Economic development team	651	738
Grants and promotions	275	288
Third Sector Economy	92	108
	1,018	1,134

Note: overheads (including charge for accommodation) not included in 2009/10 expenditure following change of directorate responsibility for Economic Development.

6. Road Traffic Regulation Act 1984 – Section 55

SECTION 55 STATEMENT			2009/10	2008/09
		£'000	£'000	£'000
INCOME				
	General Income	3,314		3,187
	PCN Income	1,841		1,294
	Towaway Scheme	(2)		175
Total Income			5,153	4,656
EXPENDITURE				
Direct Expenditure	Premises Costs	21		30
	Supplies and Services	2		-
	Third party payments	0		282
Total Direct Expenditure			23	
Indirect Expenditure	Employees	2,046		1,765
	Premises	91		89
	Supplies and Services	215		180
	Third party patments	3		2
	Transport	113		60
	Support Services	367		329
	Capital Financing Costs	0		158
Total Indirect Expenditure			2,835	2,583
TOTAL EXPENDITURE			2,858	2,895
OPERATING SURPLUS			**2,295**	**1,761**
Overhead allocation			492	633
NET SURPLUS			**1,803**	**1,128**

A total of £14.43million, including capital charges, was spent on Traffic and Transport in 2009/10. Details are shown on the following page.

Expenditure on Traffic and Transport 2009/10	£'000	2009/10 £'000	2008/09 £'000
Section 55 Account (On Street Parking)			
Income		(5,153)	(4,656)
Expenditure		2,858	2,895
Overhead allocation		492	633
Net surplus		(1,803)	(1,128)
Other Transport Operations Revenue Costs/ Income			
Provision of Off Street Parking			
Expenditure (incl. Capital charges and overheads)	3,126		3,553
Income	(4,145)		(4,003)
Net Surplus		(1,019)	(450)
Sub-total - Parking Services overall surplus		(2,822)	(1,578)
Park and Ride			
Expenditure (incl. Capital charges and overheads)	1,310		1,211
Income	(382)		(256)
Net Deficit		928	955
Other net costs			
Public Transport		4,451	4,478
Traffic Management - Traffic Signals		942	1,217
Traffic Planning - Traffic Surveys		(35)	5
Transport Planning		1,296	1,159
Transport Operations		477	433
Traffic Management - client team		598	451
Traffic Management - overheads		87	82
Concessionary Fares		5,812	5,695
Traffic Management - school crossing patrols		187	251
Traffic Management - road safety		1,257	1,038
Major projects team		(163)	(58)
Overheads re above		1,420	1,455
Traffic and Transport - Net Expenditure		14,435	15,583

7. Pooled Budgets

Section 31 of the Health Act 1999 allows partnership arrangements between National Health Service bodies, local authorities and other agencies in order to improve and co-ordinate services. Each partner makes a contribution to a ‘pooled’ budget, with the aim of focussing services and activities for a client group. Funds contributed are those normally used for the services represented in the pooled budget and allow the organisations involved to act in a more cohesive way. The Council was a partner in the following pooled arrangements:

Drugs Action

The Council established a partnership agreement with the NHS Bristol, the Probation Service and other partners using powers under Section 31 of the Health Act 1999 to pool funds and create a single budget. The budget is used to commission Drug and Alcohol Treatment Services for Adults and Substance Misuse Services for Young People. Details of the contributions and expenditure in the year are set out below:

	2009/10 £'000	2008/09 £'000
FUNDING		
- Balance brought forward	1,618	533
- NHS Bristol	2,259	2,215
- Bristol City Council	1,292	1,330
- Home Office Drug Intervention Programme	2,485	2,485
- National Treatment Agency (Dept of Health)	5,934	5,344
- Other bodies	171	897
TOTAL	13,759	12,804
EXPENDITURE		
- Drug and alcohol services for Adults	11,209	10,393
- Substance Misuse Services for Young People	813	793
TOTAL	12,022	11,186
Net underspend carried forward	1,737	1,618

Aids and Equipment service

The agreement between the Council and the NHS Bristol provides for the Council to act as the lead in the commissioning of services from the approved contractor. Total spend and funding was as follows:

	2009/10 £'000	2008/09 £'000
FUNDING		
- NHS Bristol	555	551
- Bristol City Council	949	965
TOTAL	1,504	1,516
EXPENDITURE	1,504	1,516

Learning Difficulties Development Fund

The Council and NHS Bristol entered into an agreement for the purpose of developing services for people with learning difficulties in crisis.

The Learning Difficulty Development Fund is intended to support the implementation of the Government white paper 'Valuing People', which sets out a wide ranging programme of action to improve services for people with learning disabilities based on four key principles - rights, independence, choice and inclusion. Expenditure in 2009/10 was as follows:

	2009/10 £'000	2008/09 £'000
FUNDING		
- Balance brought forward	114	103
- NHS Bristol	-	-
- Bristol City Council	389	383
TOTAL	503	486
EXPENDITURE	296	372
Balance carried forward	207	114

8. Area Based Grant

The Area Based Grant was introduced in 2008/09 and replaced various specific grants that had previously been paid to the council by the government. In approving the budget for 2009/10, the Council determined that directorate budgets should be increased to compensate for the individual grants no longer coming to them, as the Area Based Grant is a general grant. Spending allocations to directorates reflected the previous pattern of specific grants distribution.

9. Members' Allowances

The total of allowances paid to council members in 2009/10 was £1,141,702 (2008/09 £1,130,591).

10. Employees Remuneration

The Council is required, by the Accounts and Audit Regulations 2003 (as amended 2009), to disclose information on their employees remuneration. Full details are required for those employees classed as senior employees whose salary is above £50,000 per annum, and an additional summary disclosure is required of other staff whose total remuneration is above £50,000.

Senior employees

Senior employees are defined as those employees who have a role in the overall management of the authority. For the Council, this applies to the Chief Executive, Deputy Chief Executive, the Senior Leadership Team and the statutory officers (ie the Chief Financial Officer and the Monitoring Officer). Details of their remuneration are shown below:

	Salary, Fees and allowances	Compensation for loss of office	Employers Pension Contribution	Total remuneration incl pension contribution 2009/10	Total Remuneration incl pension contribution 2008/09
	£	£	£	£	£
Chief Executive, J. Ormondroyd	189,563	-	30,894	220,457	214,204
Deputy Chief Executive	135,749	-	22,127	157,876	92,134
Strategic Directors -					
Children, Young People & Skills	123,836	-	20,181	144,017	127,425
City Development	112,597	-	18,353	130,950	129,941
Neighbourhoods	105,156	-	17,136	122,292	118,085
Resources (from July 2009)	88,897	-	14,490	103,387	-
Transformation	105,137	-	17,136	122,273	69,125
Acting Strategic Directors -					
Health & Social Care	104,354	-	17,010	121,364	-
Resources (to August 2009)	42,956	110,889	7,002	160,847	118,500
Statutory Officers -					
Chief Financial Officer (Section 151 Officer)	82,337	-	13,467	95,804	87,727
Head of Legal Services (Monitoring Officer)	82,639	-	13,467	96,106	92,986

Other employees

The numbers of employees whose total remuneration is above £50,000 but who are not included in the detailed disclosure for senior employees on the preceding page are:

Remuneration band	2009/10		2008/09	
	Schools	Non-Schools	Schools	Non-Schools
£50,000 - £54,999	72	57	62	52
£55,000 - £59,999	38	23	47	10
£60,000 - £64,999	26	12	17	10
£65,000 - £69,999	6	5	4	4
£70,000 - £74,999	3	10	4	14
£75,000 - £79,999	3	6	2	6
£80,000 - £84,999	5	5	6	4
£85,000 - £89,999	4	2	3	-
£90,000 - £94,999	1	1	1	1
£95,000 - £99,999	-	6	-	1
£100,000 - £104,999	2	3	2	-
£105,000 - £109,999	-	-	-	-
£110,000 - £114,999	1	-	-	-
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	-	1	-	-
£125,000 - £129,999	-	-	-	-
£130,000 - £134,999	-	-	-	1
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
£150,000 - £154,999	-	-	-	-
£155,000 - £159,999	-	-	-	1
Totals	161	131	148	104

The figures for 2008/09 include two employees who were directors under the previous management structure and left in that year.

11. External Auditors fees

External auditors fees charged to the Council in relation to the 2009/10 financial year were as follows:

	2009/10 £'000	2008/09 £'000
External audit services carried out by the appointed auditor under the Code of Audit Practice in accordance with section 5 of the Audit Commission Act 1998	501	511
Statutory inspections under section 10 of the Local Government Act 1999	17	30
Certification of grant claims and returns by the appointed auditor under section 28 of the Audit Commission Act 1998	70	140
Other services - legal claims, etc	9	25
Total	597	706

12. Related Party Transactions

The Code of Practice requires disclosure of material transactions with ‘related parties’. For 2009/10 the appropriate items are as follows:

	2009/10 Payments/ (Receipts)	2008/09 Payments/ (Receipts)
	£’000	£’000
Central Government Grants		
Department of Communities & Local Government	(234,165)	(236,000)
Department for Children, Schools and Families	(302,575)	(238,000)
Department of Works & Pensions – Housing Benefits	(202,841)	(173,000)
Learning Skills Council	(11,805)	(10,400)
Precepts		
Avon & Somerset Police Authority	21,471	20,585
Avon Fire Authority	7,806	7,472
Bristol Primary Care Trust		
The Council receives net funding as a contribution toward the cost of adult care services and pooled budget arrangements	(33,034)	(35,000)
Pension Payments		
Avon Pension fund – administered by B&NES Council	33,821	31,297
Teachers Pension Agency	12,595	12,568
Bristol Port Company		
In respect of dividends actually received by the Council and included in the Income & Expenditure Account	(2,176)	(2,201)
Other Local Authorities		
Neighbouring local authorities in respect of certain services including:		
South Gloucestershire Council in respect of cross boundary services including bus services	6,619	6,467
Bath and North East Somerset Council in respect of the ongoing liability for added years	2,760	2,604
The Voluntary Sector		
Numerous voluntary/community organisations receive funding from the Council, total paid in year	24,641	17,975

Material balances owed or owing as at 31 March 2010 in respect of the related parties shown above are as follows:-

Department of Communities & Local Government – net amount owed by the Council £2.291m.
Department for Children, Schools and Families – net amount owed to the Council - £0.734m.
Department of Works & Pensions – net amount owed to the Council £13.589m
Learning Skills Council – net amount owed by the Council £0.505m
Bristol Primary Care Trust – net amount owed to the Council £0.431m
Avon Pension Fund – net amount owed by the Council in respect of March contributions £4.036m
South Gloucestershire Council in respect of cross boundary services – net amount owed by the Council £0.163m
The Voluntary Sector - £0.697m owed by the Council to voluntary/community organisations.

Council members and chief officers have been asked to provide information regarding related party transactions. From the information received, it is believed that there have not been any significant transactions involving these counterparties during the year.

13. Tangible fixed assets

13.1 Movement in tangible fixed assets

	Operational Assets					Non Operational Assets			
	Council dwellings £'000	Other land & buildings £'000	Vehicles, plant etc. £'000	Infra-structure £'000	Community assets £'000	Investment properties £'000	Assets under constr-uction £'000	Surplus assets, held for disposal £'000	Total Fixed Assets £'000
Cost/Valuation									
At 1 April 2009	1,090,769	656,932	9,953	40,485	108,378	187,047	74,573	33,701	2,201,838
Additions	42,845	52,663	1,309	19,693	849	86	41,378	-	158,823
Disposals	(8,680)	(1,303)	-	-	-	(1,623)	-	(4,931)	(16,537)
Reclassification	(991)	4,700	-	17,775	67	(1,277)	(20,064)	(209)	1
Revaluations	5,974	(17,395)	-	-	5,199	(1,798)	(710)	4,247	(4,483)
As at 31 March 2010	1,129,917	695,597	11,262	77,953	114,493	182,435	95,177	32,808	2,339,642
Depreciation/Impairments									
At 1 April 2009	(26,866)	(45,777)	(1,884)	(3,293)	-	-	(5,495)	(3,680)	(86,995)
Charge for 2009/10									
- depreciation	(24,449)	(17,294)	(1,344)	(1,423)	-	-	-	(825)	(45,335)
- impairment	95,428	(65,551)	-	-	-	(9,985)	-	56	19,948
Disposals	-	38	-	-	-	-	-	589	627
Reclassifications	-	50	-	-	-	-	(52)	2	0
Revaluations	(118,366)	100,327	-	-	-	9,985	709	289	(7,056)
At 31 March 2010	(74,253)	(28,207)	(3,228)	(4,716)	-	-	(4,838)	(3,569)	(118,811)
Balance sheet at 31.3.10	1,055,664	667,390	8,034	73,237	114,493	182,435	90,339	29,239	2,220,831

Notes: 1. A number of assets, mainly within community assets are registered as charities. These are fully maintained by the Council under the terms of the original charitable trust.

