INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRISTOL CITY COUNCIL

Opinion on the Council's statement of accounts

We have audited the statement of accounts of Bristol City Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The statement of accounts comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Balance and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (based on International Financial Reporting Standards).

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Council'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. Our responsibility is to audit and express an opinion on the statement of accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the statement of accounts

An audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the statement of accounts. We read all of the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited statement of accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on statement of accounts

In our opinion the statement of accounts:

- give a true and fair view of the state of Bristol City Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (based on International Financial Reporting Standards).

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the statement of accounts is prepared is consistent with the statement of accounts.

Matters on which we report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received; or
- the accounting statements are not in agreement with the accounting records and returns; or
- the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we have not received all the information and explanations we require for our audit.

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

Council's responsibilities

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

Auditor's responsibilities

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

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

Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Bristol City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

Certificate

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

John Golding
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

30 September 2011

Bristol City Council

Statement of Accounts

Year ended 31 March 2011

The Accounts and Audit Regulations 2011 require the City Council to prepare a set of Financial Statements. The Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Contents (& page)

Explanatory foreword

Introduction

The preparation of the Statutory Statement of Accounts is undertaken in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), published by CIPFA. The Accounts and Audit (England) Regulations 2011 require that the accounts are completed and approved by the committee by 30 September 2011. Prior to this, the responsible financial officer of the Council (i.e. the Section 151 officer) must sign and date the Statement of Accounts by no later than 30 June 2011.

The Statement of Accounts has been completed and was signed by the Section 151 Officer before the end of June. Following this the accounts were subject to audit. The external auditors, Grant Thornton, are required to present a report to the Council on the accounts, including their opinion.

This Statement of Accounts comprises the following principal financial statements:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement

These are supplemented by comprehensive notes, including the Council's accounting policies and details of the transition to International Financial Reporting Standards (IFRS), followed by statements and notes for the Housing Revenue Account and Collection Fund. More information on the purpose of the principal statements is included at the end of this foreword.

Overview of the financial year 2010/11

Revenue outturn and balances

The following paragraphs cover the revenue accounts on the basis of the Council's financial management arrangements. The reconciliation at Note 30 explains how these are brought together with other items in the Comprehensive Income and Expenditure Account.

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

	Original Budget	Revised Budget	Last Forecast (Jan 2011)	Outturn	Variation From Budget	Variation From Forecast
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Children, Young People & Skills	83.6	81.1	82.4	81.6	0.5	(0.8)
City Development	49.1	48.5	48.0	48.0	(0.5)	0.0
Deputy Chief Executive	5.7	5.8	5.7	5.6	(0.2)	(0.1)
Health and Social Care	153.6	153.2	153.2	152.6	(0.6)	(0.6)
Neighbourhoods	71.2	74.6	74.9	74.9	0.3	0.0
Resources	3.2	2.5	2.1	2.2	(0.3)	0.1
Transformation	8.2	6.5	5.9	5.6	(0.9)	(0.3)
Total spend by directorates	**374.6**	**372.2**	**372.2**	**370.5**	**(1.7)**	**(1.7)**
Other:						
Pensions	2.7	2.7	2.7	2.6	(0.1)	(0.1)
Net capital financing	17.5	17.5	17.1	16.7	(0.8)	(0.4)
Levies	1.0	1.0	1.0	1.1	0.1	0.1
Contingency and provisions	2.1	1.8	0.0	0.0	(1.8)	0.0
Transfer to reserves	0.0	0.0	1.4	1.3	1.3	(0.1)
Total	**397.9**	**395.2**	**394.4**	**392.2**	**(3.0)**	**(2.2)**
Less use of balances	(4.8)	(4.7)	(3.7)	(4.8)	(0.1)	(1.1)
Total net Budget	393.1	390.5	390.7	387.4	(3.1)	(3.3)

The budgets of individual directorates were adjusted during the year. The major adjustments were:

- the reduction in Area Based Grant announced in June (£3.1m)
- removal of the provision made for staff pay increase (£1.8m)
- reallocation of central support service charges, including integrated customer services charges

Overall, net general fund spending by the Council in 2010/11 was £3.1m below the approved budget and 3.3% below the forecast reported in January. Spending by directorates was £1.7m or just under 0.5% below budget. Health and Social Care achieved an underspend of £0.6m despite forecasting a substantial overspend earlier in the year, Children and Young People's Services recovered somewhat from the effects of a large cut in the Council's area based grant and the corporate directorates returned a combined underspend of £1.4m against budget, largely through staff vacancies and operational savings. The overall position was also supplemented by additional resources from Performance Reward Grant, net VAT refunds and a lower than expected deficit on the Collection Fund (see below).

The budget for 2011/12 was set on the basis of spending in 2010/11 being in line with budget, so the £3.1m is uncommitted at 31 March 2011. After transferring the previous years underspend to the earmarked reserve for restructuring costs, the balance on the general fund carried forward into 2011/12 stands at £9.8m including the target working balance of £6m.

The Comprehensive Income and Expenditure Statement included within these accounts is prepared in accordance with the Code. Note 30 reconciles the actual net expenditure reported as above, together with the deficit on the Housing Revenue Account, to the cost of services shown in the Statement.

Housing Revenue Account (HRA)

The HRA incurred a deficit of £0.6m for the year (pages 107-108). This was an improvement on the planned deficit of £8.5m at the beginning of the year. The reduced deficit is largely due to additional saving in supervision and management costs (£2.2m), a lower contribution from revenue funding to support reduced capital spend in the year (£4.0m) - due to slippage arising from delays in procurement, and an adjustment for previous years subsidy (£1.3m), following audit completion and final settlement.

The use of £0.6m of reserves to offset the deficit meant that the total of HRA balances at 31 March 2011 was £25.3m. This is carried forward into 2011/12 and will be used to finance future revenue and capital spending for the Council's housing stock.

Collection Fund

The deficit on the Collection Fund for 2010/11 was £1.19m (page 114) compared to £1.7m estimated in January 2011 for the budget and council tax setting process for 2011/12. The main reason for the deficit was increased exemptions and discounts that occurred after the council tax base for 2010/11 had been set, thus resulting in the targets set for the base being overestimated. The reduced deficit at year end reflected a reduction in exemptions as a result of empty property monitoring and a lower than anticipated increase in the bad debt provision required.

The Council's share of the deficit (£1.02m) will have to be met in 2011/12, along with an adjustment for the actual deficit for 2009/10 (£0.76m). An earmarked reserve has been created so that these costs do not impact on the Council's budget in 2011/12.

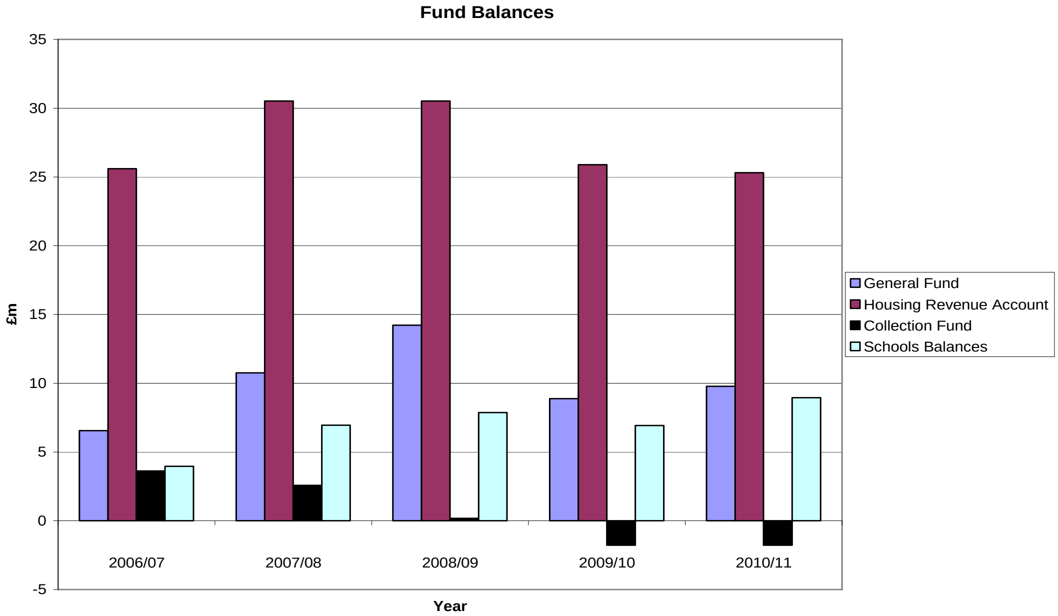
The percentage of council tax collected in the year was 96.34% (96.38% in 2009/10), just below the target of 96.5%.

Schools balances

The total of school balances at 31 March 2011 was £8.95m, an increase of 33% on the March 2010 figure. This represents just over 5% of the formula funds allocated to schools. The number of schools with deficit balances reduced from 15 to 7. The directorate's finance staff continues to work with these schools in order to identify and develop a recovery plan to reduce the deficit.

In addition to the above, the balance sheet also includes a further £8.3m, which relates to other funding for schools, including Dedicated Schools Grant, which is carried forward for use in 2011/12.

Trends in fund balances – last 5 years



Capital Expenditure

Total capital spending in 2010/11, including one-off projects, was £123.3m. Outturn expenditure, by directorate, is summarised in the following table with a comparison with the last forecast.

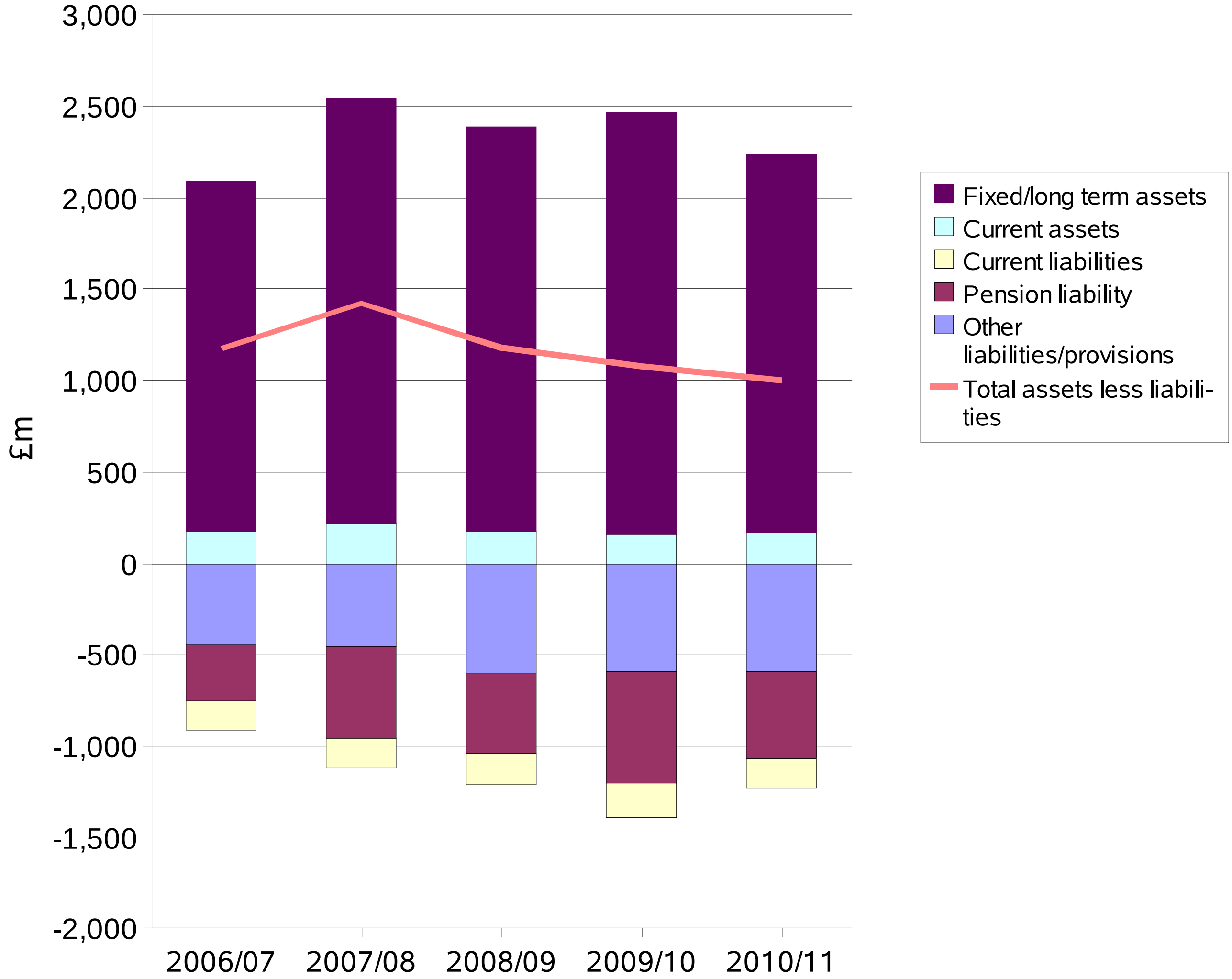
	2010/11 Latest Forecast	2010/11 Total Spend	Variation
	£m	£m	£m
Children and Young People's Services	51.5	37.1	(14.4)
City Development	36.0	31.5	(4.5)
Health and Social Care	3.9	3.1	(0.8)
Neighbourhoods - HRA	44.0	39.2	(4.8)
Neighbourhoods - General Fund	11.8	10.0	(1.8)
Resources	0.6	0.4	(0.2)
Transformation	2.1	0.9	(1.2)
Sub-total	**149.9**	**122.2**	**(27.7)**
Other capitalised expenditure	0.0	1.1	1.1
TOTAL	**149.9**	**123.3**	**(26.6)**

Spending was financed as follows:

	£m
Borrowing (government - supported)	15.3
Borrowing - unsupported	2.8
Capital receipts	7.0
Grants, including S106 contributions	73.8
Revenue and other funding	24.4
TOTAL	**123.3**

Details of contractual commitments as at 31 March 2011 are set out on page 45.

Balance Sheet items – total position



	31.3.07	31.3.08	31.3.09	31.3.10	31.3.11
	£m	£m	£m	£m	£m
Other liabilities/provisions	(449)	(456)	(604)	(589)	(595)
Pension liability	(308)	(498)	(440)	(612)	(475)
Current liabilities	(161)	(164)	(168)	(187)	(161)
Current assets	179	216	172	160	164
Fixed/long term assets	1,915	2,326	2,219	2,304	2,070
Total assets less liabilities	1,176	1,424	1,179	1,076	1,003

The Council's total reserves have decreased by £73m. Details of the items giving rise to this decrease are shown in the Movement on Reserves Statement on page 15.

Debtors (page 53)

The level of debtors at 31 March 2011 has reduced by £23.5m over the year: the main reasons for this reduction are:

	£m	
Government departments	(13.4)	(£13.7m) claim for the balance of housing benefit subsidy in respect of 2009/10 settled in year. For 2010/11, the corresponding adjustment is estimated to be in favour of DWP (see creditors below); (£1.2m) VAT claim due re increase in spend during last month; £1.6m Collection Fund, overpayment of NDR – monies due from DCLG.
Other entities and individuals	(9.3)	(£2.5m) reduced amounts owing from funding body as Hengrove PFI project nearing completion; (£2.0m) payments previously made in advance, now made in year; (£0.6m) leaseholders service charges (HRA), offset by corresponding reduction in liabilities; (£0.4m) Bovis Homes – amounts due under development agreement; (£2.3m) reduction in debtors outstanding on central control system due to improved collection; (£0.5m) net reduction in housing benefit overpayments; (£0.4m) increase in bad debts provision in respect of commercial properties rents; (£0.5m) reduced amounts owed by bank accounts maintained on behalf of external bodies.

Creditors (page 55)

The level of creditors at 31 March 2011 has increased by £6.4m over the year. The main reasons for this are:

	£m	
Government departments	+ 5.4	£1.3m receipts in advance from DoT re SMART ticketing project; severe winter grant received late (spent in 2011/12); £5.0m housing benefit subsidy (see note in creditors above); £0.9m Westmoreland House – HCA funding received in advance. (£1.5m) reassessment of liability in respect of housing subsidy claim/capital receipts pooling (HRA), following audit of claims.
Other local authorities	- 1.1	Reduction in amounts owed in respect of special school recoupment and statementing (term-time basis).
Other	+1.9	£13.9m reflects the total accruals identified on the corporate online procurement system at 31March 2011; (£8.3m) relates to BSF capital programme in respect of independent academies and VA schools and reflects programmes nearing completion; (£2.1m) reduction in holiday pay accrual; (£1.0m) adjustment in respect of revenue and capital grants: grants with no conditions attached recognised in the comprehensive income and expenditure account; (£0.6m) leaseholders service charges (HRA).

Pensions (pages 81-86)

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

	31.3.11	**31.3.10**	**Change**
	£m	£m	£m
Local Government Scheme	410.3	546.9	(136.6)
Teachers unfunded liabilities	64.2	64.5	(0.3)
Pre 1974 liabilities	0.2	0.2	0.0
Total	**474.7**	**611.6**	**(136.9)**

The overall liability for retirement benefits at 31 March 2011 has reduced from the figure at the end of the previous year by £137m to £475m.

The main reason for the reduction stems from the government's decision in June 2010 that public sector pensions would be increased in line with the consumer price index (CPI) rather than the retail price index (RPI). The Actuary has built this change into the calculations and, on the assumption that over the long term CPI will be less than RPI by 0.5% per annum, the effect is to reduce the value of an employer's liabilities – in Bristol's case by £96m. This adjustment has been included as a 'past service cost' and credited to the cost of services in rather than treat this as an actuarial gain on pension liabilities, in the Comprehensive Income and Expenditure Statement.

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 Pension Fund, at March 2010, indicated a funding level of 82% (the funding level at the previous valuation, March 2007, was 83%). A revised employer's contribution rate in respect of future service was recommended to apply from April 2011, together with a cash sum due as a contribution towards deficit recovery

Borrowing and lending

The Council's long-term borrowing to finance capital spending has increased by £9.8m primarily due to the drawdown of a £10m market loan facility, which was arranged in February 2010.