2. The total for additions in year excludes revenue expenditure funded from capital under statute (total £5.9m).

13.2 **Valuations of tangible fixed assets carried out at current value**

The following statement shows the revaluation of tangible fixed assets, detailing the yearly increases/(reductions) in values for each class of asset. The valuations, excluding vehicles, plant and community assets, etc. are carried out by R. Taplin, FRICS, the City Council's Corporate Property Manager. The basis for valuation for all assets is set out in the statement of accounting policies.

	Council dwellings £'000	Other land & buildings £'000	Vehicles, plant etc £'000	Community assets £'000	Investment properties £'000	Surplus assets £'000	Total £'000
Valued in:							
current year	(16,964)	17,436	-	5,199	(1,697)	4,592	8,566
last year	(217,520)	(30,218)	-	5,140	(25,794)	(9,261)	(277,653)
2 years ago	182,384	56,908	-	56	9,449	17,205	266,002
3 years ago	6,958	(9,555)	-	11,669	258	8,127	17,457
4 years ago	215,008	11,020	-	-	10,892	(236)	236,684
Total	169,866	45,591	0	22,064	(6,892)	20,427	251,056

13.3 Movement in PFI assets and liabilities

Note 13.1 (Movement in tangible fixed assets) includes the following amounts, under Other land and buildings, in relation to on-balance sheet PFI schemes:

	£'000
Cost/valuation at 1 April 2009	171,908
Revaluations	8,529
Depreciation	(3,593)
Impairment	(19,883)
Cost/valuation at 31 March 2010	**156,961**

The associated liability is included in the balance sheet:

	£'000
Liabilities at 1 April 2009	158,642
Reduction in year	(2,916)
Liabilities at 31 March 2010	**155,726**

14. Capital expenditure and financing

The main items of capital expenditure during the year were:

	£'000
Renovation of Council dwellings	32,706
PRC repairs	2,285
Colston Hall foyer	961
Private sector housing renewal	1,977
Housing enabling works	2,688
Improvement grants	3,100
Schools -	
new build	33,986
improvements	15,347
Other childrens and education service schemes	4,854
Highways maintenance/improvements	3,371
Bus Quality Partnership	1,555
Cycle City Project	2,888
Major Transport Studies	3,627
Other traffic management schemes	4,479
General repairs and maintenance/improvements	8,063
Museum of Bristol Phase 2	8,590
Hengrove Park Phase 1	9,125
Pathfinders project – St Pauls Adventure Playground/enhancement of 28 Play Areas	2,009
Arnos Vale Project	2,046
City Docks Infrastructure	5,805
Transformation programmes, incl. office accommodation	5,630

Capital expenditure during the year was financed as follows:

	£'000		£'000
Loans	32,703	Fixed Assets	158,823
Capital Receipts	14,192	Revenue expenditure funded from capital under statute	2,111
Capital Grants	99,106	Intangible assets	38
Other (revenue and other contributions)	14,971		
	160,972		160,972

Total expenditure shown excludes £3.7m relating to home renovation grants, financed by government grant. This is included in the tables of capital expenditure and financing in the Explanatory Foreword.

15. Capital financing requirement

	£'000
Balance brought forward 1 April	613,645
Unfinanced capital expenditure met from loans	32,703
Less minimum revenue provision	
- City Council debt	(7,614)
- Contribution from unitaries re ex-County debt	(2,535)
- Write down of PFI liability	(2,916)
Balance carried forward 31 March	633,283

The Capital Financing Requirement identifies the Council's underlying need to borrow. It represents previous and current financial year's capital expenditure less all cash backed funding available to fund that expenditure. An additional adjustment is made annually to account for Minimum Revenue Provision (statutory debt repayment) and any voluntary set aside (debt repayment in excess of statutory minimum).

Examples of cash backed funding are shown below

- Capital receipts
- Grant
- Third party contributions
- Revenue contributions to capital outlay

As at 31 March 2010 the Council's overall Capital Financing was funded by

- External loans £385.7m (the total of long and short-term borrowing per Balance Sheet)
- Finance leases £155.3m
- BCC resources £92.3m (reserves/balances/working capital)

16. Capital Receipts Unapplied

These are capital receipts which have not yet been used to finance capital expenditure or to repay debt.

	2009/10 £'000	2008/09 £'000
Balance at beginning of year	6,729	2,249
Capital receipts in year	16,139	23,863
Housing receipts paid to DCLG	(2,109)	(2,984)
Capital receipts applied during the year (incl. set aside for debt redemption)	(14,192)	(16,399)
Balance at end of year	**6,567**	**6,729**

The principal receipts in the year were from:

	£m
Housing right to buy sales (HRA)	2.83
Winstanley House (HRA)	0.65
Groves Site, Hartcliffe (HRA)	1.02
Kingsdon Manor Special School	1.73
Knowle DGE Special School Annexe	0.80
Concorde Lodge	0.40
21-23 Stokes Croft	0.28

17. Deferred Liabilities

Deferred liabilities are amounts which, by arrangement, are payable beyond the next year, at some point in the future or are to be paid off by an annual sum over a period. As at the 31 March 2010 the liability in the Council's balance sheet of £70.333m comprises of £61.811m former county council loan debt, £2.697m obligations under finance leases and £5.825m in respect of a loan for the Hengrove Park development.

18. Deferred Capital Receipts

Deferred Capital Receipts are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise from mortgages on sales of council houses, which form part of mortgages under long term debtors.

19. Contractual commitments

Significant contractual commitments outstanding at 31 March 2010 were as follows:

	£m
Bishopston Primary School – new build	5.0
Ashton Park School - refurbishment and new build	4.9
Cotham School - refurbishment and new build	5.0
Florence Brown Special School - new build	0.5
Museum of Bristol	4.4
Docks - replacement of Lock Gates	1.7

Repairable PRC's Phase 2 (HRA - contract to March 2012)	1.9
Barton Hill Tower Block refurbishment (HRA)	1.4
Planned Programme with ROK (HRA - contract to July 2011)	8.7
Heating Installation with Connaught (HRA – contract to August 2012)	4.8
Planned Programme with Wates (HRA - contract to July 2011)	8.1
Vetchlea EMI (home for people with dementia) – refurbishment and extension	2.8
Packers Sports Ground, Whitehall/WISE Campus, Filton – creation and improvement of athletics facility	1.4

20. Government grants deferred

	Balance at 1.4.09 £'000	Grants applied in year £'000	Amounts amortised in year £'000	Balance at 31.3.10 £'000
Capital grants deferred	128,924	99,106	38,127	189,903

21. Tangible assets

Tangible fixed assets include:

	31 Mar 2010 (Nos)	31 Mar 2009 (Nos)
Nursery schools	13	13
Primary Schools	106	110
Secondary schools	12	13
Special schools	9	9
Residential homes		
- children	11	11
- elderly people's homes/hostels	17	18
Day and Resource Activity centres	14	14
Community centres	35	43
Council dwellings	28,226	28,367
Car parks	42	39
Sports facilities	46	48
Museums	11	11
Libraries and associated buildings	38	49
Green spaces	1783ha	1,500 ha
Allotments	126	132
Cemeteries and crematoria	11	11
Industrial units and trading estates	293	293

22. Assets held under finance leases

The council has acquired vehicles for operational purposes under finance leases. These are included in the balance sheet as tangible fixed assets, as follows:

	£'000
Net Book Value at 1 April*	3,380
Depreciation	(676)
Value at 31 March	2,704

*Net Book Value as at 1 April 2009 includes accumulated depreciation of £2.028m.

The rentals payable under the lease agreement are as follows:

	£'000
Finance charge	130
Write down of obligation to lessor	733
Total rentals paid	863

Outstanding obligations to make payments under this lease (excluding financing costs at 31 March 2010) and accounted for as deferred liabilities are:

	£'000
Obligations payable in 2010/11	769
Obligations payable between 2011/12 – 2014/15	1,928
	2,697

23. Operating Leases

Vehicles and equipment

- rental payments totalling £479,418 (2008/09 - £611,887) were made during the year in respect of operating lease agreements.

Property

- rental payments totalling £2,434,922 (2008/09 £2,482,547) were made during the year in respect of property (notably office accommodation).

The Council was committed at 31 March 2010 to making payments of £2,332,381 (2008/09 - £2,482,547) under operating leases, comprising the following elements.

	Vehicles & Equipment	Property
	£'000	£'000
Commitment expires within 1 year	162	41
Commitment expires in 2 to 5 years	157	810
Commitment expires over 5 years	-	1,162
	319	2,013

Council as Lessor – the Council generated lease rental income from its commercial portfolio of £11.623m. This principally comprises of office, retail and industrial properties.

The gross value of assets held, in the commercial portfolio, for use in operating leases was approximately £154.2m. These assets are not subject to depreciation as stated in the Statement of Accounting Policies.

24. Private Finance Initiative Commitments

Schools PFI Phase 1a

On 31 March 2004 the City Council entered in to a Private Finance Initiative (PFI) contract with Bristol Schools Limited. The contract provided for the design, construction and financing of four new schools, Bedminster Down Secondary, Henbury Secondary, Monks Park Secondary and Oasis Academy Brightstowe. All four schools were constructed and are operational. Bristol Schools Limited maintain and operate the facilities for twenty six years from the date the first school became operational.

A capital contribution of £5.346m was made to the first phase of the project by way of a cash payment. This was in respect of the provision of leisure facilities and of the retention of part of the site of Henbury school by the Council, for subsequent disposal.

Schools Phase 1b and 1c Building Schools for the Future

During 2006/07 the Council entered into a PFI contract with Bristol PFI Limited to design, build, finance, and operate four additional schools in Bristol. A Local Education Partnership (LEP) was also created to manage the supply chain and deliver the four schools. The partnership is between Skanska Education Partnerships (80%), Partnership for Schools (10%) and Bristol City Council (10%). The schools are Brislington Enterprise College, Bristol Brunel Academy, Bristol Metropolitan College and Bridge Learning Campus. A capital contribution of £9.569m was made to the project by way of a cash payment. This was used towards the cost of the Bridge Learning Campus and provision of leisure facilities at Bristol Brunel Academy.

During 2009/10 the PFI contracts have been re-assessed under IFRS (using IFRIC 12) and, having reviewed the element of control that the Council has over the assets, it has concluded that the PFI assets should be recorded on the Council's balance sheet.

The PFI assets, and related liabilities, have been recognised on the Council's balance sheet when made available for use.

Prior period adjustments, and comparative figures, have been included in this statement of accounts for the amendments required under IFRS.

Outstanding obligations arising from long-term contracts (PFI)

Payments are made to the PFI contractors as monthly "unitary payments". The estimated payments the Council will make under the contracts are shown below.

These payments are commitments and can vary subject to indexation, reductions for performance and availability failures, possible future variations to the scheme as elements are added to or taken away from the scheme.

The funding of the unitary payment will come from the individual schools budget, the overall Schools Budget and a special government grant. PFI payments are accounted for in the year in which the service was provided and are allocated to repayment of the liability, finance cost, service charge and other costs (lifecycle cost and contingent rents).

Schools PFI Phase 1a

As at 31 March 2010 payments totalling £43.2m have been made to the PFI contractor. The future estimated payments the Council will make under the contract, split between the various elements, are as follows:

Year	Repayment of liability	Finance cost	Service Charge	Other	Total
	£'000	£'000	£'000	£'000	£'000
2010/11	947	5,914	2,458	374	9,693
2011/12 to 2014/15	4,493	22,462	10,461	561	37,977
2015/16 to 2019/20	7,837	24,668	14,617	(432)	46,690
2020/21 to 2024/25	11,800	19,222	16,538	(263)	47,297
2025/26 to 2029/30	18,464	10,878	18,711	(602)	47,451
2030/31 to 2031/32	6,735	1,013	5,584	393	13,725
Total	**50,276**	**84,157**	**68,369**	**31**	**202,833**

Over the life of the PFI project, the Council will receive government grant of £134.8m.

Schools PFI Phase 1b and 1c Building Schools for the Future

As at 31 March 2010 payments totaling £27.5m have been made to the PFI contractor. The future estimated payments the Council will make under this contract, split between the various elements, are as follows:

Year	Repayment of liability	Finance cost	Service Charge	Other	Total
	£'000	£'000	£'000	£'000	£'000
2010/11	2,185	8,120	3,920	358	14,583
2011/12 to 2014/15	10,171	30,690	16,790	2,326	59,977
2015/16 to 2019/20	15,318	33,630	23,273	6,775	78,996
2020/21 to 2024/25	20,119	26,835	26,659	10,400	84,013
2025/26 to 2029/30	25,059	18,635	30,791	15,204	89,689
2030/31 to 2034/35	32,597	7,100	30,676	13,394	83,767
Total	**105,449**	**125,010**	**132,109**	**48,457**	**411,025**

Over the life of the PFI project, the Council will receive government grant of £326.3m.

25. Intangible Assets

	Balance at 1.4.09 £'000	Expenditure £'000	Amounts Written Off £'000	Balance at 31.3.10 £'000
Software licences, etc	932	39	383	588

26. Reserves

i) Revaluation Reserve

The Revaluation Reserve reflects the amount by which the value of the Council's assets have been revised following revaluation and the amounts written off fixed asset balances for disposal.

	2009/10 £'000	2008/09 £'000
Balance at 1 April	110,277	258,311
Net gains on revaluation of fixed assets	142,901	76,301
Excess of current value depreciation over historic cost depreciation	(5,489)	(2,462)
Removal of reserve following disposal of assets	(1,805)	(721)
Reduction following impairment	(29,557)	(221,152)
Balance at 31 March	216,327	110,277

ii) Capital Adjustment Account

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and the amounts which are required by statute to be set aside from revenue for the repayment of loans and the amount of capital expenditure financed from revenue and usable receipts. The account, however, is not reduced when debt is actually repaid.

	2009/10 £'000	2008/09 £'000
Balance at 1 April	1,262,931	1,420,518
Value of assets sold and/or disposed of	(14,732)	(14,862)
Depreciation and impairment of fixed assets	(144,538)	(240,821)
Government grants deferred amortisation	38,127	40,462
Minimum revenue provision for capital financing	13,062	9,755
Financing of capital expenditure		
- revenue	12,914	12,690
- capital receipts	14,192	16,399
- capital reserve	2,057	29,275
Write down of revenue expenditure funded from capital resources under statute	(2,111)	(7,502)
Other adjustments (net)	0	(2,983)
Balance carried forward 31 March	**1,181,902**	**1,262,931**

iii) Other Reserves

	1 April 2009 £'000	Receipts in year £'000	Payments in year £'000	31 March 2010 £'000
Capital reserves:				
Capital Reserve	10,064	99,287	89,566	19,785
Housing General Fund capital reserve	2,170	609	1,634	1,145
Section 106 Agreements	16,127	1,135	1,913	15,349
	28,361	101,031	93,113	36,279
Revenue reserves:				
Business Transformation	3,947	30	2,185	1,792
Restructuring costs	2,527	0	1,303	1,224
Supporting People	10,521	0	0	10,521
Schools Academy Programme	1,179	0	697	482
Recession Action Fund	1,000	0	857	143
Accommodation Review	779	0	25	754
IT Replacement Fund	4,061	433	243	4,251
Asbestos removal	632	0	0	632
Various regeneration projects	0	728	0	728
Schools Absence Scheme	982	114	0	1,096
Early Years Reserve	0	1,430	0	1,430
Housing - Inclement Weather	500	0	0	500
Education Standards Fund	5,084	5,113	0	10,197
Collection fund	0	450	0	450
Housing benefit issues	1,143	0	168	975
Education PFI smoothing fund	6,882	21	2,653	4,250
Working Neighbourhoods	1,044	0	1,040	4
Grounds maintenance	0	895	179	716
Waste issues	500	2,130	230	2,400
Performance Reward Grant	553	0	40	513
Commercial Properties	258	200	0	458
Health and Social Care Placements	0	1,500	0	1,500
Other	11,719	7,904	5,262	14,361
	53,311	20,948	14,882	59,377
Other:				
Investment in Port Company	11,000	-	-	11,000
Total per balance sheet	**92,672**	**121,979**	**107,995**	**106,656**

The capital reserve is maintained to provide funding for the Council's capital programme: the balance at 31 March is fully committed to the future years' programme. Section 106 monies are agreements under planning legislation which require developers to ensure that certain infrastructure/additional facilities, etc are provided. This obligation is sometimes met by the payment of monies to the council, which then arranges for this work to be carried out. These contributions are accounted for in the same way as government grants for capital works, as detailed in the Statement of Accounting Policies.

RESERVE	PURPOSE
Business Transformation	The Transformation Programme is a council-wide initiative to improve services, reduce costs and wastage and improve productivity, with the objective of delivering the Council's corporate priorities. It is a five year commitment to explore all services areas and this reserve is being utilised over the period to 'pump prime' the necessary actions to achieve this objective.
Restructuring costs	To meet costs associated with organisational change. Due to its nature, there is no specified timescale for its usage.
Schools Academy Programme	A sum of £1.6m was set aside in 2006/07 to meet costs relating to Schools Academies and the Building Schools for the Future Programme.
Supporting People	Comprises underspend of grant from previous years held to meet notified reductions in grant and forecast deficits against planned spend in future years.
IT Replacement Fund	Maintained to finance the replacement and renewal of the ICT infrastructure. Annual contributions are set aside from the revenue budget.
Accommodation Review	To meet costs of accommodation review project, including flexible working.
Asbestos removal	Identification and removal of asbestos in council owned proprties
Various regeneration projects	Match funding for ongoing regeneration schemes.
Schools Absence Scheme	Funding from schools to meet the cost of supply cover (Schools Budget).
Early Years Reserve	For the development of statutory early years funding reforms in 2010/11 and to provide transition funding for nursery schools and early years settings at financial risk following implementation of a single funding formula.
Education Standards Fund	Represents grant paid on account by the Department of Children Families and Skills, but not spent by the year end.
Housing benefit issues	To meet potential clawback of subsidy pending finalisation of audit claims for 2008/09 and 2006/07 together with other financial risks associated with the benefits service.
Education PFI smoothing fund	The fund represents the excess of government grant over expenditure to date in respect of the Schools PFI schemes. Is carried forward to meet future years commitments under the PFI contract.
Grounds maintenance	To fund maintenance costs in respect of former HRA open green space appropriated to the general fund.
Waste issues	Held for risks associated with reductions in recyclate income prices and one off costs arising from procurement of new waste service contracts. Includes grant funding for Bristol's ongoing share of the West of England Waste Strategy.
Commercial properties	Accumulated surpluses on the Commercial Property Trading account held against future income shortfalls due to economic downturn.
Health and social care placements	To meet potential spending pressures in 2010/11 arising from growth in adult care placements.
Investment in Port Company	Reflects the City Council's shareholding and can not be used for alternative purposes (also see note 27).

27. Investments

Long-term Investments consist of:

	31 March 2010 £'000	31 March 2009 £'000
Investments in Bristol Port Company	2,500	11,000
Money market investments	15,000	25,000
Other	2	15
	17,502	**36,015**

The Port Company is responsible for the provision of Port facilities. The City's shareholdings in the company comprise:

8.5m redeemable shares carrying preferential dividends
250 C shares which pay 12.5% of net profits after tax and
2,499,750 D shares which pay 0.0001p pari passu B and C dividends.

The range of valuations of this shareholding is such that the fair value of the investment cannot be measured reliably. The preference shares are redeemable in March 2011and have therefore been reclassified as short term investments in these accounts.

Dividends amounting to £2.2million were paid in 2009/10 and have been included in the Income and Expenditure Account. In line with the requirements of the SORP, the Council has not accrued for undeclared dividends.

28. Long term debtors

These are debtors which fall due after a period of at least one year, analysed as follows:

	31 March 2010 £'000	31 March 2009 £'000
Mortgages	443	576
Capital Loans (Probation/Fire/LEP)	12,560	13,272
Other Loans	50	51
South Gloucs Council	653	0
Former county council debt	59,378	61,810
	73,084	**75,709**

29. Debtors

	31 March 2010 £'000	31 March 2009 £'000
Government departments	34,060	17,429
Other local authorities	5,203	5,412
Local taxpayers	7,668	7,492
Housing rents	10,970	10,819
Sundry debtors	59,762	52,932
Car loans to employees	396	377
	118,059	94,461
Provision for doubtful debts (see also page 63 for further details)	(26,476)	(23,543)
	91,583	**70,918**

30. Short Term Borrowing

Temporary borrowing at 31 March 2010 was made up as follows:

	31 March 2010 £'000	31 March 2009 £'000
Deposit loans (repayable at notice - up to 7 days)	590	620
Deposit loans (repayable over 7 days but under 1 year)	22,912	-
Other short-term borrowing (repayable within 1 year):		
Public Works Loan Board	12,031	15,278
Banks and Other Monetary Sector	1,096	1,098
Local Bonds and property rent disposals	15	16
Stocks	3	4
	36,647	**17,016**

31. Creditors

	31 March 2010 £'000	31 March 2009 £'000
Government Departments	16,162	16,922
Other local authorities	3,263	2,936
Local Taxpayers	2,939	2,804
Housing rents	1,418	1,581
Sundry creditors	106,004	107,292
	129,786	**131,535**

32. Landfill Allowance Trading Scheme (LATS)

The LATS commenced operation on 1 April 2005. Waste Disposal Authorities (WDA's) have been allocated annual tonnage allowances in respect of the amount of biodegradable municipal waste which is taken to landfill for the period up to 31 March 2020. A financial penalty is incurred (currently set at £150/tonne) if the allowance is exceeded. However, authorities are able to buy and sell allowances for both the current and future periods, but only from or to another WDA.

The Council has used less landfill than its allocation of allowances in 2009/10 but has not undertaken any trading. No adjustments have been made in these accounts as the Council has deemed the value of allowances to be nil, due to the lack of trading activity generally.

33. Cash balances

The City Council manages a number of Euro bank accounts on behalf of itself and other partner organisations, dealing mainly with the funding for transportation schemes by the European Union, eg VIVALDI, PROGRESS. There were no balances at 31 March 2010 relating to the Councils own accounts. The sterling equivalent of the total balances held for and managed on behalf of other partner organisations, and not included within the Council's accounts, at 31 March 2010 was £376,467 (31 March 2009 - £1,018,472).

34. Group Accounts

Local authorities with material interests in subsidiary and associated companies are required to prepare summarised group accounts (revenue account and balance sheet). This entails consolidating the accounts of the companies concerned with those of the local authority itself, at a summarised level.

However, if the activities of such companies are not significant in relation to the overall operational activities of the Council, the requirement to produce group accounts is not necessary.

Three companies have been identified as being subsidiaries, as follows:

Bristol Buildings Preservation Trust
Broadmead Board Limited (promotion of Broadmead Shopping Centre)
Destination Bristol

The City Council has no obligation to meet any accumulated deficits of these companies should they arise. In overall terms, the assets and liabilities of these companies are not material to the accounts and have therefore been excluded from the City Council's financial statements.

35. Financial Instrument Balances

1. Disclosure of 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 are:

- ✓ 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 overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice 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 Code of Practice;
- ✓ by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- ✓ by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - o The Council's overall borrowing;
    - o Its maximum and minimum exposures to fixed and variable rates;
    - o Its maximum and minimum for exposures to the maturity structure of its debt;
    - o Its maximum annual 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 the Government Guidance.

These are required to be reported and approved at or before the Council's annual budget and council tax setting meeting 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 at least annually to Members.

The key issues within the strategy were:

- The Authorised Limit for 2009/10 was set at £618m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £545m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 30% respectively.

These policies are implemented by a central treasury 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 through Treasury Management Practices (TMPs). These TMPs 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.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Council's website. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term of F1, Long Term A, Support C and Individual 3 (Fitch or equivalent rating), with the lowest available rating being applied to the criteria;
- UK institutions provided with support from the UK Government;
- The removal of Building societies with the exception of Nationwide Building Society.

The following analysis summarises the Council's maximum exposure to credit risk. The table (composite defaults from Fitch, Standard & Poors and Moody's) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period since at least 1990-2009. Defaults shown are by long term rating category on investments out to 1 year, which were the most commonly held investments during the year.

	Amount at 31 March 2010 £'000	Historical experience of default %	Adjustment for market conditions at 31 March 2010 %	Estimated maximum exposure to default £'000
Deposits with banks and financial institutions	(a)	(b)	(c)	(a * c)
AAA rated counterparties	26,917	0.00%	0.00%	0
AA rated counterparties	55,027	0.03%	0.03%	17
D rated counterparties	3,577	42.67%	42.67%	1,526
Bonds – AAA rates	0	0.00%	0.00%	0
Government Debtors	36,829	0.00%	0.00%	
Provision for Bad Debts	26,476	0.00%	0.00%	
Trade debtors	54,754	0.00%	0.00%	
Bristol Port Company	11,000	0.00%	0.00%	
Ex Avon Debt & Other	60,061	0.00%	0.00%	
Loans to Fire Authority & Probation Services	12,530	0.00%	0.00%	
Cash in Hand*	1,268	0.00%	0.00%	
Other	495	0.00%	0.00%	
Total	**288,934**			**1,543**

* For the purpose of this note, cash in hand has been reduced in order to separate the cash deposit accounts which are included in the AA rated counterparties total. Total adjustment £65k.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £8m invested in this sector at that time and the table above reflects the credit rating that followed the collapse. However, at the time of placing this investment, the Icelandic banks had a long-term credit rating of A and met the Council's minimum credit rating criteria. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. The impact of the principal invested has been mitigated in the accounts according to government regulations, although all related investment income has been fully impaired.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties. Whilst all the Council's deposits are made through the London Money markets, the allocation of investments between institutions domiciled in foreign countries were as follows:

Region	Country*	Principal at 31 March 2010	Accrued Interest	Net Adjust-ment	Carrying Amount at 31 March 2010	% (Carrying Amount)
		£'000	£'000	£'000	£'000	
UK	UK	80,961	983		81,944	96%
Non-UK	Iceland	8,000		(4,423)	3,577	4%
	Total	**88,961**	**983**	**(4,423)**	**85,521**	**100%**

* As defined by the Financial Services Authority as at 31 March 2010

The Council does not generally allow credit for its trade debtors. Excluding amounts due from government departments and other local authorities, the Council's net debtors shown in the balance sheet as at 31 March 2010 comprise:

	Gross debtor	Bad debts provision	Net debtor
	£'000	£'000	£'000
Local taxpayers	7,668	(3,531)	4,137
Housing rents	10,970	(9,367)	1,603
Sundry debtors	60,158	(13,578)	46,580
Total	**78,796**	**(26,476)**	**52,320**

The approach to determining the appropriate provision for bad and doubtful debts varies according to the type of debt. The approach is summarised as follows:

- Local taxpayers

For both council tax and non-domestic rates, provision is based on an age analysis of arrears. 100% is provided for debts over six and seven years old respectively (total amount provided £3.4m against total arrears of £9.3m). The percentage provision against arrears of less than these ages is based on a sliding scale according to the year due.