The overall borrowing position has decreased by £22m from £386m to £364m following the repayment of short-term loans brought forward from the previous year.

Cash surpluses, resulting from lower than expected capital spend culminated in an increase in the short term lending position which ended the year at £101m, an increase of £30m over the balance brought forward from the previous year.

The option to redeem a £10m long-term investment was actioned by the investor during the year. This, along with the realisation of our preference share holding in the Bristol Port Company of £8.5m reduced our long term investments overall.

The Council had £8m deposited in Icelandic banks at the time of their collapse and has followed CIPFA recommendations in relation to the recognition of the impairment of the deposit. Legal decision has confirmed the 'priority' status of these investments. However, the decision is under challenge and will be subject to the appeals process in the Icelandic judiciary. In the mean time the statutory regulations which allowed the deferral of any impact to the Council's general fund balances have expired and the Council will need to fund any losses (if any and subject to the on-going legal process mentioned previously) arising on the Icelandic deposits from its reserves, of which £4.5m has been earmarked for any such loss. The Icelandic position is kept under review. More detailed information is included Note 48 – Nature and Extent of Risks Arising from Financial Instruments.

Reserves and provisions (pages 40-51 and 56)

The value of total reserves and provisions at 31 March 2011 has reduced by £8.2m and £0.6m respectively. This is largely related to the following items:

	£m	
Reserves		
Port Company shareholding	(8.5)	Redemption of preference shares at 31 March 2011, as per terms of agreement
Revenue grants unapplied	3.1	Increase in the amount of grants recognised in the comprehensive income and expenditure account, to be spent in future year(s).
Restructuring costs	1.7	Additional monies set aside from unallocated balances, in particular to meet severance costs arising from service reviews to meet budgeted savings targets.

	£m	
Supporting People	(1.7)	Appropriation from the reserve in support of the Council's budget.
Residential Futures	1.4	Set aside to fund the re-provision of residential services for older people in Bristol in response to an increasing population and changes in needs and preferences.
HSC Transformation	1.0	Set aside to fund the modernisation and rationalisation of services provided in house and to increase efficiency and effective commissioning of services provided by external providers.
Standards Fund	(2.9)	Reduction in DfE monies carried forward for spend in following year.
Education PFI Smoothing Fund	(3.2)	Excess of expenditure over government grant in the year drawn from fund being maintained to meet future years' commitments to the PFI providers.
ICT Replacement Fund	1.3	Increase in asset replacement contribution arising from centralisation of ICT; staff savings carried forward for strategic ICT infrastructure programme.
Provisions		
Compensation	(0.8)	Compensation paid out in year

Other issues

Issues from the audit of 2009/10 accounts - the high priority items arising from last year were as follows:

- Update fixed asset register so that Council dwellings records reflect actual useful economic lives of assets, enabling proper calculation of depreciation on individual asset basis
- Review HRA expenditure capitalised in year to ensure amounts are capital in nature and to assess whether amounts have added value to the assets
- Obtain new professional valuation of the Council's valuation of the Port Company

These issues have been addressed in the preparation of these accounts. In respect of the Port valuation, this has been reviewed internally with the agreement of the auditors. The internal review concluded that the asset was not impaired and that the range of potential values was significant and broadly in line with the previous external valuation. The Council has therefore continued to include the value of these shares in the accounts at cost, in line with the recommendations of the Code.

Main Changes in accounting requirements 2010/11

All local authorities are required to implement International Financial Reporting Standards from 2010/11. The Council has followed the new requirements, namely

- Preparation of the transition balance sheet at 1 April 2009
- Restatement of the 2009/10 financial statements
- Preparation of the 2010/11 accounts on an IFRS basis

The Council's external auditors have been involved in both agreeing the approaches to be adopted for the key changes and in reviewing the transition balance sheet and the re-stated 2009/10 financial statements. The notes to these accounts contain details of the transition and, where appropriate, prior year comparatives are provided for the previous two years.

Revenue spending plans

The comprehensive spending review in October 2010 set the financial horizon for the period 2011/12 to 2014/15. The local government finance settlement confirmed that the Council would need to make savings of £28m in 2011/12 and a further £42m by 2014/15. Whilst the levels of balances for the general fund, the HRA and schools all allow some flexibility in medium term financial planning, the level of savings to be identified in future years clearly requires a fundamental review of the way the Council delivers services. Future services and organisational shape will need to be re-designed to meet the challenges ahead, in terms of the financial position, national policy and the Council's own organisational change agenda. This process is underway.

Capital investment plans

The Council plans to incur capital spending of approximately £308m over the period 2011 – 2014 on improving the housing stock, schools, transport infrastructure 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:

1. government grants and borrowing covered by government allocations;

2. grants and contributions from other bodies;

3. revenue contributions, self-funded borrowing; and

4. capital receipts arising from the sale of assets.

However, a decline in capital funding from central government along with uncertain capital receipts, falling capital contributions from other external sources and the revenue strain of Prudential Borrowing will squeeze our ability to finance capital projects going forward.

International Financial Reporting Standards

Under International Financial Reporting Standards, the new primary statements are as follows:

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

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

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

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

Prior Period Adjustments

Prior year adjustments have been made in the statement and notes, to reflect the change to International Financial Reporting Standards.

FURTHER INFORMATION

Further information about the City Council's accounts can be obtained from the Corporate Finance Section, Corporate Services 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, following which electors have the right to question the auditor about the accounts. The opportunity to inspect the accounts is advertised in the press and on the Council's website, as is the date when the auditor's report is submitted to the City Council in public session.

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the 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 Code).

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 Code.

The Chief Financial Officer has also:

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

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 Authority at 31 March 2011 its expenditure and income for the year for the year ended 31 March 2011.

Peter Robinson

Chief Financial Officer

30 September 2011

Movement in Reserves Statement for the year ended 31 March 2011

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Capital Receipts £'000	Schools reserves £'000	**Total Usable reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
Balance at 31 March 2009	14,219	79,614	30,515	6,729	9,695	140,772	1,037,812	1,178,584
Movement in reserves during 2009/10								
Deficit on the provision of services	(37,869)	-	(44,270)	-	-	(82,139)	0	(82,139)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	(20,656)	(20,656)
Other reserves movement	-	1,745	-	(78)	1,010	2,677	(2,167)	510
Total Comprehensive Expenditure and Income	(37,869)	1,745	(44,270)	(78)	1,010	(79,462)	(22,823)	(102,285)
Adjustments between accounting basis & funding basis under regulations (Note 7)	45,107	-	39,651	(84)	0	84,674	(84,674)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	7,238	1,745	(4,619)	(162)	1,010	5,212	(107,497)	(102,285)
Transfers to/(from) Earmarked Reserves (Note 8)	(12,588)	12,588	-		-	-	-	-
Rounding adj							(1)	(1)
Increase/Decrease in the year	(5,350)	14,333	(4,619)	(162)	1,010	5,212	(107,498)	(102,286)
Balance at 31 March 2010 carried forward	8,869	93,947	25,896	6,567	10,705	145,984	930,314	1,076,298
Movement in Reserves during 2010/11								
Surplus or (deficit) on the provision of services	103,384	0	(258,589)	0	0	(155,205)	0	(155,205)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	81,850	81,850
Total Comprehensive Expenditure and Income	103,384	0	(258,589)	0	0	(155,205)	81,850	(73,355)
Adjustments between accounting basis & funding basis under regulations (Note 7)	(100,572)	(3,648)	257,959	7,838	0	161,577	(161,577)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	2,812	(3,648)	(630)	7,838	0	6,372	(79,727)	(73,355)
Transfers to/from Earmarked Reserves (Note 8)	(1,904)	(4,683)	44		6,543	0	0	0
Increase/Decrease in the year	908	(8,331)	(586)	7,838	6,543	6,372	(79,727)	(73,355)
Balance at 31 March 2011 carried forward	9,777	85,616	25,310	14,405	17,248	152,356	850,587	1,002,943

Comprehensive Income and Expenditure Statement for the year ended 31 March 2011

2009/10 Gross exp	2009/10 Gross income	2009/10 Net exp		2010/11 Gross exp	2010/11 Gross income	2010/11 Net exp
£'000	£'000	£'000		£'000	£'000	£'000
19,505	9,005	10,500	Central services to the public	17,642	8,199	9,443
123,851	30,269	93,582	Cultural, environmental, regulatory and planning services	127,402	31,490	95,912
478,781	360,584	118,197	Education and children's' services	438,713	358,087	80,626
57,141	25,565	31,576	Highways and transport services	46,355	15,507	30,848
151,725	95,642	56,083	Local authority housing (HRA)	368,787	96,859	271,928
217,404	199,549	17,855	Other housing services	258,784	214,125	44,659
206,475	82,970	123,505	Adult social care	180,984	54,498	126,486
31,083	7,466	23,617	Corporate and demographic core	15,461	1,476	13,985
2,605	2,909	(304)	Other services	1,352	2,919	(1,567)
1,226	3	1,223	Non distributed costs	(91,715)	409	(92,124)
1,289,796	813,962	475,834	**Cost of services**	1,363,765	783,569	580,196
		2,329	Other operating expenditure (note 9)			33,847
		63,413	Financing and investment income and expenditure (note 10)			7,928
		(459,437)	Taxation and non-specific grant income (note 11)			(466,766)
		82,139	**Deficit on provision of services**			**155,205**
		(131,908)	Surplus on revaluation of fixed assets			(21,578)
		152,564	Actuarial gains/losses on pension assets/liabilities			(60,272)
		(510)	Movements in other funds and balances			0
		20,146	**Other comprehensive income and expenditure**			(81,850)
		102,285	**Total comprehensive income and expenditure**			73,355

30.9.11

Mark Weston, Chair
Audit Committee

30.9.11

Peter Robinson, Chief
Financial Officer

Balance Sheet as at 31 March 2011

01-Apr-09 £'000	31-Mar-10 £'000		Note	31-Mar-11 £'000
855,560	977,634	Property, plant and equipment	12	986,860
1,062,869	1,055,577	Council Dwellings	12	799,862
932	588	Intangible assets	14	361
183,654	179,328	Investment properties	13	204,274
36,015	17,502	Long-term investments	15	7,502
75,709	73,084	Long-term debtors	15/18	69,883
2,214,739	2,303,713	**Long-term assets**		2,068,742
67,396	51,995	Short-term investments	15	45,407
1,095	1,066	Inventories	16	1,301
70,918	91,583	Short-term debtors	15/18	68,117
28,081	15,011	Cash and cash equivalents	19	48,106
4,645	480	Assets held for sale	20	940
172,135	160,135	**Current assets**		163,871
(17,016)	(36,647)	Short-term borrowing	21	(5,088)
(139,959)	(139,107)	Short-term creditors	22	(145,544)
(2,180)	(3,531)	Provisions	23	(2,457)
(8,805)	(7,733)	Capital grants received in advance	38	(8,082)
(167,960)	(187,018)	**Current Liabilities**		(161,171)
(357,666)	(349,074)	Long-term borrowings	21	(358,855)
(5,166)	(3,967)	Provisions	23	(4,430)
(665,403)	(835,979)	Other Long term liabilities	22	(693,741)
(12,095)	(11,512)	Capital grants received in advance	38	(11,473)
(1,040,330)	(1,200,532)	**Long term liabilities**		(1,068,499)
1,178,584	1,076,298	**Net assets**		1,002,943
140,772	145,984	Usable reserves	24	152,356
1,037,812	930,314	Unusable reserves	25	850,587
1,178,584	1,076,298	**Total reserves**		1,002,943

30.9.11

Mark Weston, Chair
Audit Committee

30.9.11

Peter Robinson, Chief
Financial Officer

Cash Flow Statement for the year ended 31 March 2011

2009/10 £000		2010/11 £000
82,139	Net deficit on the provision of services	155,205
(220,533)	Adjustments to net deficit on the provision of services for non cash movements (note 26)	(315,942)
-	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	-
(138,394)	Net cash flows from Operating Activities (Note 27)	(160,737)
149,238	Investing Activities (Note 28)	103,455
2,226	Financing Activities (Note 29)	24,187
13,070	Net (increase) or decrease in cash and cash equivalents	(33,095)
28,081	Cash and cash equivalents at the beginning of the reporting period	15,011
(13,070)	Less decrease in cash/add increase in cash	33,095
15,011	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**48,106**

Notes to the Accounts

1. **Accounting Policies**

Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement and reclassification of various balances and transactions at the transition date (1 April 2009) and for the comparative year (2009/10). The tables included in note 49 explain the material differences between the adjusted IFRS numbers and the original UK GAAP numbers, for the following statements:

- Balance Sheet as at 1 April 2009
- Balance Sheet as at 31 March 2010
- Comprehensive Income and Expenditure Statement for 2009/10.

i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

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

ii Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

iii Cash and Cash Equivalents

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

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

v Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

vi Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, described as the minimum revenue provision "MRP", by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii Employee Benefits

Benefits Payable During Employment
Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year end, which employees can carry forward into the next financial year. The accrual is based on a sample of employees using current salaries. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

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

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

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Avon Pension Fund is accounted for as a defined benefits scheme:

- The liabilities of the Avon Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate based on the return for high quality corporate bonds.
- The assets of Avon Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.
- The change in the net pensions liability is analysed into seven components:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
    - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
    - gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
    - contributions paid to the Avon Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

viii Events After the Balance Sheet Date

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix Financial Instruments

Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

However, the Authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price.
- other instruments with fixed and determinable payments – discounted cash flow analysis.
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for -Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

x Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where revenue grants are credited to the Comprehensive Income and Expenditure Statement, but they remain unapplied, an earmarked reserve is established. This is reversed once the grants is applied.

xii Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for sale proceeds) the Capital Receipts Reserve.

xiii Interests in Companies and Other Entities

If the Authority has a material interest in either a subsidiary, associate or joint venture (e.g. jointly controlled entities) it prepares Group Accounts in addition to single entity financial statements. In 2010/11, the Council had no material interests in such bodies (see note 47).

xiv Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value on a FIFO basis.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xv Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated. Valuations are completed as follows:

- the top 250 commercial properties are valued annually.
- 50% of the remaining properties are valued in the current year and 50% in the following year (on a rolling basis).
- current "in year" valuations are also used to adjust any non valued properties (where appropriate) in order to ensure that properties are held at fair value.

Gains and losses on revaluation are posted to the Financing and Investment Income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and

Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for sale proceeds) the Capital Receipts Reserve.

xvi Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvii Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xviii Property, Plant and Equipment

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

Recognition

Assets costing individually or collectively less than £20,000 are classed as de-minimus and are not capitalised. The expenditure is charged direct to the appropriate service line.

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure and community assets – depreciated historical cost.
- assets under construction – historical cost.
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).

- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Plant, Property and Equipment assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Investment assets are revalued on a two year cycle, with the top 250 rack rented and long leased assets being revalued annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Deprecation is calculated on the following bases:

- dwellings (exc HRA) and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure, excluding quay walls and lock gates in city docks – straight-line allocation over 25 years.
- Infrastructure, quay walls and lock gates in city docks - straight-line allocation over 100 years.

The Authority applies component accounting (i.e. major components of the asset are depreciated separately over their respective estimated economic lives) to all assets with a book value in excess of £5 million (where components are evident and the impact of component accounting is considered material to the Financial Statements). In addition, a proxy for component accounting has been applied to all HRA assets – see below.

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

HRA dwellings

Depreciation is based on the Major Repairs Allowances (MRA) for self financing. This is considered to a suitable proxy for component accounting for HRA dwellings.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xix Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xx Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

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

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxi Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

xxii Revenue Expenditure Funded from Capital under Statute

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

xxiii VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

Accounting Standards are subject to continual review by the International Accounting Standards Board and when changes are agreed included in updates of the Accounting Code of Practice.

Heritage & Community Assets

The Code of Practice on Local authority Accounting in the UK for 2011/12 will introduce a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully 2011/12 financial statements.

The Code requires for the first time that Heritage Assets are recognised as a separate class of asset.

Heritage Assets

The Council has consistently valued its Heritage assets on a historic cost basis or at insurance valuation basis. This is in line with the proposed change to accounting practice which will be implemented and apply to Heritage Asset valuations when reporting the 2011/12 out turn.

For reference, Heritage Assets are held principally for their contribution to knowledge and culture, and are currently held within the 'Community Assets' category and include:

Collection Asset	Value £m
Museum Artifacts, Antiquities & Antiquarian books	120

These items are predominantly on display in museum buildings in the city, held in storage or loaned out to qualifying educational or cultural organisations. The museum buildings are assets which are classified in the 'Land and Buildings' category.

There is no depreciation charged against the heritage assets because it is estimated that the assets have an extended and indeterminate useful life such that any depreciation charge would be negligible. There will therefore be no change to the depreciation charged in the financial statements in relation to the Authority's heritage assets.

Community Assets

All parks and open spaces are held within the asset register as Community Assets and are valued for accounting purposes on a historic cost basis.