- Housing rents

Provision is made for arrears relating to former tenants at 100% (£5.4m). For current tenants, debt is classified into bandings based on the value of the debt and the higher the value, the higher provision is made (£3.9m).

- Sundry debtors

Individual departments are responsible for determining their own bad debts provisions. In the majority of cases, this is based on a detailed age analysis of debts provided from central debtors system.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). 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 it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	31 March 2010 £'000	31 March 2009 £'000
Less than one year	198,348	201,710
Between one and two years	-	18,500
Between two and three years	-	-
More than three years	90,586	93,224
Total	**288,934**	**313,434**

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- ✓ monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- ✓ monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved Council in the Treasury management Strategy):

	Approved maximum limits	Approved minimum limits	Actual 31 March 2010	Actual 31 March 2009
Less than 12 Months	0%	20%	36,647	17,016
1-2 years	0%	20%	219	8,593
2-5 years	0%	40%	10,052	15,271
5-10 years	0%	40%	3,000	38,450
10-15 years	25%	85%	20,000	15,000
15-20 years	25%	85%	49,000	54,000
20-25 years	25%	85%	10,000	-
25-30 years	25%	85%	15,000	25,000
30-35 years	25%	85%	15,000	15,000
35-40 years	25%	85%	24,800	24,800
40-45 years	25%	85%	81,052	21,000
45-50 years	25%	85%	90,950	110,500
50-55 years	25%	85%	10,000	30,051
55-60 years	25%	85%	-	-
60-65 years	25%	85%	-	-
65-70 years	25%	85%	20,000	-
Total			**385,721**	**374,682**

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, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- ✓ borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- ✓ borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- ✓ investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- ✓ investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account, in which case gains and losses will be posted to the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor 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; similarly the drawing of longer term fixed rates borrowing would be postponed.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	Nil
Increase in interest receivable on variable rate investments	(1,619)
Impact on Income and Expenditure Account	(1,619)
Share of overall impact debited to the HRA	303
Decrease in fair value of fixed rate investment assets	Nil
Impact on STRGL	Nil
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	58,593

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

Price risk – The Council does not generally invest in equity shares but does have shareholdings included in these accounts of £11m in the Bristol Port Company. Of this holding, £8.5m relates to preference shares redeemable in March 2011, for which there is no exposure to price risk. The remainder of this holding is exposed to losses arising from movements in prices of these shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for “open book” arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific holdings.

These shares are all classified as Loans and receivables at amortised cost.

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.

Disclosure Areas

The Balance Sheet is required to have a minimum of four balances relating to financial instruments:

- ✓ long-term investments
- ✓ current assets – investments
- ✓ current liabilities – borrowings repayable on demand or in less than 12 months
- ✓ borrowing repayable within a period in excess of 12 months

2. Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		**Current**	
	31 March 2010 £’000	**31 March 2009 £’000**	**31 March 2010 £’000**	**31 March 2009 £’000**
Financial liabilities (principal amount)	349,074	357,666	32,101	12,727
Add Accrued interest			4,546	4,289
Financial liabilities at amortised cost (1)	349,074	357,666	36,647	17,016
Total borrowings	**349,074**	**357,666**	**36,647**	**17,016**
PFI liabilities	152,595	155,726	3,131	2,916
Creditors			126,655	128,619
Cash overdrawn			13,283	10,375
Total	**501,669**	**513,392**	**179,716**	**158,926**
	15,000	25,000	73,896	101,301

Loans and receivables (principal amount)				
Add Accrued interest			983	4,482
Add Accounting adjustments (3)	0	0	(4,423)	(1,065)
Loans and receivables at amortised cost (1)	**15,000**	**25,000**	**70,456**	**104,718**
Port investment	2,500	11,000	8,500	
Sub-total	**17,500**	**36,000**	**78,956**	**104,718**
Debtors	73,086	75,524	118,059	95,858
Cash in Hand			1,333	1,134
Total investments	**90,586**	**111,524**	**198,348**	**201,710**

Note 1 – Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Fair value has been measured by direct reference to published price quotations in an active market.

Unusual Movements

- ✓ The Council had four temporary loans outstanding as at 31 March 2010 with a total value of £22.9m. These loans were used to support the daily cash flow requirements of the Council. As a result, year-on-year short-term liabilities have increased by 176%. The temporary loans have been classified as short-term financial liabilities as they will be repaid during 2010.

- ✓ Year-on-year long-term investments had decreased by 40%. A number of financial institutions had repaid the investments earlier than expected (ie at first opportunity as per the contractual terms) as these investments were earning an interest rate in excess of 6% compared to the current Bank of England Base Rate of 0.5%.

- ✓ At 31 March 2010, year-on-year investments had decreased by 27%. Surplus investment balances instead of long term borrowing were used to fund the capital programme given that the Council's Treasury Management Strategy was to reduce surplus investment balances and thus reduce counterparty risk.

- ✓ £8.5m of the Port Company investment is due to be redeemed in March 2011 and therefore this proportion of the investment has been reclassified as a short-term investment.

Allowance for Credit Losses

Section 4.62 of the SORP requires any impairment of a financial asset to be reflected in the carrying amount with the impairment loss being charged to the Income and Expenditure Account. The Council has incurred impairment losses on its Icelandic investments. These are discussed later in the disclosure notes.

3. Financial instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

Financial Instruments Gains and Losses 2009/10					
	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available -for-sale assets £'000 (1)	Fair value through the I&E Account £'000s (2)	Total £'000
Interest expense Losses on derecognition Impairment losses	(42,408)				(42.408)
Interest payable and similar charges	(42,408)				(42,408)
Interest income Gains on derecognition		17,448			17,448
Interest and investment income		17,448			17,448
Gains on revaluation Losses on revaluation Amounts recycled to the I&E Account after impairment		(4,541) (4,541)			(4,541) (4,541)
Surplus arising on revaluation of financial assets					
Net gain/(loss) for the year	**(42,408)**	**12,907**			**(29,501)**

Financial Instruments Gains and Losses 2008/09					
	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000 (1)	Fair value through the I&E Account £'000 (2)	Total £'000
Interest expense Losses on derecognition Impairment losses	(24,868)				(24,868)
Interest payable and similar charges	(24,868)				(24,868)
Interest income Gains on derecognition		26,277			26,277
Interest and investment income		26,277			26,277
Gains on revaluation Losses on revaluation Amounts recycled to the I&E Account after impairment		(1,065) (1,065)			(1,065) (1,065)
Surplus arising on revaluation of financial assets					
Net gain/(loss) for the year	**(24,868)**	**25,212**			**344**

The impairment in the above tables is in respect of the £8m Icelandic bank investments. In 2009/10, the Icelandic investments were impaired further in light of new information. This is discussed further.

In addition for financial assets or liabilities not being carried at fair value (eg amortised cost) the SORP requires disclosure of these fair values by each class of assets and liabilities. This will apply to:

- ✓ Debt – essentially this will simply be a table detailing the carrying amount and fair value. Fair value will be simply the carrying amount +/- discounts and premiums calculated under the PWLB method, plus accrued interest.
- ✓ Loans and receivables – whilst items such as debtors and short term investments will be at amortised cost, longer term vanilla investments (with more than 364 days to run from the balance sheet date) will require a fair value to be made and disclosed based on the comparison of prevailing market rates against the actual investment rates.

4. Note – 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 (in long term assets/liabilities with accrued interest in current assets/liabilities). Their 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 PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- ✓ For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- ✓ No early repayment or impairment is recognised;
- ✓ Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- ✓ The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2010		31 March 2009	
	Carrying Amount £'000	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
PWLB Debt	268,052	318,007	279,893	359,583
Market Debt	94,096	89,408	94,098	92,528
Stocks	55	55	55	55
Deposit Loans	23,518	23,518	636	636
Total Debt	385,721	430,988	374,682	452,802
PFI contract liabilities	155,726	155,726	158,642	158,642
Trade Creditors	126,655	126,655	128,619	128,619
Cash overdrawn	13,283	13,283	10,375	10,375
Total Financial Liabilities	**681,385**	**726,652**	**672,318**	**750,438**

The fair value is greater 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 rates available for similar loans in the market at the balance sheet date.

	31 March 2010		31 March 2009	
	Carrying Amount £'000	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Money Market Loans < 1 year	70,456	70,456	104,718	104,718
Port Investment	11,000	11,000	11,000	11,000
Money Market Loans > 1 year	15,000	16,679	25,000	27,779
Long Term Loans to Public Bodies	12,530	13,234	13,242	15,160
Long Term Debtors	60,061	60,061	61,891	61,891
Trade Debtors	118,059	118,059	94,461	94,461
Cash In Hand	1,333	1,333	1,134	1,134
Other Loans	493	493	576	576
Total Financial Assets	**288,932**	**291,315**	**312,022**	**316,719**

The differences are attributable to fixed interest 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 financial liabilities and raises the value of loans and receivables.

The fair values for financial liabilities (PWLB debt and market debt) have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair values for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

The fair values for loans and receivables (money market loans > 1 year) have been determined by reference to prevailing market rates as at the balance sheet date. The prevailing market rates have been determined for each long-term money market investment outstanding with reference to the time to maturity).

5. Icelandic Bank Investments

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander (KS&F) went into administration. The Council had £8m deposited with Glitnir and Landsbanki, with varying maturity dates and interest rates as follows:

Bank	Original Principal	Interest Rate	Start Date	Maturity Date	Original Interest Due	Original Carrying Amount
	£'000				£'000	£'000
Glitnir	5,000	6.31%	8 Oct 2007	8 Oct 2008	0.316	5,316
Landesbanki	3,000	6.06%	21 Aug 2008	23 Mar 2009	0.107	3,107
Total	8,000				0.423	8,423

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law.

The latest information available to the Council states that recovery of 83% is achievable by December 2013. In addition to the impairment recognised in the 2008/09 accounts, further impairment has been recognised in 2009/10 on the basis of new information being released on the recoverable amounts.

Since the publication of the 2008/09 accounts, Local Authority Creditors of Landsbanki bank have been awarded Preferential Creditor Status. This will enable local authorities to recover their outstanding monies ahead of the other creditors of the bank. The table below shows the profile of the recoverable amount:

Year	Percentage Repaid
March 2011	21%
December 2011	21%
December 2012	21%
December 2013	20%
	83%

Under Icelandic law (Act *44/2009*), Local Authorities will be able to recover penalty interest on the outstanding amount. The penalty interest rate will be applied between the maturity date and the date the Icelandic banks were declared bankrupt (22 April 2009). For Landsbanki, this amounts to £58k based on a rate of 22% - the rate applicable during this period. Penalty interest has been reflected in the 2009/10 accounts.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law. Full recovery of the principal and interest to 22 April 2009 is likely to be achieved subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status that is likely to have to be tested through the Icelandic courts.

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.

- Settlement of the terms of a 'bond' which will allow creditors of old Glitnir to enjoy rights in New Glitnir.

Currently, the Glitnir Winding-Up Board (WUB) has confirmed that Local Authorities will not be granted the preferred creditor status. This is now being challenged by the Council's legal advisors via the Icelandic Courts. If the Courts decide in favor of Local Authority creditors then 100% of the outstanding investment will be recovered. If the Courts fail to award the preferred creditor status, then it is likely that 31% will be recovered. Due to this uncertainty, the 2009/10 accounts have been prepared on the basis of the worst case scenario with a 31% recovery in the outstanding investments. Therefore a further impairment has been recognised in 2009/10 accounts. The table below shows the profile of the recoverable amount:

Year	Percentage Repaid
March 2011	8%
December 2011	8%
December 2012	8%
December 2013	7%
	31%

Under Icelandic law (Act 44/2009), Local Authorities will be able to recover penalty interest on the outstanding amount. The penalty interest rate will be applied between the maturity date and the date the Icelandic banks were declared bankrupt (22 April 2009). For Glitnir, this amounts to £631k based on a rate of 22% - the rate applicable during this period. Penalty interest has been reflected in the 2009/10 financial statements.

Accounting Treatment

Recoveries are expressed as a percentage of the Council's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009. The table below summarises the accounting treatment undertaken in both 2008/09 and 2009/10:

Bank	Original Principal	Impair-ment	Accrued Interest 2008/09	Total Value as at 31.3.09	Revised Impairment 2009/10	Revised Interest 2009/10	Total Value as at 31.3.10
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Glitnir	5,000	(475)	467	4,992	(4,119)	413	1,286
Landsbanki	3,000	(590)	111	2,520	(422)	192	2,290
Total	**8,000**	**(1,065)**	**578**	**7,512**	**(4,541)**	**605**	**3,576**

The impairment loss recognised in the Income and Expenditure Account in 2009/10, £4,541,000, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered. The revised impairment and interest in the above table reflects the availability of new information following the publication of the 2008/09 accounts. At the time of the 2008/09 accounts being approved and published, the value of the Icelandic investments was based on a 95% recovery in Landsbanki and a 100% recovery in Glitnir. Changes in the recovery amounts have now been reflected in 2009/10. The Council has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund. The regulations will expire on 31 March 2011 after which the Council will need to use its reserves to absorb any losses incurred on the investments.

Following the publication of CIPFA's most recent advice on the treatment of Icelandic investments (24 May 2010 - LAAP 82 update 2), the latest guidance evaluates the investments based on the recoverable rates of 100% and 95% for Glitnir and Landsbanki respectively. Due to the uncertainty surrounding the legal outcome of securing priority status for the Glitnir investment, the Council has, however, decided not to apply this new guidance and has instead valued the Icelandic investments based on the CIPFA guidance note that was issued during September 2009 (LAAP 82 update 1). Therefore, the Council has valued the Icelandic investments based on the recoverable rates of 31% and 83% respectively. If the Council had applied the latest guidance (LAAP 82 update 2) then the value of the Icelandic investments would have increased from £3.58m to £6.99m.

36. Financial Instruments Adjustment Account

The balance on this account represents the unamortised premiums from the rescheduling of debt. Further details are included under the Financial Liabilities section of the Statement of Accounting Policies on page 24.

	1 April 2009 £'000	Expenditure £'000	Written - off in year £'000	Impairment adjustment £'000	31 March 2010 £'000
Premium on repurchase of borrowing, debt rescheduling	467	15,735	554	-	15,648
Investments at Risk	488	-	-	3,619	4,107
	955	**15,735**	**554**	**3,619**	**19,755**

37. Provisions

	1 April 2009 £'000	Receipts in year £'000	Payments in year £'000	31 March 2010 £'000
Insurance Fund	4,564	5,484	5,386	4,662
Social Services S117 cases	175	-	175	-
Housing subsidy	615	-	-	615
Compensation	800		-	800
Vehicle maintenance	440	120	-	560
Other	752	461	352	861
	7,346	**6,065**	**5,913**	**7,498**

The Insurance fund covers certain risks arising from fire, employers liability and public liability, supplementing the Council's arrangement with external insurers, together with other risks.

The Housing Subsidy provision represents a potential refund to the government in respect earlier years' subsidy calculation.

38. Contingent Assets

The Council is in the process of agreeing a settlement figure with the consultants employed on the major scheme for the construction of Redland Green School (completed July 2007).

39. Contingent Liabilities

The following are contingent liabilities at the balance sheet date:

i) The council is in a contractual dispute with a company, D L Barretts, regarding inclusion on the council's standing list for a range of works connected with the council's housing stock.

ii) The council has agreed a contribution of up to £1m towards restoration works at the Old Vic theatre provided that overall fund raising targets are met. £0.5m of this contribution was paid by the council in 2008/09.

iii) New rules came into place on 17 August 2010 revoking the fee, charged by councils, for carrying out a personal search of the Local Land Charges Register. The Council ceased making a charge with immediate effect however it is not possible to assess any potential liability arising from retrospective application of this amendment to the rules.

40. Authorisation of the Accounts for Issue

The financial statements have been audited and are authorised for issue on 27 September 2010. This is the date that the financial statements are required to be approved by the Audit Committee and signed by the Chair and Chief Financial Officer. Events occurring after this date have not been recognised in this Statement of Accounts.

41. Post Balance Sheet Events

In his budget statement on 22 June, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the [Avon Pension Fund/Teachers' Pension Scheme] are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS17/IAS19 benefit obligations by between 5% and 8% for most employers. The precise financial effect will be taken into account in the FRS17/IAS19 figures for the financial year ending 31 March 2011.

42. Trust Fund and other Third Party Funds held by the City Council

The following accounts, relating to gifts and bequests and third party funds, are held and administered by the City Council. They are not included in the Council's balance sheet at 31 March 2010:

	Children, Young People & Skills £'000	Health & Social Care £'000	Resources £'000	Total 31.03.10 £'000	Total 31.03.09 £'000
Opening balance	60	38	27	125	127
Expenditure	(6)	-	-	(6)	(14)
Income	2	-	-	2	12
Closing balance	56	38	27	121	125

Children, Young People and Skills funds are bequests and legacies held for Educational purposes. Health and Social Care funds are monies held on behalf of clients, mainly awarded through the Court of Protection. The Resources item refers to a Boys Club trust.

43. Pensions

a) Participation in Pension Schemes

The Council participates in two pension schemes:

The Local Government Pension Scheme - all staff, with the exception of teachers, are eligible to join the Local Government Pension Scheme (LGPS). The scheme is administered by Bath and North East Somerset Council and is called the Avon Pension Fund. The Fund provides members with benefits related to length of service and final salary. It is a 'defined benefit' scheme. In 2009/10 the Council paid an employers contribution rate of 16.3%, resulting in total payments of £33.8m (excluding unfunded benefits etc). The Fund's Actuary carries out a valuation of the Fund every three years in accordance with government regulations. If the valuation indicates that there are insufficient assets to meet future liabilities, employer contribution rates are increased to make up the shortfall. The last valuation of the Fund was undertaken at 31 March 2007, when the overall funding level was assessed at 83%. Where a fund has insufficient assets to meet its future liabilities, participating councils must, by law, make additional contributions to make up the shortfall. A revised contribution rate of 17.2% was recommended by the actuary for the Council, and following election by the Council, this is being phased in over three years with the rate of 16.3% applying from 1 April 2009.

The Teachers Pension Scheme - The rate of contribution for 2009/10 was 14.1%, resulting in a total payment of £12.6 million to the Teachers Pension Agency. In addition, the Council made payments totalling £2.04m in respect of pensions and added years where the early retirement of teachers was agreed. The Council also met its share of the residual liability for former Avon County Council employees, amounting to £2.06m in 2009/10. The estimated liability for unfunded payments has been calculated by the actuary and is included in the balance sheet.

b) Transactions relating to retirement benefits

Employer contributions paid in the year have been charged to service revenue accounts, prior to the adjustments required under the accounting standard, FRS17. The adjustments included in the Income and Expenditure Account to comply with FRS17 are credited to the Statement of Movement on the General Fund Balance, so that there is no effect on the overall amount met from government grant and local tax payers.

The principal assessments made by the Fund actuary, in so far as these affect the income and Expenditure Account are set out in the following table:

	Local Government Pension Scheme		**Teachers' Unfunded Pensions**	
	2009/10 £'000	**2008/09 £'000**	**2009/10 £'000**	**2008/09 £'000**
Income and Expenditure Account				
Net cost of services:				
Current service cost	21,758	33,675	-	-
Past service/curtailment costs	1,744	754	-	-
Net Operating Expenditure				
• Interest cost	80,522	82,089	3,746	3,777
• Expected return on assets in the scheme	(46,272)	(59,600)	-	-
Net charge to the Income and Expenditure Account	57,752	56,918	3,746	3,777
Statement of Movement on the General Fund Balance				
• Reversal of net charges made for retirement benefits in accordance with FRS17	(57,752)	(56,918)	(3,746)	(3,777)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employer's contributions payable to scheme	38,435	34,897	4,104	4,351

The Housing Revenue Account (HRA) Income and Expenditure Account has also been adjusted in 2009/10 to reflect the current service cost and an appropriate share of the interest cost and expected return on assets. The latter items have been apportioned to the HRA on the basis of pensionable pay.

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £157.36m (2008/09 losses of £78.82m) are included in the Statement of Total Recognised Gains and Losses. The cumulative amount of net actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £440.9m.

c) Assets and Liabilities in relation to Retirement Benefits

The Local Government Pension Scheme

Reconciliation of present value of the scheme liabilities:

	Funded liabilities:Local Government Pension Scheme		Unfunded liabilities: Teachers' Unfunded Pensions	
	2009/10	2008/09	2009/10	2008/09
	£'000	£'000	£'000	£'000
1 April	1,143,458	1,346,088	54,813	64,088
Current service cost	21,758	33,675	-	-
Interest cost	80,522	82,089	3,746	3,777
Contributions by scheme participants	13,893	13,475	-	-
Actuarial (gains)/losses	361,517	(284,726)	10,090	(8,701)
Benefits paid	(54,350)	(47,897)	(4,104)	(4,351)
Past service and curtailment costs	1,761	754	-	-
31 March	**1,568,559**	**1,143,458**	**64,545**	**54,813**

Reconciliation of fair value of the Local Government Pension Scheme assets:

	2009/10	2008/09
	£'000	£'000
1 April	758,321	911,933
Expected rate of return	46,272	59,600
Actuarial gains and losses	219,043	(213,668)
Employer contributions	38,435	34,878
Contributions by scheme participants	13,893	13,475
Benefits paid	(54,350)	(47,897)
31 March	**1,021,614**	**758,321**

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 rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £260.515m (2008/09: £154.068m).

Scheme history

	2005/06*	2006/07*	2007/08	2008/09	2009/10
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities: - Local Government Pension Scheme - Teachers unfunded liabilities	 (1,207,081) (57,736)	 (1,211,095) (57,191)	 (1,346,088) (64,088)	 (1,143,458) (54,813)	 (1,568,559) (64,545)
Fair vale of assets in the Local Government Pension Scheme	908,083	959,047	911,933	758,321	1,021,614
Surplus/(deficit) in the scheme: - Local Government Pension Scheme - Teachers unfunded Liabilities - Total	 (298,998) (57,736) (356,734)	 (252,048) (57,191) (309,239)	 (434,155) (64,088) (498,243)	 (385,137) (54,813) (439,950)	 (546,945) (64,545) (611,490)

*The council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (as revised).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £611m impacts on the net worth of the authority as recorded in the Balance Sheet (£0.9bn).

Statutory arrangements for funding the deficit limit the adverse impact on the council's financial position: the purpose of the triennial valuation of the fund by the scheme actuary is to determine the increase in employer contributions necessary to make good any deficit over the remaining working life of employees. Notwithstanding this, the scale of pension fund deficits being reported by local authorities is likely to result in a further review of the Local Government Pension Scheme with the aim of making this more affordable in the future and thus reducing the burden on taxpayers.

Finance is only required to be raised to cover the unfunded teachers' pensions 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 2011 are £38.508m.

The total liabilities shown in the balance sheet comprise the above together with a small amount in respect of pre-1974 liabilities. Information regarding the increase in the liabilities over March 2009 is set out in the Explanatory Foreword on page 10.

d) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme liabilities have been assessed by William M. Mercer the independent actuary to the Avon Fund, estimates being based on the latest full valuation of the scheme as at 31 March 2007, updated for the years following. The main financial assumptions used in the calculations are:

	Local Government Pension Scheme		Teachers	
	2009/10	2008/09	2009/10	2008/09
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.5%	7.5%	-	-
Government Bonds	4.5%	4.0%	-	-
Other Bonds	5.2%	6.0%	-	-
Cash/Liquidity	0.5%	0.5%	-	-
Other	7.5%	7.5%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.2	21.2	21.2	21.2
Women	24.1	24.0	24.1	24.0
Longevity at 65 for future pensioners:				
Men	22.2	22.2	-	-
Women	25.0	25.0	-	-
Rate of inflation	3.3%	3.3%	3.2%	3.3%
Rate of increase in salaries	4.55%	4.55%	-	-
Rate of increases in pensions	3.3%	3.3%	3.2%	3.3%
Rate for discounting scheme liabilities	5.6%	7.1%	5.5%	7.1%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	-	-

The actuary has not carried out any specific investigations in relation to whether the average age of the membership has increased, but does not believe that there have been substantial changes since the 2007 valuation. For any employers who are not admitting new entrants to the Fund, the average age can be expected to increase gradually over time.