Whilst the introduction of the Code does allow Authorities the option to value community assets at a market valuation, the Council proposes to continue in valuing on a historic cost basis.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

- The Authority has a number of different types of schools operating e.g. Community, Foundation, Trust, Church, and Academies etc. Where a school changes status during a financial period the Authority reviews the substance of the transaction (e.g. terms of leases, employee status etc) to determine whether the Authority retains “control” of the school. If control is retained, the school remains “on balance sheet” for the Authority, if control is lost the assets are transferred to the new controlling body. The Authority has determined that for its Trust, Foundation, Academy and certain Church schools, it no longer has control and therefore these are off balance sheet.
- The Authority recognised impairments in 2008/09 and 2009/10 in relation to investments held in Icelandic banks. In March 2011 the Icelandic District Court ruled in favour of UK local Authority creditors and awarded then “priority status”. In light of this the Authority has reversed part of the impairment as recommended by the Local Government Association and CIPFA – see note 48.
- The HRA recognised an impairment of £266.2 million in the year – see HRA accounts. This was mostly attributable to an increase in the adjustment factor applied to social housing in the South West, which the Authority considered appropriate. This adjustment was recommended by the stock valuation guidance published by the Department for Communities and Local Government.
- The Authority participates in two pension schemes; The Local Government Pension Scheme and The Teachers Pension Scheme – see note 46. Both schemes provide defined benefits to members. The arrangements for the Teachers’ scheme, however, do not allow the liabilities to be easily identified for the Authority and therefore this scheme is accounted for as a defined contribution scheme, with no liability for future payment of benefits recognised in the balance sheet. The liability included in the Council’s balance sheet and the adjustments made to the Comprehensive Income and Expenditure Account are based on calculations made by the Pension Fund actuary. The balance sheet also includes a liability in respect of the unfunded benefits paid to former teaching staff, arising from early retirement decisions made in previous years. The Council has reviewed the key assumptions used to undertake these calculations and considers them appropriate for inclusion into the financial statements.
- As required under IFRS, the Authority has established an Accumulating Compensating Absences Accrual in respect of its employees. The accrual for teachers and schools support staff has been based on a formulae recommended by CIPFA. The accrual for all other staff is based on a sample of employees.
- The Authority has an unquoted investment in Bristol Port Authority. As stated in the foreword, an internal valuation review concluded that the asset was not impaired and that the range of potential values was significant and broadly inline with the previous external valuation. The Council has therefore continued to include the value of these shares in the accounts at cost, in line with the recommendations of the Code.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a risk of adjustment in the forthcoming financial year are as follows:

- Pensions (see note 3 above). The Authority has relied on the calculations provided by the Pension Fund actuary.
- Property, plant and equipment. These assets are revalued on a periodic basis and reviewed annually for indicators of impairment. Assets are depreciated based on useful lives that are dependant on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.
- Provisions. The principal provision made by the Council is to meet certain insurance risks, to supplement arrangements with external insurers. The level of provision is reviewed from time to time against the value of outstanding claims.
- Private Finance Initiative (PFI). The assets and related liabilities have been recognised on the Council's balance sheet when made available for use. The liability is written down by way of the finance cost element of the payment to the PFI operator. Although the interest rate applied is an estimate, as long as the contracts remain unchanged, future costs will be certain.

5. Material Items of Income and Expense

The following material item is included within the Statement of Accounts, but not separately reported on the face of the balance sheet or the notes:

- Fours schools achieved Trust status on 1 April 2010. The relevant freehold property amounting to £31.6 million was transferred from the Authority to the schools for £nil consideration. This is shown as property, plant and equipment derecognised under note 12.

6. Events after the Balance Sheet Date

The financial statements have been audited and are authorised for issue on 30 September 2011. 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.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. Total movements in usable reserves are matched by opposite entries in unusable reserves (note 25).

2010/11	General Fund Balance £'000	Housing Revenue Account £'000	Earmarked reserves £'000	Capital Receipts £'000	Major Repairs Reserve £'000	***Total Movement Usable Reserves*** £'000
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non current assets	(56,569)	(293,160)	0	0	0	(349,729)
Movements in the market value of Investment Properties	28,644	0	0	0	0	28,644
Amortisation of intangible assets	(245)	(147)	0	0	0	(392)
Capital grants and contributions	53,833	779	0	(767)	0	53,845
Revenue expenditure funded from capital under statute	(2,650)	0	0	0	0	(2,650)
Revenue expenditure funded from capital under statute TRF OF Grant to Neighbourhoods	(2,313)	0	0	0	0	(2,313)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(34,201)	(4,647)	0	0	0	(38,848)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	14,619	0	0	0	0	14,619
Capital expenditure charged against the General Fund and HRA balances	6,311	13,177	3,648	(1)	0	23,135
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	11,404	5,532	0	(16,936)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	7,741	0	7,741
Other capital receipts net of allowable deductions	0	89	0	(89)	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(2,214)	0	0	2,214	0	0
Adjustment involving the Major Repairs Reserve						
Excess depreciation transfer to MRR	0	(7,455)	0	0	7,455	0
HRA depreciation transfer to MRR	0	27,004	0	0	(27,004)	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	19,549	19,549
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	4,285	1,650	0	0	0	5,935
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	35,326	(2,263)	0	0	0	33,063
Employer's pensions contributions and direct payments to pensioners payable in the year	42,186	1,482	0	0	0	43,668
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	9	0	0	0	0	9
Adjustment involving the Accumulating Compensated Absences Adjustment Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,147	0	0	0	0	2,147
Other reserve movements	0	0	0	0	0	0
Total Adjustments	100,572	(257,959)	3,648	(7,838)	0	(161,577)

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts £'000	Major Repairs Reserve £'000	***Total Movement Usable Reserves*** £'000
2009/10					
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non current assets	(109,883)	(74,376)			(184,259)
Revaluation losses on Property Plant and Equipment					0
Movements in the market value of Investment Properties	9,569	899			10,468
Amortisation of intangible assets	(96)	(144)			(240)
Capital grants and contributions	79,838				79,838
Revenue expenditure funded from capital under statute	(2,111)				(2,111)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,571)	2,415	84		928
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	13,256				13,256
Capital expenditure charged against the General Fund and HRA balances	6,211	11,885			18,096
Adjustments involving the Capital Receipts Reserve:					
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(2,109)				(2,109)
Adjustment involving the Major Repairs Reserve					
Excess depreciation transferred to MRR		(5,572)		5,572	0
HRA depreciation credited to MRR		24,840		(24,840)	0
Use of the Major Repairs Reserve to finance new capital expenditure				19,268	19,268
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(15,784)	603			(15,181)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	(57,816)	(3,682)			(61,498)
Employer's pensions contributions and direct payments to pensioners payable in the year	39,050	3,489			42,539
Adjustments involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,958)				(1,958)
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,703)	(8)			(1,711)
Total Adjustments	(45,107)	(39,651)	84	0	(84,674)

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	1 April 2009	***Transfers out 09/10***	***Tranfers in 09/10***	**31 March 10**	Tranfers out 10/11	Tranfers in 10/11	**31 March 11**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Fund							
Capital							
Capital - general	10,064	89,566	99,287	**19,785**	66,290	65,852	**19,347**
Capital - housing	2,170	1,702	609	**1,077**	583	171	**665**
Revenue							
Business Transformation	3,947	2,185	30	**1,792**	368	705	**2,129**
Restructuring costs	2,527	1,303	3,432	**4,656**	482	2,169	**6,343**
Supporting People	10,521	0	0	**10,521**	1,700	0	**8,821**
Residential Futures	0	0	0	**0**	0	1,413	**1,413**
Health & Social CareTransformation	0	0	0	**0**	0	1,091	**1,091**
Revenue grants unapplied	3,069	3,069	2,640	**2,640**	2,640	5,747	**5,747**
Schools Academy Programme	1,179	697	0	**482**	104	0	**378**
Recession Action Fund	1,000	857	0	**143**	50	0	**93**
Accommodation Review	779	25	0	**754**	258	0	**496**
IT Replacement Fund	4,061	243	433	**4,251**	424	1,711	**5,538**
Asbestos removal	632	0	0	**632**	0	0	**632**
Various regeneration projects	0	0	728	**728**	20	113	**821**
Schools Absence Scheme	982	0	114	**1,096**	0	32	**1,128**
Early Years Reserve	0	0	1,430	**1,430**	0	0	**1,430**
Housing - Inclement Weather	500	0	0	**500**	0	0	**500**
Education Standards Fund	5,084	0	5,113	**10,197**	2,909	0	**7,288**
Collection fund	0	0	1,050	**1,050**	656	1,417	**1,811**
Housing benefit issues	1,143	168	0	**975**	5	0	**970**
Education PFI smoothing fund	6,882	2,653	21	**4,250**	3,195	0	**1,055**
Grounds maintenance	0	179	895	**716**	179	0	**537**
Waste issues	500	380	2,130	**2,250**	0	203	**2,453**
Performance Reward Grant	553	40	0	**513**	437	0	**76**
Commercial Properties	258	0	200	**458**	0	150	**608**
Health and Social Care Placements	0	1,500	1,500	**0**			**0**
Other	12,763	8,616	7,904	**12,051**	4,921	4,616	**11,746**
Other:							
Investment in Port Company	11,000	-	-	**11,000**	8,500	0	**2,500**
Total	**79,614**	**113,183**	**127,516**	**93,947**	**93,721**	**85,390**	**85,616**

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. Details of the other major earmarked reserves are set out below:

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.
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.
Asbestos removal	Identification and removal of asbestos in council owned properties
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.
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.
Investment in Port Company	Reflects the Council's shareholding and can not be used for alternative purposes.
Residential Futures	To fund the re-provision of residential services for older people in Bristol in response to an increasing population and changes in needs and preferences.
HSC Transformation	To fund the modernisation and rationalisation of services provided in house and to increase efficiency and effective commissioning of services provided by external providers.
Collection fund	To offset the deficit on the fund at 31 March 2011, in 2011/12.
Revenue grants unapplied	Grants received in advance, recognised in the Comprehensive Income and Expenditure Account in 2010/11 under IFRS.

9. Other Operating Expenditure

2009/10 £000		2010/11 £000
1,064	Precepts and levies	1,222
2,109	Payments to the Government Housing Capital Receipts Pool	2,214
(844)	Losses/(gains) on the disposal of non current assets	30,411
2,329	Total	33,847

10. Financing and Investment Income and Expenditure

2009/10 £000		2010/11 £000
42,475	Interest payable and similar charges	29,785
15,735	Premium on the early repayment of debt	-
37,996	Pensions interest cost and expected return on pensions assets	25,214
(12,985)	Interest receivable and similar income	(9,951)
(9,340)	Income and expenditure in relation to investment properties	(8,476)
(10,468)	Changes in fair value of investment properties	(28,644)
63,413	Total	7,928

11. Taxation and Non Specific Grant Income

2009/10 £000		2010/11 £000
(172,821)	Council tax income	(178,370)
(132,312)	Non domestic rates	(145,738)
(30,539)	Revenue support grant	(21,163)
(24,263)	Area based grant	(45,180)
(396)	Non- service related government grants	(2,142)
(99,106)	Capital grants and contributions	(74,173)
(459,437)	Total	(466,766)

12. Property, Plant and Equipment

Movements in 2010/11:

	Operational Assets								
	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	**Total Property, Plant & Equipment**	PFI Assets Included in Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	**£000s**	£000s
Cost or Valuation									
At 1 April 2010	**1,129,383**	**698,320**	**12,928**	**77,953**	**114,493**	**95,179**	**21,508**	**1,020,381**	**157,051**
Additions	38,923	35,374	534	15,172	0	27,263	0	**78,343**	0
Revaluation Increases / (decreases) recognised in the Revaluation Reserve	0	8,810	0	(29)	8,855	0	1,621	**19,257**	0
Revaluation Increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(289,718)	(34,956)	0	(30)	0	0	(1,633)	**(36,619)**	0
Derecognition - Disposals	(3,301)	(572)	0	0	0	0	(67)	**(639)**	0
Derecognition - Other	0	(6,127)	0	0	0	(28,445)	0	**(34,572)**	0
Assets reclassified to / from Held for Sale	(230)	(629)	0	0	0	0	(97)	**(726)**	0
Other movements in cost or valuation	(48,572)	59,613	0	89	(85)	(59,391)	(203)	**23**	0
At 31 March 2011	**826,485**	**759,833**	**13,462**	**93,155**	**123,263**	**34,606**	**21,129**	**1,045,448**	**157,051**
Accumulated Depreciation and Impairment									
At 1 April 2010	(73,806)	(28,210)	(3,818)	(4,715)	0	(4,838)	(1,166)	**(42,747)**	(90)
Depreciation Charge	(26,575)	(16,580)	(1,578)	(1,926)	0	(9)	(495)	**(20,588)**	(2,722)
Depreciation written out to the Revaluation Reserve	0	(103)	0	0	0	0	197	**94**	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	24,543	0	0	0	0	0	0	**0**	0
Impairment losses / Reversals recognised in the Revaluation Reserve	0	836	0	0	0	0	0	**836**	-
Impairment losses / Reversals recognised in the Surplus / Deficit on the Provision of Services	0	810	0	0	0	0	0	**810**	-
Derecognition - Disposals	10	1	0	0	0	0	0	**1**	0
Derecognition - Other	0	720	0	0	0	2,263	0	**2,983**	0
Other movements in depreciation and Impairment	49,205	(2,378)	0	0	0	2,407	(6)	**23**	0
At 31 March 2011	**(26,623)**	**(44,904)**	**(5,396)**	**(6,641)**	**0**	**(177)**	**(1,470)**	**(58,588)**	**(2,812)**
Balance Sheet at 31 March 2011	**799,862**	**714,929**	**8,066**	**86,514**	**123,263**	**34,429**	**19,659**	**986,860**	**154,239**
Balance Sheet at 1 April 2010	**1,055,577**	**670,110**	**9,110**	**73,238**	**114,493**	**90,341**	**20,342**	**977,634**	**156,961**

Comparative movements in 2009/10

	Operational Assets								
	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	**Total Property, Plant & Equipment**	PFI Assets Included in Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s		**£000s**	£000s
Cost or Valuation									
At 1 April 2009	**1,089,709**	**658,014**	**11,619**	**40,485**	**108,378**	**74,575**	**22,523**	**915,594**	**178,252**
Additions	42,845	52,663	1,309	19,693	849	41,378	0	**115,892**	0
Revaluations	4,485	(18,502)	0	0	5,199	(710)	5,576	**(8,437)**	(21,201)
Derecognition - Disposals	(6,570)	(1,587)	0	0	0	0	(1,169)	**(2,756)**	0
Other movements in cost or valuation	(1,086)	7,732	0	17,775	67	(20,064)	(5,422)	**88**	0
At 31 March 2009	**1,129,383**	**698,320**	**12,928**	**77,953**	**114,493**	**95,179**	**21,508**	**1,020,381**	**157,051**
Accumulated Depreciation and Impairment									
At 1 April 2009	(26,840)	(45,833)	(2,266)	(3,292)	0	(5,495)	(3,148)	**(60,034)**	(6,344)
Depreciation Charge	(24,447)	(17,297)	(1,552)	(1,423)	0	0	(675)	**(20,947)**	(3,593)
Impairment	95,873	(65,867)	0	0	0	0	1,794	**(64,073)**	(19,884)
Write out of Accumulated Depreciation and Impairment	(118,392)	101,826	0	0	0	709	(855)	**101,680**	29,731
Derocognition - Disposals	0	38	0	0	0	0	589	**627**	0
Other movements in depreciation and Impairment	0	(1,077)	0	0	0	(52)	1,129	**0**	0
At 31 March 2009	**(73,806)**	**(28,210)**	**(3,818)**	**(4,715)**	**0**	**(4,838)**	**(1,166)**	**(42,747)**	**(90)**
Balance Sheet at 31 March 2010	**1,055,577**	**670,110**	**9,110**	**73,238**	**114,493**	**90,341**	**20,342**	**977,634**	**156,961**
Balance Sheet at 1 April 2009	**1,062,869**	**612,181**	**9,353**	**37,193**	**108,378**	**69,080**	**19,375**	**855,560**	**171,908**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. The following useful lives and depreciation rates have been used :

- Council Dwellings 16–50 years
- Other Land and Buildings 5–60 years
- Vehicles, Plant, Furniture & Equipment – 3 to 8 years
- Infrastructure – 25 years (quay walls and lock gates in City Docks – 100 years)

Capital Commitments

Significant contractual commitments outstanding at 31 March 11 were as follows:

	£m
Bridge Valley Road, containment works – Can Geotechnical Ltd	1.65
M Shed, Museum of Bristol – Event Communications	0.90
Hengrove Park, including Plaza, infrastructure works - Kier	4.90
Priority Stock, construction of dwellings with Mansells (HRA)	0.68
Planned Programmes with Mears (HRA – contract to July 2011)	1.65
Planned Programmes with Wates (HRA- contract to July 2011)	1.65
Planned Programmes, PRC window replacement with Emplass (HRA – contract to August 2011)	0.67
Bankleaze Primary School, modernisation - Skanska	1.20
Weston Park/Bluebell Amalgamation - Skanska	2.26
Parson Street Primary,improvements - Skanska	1.01

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Vehicles, plant, furniture and equipment are valued at historic cost which is considered to be a suitable proxy for fair value.

The following table shows the effective valuation dates for all property plant and equipment:

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant etc £000	Infrastructure £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	**Total Property, Plant & Equipment £000**
Carried at Historical Cost	-	-	13,462	93,155	123,263	34,606	-	264,486
Valued at Fair Value as at								
31st March 2011	819,474	35,628	-	-	-	-	7,426	43,054
31st March 2010	7,011	440,886	-	-	-	-	6,728	447,614
31st March 2009	-	283,319	-	-	-	-	6,964	290,283
31st March 2008	-	-	-	-	-	-	-	-
31st March 2007	-	-	-	-	-	-	11	11
Total Cost Valuation	826,485	759,833	13,462	93,155	123,263	34,606	21,129	1,045,448

Componentisation

The authority has applied its accounting policy on components prospectively from 1 April 2010.

Schools Assets

Details of schools assets included in the Council's balance sheet and in the table of movements (as other land and buildings) on page 43 are as follows:

Type	Number	Net Book Value (£m)
Community	83	317
Academy	3	61
Voluntary controlled	11	6
Trusts	2	31
Total	**99**	**415**

Responsibility for the capital investment and the repair and maintenance of these schools rests with the Council. A further 23 schools are not included in the Council's balance sheet, these are largely voluntary aided and trust schools. The Council has retained responsibility for the repair and maintenance of the four schools granted trust status.

Since the balance sheet date, applications have been approved for a further three schools to transfer to Academy status in 2011/12. The value of the associated assets will therefore not be included in the Council's balance sheet at 31 March 2012.

13. **Investment Properties**

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

	2010/11 £000	**2009/10 £000**
Rental income from investment property	10,384	11,000
Direct operating expenses arising from investment property	(1,908)	(1,660)
Net gain	8,476	9,340

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

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

	2010/11 £000	**2009/10 £000**
Balance at start of the year	179,328	183,654
Additions - purchases	5	86
Disposals	(2,762)	(676)
Net gains/losses from fair value adjustments	28,430	(4,081)
Transfers to/from Property, Plant and Equipment	(727)	345
Balance at end of the year	204,274	179,328

14. **Intangible Assets**

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system (i.e. accounted for as part of the hardware item of Property, Plant and Equipment). The intangible assets include purchased licenses.