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2010	31 March 2009
Equities	65.0%	60.7%
Government bonds	10.3%	13.9%
Other bonds	9.6%	8.6%
Property	3.3%	-
Cash/Liquidity	2.7%	6.9%
Other	9.1%	9.9%

e) History of experience gains and losses

The experience adjustments arising on scheme assets and liabilities expressed as a percentage of assets and liabilities at the balance sheet date are as follows:

Local Government Pension Scheme

	2005/06	2006/07	2007/08	2008/09	2009/10
	%	%	%	%	%
Experience gains/ (losses) on assets	14.1	(0.3)	(11.4)	(29.8)	21.1
Experience gains/ (losses) on liabilities	(9.5)	5.3	1.0	0	0

Teachers' Pension Scheme

	2005/06	2006/07	2007/08	2008/09	2009/10
	%	%	%	%	%
Experience gains/ (losses) on assets	0	0	0	0	0
Experience gains/ (losses) on liabilities	(4.6)	2.8	(0.7)	0	0

44. Reconciliation of the deficit on the Income and Expenditure Account to the Revenue Activities Net Cash Flow

	2009/10 £'000	2008/09 £'000
Net deficit for year per I & E Account	153,246	196,159
Non-cash transactions		
Depreciation and impairment	(159,563)	(235,850)
Credits for government grants deferred	18,859	22,119
Write down of revenue expenditure funded from capital under statute	(2,111)	(7,502)
Excess depreciation	(5,571)	(8,614)
FRS17 – Retirement benefits adjustments	(18,959)	(21,447)
Transfer from usable capital receipts to meet payment To Housing Capital Receipts Pool	(2,109)	(2,983)
(Increase)/decrease in provisions, reserves and other accounts (incl. bad debts)	4,538	22,123
Minimum revenue provision	13,065	12,695
Premium on debt rescheduling	(15,735)	-
Net gain/(loss) on disposal of assets	(84)	1,281
Items on an accrual basis		
(Add)/Less (increase)/decrease in creditors	(20,978)	28,295
(Add)/Less (decrease)/increase in debtors	22,918	112
(Add)/Less increase/(decrease) in stocks	(29)	(71)
Items classified elsewhere in cash flow statement		
Add interest paid	(22,491)	(23,055)
Less interest received	9,548	12,801
Net cash movements in provisions and reserves	(24,364)	(6,823)
Net cash flow from revenue activities	(49,820)	(10,760)

Movement in cash

	Balance 1.4.09 £'000	Balance 31.3.10 £'000	Movement in the year £'000
Cash in hands of officers	1,134	1,333	199
Deposits repayable on demand	37,299	26,961	(10,338)
Cash overdrawn	(10,375)	(13,283)	(2,908)
Net increase/(decrease)in cash	28,058	15,011	(13,047)

Movement on other assets

	Balance 1.4.09 £'000	Balance 31.3.10 £'000	Movement in the year £'000
Debtors (before bad debts provision)	94,461	118,059	23,598
Long term debtors	75,709	73,084	(2,625)
Creditors	(131,525)	(129,786)	1,739
Stocks and work in progress	1,095	1,066	(29)
	39,740	62,423	22,683

Movement in financing

	Raised 2009/10 £'000	Repaid 2009/10 £'000	Raised 2008/09 £'000	Repaid 2008/09 £'000
Public Works Loan Board	50,450	(61,439)	-	3,291
Local Bonds	-	(30)	(2)	20
Temporary Loans	54,500	(31,600)	(185,970)	185,970
Market Bonds	-	-	(10,000)	-
Other			-	5,608
	104,950	(93,069)	(195,972)	194,889

Liquid Resources

Liquid resources referred to in the statement relate to short-term investments, excluding balances held in deposit accounts at the year end; and the net increase resulting from NNDR under or overpaid to the government and council tax receipts under or overpaid to major precepting authorities.

Analysis of Government Grants

	2009/10 £'000	2008/09 £'000
Revenue Grants		
Dedicated Schools Grant	192,856	189,531
Housing Benefit (rent allowances/council tax benefit) subsidy	184,569	168,215
Homelessness Grant	1,001	797
Learning Skills Council - Post 16	8,994	7,805
Learning Skills Council - Community Education	2,382	1,626
Learning Skills Council - Bristol On Site	885	-
Housing Benefits Admin. Subsidy	4,613	4,178
Supporting People	27,009	27,714
BERR - Illegal money lending, etc	663	961
Social Care Reform Grant	1,576	677
Standards Fund (incl. Schools Standard Grant)	90,557	35,445
General Sure Start Grant	15,361	10,762
PFI Special Grant	17,271	17,271
Museums, Libraries and Archives Council	2,646	2,248
Museums and Galleries Council	-	1,255
Concessionary Fares	1,863	1,820
Youth Justice Board	1,255	1,298
Objective 2	-	1,116
Home Office - Drugs Intervention programme	2,485	3,018
National Treatment Agency (DoH)	6,157	5,344
Local Authority Business Growth Incentive Scheme	396	6,173
Other revenue grants	8,775	4,412
Total	**571,314**	**491,666**
Capital Grants		
DCFS re schools devolved formula grant	6,759	5,070
Building Schools for the Future	26,964	14,685
Major Repairs Allowance	19,268	18,334
DCFS re Sure Start	3,135	2,264
Arts Council - Colston Hall	810	2,611
Lottery Funding	7,640	2,405
Local Transport Plan	5,849	5,744
Greater Bristol Bus Network	1,269	2,439
Hengrove Park	4,841	-
Growth Points	5,361	-
Museum of Bristol	5,721	-
Other capital grants	11,065	4,621
Total	**98,682**	**58,173**

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

2008/09 £'000		Note	2009/10 £'000	£'000
	Income			
84,064	Dwelling rents	2	85,599	
1,161	Non-dwelling rents		1,285	
7,866	Charges for services and facilities		7,490	
493	Contributions toward expenditure		1,269	
	Housing Revenue Account subsidy receivable	3		
18,334	- MRA		19,268	
111,918	**Total Income**			114,911
	Expenditure			
22,486	Repairs and maintenance		26,207	
26,798	Supervision and management		25,307	
547	Rents, rates, taxes and other charges		422	
20,183	Housing Revenue Account subsidy payable	3	23,941	
414	Increase provision for bad and doubtful debts	2	495	
26,895	Depreciation - dwellings (MRA)	4	24,603	
53	Depreciation - other	4	236	
142	Intangible fixed assets		144	
113,760	Impairment	5	49,649	
73	Debt Management Costs		72	
211,351	**Total Expenditure**			151,076
99,433	**Net cost of HRA services as included in the whole Council's Income and Expenditure Account**			36,165
293	HRA services share of Corporate and Democratic Core			128
1,174	HRA share of other amounts included in the whole Council's Net Cost of services but not allocated to specific services			513
100,900	**Net Cost of HRA Services**			36,806
(1,101)	Gain on sale of HRA fixed assets			(1,409)
11,300	Interest payable and similar charges			9,490
(1,632)	Interest and investment income			(318)
1,410	Pensions interest cost and expected return on pensions assets			1,709
110,877	**Deficit for the year on HRA Services**			**46,278**

The HRA Income and Expenditure Account shown above includes a number of items that are not required to be included in the movement on the HRA Balance. Excluding these items, there was a deficit on the account of £4.619m for the year (see page 5). Further details reconciling the deficit above to the actual movement on the HRA Balance is shown on the following page.

STATEMENT OF MOVEMENT ON THE HRA BALANCE

31.3.09 Net £'000		31.3.10 Net £'000
110,877	Deficit for the year on the HRA Income and Expenditure Account	46,278
(110,877)	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	(41,659)
-	(Increase) or decrease in the Housing Revenue Account Balance	4,619
(30,515)	Housing Revenue Account surplus brought forward	(30,515)
(30,515)	Housing Revenue Account surplus carried forward	(25,896)

NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

31.3.09 Net £'000		31.3.10 Net £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	
(142)	Amortisation of intangible fixed assets	(144)
(113,760)	Impairment of fixed assets	(49,649)
(473)	HRA share of impairment of investments	-
(3,523)	Net charges made for retirement benefits in accordance with FRS17	(3,682)
1,101	Net gain on sale of assets	1,409
(116,797)		(52,066)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year	
(8,614)	Transfer from Major Repairs Reserve	(5,571)
2,152	Employer's contributions payable to the Avon Pension Fund and retirement benefits payable direct to pensioners	3,489
11,867	Capital expenditure funded by the HRA	11,885
515	Amortisation of premiums	603
2,007	Transfer to earmarked reserves	-
5,920		10,406
(110,877)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(41,659)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. **Dwellings numbers as at 31 March 2010**

		31.3.10	31.3.09
Houses			
1 Bedroom	23		23
2 Bedrooms	2,428		2,499
3 Bedrooms	9,614		9,681
4 or more Bedrooms	399		397
Total Houses		12,464	
Bungalows			
1 Bedroom	356		356
2 Bedrooms	409		325
3 Bedrooms	26		26
Total Bungalows		791	
Flats			
1 Bedroom	6,633		6,686
2 Bedrooms	7,840		7,871
3 Bedrooms	465		470
4 or more Bedrooms	26		26
Total Flats		14,964	
Hostels (dwelling equivalent)		7	7
Total dwellings held at 31 March 2010		**28,226**	**28,367**

2. **Rent and Rent Arrears**

The total value of dwelling rents in 2009/10, gross of voids, is £85.6m (£84.0m in 2008/09). The amount of rent arrears including recoverable housing benefit, water charges, defect charges, etc, total £11m (£10.8m in 2008/09).

As at 31 March	**2010 £000**	**2009 £000**
Former tenants	5,412	5,523
Current tenants	5,558	5,296
	10,970	**10,819**
Balance sheet provision		
Former tenants	5,412	5,523
Current tenants	3,955	3,725
	9,367	**9,248**

3. **Subsidy**

	2009/10 £000	2008/09 £000
Management and maintenance	51,321	49,592
Capital financing	10,810	11,817
Rents	(85,386)	(86,579)
Premium on debt rescheduling	-	521
Housing subsidy – adjustment re previous years	(652)	4,514
Interest on receipts	(33)	(48)
Housing subsidy	(23,941)	(20,183)
Major Repairs Allowance	19,268	18,334
	(4,673)	**(1,849)**

4. **Depreciation**

	2009/10 £000	2008/09 £000
Operational - Dwellings	24,603	26,895
- Other, including leased	236	53
	24,839	**26,948**
- Intangible fixed assets	144	142
	24,983	**27,090**

5. **Impairment**

Total impairment for HRA assets amounts to £49.6m (£113.76m in 2008/09). Impairment was identified in respect of 169 dwellings which had been determined as long term void or pending demolition at a value of £6.26m. The reminder of the impairment relates to capital expenditure in the year, which has been impaired post revaluation of HRA assets.

6. **HRA Share of Contributions from Pension Reserve**

The HRA has been attributed with a share of the interest cost, net of the expected return on pension assets, as calculated by the actuary to the pension fund. This share has been calculated using the proportion of HRA pensionable pay to the total of that for the council. The net cost of services shown in the HRA Income and Expenditure Account also includes an adjustment for current service costs required by FRS17. The position on the HRA prior to these adjustments is maintained by a transfer to the pensions reserve of £193k (£1.371m from the reserve in 2008/09) and is therefore identified in the Statement of the Movement on the HRA Balance. Further information regarding the accounting for pensions is included in the notes to the core financial statements.

7. **Capital Expenditure and financing**

Total expenditure during the year and its financing was as follows:

	2009/10	2008/09
Expenditure	**£'000**	**£'000**
Land	-	-
Dwellings	42,247	40,392
Other Property	610	479
	42,857	**40,871**
Financing		
Loans	4,000	4,000
Usable capital receipts	7,491	6,358
Revenue contributions to capital	11,885	11,867
Major Repairs Reserve	19,268	18,334
Other	213	312
	42,857	**40,871**

Capital Receipts

Capital receipts received during the year from disposals of land, houses and other property within the HRA was £12.205m. The receipts are summarised as follows:

	2009/10 £'000	2008/09 £'000
Receipts unapplied brought forward	1,676	1,865
Right to buy sales	2,829	3,762
Mortgage repayments	120	208
Repayment of right to buy discount	60	82
Disposal of land and property	9,376	8,085
Other	-	10
	14,061	**14,012**
Allowable reductions	(196)	(346)
Repaid to CLG	(2,109)	(2,983)
Capital receipts applied	(7,491)	(6,367)
Receipts transferred to general fund	(2,049)	(2,640)
Capital receipts unapplied 31 March 2010	**2,216**	**1,676**

8. **Major Repairs Reserve**

	2009/10 £'000	2008/09 £'000
Balance brought forward 1 April	-	-
Capital expenditure (dwellings)	19,268	18,334
Depreciation on HRA Fixed Assets, to Capital Financing Account	(24,840)	(26,948)
Excess depreciation credited to Statement of Movement to HRA Balance	5,572	8,614
Balance carried forward 31 March	-	-

Depreciation has been calculated in accordance with proper practices for all HRA assets. Dwellings depreciation is in excess of the Major Repairs Allowance (MRA) and the HRA has been charged with the excess depreciation. This amount is credited to the Statement of the Movement on the HRA Balance to ensure that there is no effect on the HRA bottom line and does not impact upon tenants' rents.

The MRA was £19.27m for 2009/10 (2008/09 - £18.33m). All of this was used to finance appropriate Housing Revenue Account capital expenditure. Non dwelling depreciation has been charged to the Net Cost of Services and credited to the Statement of Movement on the HRA Balance to ensure that there should be no impact on rents or other services.