All software is amortised over 5 years (this is based on assessments of the period that the software is expected to be of use to the Authority). All software is carried at cost (used as a proxy for fair value) given the short life of the asset.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £392k charged to revenue in 2010/11 was charged to the central ICT cost centre and the Housing Revenue Account. The charge to central ICT was absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	Intangible Assets 2010/11 £000	**Intangible Assets 2009/10 £000**
Balance at start of year:		
• Gross carrying amounts	1,689	1,649
• Accumulated amortisation	(1,101)	(717)
Net carrying amount at start of year	588	932
Additions:		
• Purchases	165	39
Amortisation for the period	(392)	(383)
Net carrying amount at end of year	361	588
Comprising:		
• Gross carrying amounts	1,854	1,689
• Accumulated amortisation	(1,493)	(1,101)
	361	588

15. Financial Instruments

Categories of Financial Instruments

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

	Long-term			Current		
	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Investments						
Loans and receivables	5,002	15,002	25,015	45,407	43,495	67,396
Loans and receivables- Port Investment (at cost)	2,500	2,500	11,000	-	8,500	-
Total investments	**7,502**	**17,502**	**36,015**	**45,407**	**51,995**	**67,396**
Debtors						
Debtors as per balance sheet	69,883	73,084	75,709	68,117	91,583	70,918
Adjustment for Statutory debtors (not qualifying as loans & receivables)	-	-	-	(27,191)	(53,269)	(35,740)
Total Debtors qualifying as loans and receivables	**69,883**	**73,084**	**75,709**	**40,926**	**38,314**	**35,178**
Cash and Cash Equivalents	-	-	-	**48,106**	**15,011**	**28,081**
Total Financial Assets	**77,385**	**90,586**	**111,724**	**134,439**	**105,320**	**130,655**
Borrowings						
Financial liabilities at amortised cost	358,855	349,074	357,666	5,088	36,647	17,016
Total borrowings	**358,855**	**349,074**	**357,666**	**5,088**	**36,647**	**17,016**
Other long term liabilities						
PFI and finance lease liabilities	149,256	152,595	155,726	3,338	3,131	2,916
Deferred liability	69,453	71,275	68,959	-	-	-
Retirement benefit provision	474,663	611,666	440,142	-	-	-
Total other long term liabilities	**693,372**	**835,536**	**664,827**	**3,338**	**3,131**	**2,916**
Creditors						
Creditors as per balance sheet qualifying as financial liabilities at Amortised cost	-	-	-	145,544	139,107	139,959
Adjustment to exclude finance lease liabilities included within creditors	-	-	-	(3,338)	(3,131)	(2,916)
Adjusted creditors qualifying as financial liabilities at amortised cost	**-**	**-**	**-**	**142,206**	**135,976**	**137,043**
Total Financial Liabilities	**1,052,227**	**1,184,610**	**1,022,493**	**150,632**	**175,754**	**156,975**

Movements

- Investments
    - Long-term investments - Year-on-year long-term investments decreased by 57%. A number of financial institutions repaid investments earlier than expected (i.e. at first opportunity as per the contractual terms) as these investments were earning an interest rate in excess of the prevailing market rates.
    - Port Investment - The Council redeemed £8.5m of its shareholdings in the Bristol Port Company as these shareholdings had matured on 31 March 2011.
- Cash & Cash Equivalents increased by 220% due to an increase in the cash balances that the Council held in its liquid deposit and money market funds.
- Short-term debtors decreased by 26% compared to March 2010 as Central Government departments transferred Government grants to the Council promptly in 2010/11.
- Short-term Borrowing – Year on year short-term borrowing reduced by 86% as the Council repaid £23m of temporary loans that were brought forward from the previous financial year. The Council also repaid £9m of long-term debt that was reclassified as short-term debt at 31 March 2010.
- Retirement benefit provision decreased by 22% year on year as a result of a change in the underlying valuation assumptions applied by the Actuary. Furthermore the liability was reduced following the change in the indexation rate from RPI to CPI that was announced in Government's budget in March 2011.

Allowance for Credit Losses

Section 7.4.2.6 of The Code requires the Council to record the impairment of a financial asset to a separate account, the Financial Instruments Adjustment Account. The Council incurred impairment losses on its Icelandic investments in 2009/10.

As at 31 March 2011 the Icelandic investments were revalued in accordance with the latest available information. The Icelandic District Court has ruled in favour of UK local authority creditors and awarded them "Priority creditor status" for both Glitnir and Landsbanki deposits, and as a result the deposits have been revalued on the basis of 100% and 95% respectively. The 2009/10 Statement of Accounts previously revalued these deposits on a 31% and 83% basis respectively due to the uncertainty surrounding the creditor status. The revaluation 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.

In previous years the Council took advantage of the Capital Finance Regulations to defer the impact of any losses to the General Fund. However, the regulations have now expired and the Council will use its reserves to absorb any losses incurred once the legal recovery process has completed.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement for financial instruments are as follows:

	2010/2011					2009/2010				
	Financial Liabilities	Financial Assets				Financial Liabilities	Financial Assets			
	Liabilities measured at Amortised cost	Loans and receivables	Available-for-sale assets	Assets and Liabilities at Fair Value through Profit and Loss	Total	Liabilities measured at Amortised cost	Loans and receivables	Available-for-sale assets	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	(33,231)				**(33,231)**	(42,475)	-	-	-	**(42,475)**
Premium on early repayment of debt						(15,735)				**(15,735)**
Losses on derecognition						-	(4,541)	-	-	**(4,541)**
Total expense in Surplus or Deficit on the Provision of Services	**(33,231)**				**(33,231)**	**(58,210)**	**(4,541)**	**-**	**-**	**(62,751)**
Interest income	-	9,986	**-**	**-**	**9,986**	-	17,526	**-**	**-**	**17,526**
Total income in Surplus or Deficit on the Provision of Services	-	9,986	**-**	**-**	**9,986**	**-**	**17,526**	**-**	**-**	**17,526**
Gains on revaluation	3,446	-	**-**	**-**	**3,446**	**-**	**-**	**-**	**-**	**-**
Losses on revaluation	-	(35)	**-**	**-**	**(35)**	**-**	**-**	**-**	**-**	**-**
Net gain/(loss) for the year	**(29,785)**	**9,951**	-	-	**(19,834)**	**(58,210)**	**12,985**		-	**(45,225)**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- 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 suitable approximation for fair value for these instruments.

- Estimated ranges of interest rates at 31 March 2011 of 0.78% to 4.20% for loans from the PWLB and the Market, and 2.72% for other loans receivable, based on new lending rates for equivalent loans at that date.

- No early repayment or impairment is recognised

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value

- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

- 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.

The fair values calculated are as follows:

	31 March 2011		**31 March 2010**		**1 April 2009**	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Financial liabilities	1,202,859	1,260,572	1,360,364	1,405,631	1,179,468	1,257,588

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2011		31 March 2010		1 April 2009	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Long-term investments	7,502	7,797	17,502	19,180	36,015	38,794
Short-term investments	45,407	45,407	51,995	51,995	67,396	67,396
Debtors qualifying as loans & receivables	40,926	40,926	38,314	38,314	35,178	35,178
Cash & cash equivalents	48,106	48,106	15,011	15,011	28,081	28,081
Total Loans and receivables	**141,941**	**142,236**	**122,822**	**124,500**	**166,670**	**169,449**
Long-term debtors	**69,883**	**70,942**	**73,084**	**73,789**	**75,709**	**77,627**
Total financial assets	**211,824**	**213,178**	**195,906**	**198,289**	**242,379**	**247,076**

The fair value of the assets is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) attributable to the commitment to receive interest above current market rates.

16. Inventories

	2010/11 £000	2009/10 £000
Balance outstanding at start of year	1,066	1,095
Purchases	3,331	4,230
Recognised as an expense in the year	(3,096)	(4,259)
Balance outstanding at year-end	1,301	1,066

17. Construction Contracts

The Council does not undertake construction contracts for other organisations.

18. **Debtors**

Current	**31 March 2011 £000**	**31 March 2010 £000**	**1 April 2009 £000**
Central government bodies	21,242	34,631	17,429
Other local authorities	4,171	4,953	5,412
NHS bodies	5	-	-
Public corporations and trading funds	18	2	2
Other entities and individuals	42,681	51,997	48,075
Total	68,117	91,583	70,918

Details of amounts provided as bad debts provisions are included in Note 48 (page 89). Figures as at 1 April 2009 for public corporations and other entities have been apportioned based on the equivalent figures as at 31 March 2010.

Long-term debtors	**31 March 2011 £000**	**31 March 2010 £000**	**1 April 2009 £000**
Mortgages	359	443	576
Capital loans (Probation/Fire/LEP)	11,815	12,560	13,272
Other loans	80	50	51
South Gloucestershire Council	627	653	-
Former county council debt	57,002	59,378	61,810
Total	69,883	73,084	75,709

19. **Cash and Cash Equivalents**

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

	31 March 2011 £000	**31 March 2010 £000**	**1 April 2009 £000**
Cash held by the Authority	1,140	1,333	1,134
Bank current accounts	(8,444)	(13,283)	(10,375)
Short-term deposits with building societies	55,410	26,961	37,322
Total Cash and Cash Equivalents	48,106	15,011	28,081

The Council also 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, e.g. VIVALDI, PROGRESS. There were no balances at 31 March 2011 relating to the Council's 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 2011 was £146,929 (31 March 2010 £376,467).

20. Assets Held for Sale

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Non-current assets held for sale	940	480	4,645

The following gains and losses were recognised in the year in respect of “assets held for sale”.

	2010/11 £’000	2009/10 £’000
Revaluation gains	0	961
Revaluation losses	0	0
Impairment losses	0	0
	0	961

21 Borrowing

Short term borrowing	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Deposit loans (repayable at notice – up to 7 days)	590	590	620
Deposit loans (repayable over 7 days – up to 1 year)	-	22,912	-
Other short term borrowing (repayable within 1 year):			
Public Works Loan Board	3,332	12,031	15,279
Banks and other monetary sector	1,147	1,096	1,098
Local bonds and property rent disposals	16	15	15
Stocks	3	3	4
Total	5,088	36,647	17,016

Long term borrowing	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Public Works Loan Board	255,803	256,022	264,614
Market debt	103,000	93,000	93,000
Stocks	52	52	52
Total	358,855	349,074	357,666

22. **Creditors**

Current liabilities	**31 March 2011 £000**	**31 March 2010 £000**	**1 April 2009 £000**
Central government bodies	12,208	6,808	16,922
Other local authorities	2,202	3,325	2,936
NHS bodies	60	46	44
Public corporations and trading funds	53	2	2
PFI contract liabilities	3,338	3,132	2,916
Other entities and individuals	127,683	125,794	117,139
Total	145,544	139,107	139,959

Figures as at 1 April 2009 for NHS bodies, public corporations and other entities have been apportioned based on the equivalent figures as at 31 March 2010.

Other long-term liabilities	**31 March 2011 £000**	**31 March 2010 £000**	**1 April 2009 £000**
PFI contract liabilities (see note 42)	149,256	152,594	155,726
Retirement benefit obligations (see note 45)	474,663	611,666	440,142
Deferred liabilities	69,453	71,276	68,959
Deferred capital receipts	369	443	576
Total	693,741	835,979	665,403

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 2011 the liability in the Council's balance sheet of £69.45m (2010: £71.27m) comprises of £59.34m (2010: £61.81m) former county council loan debt, £1.93m (2010: £3.54m) obligations under finance leases and £8.19m (2010: £5.82m) in respect of a loan for the Hengrove Park development

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 the sale of council houses, which form part of mortgages under long term debtors.

23. Provisions

	Balance at 1 April 2009	Balance at 1 April 2010	Additional provisions made in 2010/11	Amounts used in 2010/11	Balance at 31 March 2011	Due < 1 year	Due > 1 year
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Insurance fund	4,564	4,662	7,009	6,901	4,770	1,620	3,150
Housing subsidy	615	615	0	615	0	0	0
Compensation	800	800	0	800	0	0	0
Vehicle maintenance	440	560	0	0	560	0	560
Other	927	861	1,013	317	1,557	837	720
	7,346	7,498	8,022	8,633	6,887	2,457	4,430

Due < 1 Year	2,180	3,531	2,457
Due > 1 Year	5,166	3,967	4,430
	7,346	7,498	6,887

The Insurance fund covers certain risks arising from fire, employer's liability and public liability, supplementing the Council's arrangement with external insurers, together with other risks. All other provisions are individually insignificant.

24. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves statement.

25. Unusable Reserves

31 March 2010 £000		31 March 2011 £000
163,697	Revaluation Reserve	180,217
-	Available for Sale Financial Instruments Reserve	-
1,415,480	Capital Adjustment Account	1,174,139
(19,755)	Financial Instruments Adjustment Account	(13,820)
(611,666)	Pensions Reserve	(474,663)
(1,786)	Collection Fund Adjustment Account	(1,777)
(15,656)	Accumulating Compensated Absences Adjustment Account	(13,509)
930,314	Total Unusable Reserves	850,587

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10			**2010/11**
£000			**£000**
68,641	Balance at 1 April		163,697
102,350	Upward revaluation of assets	27,611	
-	Net gains on revaluation of fixed assets	25	
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,375)	
-	Downward revaluation of assets following impairment by economic consumption	(2,582)	21,679
170,991	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		185,376
(5,489)	Difference between fair value depreciation and historical cost depreciation	(4,740)	
(1,805)	Accumulated gains on assets sold or scrapped	(2,632)	
0	Amount written off to the Capital Adjustment Account	2,213	(5,159)
163,697	Balance at 31 March		180,217

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £000		2010/11 £000	
1,424,040	Balance at 1 April		1,415,480
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(40,384)	• Charges for depreciation and impairment of non current assets	(43,234)	
(93,397)	• Revaluation losses on Property, Plant and Equipment	(301,756)	
(383)	• Amortisation of intangible assets	(392)	
(2,111)	• Revenue expenditure funded from capital under statute	(2,650)	
(13,721)	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(36,222)	(384,254)
1,274,044			1,031,226
0	Adjusting amounts written out of the Revaluation Reserve		(2,305)
1,274,044	Net written out amount of the cost of non current assets consumed in the year		1,028,921
	Capital financing applied in the year:		
14,192	• Use of the Capital Receipts Reserve to finance new capital expenditure	6,962	
19,268	• Use of the Major Repairs Reserve to finance new capital expenditure	19,549	
79,943	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	51,920	
0	• Application of grants to capital financing from the Capital Grants Unapplied Account	0	
13,062	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	14,617	
14,971	• Capital expenditure charged against the General Fund and HRA balances	23,526	116,574
1,415,480			1,145,495
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		28,644
1,415,480	Balance at 31 March		1,174,139

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 49 years.

2009/10 £000			2010/11 £000
955	Balance at 1 April		19,755
15,735	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	
3,619	Impairment adjustment	(4,107)	
(554)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(1,828)	
18,800	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(5,935)
19,755	Balance at 31 March		13,820

Pensions Reserve

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

2009/10 £000		2010/11 £000
440,142	Balance at 1 April	611,666
152,564	Actuarial gains or losses on pensions assets and liabilities	(60,272)
61,498	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(33,063)
(42,538)	Employer's pensions contributions and direct payments to pensioners payable in the year	(43,668)
611,666	Balance at 31 March	474,663

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 £000		2010/11 £000
172	Balance at 1 April	(1,786)
(1,958)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	9
(1,786)	Balance at 31 March	(1,777)

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance be neutralised by transfers to or from the Account.

2009/10 £000		2010/11 £000	
13,945	Balance at 1 April		15,656
(13,945)	Settlement or cancellation of accrual made at the end of the preceding year	(15,656)	
15,656	Amounts accrued at the end of the current year	13,509	
1,711	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(2,147)
15,656	Balance at 31 March		13,509

26. Cash Flow Statement – non cash movements

2009/10 £000		2010/11 £000
(149,192)	Depreciation and impairment	(320,482)
(19,268)	Deferred government grants	-
(2,111)	Write down of revenue expenditure funded from capital under statute	(2,650)
(5,571)	Excess depreciation charged to the HRA over the Major repairs allowance	(7,455)
(18,959)	Retirement benefits adjustments	76,731
(2109)	Transfer from usable capital receipts to meet payment to Housing Capital Receipts Pool	(2,214)
4,538	(Increase)/decrease in provisions	(4,319)
13,256	Minimum revenue provision	14,619
(15,735)	Premium on debt rescheduling	-
844	Net gain/(loss) on disposal of assets	(30,411)
(22,575)	(Increase)/decrease in creditors	(13,330)
22,918	Increase/(decrease) in debtors	(26,666)
(29)	Increase/(decrease) in inventories	235
(26,540)	Net cash movement in provisions and reserves	-
(220,533)	Net cash flows from investing activities	(315,942)

27. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following significant items:

2009/10 £000		2010/11 £000
(9,548)	Interest received	(5,163)
22,491	Interest paid	18,353
(2,176)	Dividends received	(1,445)
(15,735)	Premium on debt rescheduling	-

28. Cash Flow Statement – Investing Activities

2009/10 £000		2010/11 £000
176,162	Purchase of property, plant and equipment, investment property and intangible assets	124,164
-	Purchase of short-term and long-term investments	-
4,524	Other payments for investing activities	2,816
(16,139)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(16,937)
(15,424)	Proceeds from short-term and long-term investments	(6,588)
115	Other receipts from investing activities	-
149,238	Net cash flows from investing activities	103,455

29. Cash Flow Statement – Financing Activities

2009/10 £000		2010/11 £000
(104,950)	Cash receipts of short- and long-term borrowing	(205,656)
-	Other receipts from financing activities	-
991	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	971
93,069	Repayments of short- and long-term borrowing	227,149
13,116	Other payments for financing activities	1,723
2,226	Net cash flows from financing activities	24,187

30. **Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of the Council's financial management arrangements (i.e. by reports analysed across directorates). These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

.

The income and expenditure of the council's directorates which is reflected in the final outturn report to Cabinet for the year is as follows:

Directorate Income and Expenditure 2010/11	**Children & Young People's Services**	**City Develop-ment**	**Corporate Services**	**Health & Social Care**	**Neighbourhoods**		**Total Net Cost**
					General Fund	**HRA**	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	27,017	45,549	118,873	64,949	39,482	109,876	405,746
Government grants	332,832	7,521	215	2,589	218,179	-	561,336
Total Income	359,849	53,070	119,088	67,538	257,661	109,876	967,082
Employee expenses	230,003	37,461	58,888	49,690	34,645	12,058	422,745
Other service expenses	196,509	54,661	43,103	149,429	285,284	85,200	814,186
Support service recharges	14,890	8,983	30,458	21,042	12,631	13,204	101,208
Total Expenditure	441,402	101,105	132,449	220,161	332,560	110,462	1,338,139
Net Expenditure	**81,553**	**48,035**	**13,361**	**152,623**	**74,899**	**586**	**371,057**

Directorate Income and Expenditure 2009/10	Children & Young People's Services £000	City Develop-ment £000	Corporate Services £000	Health & Social Care £000	Neigh-bour-hoods (incl HRA) £000	Total Net Cost £000
Fees, charges & other service income	84,937	47,002	99,454	23,449	136,834	391,676
Government grants	314,607	6,044	2,093	50,473	219,172	592,389
Total Income	**399,544**	**53,046**	**101,547**	**73,922**	**356,006**	**984,065**
Employee expenses	226,715	39,219	57,788	52,756	51,754	428,232
Other service expenses	247,933	57,806	33,326	140,802	354,551	834,418
Support service recharges	8,921	7,764	26,466	3,835	24,250	71,236
Total Expenditure	**483,569**	**104,789**	**117,580**	**197,393**	**430,555**	**1,333,886**
Net Expenditure	**84,025**	**51,743**	**16,033**	**123,471**	**74,549**	**349,821**

	2010/11 £000	2009/10 £000
Net expenditure in the directorate analysis	371,057	349,821
Adjustments; (see table below for details)		
Net expenditure not included in the analysis	2,659	448
Amounts in the Comprehensive Income and Expenditure Statement not reported to Cabinet in the analysis	198,004	116,224
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	8,476	9,341
Cost of Services in Comprehensive Income and Expenditure Statement	**580,196**	**475,834**

2010/11	Directorate Analysis £000	Other costs not in Analysis £000	Amounts not reported to manage-ment for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	405,746	247	761	(10,384)	**396,370**	10,384	**406,754**
Interest and investment income	-	-	(239)	-	**(239)**	75,823	**75,584**
Income from council tax	-	-	-	-	**-**	178,370	**178,370**
Government grants and contributions	561,336	-	795	-	**562,131**	288,396	**850,527**
Total Income	**967,082**	**247**	**1,317**	**(10,384)**	**958,262**	**552,973**	**1,511,235**
Employee expenses	422,745	2,631	(8,272)	-	**417,104**	-	**417,104**
Other service expenses	814,186	275	(18,333)	(569)	**795,559**	569	**796,128**
Support Service recharges	101,208	-	-	(1,339)	**99,869**	1,339	**101,208**
Depreciation, amortisation and impairment	-	-	352,047	-	**352,047**	**-**	**352,047**
Interest Payments	-	-	(8,846)	-	**(8,846)**	120,871	**112,025**
Capital expenditure charged to revenue	-	-	(15,955)	-	**(15,955)**	-	**(15,955)**
Net transfer to reserves	-	-	(5,502)		**(5,502)**	-	**(5,502)**
Precepts & Levies	-	-	-	-	**-**	1,222	**1,222**
Payments to Housing Capital Receipts Pool	-	-	-	-	**-**	2,214	**2,214**
Pension liability – change in scheme provisions	-	-	(95,818)		**(95,818)**	-	**(95,818)**
Loss on disposal of non current assets	-	-	-	-	**-**	30,411	**30,411**
Changes in fair value of investment properties	-	-	-	-	**-**	(28,644)	**(28,644)**
Total expenditure	**1,338,139**	**2,906**	**199,321**	**(1,908)**	**1,538,458**	**127,982**	**1,666,440**
Deficit on the provision of services	**371,057**	**2,659**	**198,004**	**(8,476)**	**580,196**	**(424,991)**	**155,205**

2009/10 comparative figures	Directorate Analysis £000	Other costs not in Analysis £000	Amounts not reported to manage-ment for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	391,676	1,862	-	(11,001)	**382,537**	11,001	**393,538**
Interest and investment income	-	-	(2,627)	-	**(2,627)**	59,257	**56,630**
Income from council tax	-	-	-	-	**-**	172,821	**172,821**
Government grants and contributions	592,389	20	16,841	-	**609,250**	286,616	**895,866**
Total Income	**984,065**	**1,882**	**14,214**	**(11,001)**	**989,160**	**529,695**	**1,518,855**
Employee expenses	428,232	2,038	(15,893)	-	**414,377**	-	**414,377**
Other service expenses	834,418	292	979	(376)	**835,313**	377	**835,690**
Support Service recharges	71,236	-	-	(1,284)	**69,952**	1,284	**71,236**
Depreciation, amortisation and impairment	-	-	182,547	-	**182,547**	-	**182,547**
Interest Payments	-	-	(14,111)	-	**(14,111)**	142,478	**128,367**
Precepts & Levies	-	-	-	-	**-**	1,064	**1,064**
Capital expenditure charges to revenue	-	-	(14,325)	-	**(14,325)**	-	**(14,325)**
Net transfers to reserves	-	-	(8,759)	-	**(8,759)**	-	**(8,759)**
Payments to Housing Capital Receipts Pool	-	-	-	-	**-**	2,109	**2,109**
Gain on disposal of non current assets	-	-	-	-	**-**	(844)	**(844)**
Changes in fair value of investment properties	-	-	-	-	-	(10,468)	**(10,468)**
Total expenditure	**1,333,886**	**2,330**	**130,438**	**(1,660)**	**1,464,994**	**136,000**	**1,600,994**
Deficit on the provision of services	**349,821**	**448**	**116,224**	**9,341**	**475,834**	**(393,695)**	**82,139**

31. **Trading Operations**

The Council's Construction teams form part of the repairs and maintenance function within Landlord Services. They are required to operate in a commercial environment and balance their budgets by generating income from other parts of the Authority or other organisations. The financial results are as follows.

		2010/11 £000	2009/10 £000
Construction	Turnover	29,073	28,722
	Expenditure	29,052	28,460
	Surplus	(21)	(262)

The teams currently deliver large parts of the responsive repairs, re-let repairs, cyclical maintenance and servicing works to Council owned homes, blocks of flats and some corporate buildings. The works consist of responsive repairs, paint programme, gas servicing, re-let repairs, M and E servicing and repairs, non domestic rewiring, domestic electrical testing programmes, installation of new heating systems and kitchens, some minor works (security / landscaping), and the joiners shop.

32. **Agency Services**

The Authority provides financial services to Avon Fire & Rescue Authority.

33. **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:

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:

	2010/11 £000		2009/10 £000	
Funding provided to the pooled budget:				
NHS Bristol	655		555	
Bristol City Council	955		949	
		1,610		1,504
Expenditure met from the pooled budget.		1,610		1,504

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:

	2010/11 £000		2009/10 £000	
Funding provided to the pooled budget:				
Balance Brought Forward	1,737		1,618	
NHS Bristol	8,067		2,259	
Bristol City Council	1,201		1,292	
Home Office Drug Intervention Programme	2,364		2,485	
National Treatment Agency (Dept of Health)	-		5,934	
Other Bodies	309		171	
		13,678		13,759
Expenditure met from the pooled budget:				
Drug and alcohol services for adults	11,148		11,209	
Substance Misuse Services for Young People	822		813	
		11,970		12,022
Net underspend carried forward		1,708		1,737

34. Members' Allowances

The Authority paid the following amounts to members of the Council during the year.

	2009/10 £000	2010/11 £000
Basic allowance	800	804
Special responsibility allowances	326	331
Expenses	10	11
Total	1,136	1,146

35. Officers' Remuneration

The remuneration paid to the Authority's senior employees was as follows:

		Salary, Fees and Allowances	Compensation for Loss of Office	Pension Contribution	Total
Chief Executive		£	£	£	£
J. Ormondroyd	**2010/11**	**189,533**	**-**	**32,600**	**222,133**
	2009/10	*189,563*	*-*	*30,894*	*220,457*
Deputy Chief Executive	**2010/11**	**58,589**	**-**	**10,077**	**68,666**
(to August 2010)	*2009/10*	*135,749*	*-*	*22,127*	*157,876*
Acting Deputy Chief Executive (from August 2010)	**2010/11**	**83,841**	**-**	**14,421**	**98,262**
Strategic Directors -					
Children and Young People's Services	**2010/11**	**128,335**	**-**	**22,074**	**150,409**
	2009/10	*123,836*	*-*	*20,181*	*144,017*
City Development	**2010/11**	**112,597**	**-**	**19,367**	**131,964**
	2009/10	*112,597*	*-*	*18,353*	*130,950*
Corporate Services (from	**2010/11**	**62,830**	**-**	**10,806**	**73,636**
October 2010	*2009/10*	**-**	**-**	**-**	**-**
Health and Social Care	**2010/11**	**29,371**	**-**	**4,626**	**33,997**
(Interim – to June 2010	*2009/10*	*104,354*	**-**	*17,010*	*121,364*
Health and Social Care	**2010/11**	**160,235**	**-**	**-**	**160,235**
(Interim* – from May 2010)	*2009/10*	**-**	**-**	**-**	**-**
Neighbourhoods (to July	**2010/11**	**35,860**	**-**	**6,168**	**42,028**
2010)	*2009/10*	*105,156*	*-*	*17,136*	*122,292*
Resources (to October	**2010/11**	**61,928**	**-**	**10,652**	**72,580**
2010)	*2009/10*	*88,897*	*-*	*14,490*	*103,387*
Transformation (to October	**2010/11**	**53,790**	**-**	**9,252**	**63,042**
2010)	*2009/10*	*105,137*	*-*	*17,136*	*122,273*
Acting Strategic Directors-					
Neighbourhoods (from	**2010/11**	**36,186**	**-**	**7,368**	**43,554**
August 2010)	*2009/10*	**-**	**-**	**-**	**-**
Statutory Officers-					
Chief Financial (S151)	**2010/11**	**84,516**	**-**	**14,616**	**99,132**
Officer	*2009/10*	*82,337*	*-*	*13,467*	*95,804*
Head of Legal Services	**2010/11**	**85,154**	**-**	**14,616**	**99,770**
(Monitoring Officer)	*2009/10*	*82,639*	*-*	*13,467*	*96,106*

* The Interim Strategic Director for Health and Social Care was employed directly from an external specialist service provider and ended in April 2011, The cost included above represents payments made in respect of services and expenses.

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2010/11 Number of employees		2009/10 Number of employees	
	Schools	Non-Schools	Schools	Non-Schools
£50,000 - £54,999	70	71	72	57
£55,000 - £59,999	62	26	38	23
£60,000 - £64,999	31	11	26	12
£65,000 - £69,999	14	10	6	5
£70,000 - £74,999	4	8	3	10
£75,000 - £79,999	3	7	3	6
£80,000 - £84,999	3	3	5	5
£85,000 – 89,999	4	2	4	2
£90,000 - £94,999	3	2	1	1
£95,000 - £99,999	1	1	-	6
£100,000 - £104,999	-	1	2	3
£105,000 - £109,999	1	-	-	-
£110,000 - £114,999	-	-	1	-
£115,000 - £119,999	1	-	-	-
£120,000 - £124,999	-	-	-	1
£125,000 - £129,999	-	-	-	-
£130,000 - £134,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
£150,000 - £154,999	-	-	-	-
£155,000 - £159,999	-	1	-	-
Totals	197	143	161	131

36. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2010/11 £000	**2009/10 £000**
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	455	501
Fees payable to Grant Thornton in respect of statutory inspections	-	17
Fees payable to Grant Thornton for the certification of grant claims and returns for the year	55	70
Fees payable in respect of other services provided by Grant Thornton during the year – legal claims etc	7	9
Total	517	597

37. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, 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 2010/11 the DSG has been applied as follows:

	Schools Budget Funded by DSG		
	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2010/11	36,583	164,503	201,086
Brought forward from 2009/10	4,560	0	4,560
Carry forward to 2011/12 agreed in advance	(4,560)	0	(4,560)
Final budgeted distribution in 2010/11	**36,583**	**164,503**	**201,086**
Actual central expenditure	(31,888)	0	(31,888)
Actual ISB deployed to schools	0	(165,882)	(165,882)
Carry forward, agreed in advance (as above)	4,560	0	4,560
Carry forward to 2011/12	**9,255**	**(1,379)**	**7,876**

38. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2010/11:

Credited to Taxation and Non Specific Grant Income:

	2010/11 £000	2009/10 £000
Capital grants and contributions (see below)	74,173	99,106
Revenue support grants	21,163	30,539
Non service related government grants	2,142	396
Area based grant	45,180	24,263
Total	142,658	154,304

Capital Grants and contributions

	2010/11 £000	2009/10 £000
Major repairs HRA	19,549	19,268
Government grants:		
City Development	14,965	18,211
CYPS	31,785	49,180
HSC	451	405
Section 106	2,475	1,550
Other	4,948	10,492
Total	74,173	99,106

Credited to Services;

	2010/11 £000	2009/10 £000
Dedicated Schools Grant	201,369	192,856
Housing Benefit (rent allowances/council tax benefit)subsidy	205,363	198,158
Homelessness Grant	756	1,001
Asylum seekers	114	207
Learning Skills Council - Post 16	8,448	8,488
Learning Skills Council - Community Education	3,831	2,382
Learning Skills Council - Bristol On Site	866	885
Housing Benefits Admin. Subsidy	4,655	4,613
Supporting People	0	27,009
BIS - Illegal money lending, etc	526	888
Social Care Reform Grant	1,352	1,576
Standards Fund (incl. Schools Standard Grant)	66,728	91,999
General Sure Start Grant	17,790	14,772
PFI Special Grant	17,271	17,271
Museums, Libraries and Archives Council	2,596	2,646
Concessionary Fares	1,915	1,863
Youth Justice Board	1,137	1,255
Home Office - Drugs Intervention programme	2,364	2,485
YPLA – 16-19 Commissioning	12,836	0
Local Authority Business Growth Incentive Scheme	0	396
Other Revenue Grants	12,996	10,946
Total	562,913	581,696

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that could require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Capital Grants Receipts in Advance			
Government grants	4,258	3,896	4,773
Sect 106 contributions	15,297	15,349	16,127
Total	19,555	19,245	20,900
Due < one year	8,082	7,733	8,805
Due > one year	11,473	11,512	12,095

Amounts due “less than” and “more than” one year are estimated based on the forecast capital programme.

Revenue grants (within creditors)			
City development	1,712	522	423
CYPS	9,016	7,629	4,007
Deputy Chief Executive	9	0	0
Health and social	737	688	329
Neighbourhoods	4,793	784	461
Transformation	0	161	1,435
	16,267	9,784	6,655

39. Related Parties

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

	2010/11 Payment/ (Receipts)	2010/11 Amount owed to/(from)	2009/10 Payment/ (Receipts)	2009/10 Amount owed to/(from)
Central Government Grants	**£'000**	**£'000**	**£'000**	**£'000**
Department of Communities & Local Government	(255,650)	-	(234,165)	2,291
Department for Education	(305,810)	(2,149)	(302,575)	(734)
Department of Works & Pensions - Housing Benefits	(192,747)	5,009	(202,841)	(13,589)
Learning Skills Council	(12,279)	-	(11,805)	505
Young Peoples Learning Agency	(13,572)	-	-	-
Precepts				
Avon & Somerset Police Authority	22,386	-	21,471	-
Avon Fire Authority	8,044	-	7,806	-
Bristol Primary Care Trust				
The Council receives net funding as a contribution toward the cost of adult care services and pooled budget arrangements	(32,757)	(968)	(33,034)	(431)
Pension Payments				
Avon Pension fund – administered by B&NES Council	35,741	3,980	33,821	4,036
Teachers Pension Agency	12,967	-	12,595	-
Bristol Port Company				
In respect of dividends actually received by the Council and included in the Income & Expenditure Account	(1,445)	-	(2,176)	-
Other Local Authorities				
Neighbouring local authorities in respect of certain services including:				
South Gloucestershire Council in respect of cross boundary services incl. bus services/concessionary fare travel arrangements	6,804	1,237	6,619	163
Bath and North East Somerset Council in respect of the ongoing liability for added years to pensions	2,590	-	2,760	-
The Voluntary Sector				
Numerous voluntary/community organisations receive funding from the Council, total paid in year	26,060	513	24,641	697

40. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/11 £000	2009/10 £000
Opening Capital Financing Requirement	634,429	614,791
Capital investment		
Property, Plant and Equipment	117,266	158,737
Investment Properties	5	86
Intangible Assets	166	38
Revenue Expenditure Funded from Capital under Statute	2,650	2,111
Note to incl. Hengrove Park PFI in 10/11		
Sources of finance		
Capital receipts	(6,962)	(14,192)
Government grants and other contributions	(71,469)	(99,106)
Sums set aside from revenue:		
• Direct revenue contributions	(23,526)	(14,971)
• MRP – City Council Debt	(9,052)	(7,614)
• MRP – Contribution from Unitaries re Ex County Debt	(2,433)	(2,535)
• MRP - Write down of PFI Liability	(3,132)	(2,916)
Closing Capital Financing Requirement	637,942	634,429
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	15,328	18,082
Less Minimum Revenue Provision	(14,617)	(13,065)
Increase in underlying need to borrowing (unsupported by government financial assistance)	2,800	14,621
Increase/(decrease) in Capital Financing Requirement	3,511	19,638

41. Leases

Authority as Lessee

Finance Leases

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

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Vehicles, Plant, Furniture and Equipment	2,896	3,780	4,665
	2,896	3,780	4,665

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

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Finance lease liabilities (net present value of minimum lease payments):			
• current	1,751	970	923
• non current	1,119	2,870	3,840
	2,870	3,840	4,763
Finance costs payable in future years	100	250	447
Minimum lease payments	2,970	4,090	5,210

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

	Minimum Lease Payments			Finance Lease Liabilities		
	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Not later than one year	1,838	1,120	1,120	1,751	970	923
Later than one year and not later than five years	1,132	2,970	4,090	1,119	2,870	3,840
Later than five years	0	0	0	0	0	0
	2,970	4,090	5,210	2,870	3,840	4,763

Operating Leases

The Authority has acquired property, vehicles and equipment by entering into operating leases.