9. **Balance Sheet Value of Land and Houses, etc**

	1 April 2009 £'000	31 March 2010 £'000
Dwellings	1,063,903	1,055,664
Land	12,851	7,321
Other assets	18,142	28,069
	1,094,896	1,091,054

10. **Asset Split**

	1 April 2009 £'000	31 March 2010 £'000
Operational - dwellings	1,063,903	1,055,664
Operational – other land and buildings	12,851	16,755
Non-operational	18,142	18,635
	1,094,896	1,091,054

11. **Vacant possession value of dwellings**

The vacant possession value of dwellings as at 1 April 2009 was £2.390bn. The value of dwellings in the balance sheet (excluding dwellings leased to Registered Social Landlords) is £1.053bn, a difference of £1.337bn. This difference reflects the economic cost of providing council housing at less than market rent.

12. **Reserves and Provisions**

The details of reserves and provisions held within the HRA (excluding those already shown in note 2 above) are summarised as follows:

	31March 2010 £'000	31March 2009 £'000
Reserves		
HRA Balance carried forward	25,896	30,515
Inclement Weather Reserve	500	500
IT Renewals	251	439
Furniture Packs	336	279
Rent deposits	48	58
Energy efficiency	288	-
Other	-	16
	27,319	**31,807**
Provisions		
Housing Subsidy Balance	**616**	**616**

THE COLLECTION FUND - INCOME AND EXPENDITURE ACCOUNT

	Note	£'000	£'000	2009/10 £'000	2008/09 £'000
INCOME					
Council Tax	2			203,718	196,446
Non-Domestic Rates	3			173,163	164,181
				376,881	360,627
EXPENDITURE					
Precepts and demands					
- Bristol City Council		174,350			167,120
- Avon and Somerset Police Authority		21,419			20,275
- Avon Fire Authority		7,787			7,359
			203,556		194,754
Non Domestic Rates	3				
- Payment to National Pool		172,451			163,491
- Costs of Collection Allowance		712			690
			173,163		164,181
Contributions					
- Towards previous year's Collection Fund surplus	4		500		3,000
Bad and doubtful debts - Council Tax					
- Write offs		1,766			1,727
- Provision		184			(235)
			1,950		1,492
				379,169	363,427
Surplus/(Deficit) for the year				(2,288)	(2,800)
Surplus/(Deficit) as at 1 April 2009				200	3,000
Surplus/(Deficit) as at 31 March 2010				(2,088)	200

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1 **General**

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund. The fund shows the transactions of the City Council in relation to non-domestic rates and the council tax together with the distribution of council tax income to the City Council, the Avon and Somerset Police Authority and the Avon Fire Authority. In a change to accounting policy, in accordance with 2009 SORP, only the elements attributable to the City Council are recognised with the Council's other accounts.

2 **Council Tax**

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based upon 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the City Council, the Avon & Somerset Police Authority and the Avon Fire Authority for the forthcoming year and dividing this by the council tax base of 132,818 for 2009/10 (131,384 for 2008/09). This represents the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and the estimated collection rate. This basic amount of Council Tax for a Band D property of £1,532.59 for 2009/10 (£1,482.33 for 2008/09) is multiplied by the proportion specified for the particular band to give an individual amount due.

The income of £203.718m for 2009/10 (£196.446m for 2008/09) is receivable from the following sources:

	2009/10 £'000	**2008/09 £'000**
Billed to Council Tax payers	166,433	162,259
Council Tax benefits	37,286	34,191
Transitional relief	(1)	(4)
Total Council Tax income	203,718	196,446

Where Council Tax payers are eligible for Council Tax benefit or Transitional relief a transfer is made from the City Council's General Fund to the Collection Fund.

Calculation of the Council Tax Base used in setting the 2009/10 Council Tax:

BANDS

	A Entitled to disabled relief	A	B	C	D	E	F	G	H	TOTAL
No of properties		44,400	68,482	36,137	16,498	9,134	4,644	2,809	333	182,437
Exemptions & Disabled relief	40	(1,519)	(2,074)	(1,659)	(1,199)	(956)	(187)	(55)	(56)	(7,665)
Less Discounts	(4)	(6,363)	(6,323)	(2,849)	(1,208)	(532)	(238)	(132)	(21)	(17,670)
Total equivalent Dwellings	36	36,518	60,085	31,629	14,091	7,646	4,219	2,622	256	157,102
Ratio	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
Band D equivalents	20	24,345	46,733	28,115	14,091	9,346	6,094	4,370	512	133,626

Add changes re:	Additional properties	1,500
	Reduction in Single Adult discounts	(825)
	Reduction in discounts on second homes	540
Rate of Collection 98.5%		(2,023)
Council Tax Base		**132,818**

3 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. Every non-domestic property has a rateable value which is determined by the Valuation Office Agency and reviewed on a periodic basis. The last revaluation date was 1 April 2003 and the new revaluations came into effect on 1 April 2005.

Each year the Government specifies an amount known as the non-domestic rating multiplier and, subject to the effects of transitionary arrangements, local businesses pay rates calculated by multiplying their rateable value by that multiplier. A second multiplier known as the small business non-domestic rating multiplier was introduced from 1 April 2005 and this multiplier is applicable to those businesses that qualify for small business relief.

In 2009/10 the non-domestic rating multiplier was 48.5p (46.2p in 2008/09) and the small business non-domestic rating multiplier was 48.1p (45.8p in 2008/09).

The City Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income after reliefs and provisions of £173.163m for 2009/10 (£164.181m for 2008/09) was based on an average rateable value for the City Council's area of £426.117m for the year (£411.322m in 2008/09). The total rateable value at 31 March 2010 was £429.992m (£422.243m at 31 March 2009).

4 Collection Fund surpluses/(deficits)

In accordance with regulations, Collection Fund surpluses are distributed amongst the precepting bodies in the financial year following the one in which they arise. Details of the distribution of previous year's Collection Fund surpluses are as follows:

	2009/10	2008/09
	£'000	£'000
Bristol City Council	429	2,577
Avon & Somerset Police	52	310
Avon Fire Authority	19	113
	500	**3,000**

Similarly, deficits are recovered by precepting bodies in the financial year following the one in which they arise. In January 2010, the Council estimated that there would be a deficit on the Fund for 2009/10 of £0.9m to be recovered through council tax levied in 2010/11. The difference between this estimate and the actual deficit recorded in these accounts will need to be recovered in 2011/12.

ANNUAL GOVERNANCE STATEMENT 2009/10

1. Scope of Responsibility

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

1.2 In discharging these overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

1.3 This statement explains how the Council endeavours to deliver good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) Regulations 2006, which require the Council to publish a statement on internal control in accordance with proper practice. Proper practice has been defined as an Annual Governance Statement (AGS).

2. The Council's Governance Framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and by which it accounts to, engages with and leads the community. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether this has led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It can not eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

2.3 In January 2009, the Council approved and adopted a local Code of Corporate Governance, which provides in-depth details of the framework the Council has in place to meet the six core principles of effective governance, as prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society Of Local Authority Chief Executives (SOLACE) guidance ' Delivering Good Governance in Local Government.

2.4 The following paragraphs summarise Bristol City Council's Governance Framework which has been in place for the year ended 31st March 2010 and up to the date of approval of this Statement and the Statement of Accounts.

3. Determining the Council's Purpose, its vision for the local area and intended outcomes for the community

The Council aims to deliver high quality services that provide value for money and which are aligned to the needs and priorities of the local community.

The Council is involved in a number of partnerships including being a lead member of the Bristol Partnership. The Bristol Partnership has agreed a Community Strategy setting out a vision and priorities for Bristol. The Council sets out its priorities, in the context of the Community Strategy, in a Corporate Plan 2008 - 2011. A Local Area Agreement has also been developed between the Council, the Bristol Partnership and the Government which reflects the priorities in the Community Strategy.

3.1 Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision of the local area.

- The Council has in place high level action plans to deliver each of the aims of the Corporate Plan. This work is coordinated with the work of the Bristol Partnership. Progress is monitored by the Strategic Leadership Team (SLT).
- All service units are required to produce a service delivery plan which includes clear objectives and targets which reflect the Corporate Plan priorities. These plans as updated annually and progress against the targets is monitored throughout the year.
- The Council has a Medium Term Financial Plan (MTFP) which currently covers the period 2010 - 2013. The plan sets out the Council's spending plans for the next three years on a rolling basis. Due to the current political and economic uncertainty the assumptions on which the plan has been based are kept under review.

3.2 Members and officers working together to achieve a common purpose with clearly defined functions and roles.

- The Council's Leader allocates portfolio responsibilities to the individual Executive Members appointed by the majority party.
- The Council appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities.
- The Council has a Constitution which clearly sets out the leadership role and the delegated responsibilities of officers. The Constitution also includes a Member/Officer protocol which describes and regulates the way in which Members and Officers should interact to work effectively together.
- All committees have a clear terms of reference and work programmes which set out their roles and responsibilities.
- There is a Strategic Leadership Team (SLT) made up of the Chief Executive, Deputy Chief Executive and Strategic Directors that meets each week to discuss matters which are of strategic and operational importance to the Council.
- The Service Director Finance (Section 151 Officer) and the Head of Legal Services (the Monitoring Officer) are not members of SLT but have open invitations to attend when necessary and receive all papers. Both have a direct reporting line and have monthly meetings with the Chief Executive (Head of Paid Service) in relation to governance issues. Both also attend Cabinet and Cabinet briefings. The Service

Director Finance is the lead officer for the Audit Committee and attends all meetings as well as reporting regularly to the Resources Scrutiny Commission.

3.3 Promoting the Council's values and upholding high standards of conduct and behaviour.

- The Council supports a culture of behaviour based on its statement of values. This guides both how the long term vision is put into effect and how members and officers behave in their day-to-day work.
- Members' and Officers' behaviour is governed by Codes of Conduct which include the requirement for declarations of interest to be completed by all Members annually, by all new staff, and biennially by staff working in sensitive areas or paid above a certain grade.
- The conduct of Members is monitored by a Standards Committee.
- The Council has a robust complaints procedure.

3.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

- The Council has a Constitution which clearly sets out how it operates and the process for policy and decision making. The Constitution is available to the public on the Council's website.
- Cabinet meetings where key decision are made are open to the public and available via web cast through the Council's website.
- The Leader's Forward Plan of key decisions to be taken over the next four months is published on the Council's website.
- The decision-making process is scrutinised by a scrutiny function which also undertakes some pre-decision and policy development work.
- Policies and procedures governing the Council's operations include Financial Regulations, Procurement Regulations and a Risk Management Policy Statement.

3.5 Developing the capacity and capability of Members and officers to be effective.

- The Council recognises the value of well trained and competent people in effective service delivery, and as such aims to ensure that Members and managers within the Council have the skills, knowledge and capacity they need to discharge their responsibilities.
- There is a Councillors' Development Policy which assists Members to strengthen their capacity as confident and effective political and community leaders.
- The Council's Performance Management and Development Scheme for all staff ensures performance is managed and development needs for each member of staff are identified.

3.6 Engaging with local people and other stakeholders to ensure robust public accountability

- The Council's planning and decision making processes are designed to include consultation with stakeholders and the submission of views by local people. These include the Citizen's Panel, Ask Bristol e-communication, petitions and e-petitions and the provision of a public forum at the majority of committee meetings.

- All Members are expected to offer, as best practice, surgeries, or equivalent means of providing assistance, for their constituents and key partners (eg. Police) could be involved where appropriate.
- The free Council newsletter 'Our City' communicates the Council's vision and priorities and this is delivered to homes across Bristol. Information is also available on the Council's website.
- The Council works extensively in partnership. The Bristol Partnership informs a Community Strategy which drives the Council's own Corporate Plan and is implemented through Partnership Delivery Groups.
- The Council has established 14 Neighbourhood Partnerships, based on ward boundaries, to provide an opportunity for local communities to have a greater say in the way services and local issues are managed by the Council and its partner agencies. Some powers over Council services are devolved to these Partnerships.
- The Council is currently engaged in a review of its website with a view to further enhancing the level of services and information which can be accessed through the site, than is currently available on the existing website and to make it more customer focussed.

4. Review of Effectiveness

4.1 Bristol City Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and by comments made by the external auditors and other inspection agencies.

4.2 Both in-year and year-end review processes have taken place. In-year review mechanisms include:

- the Executive is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. It is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.

- there is a well resourced Scrutiny function which holds the Executive to account. The Resources Scrutiny Commission is responsible for maintaining an overview of service and financial performance, efficiency and effectiveness.

- the Standards Committee have met regularly throughout the year to consider and review issues relating to the conduct of Members. Their work has included reviewing the Code of Conduct for Members, reviewing local protocols for Licensing and Planning matters and implementing procedures for dealing with complaints at a local level.

- the Audit Committee met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. The Committee met six times during the year, receiving regular reports on risk management, internal control and governance matters. The effectiveness of the Audit Committee has been reviewed, in 2009/10, by the Council's External Auditors, who found that the Committee operates effectively, has a number of areas of good practice and demonstrates a high level of compliance with the CIPFA checklist requirements. Opportunities to strengthen arrangements further were also identified.