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

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Not later than one year	362	203	381
Later than one year and not later than five years	746	967	733
Later than five years	814	1,162	1,800
	1,922	2,332	2,914

Authority as Lessor

Operating Leases

The Authority leases out property within the commercial trading estate under operating leases for the following purposes:

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

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

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Not later than one year	10,817	10,820	10,760
Later than one year and not later than five years	38,865	39,231	39,078
Later than five years	827,365	834,515	845,093
	877,047	884,566	894,931

The minimum lease payments receivable at 31 March 2011 and 2010 are based on the current rents receivable at the respective balance sheet dates. They do not include estimates of future rents reviews or contingent rents. In 2010/11 £nil contingent rents were receivable by the Authority (2009/10 £nil). The disclosure at 1 April 2009 is estimated based on the 31 March 2010 position adjusted for any leases entered into in 09/10.

42. Private Finance Initiatives and Similar Contracts

Schools PFI Phase 1A

On 31st March 2004 the Council entered into a Private Finance Initiative (PFI) contract with Bristol Schools Limited. The contract provided for the design, construction and financing of four new secondary schools, Bedminster Down, Henbury School, Orchard School and Oasis Brightstowe Academy. All four schools were constructed and are operational. Bristol Schools Limited will 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 PFI 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 Academy and Bridge Learning Campus. Bristol PFI Limited will maintain and operate the facilities for twenty-seven years from the date the first school became operational.

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.

Hengrove Leisure Centre

In April 2010 the Council entered into a PFI contract with Bristol Active Limited to design, build, finance and operate a new leisure centre in Hengrove. The centre is due for completion in February 2012 and works completed to date amount to £10.8m. When the asset is made available for the use it will then be included within Note 12 as Property, Plant and Equipment.

Property, Plant and Equipment

The PFI assets, and related liabilities, have been recognised on the Council's balance sheet when made available for use. Movements in their value over the year are detailed in the analysis of the movements on the Property, Plant and Equipment balance in Note 12.

The assets will be transferred back to the Council at the end of the contracts for nil consideration.

Payments

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, and possible future variations to 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 31st March 2011 payments totalling £52.9m have been made to the PFI contractor. The future estimated payments the Council will make under the contract are as follows:

Year	Payment for Services	Repayment of Liability	Interest	Other	Total
	£'000	£'000	£'000	£'000	£'000
2011/12	2,519	1,011	5,802	310	9,642
2012/13 to 2015/16	10,723	4,820	21,934	137	37,614
2016/17 to 2020/21	14,982	8,476	23,746	(101)	47,103
2021/22 to 2025/26	16,951	12,868	17,834	(141)	47,512
2026/27 to 2030/31	19,179	20,275	8,706	(1,139)	47,021
2031/32	1,557	1,879	221	590	4,247
Total	**65,911**	**49,329**	**78,243**	**(344)**	**193,139**

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 31st March 2011 payments totalling £42.1m have been made to the PFI contractor. The future estimated payments the Council will make under this contract are as follows:

Year	Payment for Services	Repayment of Liability	Interest	Other	Total
	£'000	£'000	£'000	£'000	£'000
2011/12	4,033	2,328	7,952	430	14,743
2012/13 to 2015/16	17,254	10,656	29,907	2,843	60,660
2016/17 to 2020/21	23,805	16,591	32,450	7,104	79,950
2021/22 to 2025/26	27,437	20,346	25,285	12,025	85,093
2026/27 to 2030/31	31,694	27,210	16,705	15,302	90,911
2031/32 to 2034/35	23,965	26,134	4,590	10,395	65,084
Total	**128,188**	**103,265**	**116,889**	**48,099**	**396,441**

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

The unitary payments have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and the interest payable on financing the capital expenditure. The outstanding liability due to the contractor for reimbursement of capital expenditure is as follows:

	2010/11	2009/10	2008/09
	£'000	**£'000**	**£'000**
Balance outstanding at the start of year	155,726	158,642	75,953
Movement in year	(3,132)	(2,916)	82,689
Balance outstanding at year-end	152,594	155,726	158,642
Balance falling due:			
Within one year	3,338	3,132	2,916
After one year	149,256	152,594	155,726
	152,594	155,726	158,642

43. Impairment Losses

During 2010/11, the Authority recognised impairment losses in relation to the following:

- the demolition of the Bush Centre which was in poor condition and suffered from excessive vandalism – £1.72million.
- the write down of social housing as recommended by Department for Communities and Local Government - £266.2 million.

44. Termination Benefits

The Council terminated the contracts of 110 employees in 2010/11, incurring liabilities of £1.77m in respect of members of staff who were entitled to compensation for loss of office. Of these, 32 were school-based with a cost of £0.5m. Overall, there was a reduction in the Council's workforce of around 400, including staff not entitled to compensation, posts which had been held as vacant and staff on fixed term contracts and employed through external agencies.

45. 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 2010/11 the Council paid an employers contribution rate of 17.2%, resulting in total payments of £35.1m (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 2010, when the overall funding level was assessed at 82%. Where a fund has insufficient assets to meet its future liabilities, participating Councils must, by law, make additional contributions to make up the shortfall. The Council will pay a contribution rate of 18% from 1 April 2011, representing 11.8% in respect of future service and 6.2% to meet deficit recovery, as recommended by the Actuary.

The Teachers Pension Scheme - The rate of contribution for 2010/11 was 14.1%, resulting in a total payment of £12.97m to the Teachers Pension Agency. In addition, the Council made payments totalling £2.1m 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 £2.03m in 2010/11. 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 Comprehensive Income and Expenditure Account to comply with FRS17 are offset by appropriations from the Pensions Reserve to the General Fund in the Movement in Reserves Statement, 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**	
	2010/11	**2009/10**	**2010/11**	**2009/10**
	£'000	**£'000**	**£'000**	**£'000**
Income and Expenditure Account				
Net cost of services:				
Current service cost	35,741	21,758	-	-
Past service gains/curtailment costs	(90,275)	1,744	(3,743)	-
Net Operating Expenditure				
• Interest cost	87,650	80,522	3,436	3,746
• Expected return on assets in the scheme	(65,872)	(46,272)	-	-
Net charge to the Income and Expenditure Account	(32,756)	57,752	(307)	3,746
Adjustments between Accounting and Funding basis under regulations				
• Reversal of net charges made for retirement benefits in accordance with FRS17	32,756	(57,752)	307	(3,777)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employer's contributions payable to scheme	39,534	38,435	4,134	4,104

The Housing Revenue Account (HRA) Income and Expenditure Account has also been adjusted in 2010/11 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.

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**	
	2010/11	**2009/10**	**2010/11**	**2009/10**
	£'000	**£'000**	**£'000**	**£'000**
1 April	1,568,559	1,143,458	64,545	54,813
Current service cost	35,741	21,758	-	-
Interest cost	87,650	80,522	3,436	3,746
Contributions by scheme participants	13,593	13,893	-	-
Actuarial (gains)/losses	(79,994)	361,517	4,096	10,090
Benefits paid	(56,080)	(54,350)	(4,134)	(4,104)
Past service gains and curtailment costs	(90,252)	1,761	(3,743)	-
31 March	**1,479,217**	**1,568,559**	**64,200**	**64,545**

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

	2010/11	**2009/10**
	£'000	**£'000**
1 April	1,021,614	758,321
Expected rate of return	65,872	46,272
Actuarial gains and losses	(15,626)	219,043
Employer contributions	39,534	38,435
Contributions by scheme participants	13,593	13,893
Benefits paid	(56,080)	(54,350)
31 March	**1,068,907**	**1,021,614**

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 £77.326m (2009/10: £260.515m).

Following the audit of the Avon Pension Fund, the Audit Commission has indicated that the City Council's share of the total fund assets would be £14.5m more than the figure provided by the Actuary and included in the table above. No adjustment has been made for this in these accounts as it is not considered to be material.

Scheme history

	2006/07*	2007/08*	2008/09	2009/10	2010/11
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:					
- Local Government Pension Scheme	(1,211,095)	(1,346,088)	(1,143,458)	(1,568,559)	(1,479,217)
- Teachers unfunded liabilities	(57,191)	(64,088)	(54,813)	(64,545)	(64,200)
Fair vale of assets in the Local Government Pension Scheme	959,047	911,933	758,321	1,021,614	1,068,907
Surplus/(deficit) in the scheme:					
- Local Government Pension Scheme	(252,048)	(434,155)	(385,137)	(546,945)	(410,310)
- Teachers unfunded Liabilities	(57,191)	(64,088)	(54,813)	(64,545)	(64,200)
Total	(309,239)	(498,243)	(439,950)	(611,490)	(474,510))

*The Council has elected not to restate fair value of scheme assets for this year 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 £475m impacts on the net worth of the Authority as recorded in the Balance Sheet (£1.03bn).

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 2012 are £39.376m.

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 2010 is set out in the Explanatory Foreword.

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**	
	2010/11	**2009/10**	**2010/11**	**2009/10**
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.5%	7.5%	-	-
Government Bonds	4.4%	4.5%	-	-
Property	6.5%	6.5%	-	-
Other Bonds	5.1%	5.2%	-	-
Cash/Liquidity	0.5%	0.5%	-	-
Other	7.5%	7.5%		
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.7	21.2	22.1	21.2
Women	25.6	24.1	24.7	24.1
Longevity at 65 for future pensioners:				
Men	25.0	22.2	-	-
Women	28.0	25.0	-	-
Rate of inflation - RPI	3.4%	3.3%	3.3%	3.2%
Rate of inflation - CPI	2.9%	2.8%	2.8%	N/A
Rate of increase in salaries	4.4%	4.55%	-	-
Rate of increases in pensions	2.9%	3.3%	2.8%	3.2%
Rate for discounting scheme liabilities	5.5%	5.6%	5.4%	5.5%
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 2011	**31 March 2010**
Equities	62.6%	65.0%
Government bonds	13.0%	10.3%
Other bonds	7.9%	9.6%
Property	6.0%	3.3%
Cash/Liquidity	2.1%	2.7%
Other	8.4%	9.1%

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

	2006/07	**2007/08**	**2008/09**	**2009/10**	**2010/11**
	%	%	%	%	%
Experience gains/ (losses) on assets	(0.3)	(11.4)	(29.8)	21.1	(1.5)
Experience gains/ (losses) on liabilities	5.3	1.0	0	0	5.8

Teachers' Pension Scheme

	2006/07	**2007/08**	**2008/09**	**2009/10**	**2010/11**
	%	%	%	%	%
Experience gains/ (losses) on assets	0	0	0	0	0
Experience gains/ (losses) on liabilities	2.8	(0.7)	0	0	(4.3)

46. Contingent Liabilities

The following are contingent liabilities at the balance sheet date:

i) At the balance sheet date the Council was 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. Since then the courts have ruled that the company have been refused permission to appeal against the judgement which has been made in the Council's favour.

ii) The Council agreed a contribution of up to £1m towards restoration works at the Old Vic theatre provided that overall fund raising targets were met. £0.5m of this contribution has yet to be paid by the Council. In addition, on 27 January 2011, the Cabinet agreed to guarantee an overdraft facility of £0.5m to cover Arts Council funding being paid in arrears after expenditure has been made. This would enable completion of the works. However since this, a third party has entered into an agreement with the Old Vic Trust to underwrite the refurbishment project up to a maximum of £1m. In view of this, no adjustment has been made in these accounts to reflect the Council's guarantee, as the risk of this now being called upon is negligible.

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.

47. 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.

The following companies have been identified as being subsidiaries, as follows:

- Bristol Buildings Preservation Trust
- 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.

48. Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and money market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy, and compliance with the CIPFA Prudential Code of Practice, the CIPFA Treasury Management Code of Practice, and Investment Guidance that is issued under the Local Government Act 2003. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy that outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority'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 Fitch, Standard & Poor and Moody's Credit Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

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 Authority's maximum exposure to credit risk in relation to its investments in banks and building societies will vary according to credit ratings assigned by the three main credit rating agencies and cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

The following analysis summarises the Authority's potential maximum exposure to credit risk on financial assets, based on experience of default and un-collectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2011 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2011 %	Estimated maximum exposure to default and uncollectability at 31 March 2011 £000	Estimated maximum exposure at 31 March 2010 £000
	A	B	C	(A X C)	
Long-term investments					
AA Rated Counterparties	5,000	0.03%	0.03%	2	-
Bristol Port Company	2,500	0.000%	0.000%	-	-
Other investments	2	0.000%	0.000%	-	-
Sub total	**7,502**			**2**	
Short-term investments					
AAA Rated Counterparties	2,707	0.000%	0.000%	-	-
AA Rated Counterparties	35,473	0.03%	0.03%	11	17
D rated Counterparties	7,227	42.67%	42.67%	3,083	1,526
Sub total	**45,407**			**3,094**	**1,543**
Cash & cash equivalent					
AAA rated Counterparties	13,093	0.000%	0.000%	-	-
AA Rated Counterparties	35,013	0.03%	0.03%	11	-
Sub total	**48,106**			**11**	
Trade debtors	40,926	0.000%	0.000%	-	-
Long-term debtors	69,883	0.000%	0.000%	-	-
Total financial assets	**211,824**			**3,107**	**1,543**

The D rated counterparties in the above table is a reference to the Icelandic deposits held by the Council that have undergone accounting treatment in accordance with the latest information available to the Council as at 31 March 2011. In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £8m deposited in this sector at that time. In accordance with accounting practice the Council recognised impairment losses in 2008/09 and 2009/10. The Council has now reversed part of this impairment in 2010/11 following a court ruling that Local Authorities have priority status (see later in section for more information).

No credit limits were exceeded during the reporting period and (apart from the Icelandic deposits) the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council's deposits are placed either directly with the counterparty (bank, building society or money market fund) or indirectly with the counterparty via London money market brokers. At 31 March 2011, with the exception of the £7.23m held with Icelandic banks, the Council's long-term and short-term investments, and cash and cash equivalents were deposited with UK counterparties in accordance with the approved treasury management strategy.

The Council does not generally allow credit for its trade debtors. Including amounts due from government departments and other Local Authorities, the Council's net debtors shown in the balance sheet as at 31 March 2011 comprise:

2010-11 Debtor analysis	Gross debtor	Bad debt provision	Net debtor
	£000	£000	£000
Local tax payers	8,050	(3,627)	4,423
Housing rents	9,595	(8,069)	1,526
Other- sundry debtors	55,024	(18,292)	36,732
Total Other Entities And Individuals	**72,669**	**(29,988)**	**42,681**
Central Government Bodies	21,242	-	21,242
Other Local Authorities	4,171	-	4,171
NHS Bodies	5	-	5
Public Corporations And Trading Funds	18	-	18
Total debtors	**98,105**	**(29,988)**	**68,117**
Adjust for Statutory debtors			
Local tax payers	8,050	(3,627)	4,423
Housing rents	9,595	(8,069)	1,526
Central Government Bodies	21,242	-	21,242
Total statutory debtors (not qualifying as loans and receivables under IFRS)	**38,887**	**(11,696)**	**27,191**
Debtors qualifying as loans and receivables	**59,218**	**(18,292)**	**40,926**

Liquidity risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets to cover day-to-day cash flow requirements, and whilst the Public Works Loans Board provides access to longer term funds, it also acts as lender of last resort to Councils. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods.

The **maturity analysis of financial assets** is as follows:

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Less than one year	134,439	105,320	130,655
Between one and two years	-	-	18,500
Between two and three years	-	-	-
More than three years	77,385	90,586	93,224
Total financial assets	**211,824**	**195,906**	**242,379**

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 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 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 monitoring the spread of longer-term investments provides stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity profile of the Council's debt portfolio is shown in the table over leaf:

Maturity Period	Actual31 March 2011 £`000	Actual31 March 2010 £`000	Actual31 March 2009 £`000
Less than 12 Months	5,088	36,647	17,016
1-2 years	52	219	8,593
2-5 years	10,000	10,052	15,271
5-10 years	13,000	3,000	38,450
10-15 years	25,000	20,000	15,000
15-20 years	34,000	49,000	54,000
20-25 years	20,000	10,000	-
25-30 years	5,000	15,000	25,000
30-35 years	15,000	15,000	15,000
35-40 years	24,853	24,800	24,800
40-45 years	101,000	81,053	21,000
45-50 years	80,950	90,950	110,500
50-55 years	10,000	10,000	30,052
55-60 years	-	-	-
60-65 years	-	-	-
65-70 years	20,000	20,000	-
Total debt	**363,943**	**385,721**	**374,682**

The above maturity debt analysis can be analysed further in accordance with the Council's approved minimum and maximum prudential indicators for maturity structure of borrowings:

Period	Approved Minimum Limit	Approved Maximum Limit	31 March 2011		31 March 2010		31 March 2009	
			£000		**£000**		**£000**	
<12 Months	0%	20%	5,088	1%	36,647	9%	17,016	5%
1-2 Years	0%	20%	52	0%	219	0%	8,593	2%
2-5 Years	0%	40%	10,000	3%	10,052	3%	15,271	4%
5-10 Years	0%	40%	13,000	4%	3,000	1%	38,450	10%
>10 Years	25%	100%	335,803	92%	335,803	87%	295,352	79%
Total			**363,943**	**100%**	**385,721**	**100%**	**374,682**	**100%**

The above table confirms that the Council's debt portfolio is well within the limits approved by the Council members.

Market risk

<u>Interest rate risk</u>

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

- Borrowing at variable rates- the interest rate expense charged to the Surplus or Deficit on the Provision of Services will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

At 31 March 2011, if 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	(1,688)
Increase in government grant receivable for financing costs	NIL
Impact on Surplus or Deficit on the Provision of Services	(1,688)
Share of overall impact debited to the HRA	211
Decrease in fair value of fixed rate investment assets	NIL
Impact on Other Comprehensive Income and Expenditure	NIL
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	61,127

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

The Council does not generally invest in equity shares but does have a shareholding to the value of £2.5m in the Bristol Port Company as at 31st March 2011. Whilst this holding is generally illiquid, the Council is exposed to losses arising from movements in prices of these shares.

As the shareholding has 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 classified as Loans and receivables at amortised cost.

Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Icelandic Bank Investments

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. 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 recovery of the outstanding deposits is currently being pursued through the Icelandic legal courts.

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.

The Current Situation

In March 2011 the Icelandic District Court ruled in favour of UK local authority creditors and awarded them “Priority creditor status” for both Glitnir and Landsbanki deposits. The losing parties in the Icelandic Supreme Court will now challenge the District Court ruling later in 2011.

Accounting Treatment

In light of the District Court ruling, the deposits held with Glitnir and Landsbanki have been revalued on a recovery basis of 100% and 95% respectively. The 2009/10 Statement of Accounts previously revalued these deposits on a 31% and 83% basis respectively due to the uncertainty surrounding the creditor status.

The table below summarises the 2010/11 accounting treatment.

Bank	Original Principal £000s	Valuation at 31 March 2010 £000s	Adjustment £000s	Valuation at 31 March 2011 £000s
Glitnir	5,000	1,286	3,613	4,899
Landsbanki	3,000	2,291	37	2,328
Total	**8,000**	**3,577**	**3,650**	**7,227**

Revaluation of the Icelandic deposits have 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 valuation in the above table reflects the availability of new information following the ruling made by the Icelandic District Court.

The revaluation assumes that the recovery of the Glitnir deposit will be made by January 2013 in one instalment, and the Landsbanki deposit will be recovered by December 2018 in a number of instalments. As timing of these investments is uncertain, and they could be returned to the Council in 2011/12, these investments have therefore been classified as short term investments.

The Council in the past has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund. The regulations expired on 31 March 2011 and the Council will use its reserves to absorb any losses incurred on the Icelandic deposits once the recovery process has completed.

49. Transition to IFRS

The following tables explain the material differences between UK GAAP and IFRS for the transition balance (1 April 2009) sheet and the comparative financial year (09/10):

Balance sheet	UK GAAP (IFRS format) 31-Mar-09 £'000	IFRS 31-Mar-09 £'000	Note	*Differences* *£'000*
Assets				
Property, plant and equipment	833,873	855,560	1	*21,687*
Council dwellings	1,063,903	1,062,869	2	*(1,034)*
Intangible assets	932	932		*0*
Investment property	187,047	183,654	3	*(3,393)*
Long-term investments	36,015	36,015		*0*
Long-term debtors	75,709	75,709		*0*
Long-term assets	**2,197,479**	**2,214,739**		***17,260***
Short-term investments	104,718	67,396	4	*(37,322)*
Inventories	1,095	1,095		*0*
Short-term debtors	70,918	70,918		*0*
Cash and cash equivalents	1,134	28,081	5	*26,947*
Assets held for sale	0	4,645	6	*4,645*
Current assets	**177,865**	**172,135**		***(5,730)***
Surplus assets (UK)	30,021	0	7	*(30,021)*
Total assets	**2,405,365**	**2,386,874**		*(18,491)*
Liabilities				
Bank overdraft	(10,375)	0	8	*10,375*
Short-term borrowing	(17,016)	(17,016)		*0*
Short-term creditors	(131,535)	(139,959)	9	*(8,424)*
Provisions	(2,180)	(2,180)		*0*
Capital grants received in advance		(8,805)	10	*(8,805)*
Current liabilities	**(161,106)**	**(167,960)**		***(6,854)***
Long-term borrowing	(357,666)	(357,666)		*0*
Provisions	(5,166)	(5,166)		*0*
Other long term liabilities	(793,184)	(665,403)	11	*127,781*
Capital grants received in advance	(2,130)	(12,095)	12	*(9,965)*
Long-term liabilities	**(1,158,146)**	**(1,040,330)**		***117,816***
Net assets	**1,086,113**	**1,178,584**		***92,471***
Equity				
Usable reserves				
Fund balances	54,429	54,429		*0*
Other reserves	99,401	86,343	13	*(13,058)*
Unusable reserves				
Capital adjustment account	1,262,931	1,424,041	14	*161,110*
Revaluation reserve	110,277	68,641	15	*(41,636)*
Pensions reserve	(440,142)	(440,142)		*0*
Fin instruments adj acc	(955)	(955)		*0*
Collection fund adj acc	172	172		*0*
Accumulated compensated absences reserve	0	(13,945)	16	*(13,945)*
Total reserves	**1,086,113**	**1,178,584**		**92,471**

Material differences

1. **Property plant and equipment (PP&E)**	***£ million***
- Under the Code there is a new classification "assets held for sale" which appears on the face of the balance sheet, this essentially replaces the UK heading "surplus assets held for disposal". Under IFRS, the criteria under which an asset can be classified as "held for sale" is much stricter than previously required under UK SORP. This has resulted in only £4.6 million being classified as held for sale, rather than £30 million under UK SORP. This was £3.6 million of assets reclassified from surplus and £1.0 million from council dwellings. The balance of UK surplus (£26.4 million) was reclassified to PP&E (£20.4 million), and investment property (£6.0 million).	*20.4*
- Changes to the carrying value of assets reclassified to PPE under IFRS. These are now held at fair value on an existing use basis.	*(1.4)*
- There is new specific qualification criteria that must be met, in order to qualify as an investment property under IFRS. Following a review of investment properties a number of properties were reclassified to operational properties (PP&E).	*12.0*
- Following the reclassification of investment properties detailed above, there were changes to the carrying values of £(8.0)million. These assets are now held at fair value on an existing use basis.	*(8.0)*
- The Council identified an embedded lease within its waste management contract with SITA. The relevant assets were brought "on balance sheet" together with an associated finance lease liability. The value of these assets at 31 March 2009 was £1.3million.	*1.3*
- A number of HRA operational assets were identified as investment property and were reclassified accordingly.	*(2.6)*
	21.7

2. **Council dwellings**	
- As disclosed in note 1, £1.0 million of council dwellings were reclassified to "assets held for sale".	*(1.0)*

3. **Investment property**	
- Reclassified from surplus assets UK (see note 1).	*6.0*
- Reclassified from investment to operational PP&E (see note 1).	*(12.0)*
- Reclassified from operational assets (see note 1).	*2.6*
	(3.4)

4. **Short-term investments**	
- Investments reclassified to "cash and cash equivalents" (see note 5).	*(37.3)*

5. Cash and cash equivalents	£ million
IFRS has introduced a new classification of "cash and cash equivalents". The Council includes investments maturing within 3 months within this category as well as any short term bank overdrafts which form part of Council's current cash management strategy.	
- Investments reclassified to cash and cash equivalents (as per note 4).	*37.3*
- The bank overdraft which forms part of the Council's current cash management strategy has also been included within "cash and cash equivalents".	*(10.4)*
	26.9

6. Assets held for sale

See note 1, under IFRS there is a new classification "assets held for sale" which appears on the face of the balance sheet, this essentially replaces the UK heading "surplus assets held for disposal". Under IFRS the criteria under which an asset can be classified as "held for sale" is much stricter than previously required under UK SORP. This has resulted in only £4.6 million of assets being classified as held for sale, rather than £30 million under the SORP.

- Reclassified from surplus assets.	*3.6*
- Reclassified from council dwellings.	*1.0*
	4.6

7. Surplus assets held for sale (UK)

- See note 1 above this amount is reclassified in its entirety.	*(30.0)*

8. Bank overdraft

- See note 5, under IFRS the bank overdraft is included as part of "cash and cash equivalents".	*10.4*

9. Short-term creditors

- Under the Code the Council is required to accrue for any short-term accumulating compensated absences such as holiday pay and flex days. The resulting accrual was £13.9 million.	*(13.9)*
- Under the Code, revenue grants received with "no repayment conditions" attaching to them, are recognised immediately in the income and expenditure and general fund (irrespective of whether the relevant expenditure has been incurred). At 31 March 2009, £3.1 million of revenue grants were identified within creditors with "no conditions" attaching to them. These grants were therefore recognised in the general fund and then a corresponding earmarked reserve was established, given that the grants remained unapplied. The general fund balance was therefore not affected.	*3.1*
- Under the Code, where capital grants are subject to "conditions" they should remain in creditors, but be classified as "Capital grants received in advance" (see note 12). The Council considers that it has reasonable assurance that this expenditure will be incurred given that the projects are on the capital programme.	*2.6*

	£ million
- See note 1, the Council identified an embedded lease within its waste management contract with SITA. The relevant assets have therefore been brought "on balance sheet" together with an associated finance lease liability. The liability due within one year was £0.2million.	*(0.2)*
	(8.4)

10. Capital grants received in advance (<1 year)

- See note 12 on capital grants. The balance on the capital grants account was adjusted according to timing i.e. < 1 year and > 1 year. BCC estimated that £8.8 million was due to be applied within one year.	*(8.8)*

11. Other long-term liabilities

- Under the Code capital grants are no longer deferred. The balance at 31 March 2009 was transferred to the Capital Adjustment Account.	*128.9*
- See note 1, the Council identified an embedded lease within its waste management contract with SITA. The relevant assets have therefore been brought "on balance sheet" together with an associated finance lease liability. The liability due within after one year was £1.1million.	*(1.1)*
	127.8

12. Capital grants received in advance (>1year)

Under the Code, capital grants received "where conditions" are present, are presented as "capital grants received in advance" and are shown as a separate category on the face of the balance sheet. The Council considers that it has reasonable assurance that this expenditure will be incurred given that the projects are on the capital programme.

- Reclassified from short-term creditors (see note 9).	*(2.6)*
- Reclassified grants (relating to sect 106 agreements) from "other reserves".	*(16.1)*
- See note 10, reclassify the balance due to be applied within one year.	*8.8*
	(9.9)

13. Other reserves

- See note 12, grants relating to sect 106 agreements were reclassified from "other reserves" to "capital grants received in advance".	*(16.1)*
- See note 9, revenue grants with "no conditions" of £3.1 million were recognised in the general fund. A corresponding transfer to earmarked reserves was therefore recognised given that the grants were unapplied.	*3.1*
	(13.0)

14. Capital adjustment account ("CAA")	***£ million***

- See note 11, the balance of deferred grants was transferred to CAA .	*128.9*
- Under the Code, the revaluation reserve for all investment properties was derecognised against the CAA on the transition date to IFRS. Future changes in fair values for investment properties are recognised in the Statement of Comprehensive Income and Expenditure.	*37.8*
- Adjustments to the carrying value identified under note 1, where there was no balance on the revaluation reserve.	*(5.6)*
	161.1

15. Revaluation reserve

- See note 14, the revaluation reserve for all investment properties was derecognised against the CAA.	*(37.8)*
- Adjustments to the carrying value identified under note 1, where balances existed on the revaluation reserve.	*(3.8)*
	(41.6)

16. Accumulated compensated absences reserve

- See note 9, Under the Code the Council is required to accrue for any short-term accumulating compensated absences such as holiday pay and flex days. The resulting accrual was £13.9 million. The Government has issued regulations that allow local authorities to fund these amounts when paid rather than when accrued and therefore the accrual is held as part of reserves.	*(13.9)*

Balance Sheet as at 31 March 2010

	UK GAAP (IFRS format) 31-Mar-10 £'000	IFRS 31-Mar-10 £'000	Note	*Differences* *£'000*
Assets				
Property, plant and equipment	953,493	977,634	1	*24,141*
Council dwellings	1,055,664	1,055,577		*(87)*
Intangible assets	588	588		*0*
Investment property	182,435	179,328	2	*(3,107)*
Long-term investments	17,502	17,502		*0*
Long-term debtors	73,084	73,084		*0*
Long-term assets	**2,282,766**	**2,303,713**		***20,947***
Short-term investments	78,956	51,995	3	*(26,961)*
Inventories	1,066	1,066		*0*
Short-term debtors	91,583	91,583		*0*
Cash and cash equivalents	1,333	15,011	4	*13,678*
Assets held for sale	0	480	5	*480*
Current assets	**172,938**	**160,135**		***(12,803)***
Surplus assets (UK)	29,239	0	6	*(29,239)*
Total assets	**2,484,943**	**2,463,848**		*(21,095)*
Liabilities				
Bank overdraft	(13,283)	0	7	*13,283*
Short-term borrowing	(36,647)	(36,647)		*0*
Short-term creditors	(129,786)	(139,107)	8	*(9,321)*
Provisions	(3,531)	(3,531)		*0*
Capital grants received in advance		(7,733)	9	*(7,733)*
Current liabilities	**(183,247)**	**(187,018)**		***(3,771)***
Long-term borrowing	(349,074)	(349,074)		*0*
Provisions	(3,967)	(3,967)		*0*
Other long term liabilities	(1,024,940)	(835,979)	10	*188,961*
Capital grants received in advance		(11,512)	11	*(11,512)*
Long-term liabilities	**(1,377,981)**	**(1,200,532)**		***177,449***
Net assets	**923,715**	**1,076,298**		***152,583***
Equity				
Usable reserves				
Fund balances	45,470	45,470		*0*
Other reserves	113,223	100,514	12	*(12,709)*
Unusable reserves				
Capital adjustment account	1,181,902	1,415,480	13	*233,578*
Revaluation reserve	216,327	163,697	14	*(52,630)*
Pensions reserve	(611,666)	(611,666)		*0*
Fin instruments adj acc	(19,755)	(19,755)		*0*
Collection fund adj acc	(1,786)	(1,786)		*0*
Accumulated compensated absences reserve	0	(15,656)	15	*(15,656)*
Total reserves	**923,715**	**1,076,298**		***152,583***

Material differences

1. Property plant and equipment (PP&E)	***£ million***
As described previously for the 31 March 2009 balance sheet, under the Code there is a new classification "assets held for sale" which appears on the face of the balance sheet, this essentially replaces the UK heading "surplus assets held for disposal". There is also new specific qualification criteria that must be met, in order to qualify as investment property under IFRS. Following the detailed review of these assets at 1 April 2009 (the transition date), a number of reclassifications were made and the impact of these will flow through to the position at 31 March 2010 (including the 2009/10 movements where appropriate). The net adjustments compared to UK GAAP were as follows:	
- Net increase in general fund assets	*17.9*
- Net increase in HRA assets	*5.2*
- The Council identified an embedded lease within its waste management contract with SITA. The relevant assets have therefore been brought on balance sheet together with an associated finance lease liability. The value of these assets at 31 March 2010 was £1.0million.	*1*
	24.1
2. Investment property	
- Net adjustment in investment property following adjustments identified under note 1 above.	*(3.1)*
3. Short-term investments	
- Investments reclassified to "cash and cash equivalents" (see note 4) were £26.9 million.	*(26.9)*
4. Cash and cash equivalents	
IFRS Code has introduced a new classification of "cash and cash equivalents". The Council includes investments maturing within 3 months within this category as well as any short term bank overdrafts which form part of Council's current cash management strategy.	
- Investments reclassified to cash and cash equivalents (as per note 4).	*26.9*
- The bank overdraft which forms part of the Councils current cash management strategy has also been included within "cash and cash equivalents".	*(13.3)*
	13.6
5. Assets held for sale	***£ million***

See note 1, under the Code there is a new classification "assets held for sale" which appears on the face of the balance sheet, this essentially replaces the UK heading "surplus assets held for disposal". Under IFRS Code, the criteria under which an asset can be classified as "held for sale" is much stricter than previous UK SORP. At 31 March 2010 only £0.5 million of assets were classified as held for sale.	*0.5*

6. Surplus assets held for sale UK

- See note 1 above, this amount is reclassified in its entirety.	*(29.2)*

7. Bank overdraft

- See note 4, under the Code the bank overdraft is included as part of "cash and cash equivalents".	*13.3*

8. Short-term creditors

- Under the Code the Council is required to accrue for any short-term accumulating compensated absences such as holiday pay and flex days. The resulting accrual at 31 March 2010 was £15.7 million.	*(15.7)*
- Under the Code revenue grants (with no repayment conditions attaching to them) are recognised immediately in the income and expenditure account and general fund, irrespective of whether the relevant expenditure has been incurred. At 31 March 2010, £2.7 million of revenue grants were identified in creditors with "no conditions" attaching to them. This amount was therefore recognised in the general fund. An earmarked reserve was subsequently established for the equivalent amount (see note 8), given that the grants were unapplied at the balance sheet date.	*2.7*
- Under the Code, capital grants subject to "conditions" are classified as "capital grants received in advance" (see note 11), where the Council has reasonable assurance that the conditions will be met.	*3.9*
- The Council identified an embedded lease within its waste management contract with SITA. The relevant assets were therefore brought "on balance sheet" together with the associated finance lease liability. The value of the liability falling due within one year was £0.2 million.	*(0.2)*
	(9.3)

9. Capital grants received in advance < 1 year

- See note 11 capital grants. The balance on the capital grants account is split according to timing i.e. < 1 year and > 1 year. BCC identified an estimated £7.7 million due to be applied within one year.	*(7.7)*

10. Other long-term liabilities	***£ million***

- Under the Code capital grants are no longer deferred. The balance at 31 March 2010 is derecognised against the CAA. Part of this adjustment was reflected in adjustments recorded at 1 April 2009 (£128.9million), the remainder of £60.9million (net adjustments) is shown as 09/10 IFRS adjustments and reverses the "in year" UK treatment of grants amortised and new grants received. This balance is then reversed out of the general fund to the CAA.	*189.9*
- The Council identified an embedded lease within its waste management contract with SITA. The relevant assets were therefore brought "on balance sheet" together with the associated finance lease liability. The value of the liability falling due after one year was £0.9 million.	*(0.9)*
	189.0

11. Capital grants received in advance > 1 year

Under the Code "capital grants received in advance" are shown as a separate category on the face of the balance sheet.