- Internal Audit is an independent and objective assurance service to the management of the City Council, who complete a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangements. In addition, the Section undertakes fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to senior management, the Executive and the Audit Committee.

- the Audit Commission's Annual Audit and Inspection Letter is considered by the Audit Committee, the Executive and the SLT. A number of external audits and inspections have also taken place.

- the External Auditors completed their Comprehensive Area Assessment (CAA) Use of Resources Key Lines of Enquiry assessment in during the year and awarded the Council's internal control arrangements a score of 2, as a result of concerns in relation to risk management and partnership governance.

- the Performance and Improvement Team monitor Best Value and Key Performance Indicators on a quarterly basis and recommend improvements to SLT and senior Members.

- The Corporate Risk Register (CRR) is reviewed quarterly by SLT, with the Strategic Director (Resources) taking the lead on the Register and periodically the CRR is taken to Cabinet Briefings for review and approval. The Risk Management Group meet quarterly to review the effectiveness of the Council's Risk Management Framework.

4.3 The year-end review of the governance arrangements and the control environment included:

- obtaining assurances from Strategic Directors that key elements of the control framework were in place during the year in their directorates. They were also asked to identify areas where control weaknesses had resulted in significant issues arising for the directorate and their comments are reflected in this Statement. The Statement itself was considered by SLT on 8th June 2010 and is supported by them as an accurate reflection of the governance arrangements in place for the year

- obtaining assurances from other senior management, including the s151 Officer, the Monitoring Officer and the Head of Policy, Performance and Equalities, that internal control and corporate governance arrangements in these essential areas were in place throughout the year.

- obtaining assurances from Strategic Directors with regard to the governance arrangements in place for key partnerships.

- validating assurances obtained by reference to documentation held and by comparing the assurances provided to an evaluation of the effectiveness of the control environment.

- reviewing external inspection reports received by the Council during the year, the opinion of the Chief Internal Auditor in his annual report to management and an evaluation of management information in key areas to identify any indications that the control environment may not be sound.

- consulting the Audit and Standards Committee regarding any potential issues they felt could indicate a problem with the control environment as a result of their work during the year and consideration by the Audit Committee, in preparation of its annual report to Council, of the assurances it was able to provide in respect of risk management and internal control, including the Internal Audit function.

5. Significant Governance Issues

5.1 The review process has highlighted a number of new significant issues regarding the governance and internal control environment. Additionally, there are a number of issues which were highlighted in the 08/09 AGS which have not progressed sufficiently to be excluded from this year's statement. For each issue, detailed action plans have been determined by a responsible officer and a summary of the key elements of these are included in the table below.

5.2 Conversely, there are a number of items which were included in the 08/09 Statement which have been excluded this year as significant progress has been made in addressing the issues such that they are no longer considered a threat to the governance and control environment. These items are:

- Business transformation programme - Transformation portfolio in place. Clear programmes in place for major change. Early wins delivered.

- Educational attainment - improved performance, national challenge programmes in place where necessary.

- Information security - Information Security Policy produced, awareness sessions rolled out to staff and arrangements for monitoring breaches being piloted.

- Capital projects and programme - Corporate control over capital projects governed through the Infrastructure & Development Board.

- Project Management - Portfolio, programme and project management centre of excellence in place.

5.3 The table below summarises the significant issues and the proposed action to be taken to address those issues:

Issue	Action to be undertaken in 2010/11, and Responsible Officer
Health and Social Care (HSC) Directorate senior management changes - address the impact on management capacity, performance and continued overspends.	• Experienced interim Strategic Director in place for 10 months who brings many years of experience, credibility with members and support to staff whilst new Director sourced. • Objectives set for the Strategic Director which include budget constraint and challenges, capacity,service improvement and also senior team development. • Restructure of senior management team within HSC to split out commissioning from service provision. Interim 2nd tier recruited to fill Service Director: Older People Services position. • Support will be considered for the Strategic Director as they take forward the HSC transformation. Senior programme management may be required. • Two procurement staff seconded to HSC to 31/03/11 to support the new Strategic Director re: the change programme. **Chief Executive**
Housing Benefits - strengthen arrangements to improve performance	• Action plan being developed in response to draft Audit Commission Inspection report. • Put in place 'Process Owner' arrangements, at Service Director level, to oversee implementation of Business Process Re-engineering (BPR) phase 1. • BPR phase 2 project board set up, which will design improved process for all other areas within Benefits. Project executive at Service Director level. **Strategic Director: Neighbourhoods**

Issue	Action to be undertaken in 2010/11, and Responsible Officer
Value for money - strengthen arrangements for improving Value For Money (VFM).	• Implement VFM strategy, including specific service priorities, the Transformation Programme and MTFP efficiency targets • Implement the Enabling Commissioning strategy • deliver tactical efficiencies target **Strategic Director: Resources**
Performance management - strengthen performance management arrangements.	• Review and update Performance Management Strategy: embed quarterly reporting on Bristol 20:20 Plan, Corporate Plan and 'organisational health' measures • implement revised Service Delivery Plan process, with strengthened directorate objective setting and performance targets • maintain regular benchmarking using PWC **Deputy Chief Executive**
Partnership working - Continue to strengthen arrangements for partnership working including Bristol Partnership, West of England Partnership and Neighbourhood Partnerships.	• Maintain focus on delivery, underpinned by strengthened performance management and risk systems • Deliver LAA and MAA outcomes • Ensure that there is sufficient capacity and clear accountability to deliver programmes of work • roll out and develop Neighbourhood Partnerships, ensuring effective routes for neighbourhood information to influence service planning and delivery **Deputy Chief Executive**

Issue	Action to be undertaken in 2010/11, and Responsible Officer
Procurement - risk of increased costs to the Council through failure to apply Procurement and E.U. Regulations, leading to possible legal challenge, this risk will increase in light of the recent Remedies Directive.	• Revised Procurement Regulations (Legal Services) • Updated and more comprehensive Procurement Manual (Corporate Commissioning and Procurement Service (CCPS)) • More pro-active role for CCPS, particularly for EU procurement processes • Targeted training sessions from Legal Services / CCPS • Enhanced Internal Audit coverage • More rigorous approach to procurement project management **Strategic Director: Resources**

6. Certification

6.1 To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year with the exception of those areas identified in Section 5. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangement. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness, and will monitor their implementation and operation as part of our next annual review.

Leader of the Council:	Barbara Janke	Barbara Janke	Date: 25.06.10
Chief Executive:	Jan Ormondroyd		Date: 25.6.10
s151 Officer :	Peter Robinson		Date: 25.6.10.

Independent auditor's report to the Members of Bristol City Council

Opinion on the accounting statements

We have audited the accounting statements and related notes of Bristol City Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Bristol City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounting statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that th Authority has made such proper arrangements. 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 c resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice having regard to the criteria for principal local authorities specified by the Audit Commission published in May 2008 and updated in October 2009, anc the supporting guidance. We are satisfied that, in all significant respects, Bristol City Council made proper arrangements to secure economy, efficienc and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature: ....

John Golding, Senior Statutory Auditor

For and on behalf of Grant Thornton UK LLP, Registered Auditor, Chartered Accountants, Hartwell House, 55-61 Victoria Street, Bristol BS1 6FT

Date: ....29 SEPTEMBER 2010....................

GLOSSARY OF TERMS

ACCOUNTING PERIOD
This is the length of time covered by the accounts. This is normally a period of twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

ACCRUALS
The accruals basis of accounting ensures that income and expenditure is reflected in the financial statements in the accounting period that they were earned or incurred, not as any cash is received or paid.

ACTUARY
One who makes calculations for pensions and insurance purposes.

ACTUARIAL GAINS AND LOSSESS
For a defined benefit pensions scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation; or
- The actuarial assumptions have changed

ASSET
An asset is something that the Council owns that has a monetary value. Assets are either "current" or "fixed".

- A current asset is one that will be used by the end of the next financial year (e.g. stock, debtors)
- A fixed asset provides the Council with benefits for a period of more than one year (e.g. land, buildings, vehicles).

BALANCE SHEET
The balance sheet is a financial statement summarising the overall financial position of the Council at the end of the financial year.

BUDGET
A budget is a statement that sets out the Councils service delivery plans and capital expenditure in monetary terms.

CAPITAL ADJUSTMENT ACCOUNT
This is the money set aside in the Council's accounts for capital spending and to repay loans.

CAPITAL CHARGES
This is a charge made to the Council's service revenue accounts to reflect the cost of utilising fixed assets in the provision of services.

CAPITAL EXPENDITURE
Expenditure on the acquisition of a fixed asset that will be used to provide services beyond the current accounting period.

CAPITAL FINANCING
This describes the various sources of money used to pay for capital expenditure. Capital expenditure can be funded from external sources, such as borrowing, capital grants and by contributions from the internal sources, such as capital receipts and reserves.

CAPITAL RECEIPT
A capital receipt is the income that results from the sale of land, buildings and other capital assets. A specified portion of this may be used to fund new capital expenditure. The balance must be set-aside and may only be used for paying off debt, not for funding new revenue services.

COLLECTION FUND
A separate fund recording the income and expenditure relating to Council Tax and National Non-Domestic Rates.

COMMUNITY ASSETS
This is land and property the Council intends to own forever. These generally have no determinable useful life and there are often restrictions regarding their disposal. Examples of community assets include parks and historic buildings.

CONTINGENT LIABILITIES
A possible liability relating to future expenditure at the balance sheet date, depending on the outcome of future uncertain events.

CREDITORS
Amounts owed by the Council to others for goods and services that have been supplied but not yet paid for by the end of financial year.

CURRENT ASSETS
Items that can be readily converted into cash.

CURRENT LIABILITIES
Items that are due to be paid immediately or in the short term.

DEBTOR
Amounts owed to the Council for goods and services, where the income has not been received at the end of the financial year.

DEPRECIATION
This is a charge made to the revenue account each year which reflects the loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

FINANCE LEASE
A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee (the Council) from the lessor

FIXED ASSETS
These are assets that yield benefits to the Council and the services it provides for a period of more than one year.

GENERAL FUND
The account that summarises the cost of providing Council services (excluding the Housing Revenue Account).

GOVERNMENT GRANTS
Grants made by the Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some of these grants have restrictions on how they may be used whilst others are general purpose.

HOUSING REVENUE ACCOUNT (HRA)
A statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

IMPAIRMENT
The reduction in value of an asset in the balance sheet owing to a change in the market value. This can be as a result of market fluctuations, physical damage or obsolescence.

INCOME & EXPENDITURE ACCOUNT
This is the Council's main revenue account. It summaries the income received from Council Tax and business rates, grants and fees and charges along with the associated expenditure on services provided.

INTANGIBLE ASSETS
These are fixed assets on the balance sheet such as software licences that don't have physical form but still have value.

LEASING
Method of financing the acquisition of capital assets, usually in the form of operating or financing leases.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount that the Council must charge to revenue account to provide for the repayment of debt.

NATIONAL NON-DOMESTIC RATE (NNDR)
A flat rate in the pound set by Government and levied on businesses in the City. The money is collected by the Council then pooled and redistributed by the Government to local authorities based on the resident population.

NON-OPERATIONAL ASSETS
These are fixed assets owned by the Council that it does not directly occupy or use in the delivery of services. Examples include investment properties or assets that are surplus to requirements.

OPERATING LEASE
This is a lease where the effective ownership of the asset remains with the lessor.

OPERATIONAL ASSETS
These are fixed assets owned by the Council and used in the direct delivery of services.

PRECEPT
Demands made on the Collection Fund by other local authorities (Avon & Somerset Police, Avon Fire Authority) for the services they provide.

PRIOR YEAR ADJUSTMENT
A material adjustment applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

PROVISIONS
Amounts set aside to meet liabilities or losses which are likely or certain to be incurred but where the amount due or the timing of the payment remains uncertain.

RELATED PARTIES
Two or more parties are related parties when at any time during the financial period: -

- one party has direct or indirect control of the other party
- the parties are subject to common control from the same source
- one party has influence over the financial and operational policies of the other party to the extent that the other party might be inhibited from pursuing its own interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interests.

Examples of related parties include central government, other local authorities and other bodies precepting or levying demands on the Council Tax, its members and its chief officers.

RESERVES
An amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. A distinction is drawn between reserves and provisions (see above), which are set up to meet known liabilities.

REVENUE EXPENDITURE
Spending on day to day items including salaries and wages and other running costs associated with the provision of services.

REVENUE SUPPORT GRANT (RSG)
The main grant paid to a local authority by Central Government to help fund the cost of its services.

SHORT TERM BORROWING
This is a sum of money borrowed for a period of less than one year.

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES (STRGL)
A statement which brings together all the gains and losses of the Authority for the year and shows the aggregate increase in its net worth.

TRUST FUNDS
Funds administered by the Authority for such purposes as prizes, charities and specific projects.

WORK IN PROGRESS
The value of works that has been completed or is partially complete at the end of the accounting period that should be included in the financial statements.

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