- Reclassified grants (relating to sect 106 agreements) from "other reserves" (see note 12).	*(15.3)*
- Reclassified capital grants held within creditors (see note 8).	*(3.9)*
- See note 9, reclassified to capital grants due within 1 year.	*7.7*
	(11.5)

12. Other reserves

- See note 11, grants (relating to sect 106 agreements) were reclassified from "other reserves" to "capital grants received in advance".	*(15.3)*
- See note 8, an earmarked reserve was established for unapplied revenue grants.	*2.6*
	(12.7)

13. Capital adjustment account ("CAA")

- Adjustments recorded at 1 April 2009	*161.1*
- See note 10 above, this results in a net adjustment to CAA of £60.9 million	*60.9*
- 09/10 adjustments primarily relating to changes in the value of investment property. This is ultimately charged to CAA under IFRS Code, whereas under UK SORP this was recognised within the revaluation reserve.	*11.5*
	233.5

14. Revaluation reserve	***£ million***
- Adjustments recorded at 1 April 2009	*(41.6)*
- 09/10 adjustments relating to changes in the value of investment property. This is ultimately charged to CAA under IFRS Code, whereas under UK SORP this was recognised within the revaluation reserve.	*(11.5)*
- Other valuation adjustments.	*0.5*
	(52.6)

15. Accumulated compensated absences reserve

- See note 7, Under the Code the Council is required to accrue for any short-term accumulating compensated absences such as holiday pay and flex days. The resulting accrual at 31 March 2010 was £15.7 million. The Government has issued regulations that allow local authorities to fund these amounts when paid rather than when accrued and therefore the accrual is held as part of reserves.	*(15.7)*

Comprehensive Income and Expenditure Statement 10/11

The Comprehensive Income and Expenditure Statement provided under the CODE essentially represents a combination of the Income and Expenditure Account, and the Statement of Total Recognised Gains and Losses provided under the previous SORP. The statements have been compared below using summary information:

UK GAAP **Income and Expenditure Account**		**IFRS** **Comprehensive Income and Expenditure Statement**		***Note***	***Difference***
2009/10	**£'000**	**2009/10**	**£'000**		***£'000***
NET COST OF SERVICES	**427,166**	**Cost of services**	**475,834**	**1**	*48,668*
Net loss/(gain) on disposal of fixed assets	84	Other operating expenditure *	2,329		
Precepts and levies	1,064				
Interest payable and similar charges	42,408	Financing and investment income and expenditure *	63,413		
Premium on early repayment of debt	15,735	Surplus/deficit of discontinued operations	0		
Contribution of housing receipts to Government Pool	2,109	Taxation and non-specific grant income *	(459,437)		
Interest and investment income	(12,985)				
Pensions interest cost and expected return on pension assets	37,996				
NET OPERATING EXPENDITURE	**513,577**				
Income from council tax	(172,821)				
General government grants	(30,935)				
Area based grants	(24,263)				
Non domestic rates redistribution	(132,312)				
Deficit for the year	**153,246**	**Deficit on provision of services**	**82,139**	**2**	*(71,107)*
Statement of Total recognised Gains and Losses					
Deficit for the year in the Income and Expenditure Account	153,246				
Loss/(gain) arising from the revaluation of fixed assets	(142,902)	Surplus or deficit on revaluation of fixed assets	(131,908)	**3**	*10,994*
Actuarial (gains)/losses on pension fund assets and liabilities	152,564	Actuarial gains/losses on pension assets/liabilities	152,564		*0*
Movement in other funds and balances	(510)	Movements in other funds and balances	(510)		*0*
		Other comprehensive income and expenditure (sub tot)	20,146		
Total recognised (gains)/losses for the year	**162,398**	**Total Comprehensive Income and Expenditure**	**102,285**	**4**	*(60,113)*

Notes

* Under the CODE many of the UK headings are aggregated to single line descriptions. Detailed analysis of these items are shown within the main body of these financial statements, see notes 9, 10 & 11. The IFRS adjustments relating to these categories are shown in note 2.

Material differences

1. Cost of services	***£'million***
- Net income from investment properties now shown within "financing and investment income and expenditure" rather than the cost of services.	9.3
- Increase in the accumulated compensating absences reserve at 31 March 2010.	1.7
- Adjustment relating to the recognition revenue grants.	0.4
- Adjustment relating to the recognition of deferred capital grants (i.e. reverses grants amortised in year).	38.1
- Adjustment re section 106 deposits.	(0.8)
	48.7
2. Deficit on provision of services	
- B/fwd from cost of services.	48.7
- Net income from investment properties now shown within "financing and investment income and expenditure" rather than the cost of services.	(9.3)
- Fair value movements from investment properties now recognised within "financing and investment income and expenditure".	(10.4)
- Capital grants applied in year are recognised in full under IFRS rather than deferred.	(99.1)
- Adjustment to profit on disposal of fixed assets in accordance with new IFRS rules on "assets held for sale".	(1.0)
	(71.1)
3. Total Comprehensive Income and Expenditure	
- B/fwd difference from provision of services.	(71.1)
- Fair value movements from investment properties now recognised within financing and investment income.	10.4
- Adjustments to revaluation of fixed assets.	0.6
	(60.1)

The majority of the adjustments detailed above relate to capital items and therefore, in accordance with statutory regulations, they do not impact the General Fund balance. Similarly the adjustment in respect of revenue grants does not impact the general fund balance, as an equivalent amount was transferred to earmarked reserves, given that the grants were unapplied at 31 March 2010.

HRA INCOME AND EXPENDTURE STATEMENT

The HRA reflects a statutory obligation to account separately for council housing provision. The HRA Income and Expenditure Statement shows the major elements of HRA expenditure and how they are met from rents, subsidy and other income. The account does not reflect all of the transactions required by statute to be charged or credited to the HRA for the year. The movement on the HRA Statement gives details of the additional transactions which are required by statute.

31.3.10 Net £'000		Note	31.3.11 Net £'000
	Expenditure		
(26,207)	Repairs and maintenance		(26,948)
(25,956)	Supervision and management		(23,712)
(422)	Rent, rates, taxes and other charges		(236)
(4,673)	HRA negative subsidy payable*	3	(4,419)
(74,521)	Depreciation and impairment of non current assets	4	(293,307)
(72)	Debt management		(95)
(495)	Debt write offs and movement in the allowance for bad debts		(521)
(132,346)	**Total expenditure**		(349,238)
	Income		
85,599	Dwelling rents	2	87,463
1,285	Non-dwelling rents		1,056
7,490	Charges for services and facilities		6,245
1,269	Contributions towards expenditure		2,095
95,643	**Total income**		96,859
(36,703)	**Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement.**		(252,379)
(36,703)	**Net cost of HRA services**		(252,379)
2,415	(Gain)/loss on sale of HRA non current assets		885
(9,490)	Interest payable and similar charges		(7,196)
1,217	HRA interest and investment income		239
(1,709)	Pensions interest costs and expected return on assets		(917)
-	Other capital grants and contributions		779
44,270	**Deficit for the year on HRA services**		(258,589)

* Net of Major repairs allowance (£19.549m), which is treated as non-specific grant income in the Comprehensive Income and Expenditure Statement on page 16.

STATEMENT OF MOVEMENT ON THE HRA BALANCE

31.3.10 Net £'000		Note	31.3.11 Net £'000
30,515	HRA balance brought forward		25,896
(44,270)	Surplus/(deficit) for the year on the HRA Income and Expenditure Account		(258,589)
39,651	Adjustments between accounting basis and funding basis under statute.	7	257,959
(4,619)	Increase/(decrease) before reserve transfers		(630)
-	Transfer from reserves		44
(4,619)	Net increase/(decrease) on HRA balance		(586)
25,896	HRA balance carried forward	11	25,310

NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

31.3.10 Net £'000		Note	31.3.11 Net £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
144	Amortisation of intangible fixed assets		147
74,378	Depreciation and impairment of fixed assets		293,160
8	Accumulated compensating absences reserve		-
(899)	Fair value movements on investment properties		-
3,682	Net charges made for retirement benefits in accordance with FRS17	5	2,263
-	Other capital receipts net of allowable deductions		(89)
-	Capital grants and other contributions		(779)
(2,415)	Net (gain)/loss on disposal of assets		(885)
74,898			293,817
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
(11,885)	Capital expenditure funded by the HRA	6	(13,177)
(3,489)	Employer's contributions payable to the Avon Pension Fund and retirement benefits payable direct to pensioners	5	(1,482)
5,571	Transfer to Major Repairs Reserve	7	7,455
(24,840)	HRA depreciation to Major Repairs reserve	7	(27,004)
(603)	Amortisation of premiums		(1,650)
(35,246)			(35,858)
39,652	**Net additional amount required by statute to be debited or credited to the HRA Balance for the year**		257,959

NOTES TO THE HOUSING REVENUE ACCOUNT

1. **Dwellings numbers as at 31 March 2011**

		31.3.11	31.3.10
Houses			
1 Bedroom	8		23
2 Bedrooms	2,190		2,428
3 Bedrooms	9,621		9,614
4 or more Bedrooms	410		399
Total Houses		12,229	
Bungalows			
1 Bedroom	352		356
2 Bedrooms	658		409
3 Bedrooms	26		26
Total Bungalows		1,036	
Flats			
1 Bedroom	6,586		6,633
2 Bedrooms	7,792		7,840
3 Bedrooms	450		465
4 or more Bedrooms	20		26
Total Flats		14,848	
Hostels (dwelling equivalent)		7	7
Total dwellings held at 31 March 2011		**28,120**	**28,226**

2. **Rent and Rent Arrears**

The total value of dwelling rents in 2010/11, gross of voids, is £87.5m (£85.6m in 2009/10). The amount of rent arrears including recoverable housing benefit, water charges, defect charges, etc, total £9.6m (£11m in 2009/10).

As at 31 March	**2011**	**2010**
	£000	**£000**
Former tenants	4,470	5,412
Current tenants	5,125	5,558
	9,595	**10,970**
Balance sheet provision		
Former tenants	4,470	5,412
Current tenants	3,599	3,955
	8,069	**9,367**

3. **Subsidy**

	2010/11 £000	2009/10 £000
Management and maintenance	52,914	51,320
Capital financing	9,694	10,810
Rents	(87,802)	(85,386)
Housing subsidy – adjustment re previous years	1,242	(652)
Interest on receipts	(16)	(33)
Housing subsidy	(23,968)	(23,941)
Major repairs allowance	19,549	19,268
Total HRA subsidy	**(4,419)**	**(4,673)**

4. **Depreciation and impairment**

	2010/11 £000	2009/10 £000
Depreciation		
Operational - Dwellings	26,576	24,603
- Other, including leased	428	236
	27,004	**24,839**
- Intangible fixed assets	147	144
Total depreciation	**27,151**	**24,983**
Impairment	**266,156**	**49,538**
Total depreciation and impairment	**293,307**	**74,521**

Impairment

Total impairment for HRA assets amounts to £266.2m (£49.6m in 2009/10). The majority of Impairment relates to dwellings and is mostly attributable to an increase in the adjustment factor applied to social housing in the South West, as recommended by the stock valuation guidance published by the Department for Communities and Local Government. The remainder relates to capital expenditure in the year, which has been impaired post revaluation of HRA assets.

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

For 2010/11, 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 £781k (£193k transfer to the reserve in 2009/10) 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.

6. **<u>Capital Expenditure and financing</u>**

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

Expenditure	**2010/11**	**2009/10**
	£'000	**£'000**
Dwellings	38,927	42,247
Other Property	286	610
	39,213	**42,857**

Financing	**2010/11**	**2009/10**
	£'000	**£'000**
Loans	4,000	4,000
Usable capital receipts	1,708	7,491
Revenue contributions to capital	13,177	11,885
Major Repairs Reserve	19,549	19,268
Capital grants	388	213
Other	391	-
	39,213	**42,857**

<u>Capital Receipts</u>

Capital receipts received during the year from disposals of land, houses and other property within the HRA was £5.5m. The receipts are summarised as follows:

	2010/11	**2009/10**
	£'000	**£'000**
Receipts unapplied brought forward - 1 April	2,151	1,676
Right to buy sales	2,857	2,829
Mortgage repayments	86	120
Repayment of right to buy discount	88	60
Disposal of land and property	2,676	9,311
	7,858	**13,996**
Allowable reductions	(85)	(196)
Repaid to CLG	(2,214)	(2,109)
Capital receipts applied	(1,708)	(7,491)
Receipts used to finance to general fund capital	(2,349)	(2,049)
Capital receipts unapplied carried forward - 31 March	**1,502**	**2,151**

7. **Major Repairs Reserve**

	2010/11	2009/10
	£'000	£'000
Balance brought forward - 1 April	-	-
Capital expenditure (dwellings)	19,549	19,268
Depreciation on HRA assets	(27,004)	(24,840)
Excess depreciation credited to Statement of Movement on HRA Balance	7,455	5,572
Balance carried forward - 31 March	-	-

Depreciation has been calculated in accordance the accounting policies for HRA assets. The Authority has used the proposed Major Repairs Allowances (MRA) for self financing as a proxy for depreciation, which is considered appropriate under component accounting. Dwellings depreciation is in excess of the MRA for 2010/11 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 the tenants' rents.

The MRA was £19.55m for 2010/11 (2009/10 - £19.27m). 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.

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

	31 March 2011	31 March 2010
	£'000	£'000
Dwellings	800,092	1,055,578
Land	4,370	3,699
Other assets	21,121	23,416
	825,583	1,082,693

9. **Asset Split**

	31 March 2011	31 March 2010
	£'000	£'000
Operational - dwellings	800,092	1,055,578
Operational – other land and buildings	21,158	16,173
Non-operational	4,333	10,942
	825,583	1,082,693

10. **Vacant possession value of dwellings**

The vacant possession value of dwellings as at 1st April 2010 was £2.576bn. The value of dwellings in the balance sheet (excluding dwellings leased to Registered Social Landlords) was £0.800bn, a difference of £1.776bn. This difference reflects the economic cost of providing council housing at less than market rent.

11. 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 2011	31March 2010
	£'000	**£'000**
Reserves		
HRA Balance	25,310	25,896
Other reserves		
Inclement Weather Reserve	500	500
IT Renewals	-	251
Furniture Packs	360	336
Rent deposits	-	48
Energy efficiency	455	288
	64	-
Sub-total other reserves	1,379	1,423
Total reserves	**26,689**	**27,319**
Provisions		
Housing Subsidy Balance	-	616
Rent Deposits	71	-
	71	**616**

THE COLLECTION FUND - INCOME AND EXPENDITURE ACCOUNT

	Note	£'000	£'000	2010/11 £'000	2009/10 £'000
INCOME					
Council Tax	2			210,782	203,718
Non-Domestic Rates	3			175,255	173,163
				386,037	376,881
EXPENDITURE					
Precepts and demands					
- Bristol City Council		179,389			174,350
- Avon and Somerset Police Authority		22,512			21,419
- Avon Fire Authority		8,090			7,787
			209,991		203,556
Non Domestic Rates	3				
- Payment to National Pool		174,539			172,451
- Costs of Collection Allowance		716			712
			175,255		173,163
Contributions					
- Towards previous year's Collection Fund (deficit) / surplus	4		(1,200)		500
Bad and doubtful debts - Council Tax					
- Write offs		1,870			1,766
- Provision		113			184
			1,983		1,950
				386,029	379,169
Surplus/(Deficit) for the year				8	(2,288)
Surplus/(Deficit) as at 1 April 2010				(2,088)	200
Surplus/(Deficit) as at 31 March 2011				(2,080)	(2,088)

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. 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 133,977 for 2010/11 (132,818 for 2009/10). 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 £1,567.36 for 2010/11 (£1,532.59 for 2009/10) is multiplied by the proportion specified for the particular band to give an individual amount due.

The income of £210.782m for 2010/11 (£203.718m for 2009/10) is receivable from the following sources:

	2010/11	**2009/10**
	£'000	**£'000**
Billed to Council Tax payers	172,571	166,433
Council Tax benefits	38,214	37,286
Transitional relief	(3)	(1)
Total Council Tax income	210,782	203,718

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 2010/11 Council Tax:

BANDS

	A Entitled to disabled relief	A	B	C	D	E	F	G	H	TOTAL
No of properties		45,833	69,185	36,466	16,641	9,166	4,645	2,798	330	185,064
Exemptions & Disabled relief	49	(1,691)	(2,199)	(1,758)	(1,294)	(1,034)	(221)	(54)	(56)	(8,258)
Less Discounts	(4)	(6,685)	(6,503)	(2,919)	(1,193)	(532)	(236)	(132)	(21)	(18,225)
Total equivalent Dwellings	45	37,457	60,483	31,789	14,154	7,600	4,188	2,612	253	158,581
Ratio	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
Band D equivalents	25	24,971	47,043	28,257	14,154	9,289	6,049	4,353	506	134,647

Add changes re:	Additional properties	800
	Reduction in discounts on second homes	570
Rate of Collection 98.5%		(2,040)
Council Tax Base		**133,977**

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 2008 and the new revaluations came into effect on 1 April 2010.

Each year the Government specifies an amount known as the non-domestic rating multiplier and, subject to the effects of transition 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 2010/11 the non-domestic rating multiplier was 41.4p (48.5p in 2009/10) and the small business non-domestic rating multiplier was 40.7p (48.1p in 2009/10).

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 £175.255m for 2010/11 (£173.163m for 2009/10) was based on an average rateable value for the City Council's area of £480.365m for the year. The total rateable value at 31 March 2011 was £530.738m (£429.992m at 31 March 2010),the increase being primarily due to the revaluation.

4 **Collection Fund surpluses/(deficits)**

In accordance with regulations, Collection Fund surpluses/deficits are distributed to/collected from 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/deficits are as follows:

	2010/11	**2009/10**
	£'000	**£'000**
Bristol City Council	(1,028)	429
Avon & Somerset Police	(126)	52
Avon Fire Authority	(46)	19
	(1,200)	**500**

In January 2011, the Council estimated that there would be a deficit on the Fund for 2010/11 of £1.7m to be recovered in 2011/12. The difference between this estimate and the actual deficit recorded in these accounts will be distributed amongst the Council and the precepting bodies in 2012/13.

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).
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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.

CASH AND CASH EQUIVALENTS

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

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.
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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.

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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